

Pefaco International p.l.c.

Annual Report & Consolidated  
Financial Statements

31 December 2014

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## Chairman's statement

Pefaco International p.l.c ("Pefaco" or "the company") was continued in Malta on 23 June 2014 following its redomiciliation from Abidjan-Plateau where it operated as Pefaco West Africa SA. (PWA). Pefaco operates in Benin, Burkina Faso, Ivory Coast, Niger and Togo through its different subsidiaries incorporated in those countries.

The year under review was characterised by a number of important events starting with the challenges that the redomiciliation to Malta brought about. This move required management to familiarise itself with the legal, regulatory and financial reporting environment in Malta which process was successfully concluded by the end of the year under review.

Another important milestone was the admission on 25 July 2014 to the Official List of the Malta Stock Exchange of the company's entire share capital consisting of 20,336,719 Ordinary Shares of € 1.50 each. This was followed by an Intermediaries Offer made on 16 July 2014 through which the company was planning to issue and additional 6,850,000 Ordinary Shares. This offer was withdrawn on 30 December 2014 following the appointment of two new global arrangers. The company intends to issue a new Intermediaries Offer within the next months, and negotiations on this matter are at an advanced stage.

On the business front the group generated total revenues of € 42.43 million compared to € 40.43 million in 2013. The group saw an increase of € 2.45 million in expenditure mainly as a result of higher gaming taxes, depreciation and amortisation charges, payroll costs and other administrative expenses.

After taking into account net finance costs of € 0.73 million, the group reported a profit before tax of € 1.11 million compared to € 1.47 million in the previous year.

2014 has been a year of mixed results, while registering excellent growth in some countries such as Benin, others registered surprising decreases in revenue such as Togo. Social unrest in Burkina Faso also affected the revenues in that country while a generally improving economic environment in Ivory Coast and Benin gives us a positive outlook on the future.

In the course of 2014 management of the Company has concentrated its efforts in consolidating existing operations and raising funds in the form of a capital increase and a bond issue to fund new developments in other West African Countries. At the date of this report, fund raising has yet to be completed.

At balance sheet date, the group had 5,113 machines in operation, 632 gaming spaces or POS (Points of Sale) comprising 98 halls, 183 mini-halls and 351 bars. The consolidated EBITDA for the group before management fees to the parent company decreased by 8% to € 14.51 million. This decrease in EBITDA reflects primarily the inclusion of operating expenses that were previously paid by the parent Company Grupo Pefaco S.L.

### **Benin**

The operation in Benin has registered an important growth in Gross Gaming Revenue (GGR) of 13% thanks to an improving economic environment in the country and a general recovery of the country. The EBITDA before management fees of this subsidiary is € 3,147 million, an increase of 13% compared with the previous year.

The Benin subsidiary also concluded negotiations with the National Lottery to agree upon donations equivalent to 1.5% of GGR to local non-profit organisations.

### **Burkina Faso**

Burkina Faso suffered from social unrest following the political turmoil during October 2014 which led to that country's president resignation on 31 October. At the peak of this local turmoil, the gaming venues were closed for three days. Operations were also adversely affected by a curfew imposed in all major cities. At the date of this report, the country's political situation is stabilising and is expected to come back to normal after the elections scheduled for November 2015. New gaming legislation was passed in August 2014 which should permit the Group to open halls in new cities and consolidate our leading position across the country. In the face of these challenges the Burkina subsidiary recorded a 6% increase in revenues thanks to a very successful first half of the year, resulting in an EBITDA before management fees of € 7.097 million, a decrease of 9% compared with 2013.

### **Ivory Coast**

Since the summer 2014, in the absence of positive results in this territory, the local managing director was replaced and steps were taken to restructure its operation with the view of achieving a target monthly GGR of circa € 1 million by the end of May 2015. Numerous gaming outlets with low or marginal earnings were closed and gaming operations were concentrated in larger gaming halls. These measures, along with a restructuring of the local operation resulted in a 10% reduction of the work force as well as other cost savings. GGR of the Ivory Coast subsidiary totaled € 9.101 million, an increase of 6% compared with 2013. At € 2.097 million the resulting EBITDA improved by 7% thanks to the restructuring of the subsidiary's management and operations.

### **Niger**

The Managing Director in Niger was replaced in the course of 2014 which resulted in a number of restructuring measures. Gaming halls in the country are concentrated essentially in the country capital of Niamey due to ongoing security concerns. Niger recorded a GGR of € 3.311 million in 2014, an 11% increase over the previous year. The end-of-year EBITDA for 2014 before management fees was € 0.663 million.

### **Togo**

The Group's efforts to attract an Asian clientele finally paid off towards the end of 2014. As a result the Chinese clientele have now overtaken the Lebanese in our VIP hall in Lomé "Taba" in terms of the volume of business which they generate in Togo. This subsidiary suffered a decrease in GGR of 9% due to the locally weakened economic environment as is typical in the year leading to presidential elections, which in the case of this country was held in April 2015.

### **Other developments**

#### **Rwanda**

A 100% subsidiary of Pefaco International p.l.c. called 'Ludic East Africa' was created and registered in Rwanda on 31 December 2013. A provisional gaming license was obtained in April 2014. This company has had no activity in the course of 2014 and the first gaming hall is expected to open and start operations in Kigali in May 2015. We expect the unconditional gaming license to be granted two months after the opening of the first gaming hall.

### **Senegal**

An MOU has been signed for the acquisition of a group that is already active in gaming operations in Dakar. The acquisition is expected to be completed by mid-2015 and in the course of this year, this acquisition is estimated to contribute € 5.2 million to the Group's GGR and € 2.2 million to the Group's EBITDA. As a result of this acquisition, the Group will benefit from new licenses and a different but complementary gaming expertise.

### **Nigeria**

A specialist Pefaco team was dispatched to Nigeria in order to confirm and consolidate development prospects in this country. The work undertaken by this team was primarily focused on understanding the legal framework, the competitive environment and outsourcing options, in anticipation of operating in this country which is considered as a major economic powerhouse of the African continent

The results achieved by the Group in 2014, whilst not meeting all the targets set for specific territories must be seen in the context of unplanned and challenging events that manifested themselves in the course of 2014. The Ebola epidemic, whilst not prevalent in the territories where the Group operates, undoubtedly impacted adversely on the growth targets that had been set for certain markets. Furthermore, in certain counties, the political instability typically resulting in anticipation of national elections dampened economic activity including average spend on gaming and other leisure activities. Prospects for improvement in Group results in 2015 compared with 2014 are good, taking into consideration plans for the launch of operations in Nigeria, the completion of the acquisition of an active gaming group in Senegal and consolidation of our restructuring efforts in Niger and the Ivory Coast. The Ebola epidemic is now under control and the anticipated smooth national election processes in a number of African countries should contribute to an increase in political and economic stability from which the Group's gaming operations can only benefit.



**Michael Grech**  
Chairman

29 April 2015

## **Directors' report**

The directors present their report of Pefaco International p.l.c. (the "Company") and the Group of which it is the parent for the year ended 31 December 2014.

### **Directors**

The following have served as first directors of the Company since its redomiciliation to Malta on 23 June 2014 till the end of the year:

Michael Grech – Chairman  
Francis Jérôme Perez – Chief Executive Officer  
Olivier Alfred Cauro  
René Le Henry  
Benjamin Muscat  
Pierre-Michel Pons

In accordance with the Company's Articles of Association, the present directors remain in office.

### **Principal activities**

The principal activity of the Company and Group is to operate Amusement with Prize (AWP) or Slot machines in gaming halls and bars in West Africa.

### **Review of the business development**

During the year under review, the Company registered a loss of € 59,000. The Company's financial position as at 31 December 2014 is set out on pages 15 and 16 of the financial statements.

The Chairman's report details the development in the business of the Group including those that are expected to materialise after the date of this report.

### **Going concern**

As required by Listing Rule 5.62 issued by the Listing Authority, upon due consideration of the Company's state of affairs, capital adequacy and solvency, the directors confirm the Company's ability to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis.

### **Post-reporting date events**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

### **Disclosure of information to the auditor**

At the date of making this report, the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

### **Statement of directors' responsibilities**

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.


The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditor**

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution for its re-appointment will be proposed at the Annual General Meeting

By order of the board

  
**Michael Grech**  
Chairman

  
**Olivier Alfred Cauro**  
Director

Registered office:

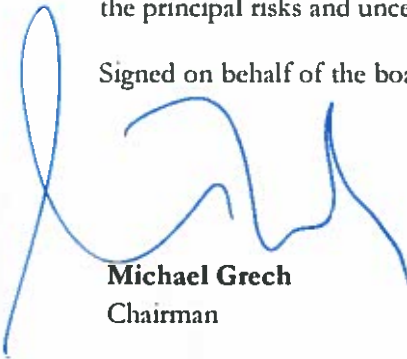
Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

29 April 2015

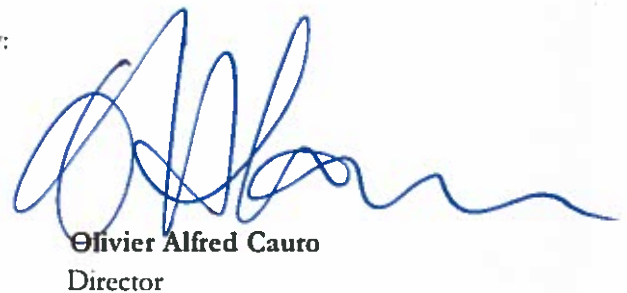
## Statement by the directors on the financial statements and other information included in the annual report

Pursuant to Listing Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board of directors on 29 April 2015 by:



**Michael Grech**  
Chairman



**Olivier Alfred Cauro**  
Director



## Directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditor.

The board of directors (the "directors" or the "board") of Pefaco International p.l.c. ("Pefaco" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

### COMPLIANCE WITH THE CODE

#### Principles 1 and 4: The board

The board of directors is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the Company in pursuing its investment strategies.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

#### Principle 2: Chairman and chief executive

The roles of Chairman and Chief Executive Officer are carried out by Michael Grech and Francis Jérôme Perez.

#### Principle 3: Composition of the board

The board of directors consists of three executive directors and three non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute half of the board and their main functions are to monitor the operations of the executive directors and their performance as well as to analyse any investment opportunities that are proposed by the executive directors. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest.

Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

The board is made up as follows:

*Executive directors*

Francis Jérôme Perez  
Olivier Alfred Cauro  
Pierre- Michel Pons

*Non-executive directors*

Michael Grech  
Benjamin Muscat  
René Le Henry

All the above directors were appointed on 23 June 2014 being the date the company was redomiciled to Malta.

Dr Rachael Bonello LL.D acts as secretary to the board of directors.

**Principle 5: Board meetings**

The board met 4 times during the period under review. The number of board meetings attended by directors for the period under review is as follows:

Michael Grech – Chairman	4
Francis Jérôme Perez – Chief Executive Officer	4
Olivier Alfred Cauro	4
René Le Henry	4
Benjamin Muscat	4
Pierre-Michel Pons	4

**Principle 6: Information and professional development**

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

**Principle 8: Committees**

**Audit committee**

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditor.

During the year under review the committee met once, and three times to date in 2015. The external auditors were invited to attend these meetings.

Benjamin Muscat, a non-executive director, acts as Chairman, whilst René Le Henry and Pierre Michel Pons act as members. The Company Secretary, Dr Rachael Bonello acts as secretary to the committee.

The board of directors, in terms of Listing Rule 5.118, has indicated Benjamin Muscat as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the finance field.

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices

and internal controls. The function is expected to promote the application of best practices within the organisation.

**Principle 9: Relations with shareholders and with the market**

The Company is highly committed to having an open and communicative relationship with investors.

**Principle 10: Institutional shareholders**

The Company does not have any institutional shareholders.

**Principle 11: Conflicts of interest**

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. However the Company's shares are not yet being traded on the Malta Stock Exchange.

**Principle 12: Corporate social responsibility**

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR).

**NON-COMPLIANCE WITH THE CODE**

**Principle 7: Evaluation of the board's performance**

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Approved by the board of directors on 29 April 2015 and signed on its behalf by:

**Benjamin Muscat**  
Director and Chairman of Audit Committee

**René Le Henry**  
Director



## Other disclosures in terms of listing rules

### Statement by the directors pursuant to Listing Rule 5.70.1

#### Contracts of significance with parent company

The Company and its subsidiaries pay annual management fees to its parent company, Grupo Pefaco S.L.

### Pursuant to Listing Rule 5.70.2

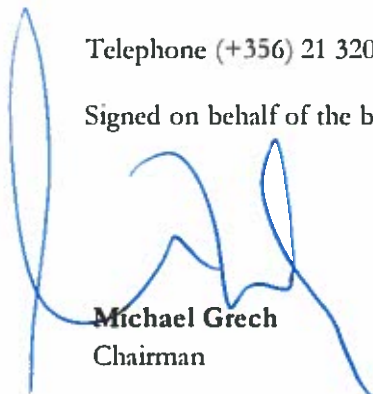
#### Company secretary and registered office

Dr Rachael Bonello LL.D


Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

Telephone (+356) 21 320134

Signed on behalf of the board of directors on 29 April 2015 by:



**Michael Grech**  
Chairman



**Olivier Alfred Cauro**  
Director

## Remuneration statement

Due to the nature of the Company it has not been considered necessary to appoint a remuneration committee.

### Directors' fees

The directors' fees for 2014, including those for membership of board committee, are:

	€
Mr Benjamin Muscat	9,500
Mr Rene Le Henry	20,123

The foregoing amounts are all fixed remuneration. There are no variable remuneration considerations nor share options in place.



**Michael Grech**  
Chairman



**Olivier Alfred Cauro**  
Director

## Independent auditor's report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of Pefaco International p.l.c. (the "company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "statement of compliance"), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as auditor of the company, is laid down by Listing Rule 5.98, which requires us to include a report on this statement of compliance.

We read the statement of compliance and consider whether it is consistent with the audited financial statements. We consider the implications on our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures, nor on the ability of the company to continue in operational existence.

In our opinion, the accompanying statement of compliance provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

29 April 2015

## Statements of comprehensive income

	Notes	The Group		The Company	
		2014 €'000	2013 €'000	2014 €'000	2013 €'000
Gaming revenue		42,317	40,379	-	-
Beverage revenue		49	53	-	-
Other revenue		59	-	435	581
<b>Total revenue</b>		<b>42,425</b>	<b>40,432</b>	<b>435</b>	<b>581</b>
Administrative expenses		(22,257)	(20,629)	(473)	(467)
Payroll costs	6	(13,080)	(12,705)	(93)	(286)
Gaming tax		(2,835)	(2,692)	-	-
Depreciation and amortisation		(2,954)	(2,646)	(1)	(8)
<b>Operating profit</b>	<b>7</b>	<b>1,299</b>	<b>1,760</b>	<b>(132)</b>	<b>(180)</b>
Other income		540	609	-	-
Finance income	8	370	337	1,830	529
Finance costs	8	(1,100)	(1,240)	(1,041)	(1,094)
<b>Profit (loss) before tax</b>		<b>1,109</b>	<b>1,466</b>	<b>657</b>	<b>(745)</b>
Tax expense	9	(1,168)	(984)	(157)	(5)
<b>(Loss) profit for the year</b>		<b>(59)</b>	<b>482</b>	<b>500</b>	<b>(750)</b>
<b>(Loss) profit for the year attributable to:</b>					
Owners of the parent		(75)	471	-	-
Non-controlling interest		16	11	-	-
		<b>(59)</b>	<b>482</b>	<b>500</b>	<b>(750)</b>
<b>(Loss) earnings per share</b>	<b>10</b>	<b>(0.00)</b>	<b>0.02</b>	<b>0.02</b>	<b>(0.04)</b>

## Statements of financial position

	Notes	The Group		The Company	
		2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Assets</b>					
<b>Non-current</b>					
Goodwill	11	32,812	32,812	-	-
Other intangible assets	12	6,400	7,840	-	-
Property, plant and equipment	13	5,260	5,650	2	3
Investment in subsidiaries	14	-	-	34,406	34,404
Loans receivable	15	-	-	-	1,143
Restricted cash	16	935	644	474	219
Deferred tax asset	17	43	-	43	-
		<b>45,450</b>	<b>46,946</b>	<b>34,925</b>	<b>35,769</b>
<b>Current</b>					
Inventories	18	88	88	-	-
Loans receivable	15	3,881	5,076	4,796	5,076
Trade and other receivables	19	975	2,127	996	2,318
Cash and cash equivalents	20	1,150	968	157	127
		<b>6,094</b>	<b>8,259</b>	<b>5,949</b>	<b>7,521</b>
<b>Total assets</b>		<b>51,544</b>	<b>55,205</b>	<b>40,874</b>	<b>43,290</b>



## Statements of financial position – continued

	Notes	The Group		The Company	
		2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Equity</b>					
Share capital	21	30,505	30,505	30,505	30,505
Legal reserve		46	46	46	46
Retained earnings (accumulated losses)		6,815	6,890	(900)	(1,400)
		<u>37,366</u>	<u>37,441</u>	<u>29,651</u>	<u>29,151</u>
Non-controlling interest		17	69	-	-
<b>Total equity</b>		<b><u>37,383</u></b>	<b><u>37,510</u></b>	<b><u>29,651</u></b>	<b><u>29,151</u></b>
<b>Liabilities</b>					
<b>Non-current</b>					
Bank borrowings	22	4,204	4,946	4,017	4,945
Provision for charges		399	333	-	-
		<u>4,603</u>	<u>5,279</u>	<u>4,017</u>	<u>4,945</u>
<b>Current</b>					
Bank borrowings	22	4,273	3,708	2,491	1,775
Trade and other payables	23	5,285	8,708	4,715	7,419
		<u>9,558</u>	<u>12,416</u>	<u>7,206</u>	<u>9,194</u>
<b>Total liabilities</b>		<b><u>14,161</u></b>	<b><u>17,695</u></b>	<b><u>11,223</u></b>	<b><u>14,139</u></b>
<b>Total equity and liabilities</b>		<b><u>51,544</u></b>	<b><u>55,205</u></b>	<b><u>40,874</u></b>	<b><u>43,290</u></b>

The financial statements on pages 14 to 46 were approved by the board of directors, authorised for issue on 29 April 2015 and signed on its behalf by:

  
Michael Grech  
Director

  
Olivier Alfred Cauro  
Director

## Statement of changes in equity – the Group

The Group	Share capital €'000	Legal reserve €'000	Retained earnings €'000	Total attributable to owners €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2013	30,505	46	6,419	36,970	75	37,045
Dividends	-	-	-	-	(17)	(17)
Profit for the year	-	-	471	471	11	482
<b>At 31 December 2013</b>	<b>30,505</b>	<b>46</b>	<b>6,890</b>	<b>37,441</b>	<b>69</b>	<b>37,510</b>
At 1 January 2014	30,505	46	6,890	37,441	69	37,510
Dividends	-	-	-	-	(68)	(68)
Loss for the year	-	-	(75)	(75)	16	(59)
<b>At 31 December 2014</b>	<b>30,505</b>	<b>46</b>	<b>6,815</b>	<b>37,366</b>	<b>17</b>	<b>37,383</b>

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

## Statement of changes in equity – the Company

### The Company

	Share capital	Legal reserve	Accumulated losses	Total equity
	€'000	€'000	€'000	€'000
At 1 January 2013	30,505	46	(650)	29,901
Loss for the year	-	-	(750)	(750)
<b>At 31 December 2013</b>	<b>30,505</b>	<b>46</b>	<b>(1,400)</b>	<b>29,151</b>
At 1 January 2014	30,505	46	(1,400)	29,151
Profit for the year	-	-	500	500
<b>At 31 December 2014</b>	<b>30,505</b>	<b>46</b>	<b>(900)</b>	<b>29,651</b>

Accumulated losses include all current and prior period results as disclosed in the statement of comprehensive income.

## Statements of cash flows

	Notes	The Group		The Company	
		2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Operating activities</b>					
Profit (loss) before tax		1,109	1,466	657	(745)
Adjustments	24	4,180	2,938	(788)	622
Net changes in working capital	24	(2,307)	(2,399)	(1,485)	(1,791)
Interest paid		(198)	(358)	(166)	(345)
Tax paid		(1,011)	(984)	-	(5)
<b>Net cash from (used in) operating activities</b>		<b>1,773</b>	<b>663</b>	<b>(1,782)</b>	<b>(2,264)</b>
<b>Investing activities</b>					
Payments to acquire property, plant and equipment		(1,581)	(3,061)	-	(2)
Payments to acquire intangible assets		(14)	(62)	-	-
Payments to acquire investment in subsidiaries		-	-	(2)	-
Repayment of amount advanced to parent company		1,195	3,446	1,195	3,446
Repayment of amount advanced to subsidiary		-	-	228	-
Interest received		370	337	369	373
Dividend received		-	-	1,461	157
Tax paid		(200)	-	(200)	-
<b>Net cash (used in) from investing activities</b>		<b>(230)</b>	<b>660</b>	<b>3,051</b>	<b>3,974</b>
<b>Financing activities</b>					
Proceeds from bank loans		1,985	7,005	1,525	7,005
Repayment of bank loans		(2,081)	(6,711)	(1,735)	(7,329)
Cash (placed in) released from escrow accounts		(258)	-	(258)	-
Interest paid		(861)	(867)	(771)	(749)
Dividends paid		(68)	(17)	-	-
<b>Net cash (used in) from financing activities</b>		<b>(1,283)</b>	<b>(590)</b>	<b>(1,239)</b>	<b>(1,073)</b>
Net change in cash and cash equivalents		260	733	30	637
Cash and cash equivalents, beginning of year		(718)	(1,451)	127	(510)
<b>Cash and cash equivalents, end of year</b>	20	<b>(458)</b>	<b>(718)</b>	<b>157</b>	<b>127</b>

## Notes to the consolidated financial statements

### 1 Nature of operations

The principal activity of Pefaco International p.l.c. and its subsidiaries is to operate Amusement with Prize (AWP) or Slot machines in gaming halls and bars in West Africa.

### 2 General information and statement of compliance with IFRS

Pefaco International p.l.c., a public limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is Tower Business Centre, Suite 3, Tower Street, Swatar BKR 4013, Malta.

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386.

The functional currency of the group's subsidiaries is the XOF (FCFA) which has a fixed exchange rate to the euro (€) of 655.957. The financial statements of the Group and the Company are presented in euro (€).

### 3 Changes in accounting policies

Significant effects on current prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is given in note 3.2.

#### 3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on the new standards relevant to the group is presented below.

#### Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The Amendments have been applied retrospectively in accordance with their transitional provisions. As the group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

#### Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets

is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made,
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions. The company has not made any new disclosures required by IAS 36 as the application of the standard has not had any material impact on the amounts recognised in the financial statements.

### **Annual Improvements to IFRS 2011-2013**

The Amendments were considered in the year under review but there has been no impact on the Group's consolidated financial statements.

### **3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group**

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the group. Information on those expected to be relevant to the group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement.

#### **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018 subject to endorsement by the EU.

#### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 subject to endorsement by the EU. The group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

### **Annual Improvements to IFRS**

Annual Improvements to IFRS (2010-2012 Cycle)

#### **IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 (Amendment), 'Intangible Assets'**

The Amendment clarifies that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

*IAS 24 (Amendment) 'Related Party Disclosures'*

The Amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

*IFRS 3 (Amendment) 'Business Combinations'*

The Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

*IFRS 13 (Amendment), 'Fair Value Measurement' (IFRS 13)*

The Amendment, through a revision only in the basis of conclusion of IFRS 13, clarifies that issuing IFRS 13 and amending certain provisions of IFRS 9 and IAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. However, the improvements were not legally come into force until January 2015 as indicated by the EU. Management does not anticipate a material impact on the group's consolidated financial statements from these Amendments.

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting policies have been consistently applied by Group entities and are consistent with those used in previous years.

### **4.2 Basis of consolidation**

The group financial statements consolidate those of the company and its subsidiary undertaking drawn up to 31 December 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 December.

Intra-group balances, transactions and unrealised gains and losses on transactions between the group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owner of the parent and the non-controlling interests based on their respective ownership interests.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

#### **4.3 Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets and liabilities assumed are generally measured at their acquisition-date value.

#### **4.4 Investment in subsidiaries**

Investment in subsidiary is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At each reporting date the company reviews the carrying amount of its investment in subsidiary to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

#### **4.5 Income and expense recognition**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied or services rendered, excluding sales taxes and trade discounts.

##### **Gross gaming revenue**

The company recognises revenues as the net win from gaming activities, which is the difference between gaming wins and losses.

Revenue from gaming machines is recognised when machine counts are carried out and represents the increase or decrease in each machine's position net of client winnings.

##### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. This is generally when the customer has taken undisputed delivery of goods that have been provided.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the group, and



- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Interests and dividends**

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable. Dividends are recognised at the time the right to receive payment is established.

#### **Operating expenses**

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

#### **4.6 Employee benefits**

Contributions towards the state pension in accordance with local legislation are recognised in the profit or loss when they are due.

#### **4.7 Borrowing costs**

Borrowing costs primarily comprise interest on the Group's and Company's bank borrowings. All borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

#### **4.8 Foreign currency translation**

##### **Functional and presentation currency**

The functional currency of the group's subsidiaries is the XOF (FCFA) which has a fixed exchange rate to the euro (€) of 655.957. The financial statements of the Group and the Company are presented in euro (€).

##### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

#### **4.9 Operating leases**

Payments on operating lease agreements are recognised as an expense on a systematic basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### **4.10 Segment reporting**

The standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's board of directors.

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. The Group's gaming companies, currently operating from five different jurisdictions, are considered to be operating segments.

The board of directors assesses performance based on the measure of EBITDA (earnings before interest, tax, depreciation and amortisation) and provisions of each company.

The Group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the chief operating decision maker.

#### 4.11 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is not amortised but is tested for impairment at least on an annual basis, and is carried at cost less accumulated impairment losses. Refer to note 4.14 for a description of impairment testing procedures.

#### 4.12 Other intangible assets

Intangible assets are subject to impairment testing as described in note 4.14.

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset from the date they are available for use as follows:

	%
- Licence fee	10
- Software and other intangible asset	20-33.3

Amortisation has been included within 'depreciation and amortisation' in the statement of comprehensive income.

Licence fee relates to the operation in Ivory Coast and is written off to the statement of comprehensive income by equal annual instalments over the term of the licence.

Acquired software are capitalised on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred.

#### 4.13 Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. They are subsequently measured at cost less subsequent depreciation and impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

	%
- Buildings and improvements	10
- Commercial equipment	20
- Office and other equipment	10-20
- Computer equipment	10-33.3
- Furniture, fixtures and fittings	20
- Motor vehicles	20

Depreciation begins when the asset is available for use and continues until the asset is derecognised. No depreciation is charged to land and to assets not yet brought into use or under construction.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'administrative expenses'.

Costs relating to repairs and maintenance of property, plant and equipment are charged to the statement of comprehensive income during the period in which they are incurred.

#### **4.14 Impairment testing of goodwill, other intangible assets and property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the company's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the company's management.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### **4.15 Financial instruments**

##### **Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets are classified into loans and receivables.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, and are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance income' or 'finance cost', except for impairment of receivables which is presented within 'administrative expenses'.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's loans receivable, restricted cash, cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

#### **Classification and subsequent measurement of financial liabilities**

The company's financial liabilities include bank borrowings and trade and other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

#### **4.16 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) cost method. Cost includes all expenses directly attributable to acquiring the inventories and to bringing them to their existing location and condition. Financing costs are not taken into consideration. In the case of work-in-progress cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

If the carrying value of inventory exceeds its net realisable value, a write-down is recognised, which may be reversed in a subsequent period if the circumstances which caused it no longer exist.

#### **4.17 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### **4.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdraft. In the statement of financial position, bank overdrafts are included within bank borrowings in current liabilities.

#### **4.19 Equity, reserves and dividend distributions**

Share capital is determined using the nominal value of shares that have been issued.

Legal reserve comprises amounts set aside for companies incorporated under the laws of Ivory Coast in terms of the 'Organisation for the Harmonisation of Business Law in Africa' for the purposes of building a fund equivalent to 20% of the share capital.

Retained earnings (accumulated losses) include all current and prior period results.

Dividend distributions payable to equity shareholders are included with short term financial liabilities when the dividends are approved in general meeting prior to the end of the reporting period.

#### **4.20 Provisions and contingent liabilities**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

#### **4.21 Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### **Significant management judgement**

The following is a significant management judgement in applying the accounting policies of the company that has the most significant effect on the financial statements.

##### **Recognition of deferred tax asset**

The extent to which deferred tax asset can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax asset can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### **Impairment of goodwill**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate physical wear and tear, technical, technological, or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

### **Inventories**

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

### **Income taxes**

In order to establish the taxation provisions, management exercises significant judgement in view of the fact that the Group operates in various jurisdictions and as a result there are diverse transactions for which the ultimate tax determination is somewhat uncertain. In the event that the amount of actual tax due differs from the original amounts provided for, such variances will have an impact on the taxation charges for future periods.

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**5 Segment reporting**

Gaming	Benin		Burkina		Ivory Coast		Niger		Togo		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	6,829	6,030	16,819	15,932	9,101	8,584	3,311	2,990	6,365	6,896	42,425	40,432
EBITDA and provisions	1,575	1,165	442	442	2,097	1,787	(79)	46	1,014	1,603	5,049	5,043
Depreciation and amortisation	(153)	(115)	(183)	(197)	(2,104)	(1,940)	(151)	(112)	(353)	(274)	(2,944)	(2,638)
Provisions	-	-	(41)	(16)	-	-	(33)	-	(2)	-	(76)	(16)
Segment EBIT	1,422	1,050	218	229	(7)	(153)	(263)	(66)	659	1,329	2,029	2,389

**Entity wide disclosure**

	Total	
	2014	2013
	€'000	€'000
Segment revenue	42,425	40,432
Revenue from sale of gaming equipment	643	-
Revenue from management and branding fees	435	581
Elimination of intra group revenue	(1,078)	(581)
Group revenue	42,425	40,432
Segment EBIT	2,029	2,389
EBITDA from non-segments	(248)	(79)
Depreciation and amortisation	(10)	(8)
Consolidation adjustment	68	(66)
Operating profit	1,839	2,236
Exceptional income	-	133
Finance income	370	337
Finance costs	(1,100)	(1,240)
Profit before tax	1,109	1,466

## 6 Payroll costs

	The Group	
	2014 €'000	2013 €'000
Wages, salaries and other benefits	11,837	11,470
Social security contributions	1,243	1,235
	<u>13,080</u>	<u>12,705</u>

The average number of employees during the year was:

	The Group	
	2014 No.	2013 No.
Management and operations	<u>2,738</u>	<u>2,725</u>

## 7 Operating profit (loss)

The operating profit (loss) is stated after charging:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Management fees charged by parent company	9,618	10,884	-	-
Directors' remuneration	41	-	29	-
Auditors' remuneration	71	203	10	10

## 8 Finance income and finance costs

The following amounts may be analysed as follows for the reporting periods presented:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Dividend income	-	-	1,461	157
Interest income on loan to parent company	370	337	342	337
Interest income on related party balances	-	-	27	35
<b>Finance income</b>	<u>370</u>	<u>337</u>	<u>1,830</u>	<u>529</u>
Interest expense on loans	861	867	771	749
Interest expense for bank overdraft	198	358	166	345
Interest expense on related party balances	-	-	104	-
Realised loss on exchange	-	9	-	-
Other	41	6	-	-
<b>Finance costs</b>	<u>1,100</u>	<u>1,240</u>	<u>1,041</u>	<u>1,094</u>



## 9 Tax expense

The relationship between the expected tax expense based on the effective tax rates of the Group and the tax expense actually recognised in the statements of comprehensive income can be reconciled as follows:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Profit (loss) before tax	1,109	1,466	657	(745)
Expected tax expense (income) using the Company's domestic tax rate	(388)	(513)	(230)	261
Adjustment for:				
Non-taxable income	-	-	223	388
Non-deductible expenses	(1,381)	(1,203)	(465)	(649)
Under (over) provision in previous years	(107)	50	-	(5)
Difference in tax rates	708	682	315	-
Actual tax expense, net	<b>(1,168)</b>	<b>(984)</b>	<b>(157)</b>	<b>(5)</b>
Comprising:				
Current tax expense	(1,211)	(984)	(200)	(5)
Deferred tax income	43	-	43	-
	<b>(1,168)</b>	<b>(984)</b>	<b>(157)</b>	<b>(5)</b>

Refer to note 17 for information on the company's deferred tax asset.

## 10 (Loss) earnings per share

The calculation of loss (earnings) per share is based on the net (loss) profit for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 20,336,719.

## 11 Goodwill

	The Group	
	2014 €'000	2013 €'000
Carrying amount at 31 December	32,812	32,812

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

	2014 €'000	2013 €'000
Benin	7,074	7,074
Burkina Faso	13,120	13,120
Ivory Coast	2,764	2,764
Niger	1,059	1,059
Togo	8,795	8,795
	<b>32,812</b>	<b>32,812</b>

The recoverable amount of each segment was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period, followed by an extrapolation of expected cash flows for the remaining useful lives using a growth rate set by management.

The growth rate does not exceed the long-term average growth rate for the gaming business in which the cash generating unit operates.

The key assumptions used for value-in-use calculations are as follows:

- Average EBIDTA margin (calculated as EBIDTA divided by Revenue) over the next four budgeted years
- Weighted average growth rate used to extrapolate cash flows beyond the budget period for terminal value
- Pre-tax discount rate applied to cash flow projections.

Management determined budgeted operating income based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

## 12 Other intangible assets

Details of the group's other intangible and their carrying amounts are as follows:

### The Group

	Licences €'000	Software €'000	Other €'000	Total €'000
<b>Gross carrying amount</b>				
Balance at 1 January 2014	14,008	52	48	14,108
Additions	-	14	-	14
Disposals	-	-	(45)	(45)
Balance at 31 December 2014	14,008	66	3	14,077
<b>Amortisation</b>				
Balance at 1 January 2014	6,218	50	-	6,268
Amortisation	1,402	7	-	1,409
Balance at 31 December 2014	7,620	57	-	7,677
Carrying amount at 31 December 2014	6,388	9	3	6,400
<b>Gross carrying amount</b>				
Balance at 1 January 2013	14,008	50	57	14,115
Additions	-	4	58	62
Disposals	-	(2)	(67)	(69)
Balance at 31 December 2013	14,008	52	48	14,108
<b>Amortisation</b>				
Balance at 1 January 2013	4,816	45	54	4,915
Amortisation	1,402	7	-	1,409
Disposals	-	(2)	(54)	(56)
Balance at 31 December 2013	6,218	50	-	6,268
Carrying amount at 31 December 2013	7,790	2	48	7,840

### 13 Property, plant and equipment

#### The Group

Details of the group's property, plant and equipment and their carrying amounts are as follows:

	Land, buildings and improvements €'000	Commercial equipment €'000	Office and other equipment €'000	Computer equipment €'000	Furniture, Fixtures and fittings €'000	Motor vehicles €'000	Others €'000	Total €'000
<b>Gross carrying amount</b>								
Balance at 1 January 2014	1,353	8,520	221	291	70	936	290	11,681
Additions	141	987	25	56	16	28	328	1,581
Disposals	(33)	(612)	(16)	(21)	-	(112)	(194)	(988)
Balance at 31 December 2014	1,461	8,895	230	326	86	852	424	12,274
<b>Depreciation</b>								
Balance at 1 January 2014	394	4,425	144	192	48	819	9	6,031
Depreciation for the year	123	1,256	25	48	14	69	10	1,545
Disposals	(10)	(413)	(14)	(17)	-	(108)	-	(562)
Balance at 31 December 2014	507	5,268	155	223	62	780	19	7,014
<b>Carrying amount at 31 December 2014</b>	<b>954</b>	<b>3,627</b>	<b>75</b>	<b>103</b>	<b>24</b>	<b>72</b>	<b>405</b>	<b>5,260</b>
<b>Gross carrying amount</b>								
Balance at 1 January 2013	1,805	6,033	281	241	69	1,010	446	9,885
Additions	173	2,771	22	70	4	21	-	3,061
Disposals	(625)	(284)	(82)	(20)	(3)	(95)	(156)	(1,265)
Balance at 31 December 2013	1,353	8,520	221	291	70	936	290	11,681
<b>Depreciation</b>								
Balance at 1 January 2013	476	3,745	166	159	38	799	68	5,451
Depreciation for the year	111	928	31	45	12	105	5	1,237
Disposals	(193)	(248)	(53)	(12)	(2)	(85)	(64)	(657)
Balance at 31 December 2013	394	4,425	144	192	48	819	9	6,031
<b>Carrying amount at 31 December 2013</b>	<b>959</b>	<b>4,095</b>	<b>77</b>	<b>99</b>	<b>22</b>	<b>117</b>	<b>281</b>	<b>5,650</b>

The company's property, plant and equipment comprises computer and office equipment. At the end of the reporting period, the cost of these assets is € 2,592 and accumulated depreciation thereon amounts to € 248.

## 14 Investment in subsidiaries

	The Company	
	2014 €'000	2013 €'000
Share in subsidiary companies	34,406	34,404
	<b>34,406</b>	<b>34,404</b>

Subsidiary company	Registered office	Nature of business	% Ownership	
			2014	2013
Lydia Ludic Togo SARL	Immeuble Clarence Olympio 15, Urede l'Étente Beniglato 36 BP 30 707, Lomé Togo	Leisure and gaming	100	100
P.I.L. Benin SARL	Rue 324 08 BP 0199 Cotonou Benin	Leisure and gaming	90	90
Lydia Ludic Burkina SA	Rue 4.31 Porte 57 BP 10252 06 Ouagadougou Burkina Faso	Leisure and gaming	85	85
Lydia Ludic Niger SARL	Rue YN 140 Yantala, Niamey Niger	Leisure and gaming	100	100
Lydia Ludic Côte d'Ivoire SARL	Marcory zone, 5 Rue Thomas Edison Immeuble Edison 1er étage, Abidjan Ivory Coast	Leisure and gaming company	76	76
Satall SARL	Immeuble Taba II Zone, Franche BP 30707, Lomé Togo	Purchase and provider of gaming machines	100	100
Ludic East Africa Ltd	Boulevard deOóua BP 1367, Kicukiro Rwanda	Non-trading	100	100
SCI SAGI	Rue Gourgas, 01BP 11109 Tour Alpha 2000, Plateau Centre, Abidjan, Ivory Coast	Non-trading	100	100

### 14.1 Shares in subsidiary companies

	The Company	
	2014 €'000	2013 €'000
At 1 January	34,404	34,404
Additions	2	-
At 31 December	<b>34,406</b>	<b>34,404</b>

## 15 Loans receivable

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Loans to parent company	3,881	5,076	3,881	5,076
Loan to subsidiary company	-	-	915	1,143
<b>Loans and receivables</b>	<b>3,881</b>	<b>5,076</b>	<b>4,796</b>	<b>6,219</b>
<b>Comprising:</b>				
<b>Non-current loans receivable</b>				
Due between two and five years	-	-	-	1,143
<b>Current loans receivable</b>				
Due within one year	3,881	5,076	4,796	5,076

The carrying amounts of loans receivable are considered to be a reasonable approximation of fair value.

The loan to parent company is unsecured, bears interest at a fixed rate of 6.90% per annum and repayable on demand.

The loan to subsidiary company is unsecured and repayable within 12 months from the end of the reporting period. It bears interest at a rate equivalent to the base rate of the Central Bank of West African States (BCEAO) which during 2014 amounted to 3.5% (2013: 3.5%).

## 16 Restricted cash

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Cash held on escrow accounts	474	216	474	216
Bank deposits	31	36	-	-
Other deposits	430	392	-	3
<b>Loans and receivables</b>	<b>935</b>	<b>644</b>	<b>474</b>	<b>219</b>

Cash held in escrow accounts represents amounts deposited and pledged in favour of lending banks. Funds in these accounts will be released to Pefaco International p.l.c. subject to certain conditions being met and on maturity of the loans.

Other deposits comprise advance deposits made in the ordinary course of business.

## 17 Deferred tax asset

Deferred taxes arising from unused tax losses can be summarised as follows:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Unused tax losses	43	-	43	-
<b>Total</b>	<b>43</b>	<b>-</b>	<b>43</b>	<b>-</b>

Refer to note 9 for information on the group's and company's tax expense.

## 18 Inventories

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Snacks and beverages	8	7	-	-
Replacement parts	75	72	-	-
Other consumables	5	9	-	-
	<b>88</b>	<b>88</b>	<b>-</b>	<b>-</b>

## 19 Trade and other receivables

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Amounts owed by subsidiary companies	-	-	905	327
Amounts owed by other related companies	49	62	34	52
Other receivables	54	1,553	-	1,918
<b>Loans and receivables</b>	<b>103</b>	<b>1,615</b>	<b>939</b>	<b>2,297</b>
Other receivables	181	78	48	16
Prepayments	691	434	9	5
<b>Trade and other receivables</b>	<b>975</b>	<b>2,127</b>	<b>996</b>	<b>2,318</b>

The amounts owed by subsidiary and other related companies are unsecured, interest free and repayable on demand.

The carrying value of loans and receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the group considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

## 20 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Cash and bank balances	1,150	968	157	127
<b>Cash and cash equivalents in the statement of financial position</b>	<b>1,150</b>	<b>968</b>	<b>157</b>	<b>127</b>
Bank overdrafts	(1,608)	(1,686)	-	-
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>(458)</b>	<b>(718)</b>	<b>157</b>	<b>127</b>

## 21 Share capital

The share capital of Pefaco International p.l.c. consists only of ordinary shares with a par value of € 1.50 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Pefaco International p.l.c.

	The Group and the Company	
	2014 €'000	2013 €'000
<b>Shares issued and fully paid at 31 December</b> 20,336,719 ordinary shares of € 1.50 each	<b>30,505</b>	<b>30,505</b>
<b>Shares authorised at 31 December</b> 32,320,020 ordinary shares of € 1.50 each	<b>48,480</b>	<b>48,480</b>

## 22 Bank borrowings

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Bank overdrafts	1,608	1,686	-	-
Bank loans	6,869	6,968	6,508	6,720
<b>Financial liabilities</b>	<b>8,477</b>	<b>8,654</b>	<b>6,508</b>	<b>6,720</b>
<b>Comprising:</b>				
<b>Non-current bank borrowings</b>				
Bank loans due between two and five years	4,204	4,946	4,017	4,945
<b>Current bank borrowings</b>				
Bank overdrafts	1,608	1,686	-	-
Bank loans due within one year	2,665	2,022	2,491	1,775
	<b>4,273</b>	<b>3,708</b>	<b>2,491</b>	<b>1,775</b>

The carrying amounts of bank borrowings are considered a reasonable approximation of fair value.

**22.1 Terms and repayment schedule**

	Total €'000	Within 1 year €'000	Between 2-5 years €'000	After 5 years €'000	Security and nominal interest rate	Year of maturity
<b>Pefaco International p.l.c.</b>						
Bank loan I						
2014	579	491	88	-	- Escrow account amounting to € 215,503 pledged in favour of the bank	2016
2013	1,043	463	580	-	- Interest rate at 12%	
					- Financial tax rate on interest at 10%	
<b>Bank loan II</b>						
2014	2,006	1,297	709	-	- Letter of comfort up to a maximum of € 4,573,470	2016
2013	3,156	1,150	2,006	-	- Interest rate at 11%	
					- Financial tax rate on interest at 10%	
<b>Bank loan III</b>						
2014	2,398	703	1,695	-	- Letter of comfort up to a maximum of € 112,050	2017
2013	2,521	161	2,360	-	- Interest rate at 11%	
					- Financial tax rate on interest at 10%	
<b>Bank loan IV</b>						
2014	1,524	-	1,524	-	- Escrow account amounting to € 258,706 pledged in favour of the bank	2016
2013	-	-	-	-	- Interest rate at 10%	
					- Financial tax rate on interest at 10%	
<b>P.I.L. Benin SARL</b>						
Bank loan V						
2014	-	-	-	-	- Letter of comfort up to a maximum of €152,450	2014
2013	25	-	-	-	- Interest rate at 12%	
					- Financial tax rate on interest at 10%	



	Total €'000	Within 1 year €'000	Between 2-5 years €'000	After 5 years €'000	Security and nominal interest rate	Year of maturity
<b>Lydia Ludic Burkina SA</b>						
Bank loan VI	-	-	-	-	- Letter of comfort up to a maximum of € 228,670	2014
2014	34	34	-	-	- Interest rate at 10%	
2013	-	-	-	-	- Financial tax rate on interest at 18%	
<b>Bank loan VII</b>						
2014	100	78	22	-	- Letter of comfort up to a maximum of € 304,900	2016
2013	-	-	-	-	- Interest rate at 10%	
					- Financial tax rate on interest at 18%	
<b>Lydia Ludic Togo SARL</b>						
Bank loan VIII	-	-	-	-	- Letter of comfort up to a maximum of € 137,200	2014
2014	32	32	-	-	- Interest rate at 11.5%	
2013	-	-	-	-	- Financial tax rate on interest at 10%	
<b>Bank loan IV</b>						
2014	262	96	166	-	- General hypothec for € 198,180 over company's land and letter of comfort up to a maximum of € 228,670	2017
2013	-	-	-	-	- Interest rate at 10%	
					- Financial tax rate on interest at 10%	
<b>Lydia Ludic Cote d'Ivoire</b>						
Bank loan X	-	-	-	-	- Escrow account amounting to € 300,000 pledged in favour of the bank	2014
2014	157	157	-	-	- Interest rate at 7.5%	
2013	-	-	-	-	- Financial tax rate on interest at 10%	

## 23 Trade and other payables

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Trade payables	1,126	1,115	147	259
Amounts due to parent company	122	-	-	-
Amounts due to subsidiary companies	-	-	4,533	5,296
Amounts due to other related parties	185	820	-	-
Capital creditors	1,303	2,572	-	-
Other payables	826	2,247	18	1,694
Accrued expenses	148	146	17	16
<b>Financial liabilities</b>	<b>3,710</b>	<b>6,900</b>	<b>4,715</b>	<b>7,265</b>
Other payables	1,575	1,808	-	154
<b>Trade and other payables</b>	<b>5,285</b>	<b>8,708</b>	<b>4,715</b>	<b>7,419</b>

Amounts due to the parent, subsidiary and other related companies are unsecured, interest free and repayable on demand.

Short-term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

## 24 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to the pre-tax result for the year to arrive at operating cash flow:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Adjustments:</b>				
Depreciation and amortisation	2,954	2,646	1	8
Loss on disposal of property, plant and equipment and intangible assets	471	621	-	50
Provisions	66	(1,217)	-	-
Income from dividends	-	-	(1,461)	(157)
Interest income	(370)	(337)	(369)	(373)
Interest expense on related party accounts	-	-	104	-
Interest expense for bank overdraft	198	358	166	345
Interest expense for bank loans	861	867	771	749
<b>Total adjustments</b>	<b>4,180</b>	<b>2,938</b>	<b>(788)</b>	<b>622</b>
<b>Net changes in working capital:</b>				
Change in inventories	-	(58)	-	-
Change in trade and other receivables	1,116	634	1,218	600
Change in trade and other payables	(3,423)	(2,975)	(2,703)	(2,391)
<b>Total changes in working capital</b>	<b>(2,307)</b>	<b>(2,399)</b>	<b>(1,485)</b>	<b>(1,791)</b>

## 25 Related party transactions

The related parties of Pefaco International p.l.c. include its subsidiaries, the immediate parent company and its investees, and directors.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 15, 19 and 23.

### 25.1 Transactions with related parties

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Revenue</b>				
Services rendered by:				
- Parent company	435	581	435	581
- Fellow subsidiary companies	644	-	-	-
	<u>1,079</u>	<u>581</u>	<u>435</u>	<u>581</u>
<b>Expenses</b>				
Management fees charged by immediate parent company	9,618	10,884	-	-
<b>Finance income and finance costs</b>				
Dividends received	-	-	1,461	157
Interest charged to immediate parent company	370	337	342	337
Interest charged by parent company	-	-	27	35
Interest charged by fellow subsidiaries	-	-	104	-
<b>Other</b>				
Loss on disposal on transfer of assets to fellow subsidiary	41	-	-	-

### 25.2 Transactions with key management personnel

Transactions with directors consist of directors' remuneration and have been disclosed in note 7.

## 26 Parent company and ultimate controlling party

The group's parent company is Grupo Pefaco S.L., the registered office of which is Calle Muntaner 262, 6 Barcelona 08201, Spain.

The ultimate controlling parties of Pefaco International p.l.c. are Oliver Alfred Cauro and Francis Jérôme Perez and members of their respective families.

## 27 Contingent liabilities and asset

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Guarantees given to secure bank loans	474	216	474	216
	<b>474</b>	<b>216</b>	<b>474</b>	<b>216</b>

Pefaco International p.l.c.'s subsidiary in Ivory Coast (Lydia Ludic Ivory Côte d'Ivoire) has a contingent liability amounting to € 1.638 million relating to VAT and € 0.29 million in a contingent asset of VAT. The reason to this is a recent change in article 1 of the Fiscal regulation (Loi de Finance n°2013-908); in fact, the new regulation cancels the previous VAT exoneration that applied to all revenues from the sale of national lottery tickets and all other gaming activities organised by the national lottery (LONACI: Loterie Nationale de Côte d'Ivoire). The management of the company has lodged an appeal of this suppression of VAT exoneration through letters, dated January 29 2014 and November 21 2014, to the President, the Prime Minister, Minister of Economy, Finances and Budget.

At the date of this report, discussions are progressing towards the removal of the VAT on gaming activities and the creation of a gaming tax of 5% as in other UEMOA zone countries.

## 28 Financial instrument risk

### Risk management objectives and policies

The group is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from both its operating and investing activities. The group's risk management is coordinated by the directors and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the group is exposed are described below. See also note 28.4 for a summary of the group's and company's financial assets and liabilities by category.

### 28.1 Credit risk

The group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Classes of financial assets – carrying amounts</b>				
<b>Non-current assets</b>				
Loans receivable	-	-	-	1,143
Restricted cash	935	644	474	219
	<b>935</b>	<b>644</b>	<b>474</b>	<b>1,362</b>
<b>Current assets</b>				
Loans receivable	3,881	5,076	4,796	5,076
Trade and other receivables	103	1,615	939	2,297
Cash and cash equivalents	1,150	968	157	127
	<b>5,134</b>	<b>7,659</b>	<b>5,892</b>	<b>7,500</b>

The group continuously monitors defaults of receivables and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The group's policy is to deal only with creditworthy counterparties.

The group's management considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets is secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 28.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise bank borrowings, trade and other payables (see notes 22 and 23). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due.

The group manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The group's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the group's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2014 the group's financial liabilities have contractual maturities which are summarised below:

31 December 2014 – The Group	Current within 1 year €'000	Non-current 2 to 5 years €'000	Non-current later than 5 years €'000
Bank borrowings	3,166	4,568	-
Trade and other payables	3,710	-	-
	<b>6,876</b>	<b>4,568</b>	-

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

31 December 2013 – The Group	Current within 1 year €'000	Non-current 2 to 5 years €'000	Non-current later than 5 years €'000
Bank borrowings	2,760	5,596	-
Trade and other payables	6,900	-	-
	<b>9,660</b>	<b>5,596</b>	-

At 31 December 2014 the company's financial liabilities have contractual maturities which are summarised below:

31 December 2014 – The Company	Current within 1 year €'000	Non-current 2 to 5 years €'000	Non-current later than 5 years €'000
Bank borrowings	2,960	4,366	-
Trade and other payables	4,715	-	-
	<b>7,675</b>	<b>4,366</b>	-

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

31 December 2013 – The Company

	Current within 1 year €'000	Non-current 2 to 5 years €'000	Non-current later than 5 years €'000
Bank borrowings	2,510	5,596	-
Trade and other payables	7,265	-	-
	<b>9,775</b>	<b>5,596</b>	-

**28.3 Market risk analysis**

**Foreign currency risk**

Most of the group's transactions are carried out in XOF (FCFA) which has a fixed exchange rate to the euro (€) of 655.957. For this reason, the group is not exposed to currency fluctuations and foreign exchange risk.

**Interest rate risk**

The group is exposed to interest rate risk with respect to bank overdrafts, which are subject to floating interest rates. Based on observations of current market conditions, management considers a change of +/- 100 basis points to be reasonably possible. The calculations are based on the group's bank overdrafts held at the end of each reporting period. All other variables are held constant. The potential impact of such a shift in interest rates with effect from the beginning of the year on the net result of the reporting periods under review would be +/- € 16,080 (2013: +/- € 16,860).

The company is not exposed to interest rate risk on its loans receivables because they have fixed interest rates.

**28.4 Summary of financial assets and liabilities by category**

The carrying amounts of the company and group's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.15 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
<b>Non-current assets</b>				
Loans and receivables:				
- Loans receivable	-	-	-	1,143
- Restricted cash	935	644	474	219
	<b>935</b>	<b>644</b>	<b>474</b>	<b>1,362</b>
<b>Current assets</b>				
Loans and receivables:				
- Loans receivable	3,881	5,076	4,796	5,076
- Trade and other receivables	103	1,615	939	2,297
- Cash and cash equivalents	1,150	968	157	127
	<b>5,134</b>	<b>7,659</b>	<b>5,892</b>	<b>7,500</b>
<b>Non-current liabilities</b>				
Financial liabilities measured at amortised cost:				
- Bank borrowings	4,204	4,946	4,017	4,945
	<b>4,204</b>	<b>4,946</b>	<b>4,017</b>	<b>4,945</b>
<b>Current liabilities</b>				
Financial liabilities measured at amortised cost:				
- Bank borrowings	4,273	3,708	2,491	1,775
- Trade and other payables	3,710	6,900	4,715	7,265
	<b>7,983</b>	<b>10,608</b>	<b>7,206</b>	<b>9,040</b>

### **29 Capital management policies and procedures**

The group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing products and services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The group monitors the level of debt, which includes bank borrowings, trade and other payables less cash and bank balances against total capital on an ongoing basis. The directors consider the group's gearing level at year end to be appropriate for its business.

### **30 Post-reporting date events**

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation.

### **31 Comparative figures**

Certain comparative figures in these financial statements have been restated to comply with current year's presentation. A third statement of financial position has not been presented because the effect is not significant.

## Independent auditor's report

To the shareholders of

Pefaco International p.l.c.

### Report on the financial statements

We have audited the accompanying financial statements of Pefaco International p.l.c. and the consolidated financial statements of its group set out on pages 14 to 46, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion,

- the company's financial statements give a true and fair view of its financial position as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the group's financial statements give a true and fair view of its financial position as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Also, in our opinion, these financial statements have been prepared in accordance with the requirements of the Companies Act, Cap 386.

**Report on other legal and regulatory requirements**

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements.
- the company has not kept proper accounting records.
- the company's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

We have nothing to report to you in respect of these responsibilities.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
**Certified Public Accountants**

Tower Business Centre  
Tower Street, Suite 3  
Swatar BKR 4013  
Malta

29 April 2015