

QubicaAMF Worldwide, S.a.r.l.

Consolidated Financial Statements Years Ended December 31, 2014 and 2013

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The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO
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QubicaAMF Worldwide, S.a.r.l.

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Independent Auditor's Report

Board of Managers
QubicaAMF Worldwide, S a r l

We have audited the accompanying consolidated financial statements of QubicaAMF Worldwide, S a r l which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of loss and comprehensive income (loss), changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of QubicaAMF Worldwide, S a r l as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

BDO USA, LLP

Richmond, Virginia
April 30, 2015

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QubicaAMF Worldwide, S.a.r.l.

Statements of Financial Position (In thousands except share data)

| <i>December 31,</i> | 2014 | 2013 |
|---|-----------------|-----------------|
| Assets | | |
| Current assets | | |
| Cash (Note 17) | \$ 1,433 | \$ 1,836 |
| Restricted cash | 1,009 | - |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$485 – 2014, \$387 – 2013 (Note 3) | 14,642 | 13,602 |
| Refundable taxes (Note 8) | 625 | 603 |
| Inventories, net (Note 4) | 17,904 | 20,575 |
| Prepaid expenses and other current assets | 2,210 | 2,543 |
| Total current assets | 37,823 | 39,159 |
| Property and equipment, net (Note 5) | 12,551 | 14,260 |
| Long-term notes receivable | 517 | 832 |
| Intangible assets, net (Note 6) | 468 | 655 |
| Deferred taxes (Note 8) | 192 | 307 |
| Other assets, net (Note 7) | 563 | 725 |
| Total assets | \$52,114 | \$55,938 |

QubicaAMF Worldwide, S.a.r.l.

Statements of Financial Position (In thousands except share data)

| <i>December 31,</i> | 2014 | 2013 |
|--|-------------|-------------|
| Liabilities and Stockholders' Deficit | | |
| Current liabilities | | |
| Trade and other liabilities (Note 9) | \$ 11,831 | \$ 9,237 |
| Provisions (Notes 11 and 19) | 2,305 | 5,435 |
| Deferred revenue (Note 10) | 3,230 | 2,850 |
| Taxes payable (Note 8) | 810 | 748 |
| Current maturities of long-term debt (Notes 12 and 17) | 800 | 800 |
| Total current liabilities | 18,976 | 19,070 |
| Preferred equity certificates (Notes 13 and 19) | 80,278 | 82,652 |
| Deferred taxes (Note 8) | 1,541 | 1,190 |
| Long term debt, net of current maturities (Note 12) | 2,333 | 3,718 |
| Deferred royalty income (Note 21) | 3,120 | 4,416 |
| Total liabilities | 106,248 | 111,046 |
| Commitments and contingencies (Notes 18 and 19) | | |
| Stockholders' deficit | | |
| Convertible preferred equity certificates (\$30.46 par value, 257,600 authorized and 210,560 issued) (Note 13) | 6,414 | 6,414 |
| Common stock (\$30.46 par value, 15,040 shares authorized and 15,040 issued) | 458 | 458 |
| Paid-in-capital | 6,288 | 6,288 |
| Accumulated other comprehensive loss – translation of foreign operations | 2,220 | (6,849) |
| Accumulated deficit (Note 2) | (69,514) | (61,419) |
| Total stockholders' deficit | (54,134) | (55,108) |
| Total liabilities and stockholders' deficit | \$ 52,114 | \$55,938 |

See accompanying notes to consolidated financial statements

QubicaAMF Worldwide, S.a.r.l.

Consolidated Statements of Loss and Comprehensive Loss (In thousands except share data)

| <i>Year Ended December 31,</i> | 2014 | 2013 |
|--|-------------|-------------|
| Revenue (Notes 15 and 21) | \$101,198 | \$108,829 |
| Cost of goods and services (Notes 2, 16, and 22) | 68,964 | 78,640 |
| Gross profit | 32,234 | 30,189 |
| Operating expenses | | |
| Selling, general and administrative (Notes 16 and 22) | 23,737 | 24,246 |
| Engineering (Notes 16 and 22) | 3,985 | 4,424 |
| Restructuring, refinancing and other charges (Notes 11 and 19) | 1,089 | 1,125 |
| Foreign exchange (gain) loss, net (Note 2) | (1,291) | 60 |
| Depreciation and amortization | 2,216 | 3,115 |
| Total operating expenses | 29,736 | 32,970 |
| Gain on disposals of fixed assets | – | (7) |
| Operating income (loss) | 2,498 | (2,774) |
| Non-operating (income) expenses | | |
| Interest expense | 855 | 513 |
| Preferred equity certificates | 7,974 | 7,232 |
| Interest income | (184) | (111) |
| Other expense/(income), net | 261 | 222 |
| Total non-operating expenses | 8,906 | 7,856 |
| Loss before income taxes | (6,408) | (10,630) |
| Income taxes (Note 8) | 1,687 | 682 |
| Net loss | (8,095) | (11,312) |
| Other comprehensive gain (loss) | | |
| Translation of foreign operations | 9,069 | (4,024) |
| Total comprehensive income (loss) | \$ 974 | \$(15,336) |

See accompanying notes to consolidated financial statements

QubicaAMF Worldwide, S.a.r.l.

Consolidated Statements of Stockholders' Deficit (In thousands except share data)

| | Convertible Preferred Equity Certificates | Common stock | Additional paid-in capital | Translation of foreign operations | Accumulated Deficit | Total stockholders' Deficit |
|-----------------------------------|--|-----------------|----------------------------------|---|------------------------|-----------------------------------|
| Balance, December 31, 2012 | \$6,414 | \$458 | \$6,288 | \$(2,825) | \$(50,107) | \$(39,772) |
| Net loss | — | — | — | — | (11,312) | (11,312) |
| Currency translation adjustment | — | — | — | (4,024) | — | (4,024) |
| Balance, December 31, 2013 | 6,414 | 458 | 6,288 | (6,849) | (61,419) | (55,108) |
| Net loss | — | — | — | — | (8,095) | (8,095) |
| Currency translation adjustment | — | — | — | 9,069 | — | 9,069 |
| Balance, December 31, 2014 | \$6,414 | \$458 | \$6,288 | \$ 2,220 | \$(69,514) | \$(54,134) |

See accompanying notes to consolidated financial statements

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

| <i>Year Ended December 31,</i> | 2014 | 2013 |
|--|-----------------|-----------------|
| Operating activities | | |
| Net loss | \$(8,095) | \$(11,312) |
| Adjustments to reconcile loss to net cash provided by operating activities | | |
| Depreciation and amortization | 2,216 | 3,115 |
| Deferred taxes | 466 | 54 |
| Gain on disposal of assets, net | - | (7) |
| Unrealized (gain)loss on foreign exchange | (1,435) | (210) |
| Changes in assets and liabilities | | |
| Accounts and notes receivable | (993) | 1,206 |
| Inventories | 2,568 | (887) |
| Other assets | (86) | 876 |
| Trade and other liabilities, provisions and deferred revenue | (589) | (2,014) |
| Accrued interest on PEC's and amortization of finance charges | 7,974 | 7,232 |
| Income taxes receivable (payable) | 409 | (267) |
| Deferred royalty income | (852) | (852) |
| Net cash (used in) provided by operating activities | 1,583 | (3,066) |
| Investing activities | | |
| Purchases of property, plant and equipment | (826) | (1,411) |
| Purchases of patents and trademarks | (63) | (132) |
| Restricted cash | (1,009) | - |
| Proceeds from sales of property and equipment | - | 7 |
| Net cash used in investing activities | (1,898) | (1,536) |
| Financing activities | | |
| Deferred finance costs | (101) | (746) |
| Borrowings on term loan | - | 4,000 |
| (Repayments) borrowings on revolving loans, net | (585) | 585 |
| Repayments on term loan | (800) | (67) |
| Net cash (used in) provided by financing activities | (1,486) | 3,772 |
| Effect of exchange rates on cash | 1,398 | (567) |
| Net (decrease) increase in cash | (403) | (1,397) |
| Cash, beginning of year | 1,836 | 3,233 |
| Cash, end of year | \$ 1,433 | \$ 1,836 |
| Interest paid | \$ 576 | \$ 363 |
| Taxes paid | \$ 875 | \$ 957 |

See accompanying notes to consolidated financial statements

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

1. Business Description and Organization

QubicaAMF Worldwide, S a r l , a company organized under the laws of Luxembourg on October 8, 2005 (the “Company”) through its wholly owned subsidiaries QubicaAMF Worldwide, LLC (“QAMF”) , QubicaAMF Europe S P A (“QEurope”), and QubicaAMF BV is engaged in one primary business – the manufacture and sale of bowling equipment, such as automatic pinspotters, automatic scoring equipment, bowling pins, lanes, ball returns, lane machines, mini-bowling equipment, bowling center supplies and the resale of other related products, including bowling bags and shoes

The Company is one of the largest manufacturers of bowling equipment in the world Revenue consists of two major sales categories

- New Center Packages (‘NCPs”), which is all of the equipment necessary to outfit one lane at a new or existing bowling center, and
- Modernization and Consumer Products, which is equipment used to upgrade an existing center, mini-bowling equipment, spare parts, pins, supplies and consumable products used in the operation of a center, and bowling balls and ancillary products for resale to bowlers

The Company’s business operations and operating assets are held in subsidiaries QAMF operates the U S -based sales and manufacturing activities, conducts business in certain countries around the world through branch offices and subsidiaries, and serves as the Worldwide and U S headquarters of the Company QEurope, formerly Qubica S p A , operates the Italian based sales and manufacturing activities, conducts business in Italy and Canada through subsidiaries, and serves as the European headquarters of the Company

On November 26, 2014 AMF Holdings sold its 50% equity interest in the Company to QU2 S A (“QU2”), entity incorporated and existing under the laws of Luxembourg As part of the transaction the Company, AMF Holdings and QubLux terminated the joint venture agreement dated June 13, 2005 which originally formed the Company In addition, the three (3) members of the board of managers of the Company appointed by AMF Holdings resigned and were replaced by three (3) managers appointed by QU2 The board of managers of the Company has six (6) members split equally between QubLux and QU2

As part of this change in ownership, an existing trademark agreement dated June 13, 2005 between AMF Bowling Worldwide, Inc (“WINC”), the Company, Qubica S p A and AMF Bowling Products LLC was amended and restated, primarily to update and add to the marks covered by the trademark agreement and amend certain definitions, primarily related to the covered marks and to expand the field of use to include mini-bowling products

2. Summary of Significant Accounting Policies

Statement of compliance and basis of preparation

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations adopted by the International Accounting Standards Board (“IASB”)

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

The consolidated financial statements are presented in U S dollars rounded to the nearest thousand. They are prepared under the historical cost convention, except as disclosed in the accounting policies below. Any changes in applicable accounting principles resulting from new or revised standards and interpretations are applied retrospectively, unless the transitional provisions of the standards or interpretations require prospective application.

Reclassifications of prior year balances

Certain immaterial reclassifications have been made to conform to current year presentation.

Principles of consolidation

The consolidated financial statements of the Company include the financial statements of QubicaAMF Worldwide S a r l and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign currency translation and transactions

All assets and liabilities of our international operations are translated from foreign currencies into U S dollars at exchange rates in effect at the end of each fiscal period. Adjustments resulting from the translation of financial statements of international operations into U S dollars are included in the foreign currency translation adjustment in the accompanying consolidated balance sheet. Revenue and expenses of international operations are translated using exchange rates that existed at the end of each month during the reporting period. Currency exchange gains and losses resulting from transactions conducted in other than local currencies are included in operating expenses. The amount of net losses (gains) realized during 2014 and 2013 was \$144 and \$(149), respectively. Net unrealized (gains) losses for the years ended December 31, 2014 and 2013 were \$(1,435) and \$209, respectively.

Cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. The company had no cash equivalents as of December 31, 2014. At times, the Company's cash and cash equivalents may be in excess of the FDIC insurance limit, as well as the insurance limit in various individual countries. All of our US non-interest bearing cash balances were fully insured at December 31, 2014.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

2. Summary of Significant Accounting Policies (continued)

Trade accounts and notes receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Notes receivable relate to product financing arrangements. They generally bear interest and are recorded at face value. The Company may require collateral for the notes. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the existing accounts and notes receivable. The Company determines the allowance based on historical write-off experience and knowledge of specific customer accounts and reviews it quarterly. Past due balances meeting specific criteria are reviewed individually for collectibility. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The fair value of receivables approximates book value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in purchasing the inventories including delivering them to their existing location and condition. The net amount of inventory expense related to adjustments for reserves, write-offs, physical inventories and standard cost updates was \$191 and \$197 for the years ended December 31, 2014 and 2013, respectively. Inventories recognized as cost of sales were \$51,690 and \$57,619 for the years ended December 31, 2014 and 2013, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the following estimated useful lives:

| | |
|------------------------|----------------|
| Buildings | 25 to 39 years |
| Leasehold improvements | 5 to 13 years |
| Equipment | 4 to 10 years |
| Furniture and fixtures | 5 to 16 years |

Land is valued at acquisition cost and is not depreciated except for improvements to land. Expenditures for routine maintenance and repairs which do not improve or extend the life of an asset are charged to expense as incurred. Major renewals or improvements are capitalized and amortized over the lesser of the remaining life of the asset or, if applicable, lease term. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from property and equipment and any gain or loss is recognized.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

2. Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the following estimated weighted average useful lives:

| | |
|---------------------------|------------|
| Distributor relationships | 120 months |
| Patents | 139 months |
| Trademarks | 120 months |

Impairment of property and equipment and other intangible assets

If indications exist that an asset may be impaired, the Company determines the estimated recoverable amount. An impairment loss is recorded if the recoverable amount of an asset, which is the higher of fair value less cost to sell and value in use, is lower than the carrying amount.

Finance and operating leases

Assets acquired under leasing agreements which effectively transfer all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalized at amounts equivalent to the estimated net present value of the future minimum lease payments. The same amount is recorded correspondingly as a finance lease obligation. Assets under finance leases are amortized over their estimated useful lives.

The Company has entered into various operating leases, the payments under which are treated as rentals and charged to the statement of operations on a straight-line basis over the lease terms.

Income taxes

The Company is a Luxembourg tax resident and is subject to Luxembourg corporate income tax. This Company is treated as a partnership for U.S. tax purposes and, therefore, is not subject to U.S. income taxes directly. Rather, the stockholders are subject to U.S. income taxes based on their respective shares of the Company's income or loss. The Company is also subject to income taxes in certain other foreign jurisdictions. These income taxes are accounted for under the comprehensive liability method.

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous years.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

2. Summary of Significant Accounting Policies (continued)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities are disclosed as non-current assets or liabilities with those changes being recorded in the income statement or directly in the statement of stockholders' equity. Deferred tax assets are recorded only if it is probable that benefits will be utilized in the future.

The Company has tax jurisdictions located in many areas of the world and is subject to audit in these jurisdictions. Tax audits by their nature are often complex and can require several years to resolve. In the preparation of the Company's financial statements, management exercises judgments in estimating the potential exposure to unresolved tax matters. While actual results could vary, in management's judgment, the company has adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters.

Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A provision for warranties is recognized when the underlying product or services are sold. The provisions are based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Preferred and convertible preferred equity certificates

The preferred equity certificates (PECs) are classified as liabilities, rather than equity, because they are mandatorily redeemable at a specific date. Convertible preferred equity certificates (CPECs) are required to be allocated between debt and equity due to the conversion option available to the holders. The value attributable to the debt component was deemed negligible at inception and remains so at December 31, 2014. Therefore the CPEC's are primarily reported as equity. However, due to the mandatory redemption feature of the CPEC's at maturity, a liability will accrete over the terms of the CPECs which range from 49 to 60 years. Yield on the PECs is recognized in the income statement as interest expense.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

2. Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is generated by sales of products in two general categories, and sales of software used by operators of bowling centers. For product sales without software, the Company recognizes revenue when the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Revenue for consumable products such as parts and supplies are generally recognized upon shipment. Revenue for equipment sales without software, which typically require installation, is generally recognized upon shipment in the US, in accordance with the terms of the contract, or upon acceptance by customer, in Europe. Installation services, if required, are generally performed by subcontractors, and the related revenue is recognized upon completion of the services. The Company records all revenues net of taxes collected for government agencies and remitted to them.

The Company recognizes revenue earned on arrangements involving multiple elements, such as equipment sales, software products, upgrades/enhancements, post-contract customer support, installation and training, by allocating the revenue to each element based on the relative fair values of the elements. For multiple element arrangements that contain non-software elements, we (1) determine whether and when each element has been delivered, (2) determine the fair value of each element using the selling price hierarchy of vendor-specific evidence of fair value (VSOE), third party evidence (TPE) and best estimated selling price (BESP), and (3) allocate the total price among the various elements using the relative selling price method. Once we have allocated the total price among the various elements, we recognize revenue when the revenue recognition criteria described above are met for each element.

VSOE generally exists when we sell the deliverable separately and we are normally able to establish VSOE for all deliverables in these multiple element arrangements, however, in certain limited instances VSOE cannot be established. This may be because we infrequently sell each element separately, do not price products or services within a narrow range, or have a limited sales history. When we are unable to establish selling price using VSOE, we use TPE or BESP in our allocation of arrangement consideration. TPE is third party evidence of indication of value such as the price charged by a third party subcontractor for installation services in the case of the Company. BESP is the estimated price at which we would sell a product or service if it were sold on a stand-alone basis. We determine BESP for a product or service by considering multiple factors including, but not limited to, pricing practices, market conditions, competitive landscape, and type of customers. Significant pricing practices that we take into consideration include historic contractually stated prices, volume discounts where applicable, and our price lists. The determination of BESP is made through consultation with and formal approval by management, taking into consideration our overall market strategy.

As such the Company typically recognizes revenue under the following scenarios. When software and non-software are in an arrangement and the software is essential, revenue is generally recognized when shipped or installed. When software and non-software are in an arrangement and the software is not essential, the Company allocates the revenue and then will defer the post-contract support portion of the arrangement because VSOE cannot be determined. The revenue allocated to post-contract customer support is recognized ratably over the term of the support. Software licenses sold without post-contract support is recognized when the license is delivered. Finally, the Company recognizes equipment and consumable supplies upon shipment.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

2. Summary of Significant Accounting Policies (continued)

The Company sells one year extended warranties at the end of the original warranty period on a limited number of products. The Company defers all revenue received and amortizes it ratably over the one year extended warranty period.

Amounts received in advance of meeting the revenue recognition criteria are deferred.

Shipping and Handling Costs

The company accounts for all shipping and handling costs as a part of cost of goods sold.

Research and development costs

Research costs are expensed as incurred. Development costs are capitalized under intangible assets, if they generate probable future economic benefits. The capitalized development costs are amortized using the straight-line method over their estimated useful life. Development costs that do not fulfill the requirements for capitalization are expensed as incurred. Total research and development expenses incurred for 2014 and 2013 were \$518 and \$637, respectively. None were capitalized during 2014 or 2013.

Advertising Expenses

Direct advertising expenses are generally expensed as incurred. Total advertising and promotional expenses incurred for 2014 and 2013 were \$1,836 and \$2,304, respectively.

Stock Option Plan

The Company has adopted a stock option plan which permits the issuance of options to purchase up to 10% of the CPEC's and common stock shares. The Company accounts for such awards under IFRS 2 *Share-Based Payments* which requires these options to be valued at fair value on the grant date and recorded within the statement of operations over the vesting period.

Each stock option unit grants the holder the right to purchase 14 CPEC's and 1 common share. All option grants are vested immediately and have a 10 year term.

There were no options granted in 2013 or 2014.

Stock Options Outstanding and Vested at December 31, 2014

| <i>Year Granted</i> | Options | Remaining Term |
|---------------------|----------------|---------------------------|
| 2007 | 113 | 2.7 |
| 2008 | 239 | 3.5 |
| 2009 | 341 | 4.3 |
| Total | 693 | 3.6 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

2. Summary of Significant Accounting Policies (continued)

In 2013, the Company had no forfeitures and no exercises of such options. In 2014, the Company had 300 options that were forfeited and no exercises of such options.

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. No dividends have been declared since inception.

General Objectives, Policies and Processes

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures resulting from the Company's commercial activities.

Financial risk management is carried out by the Finance department under policies approved by the Board of Directors. The Finance department identifies, evaluates and manages financial risks in close cooperation with the operating units. The Finance department has guidelines approved by the Board of Directors for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk management, cash management, interest rate risk, credit risk, counterparty risk, and investing excess liquidity.

Foreign exchange risk

The Company is exposed to foreign exchange risk, being the transaction risk arising from various currency exposures primarily with respect to U.S. dollar and euro. The transaction risk is the risk arising due to currency fluctuations between the date of the agreement and the actual cash flows. There were no foreign exchange contracts outstanding at December 31, 2014 and 2013.

Interest rate risk

Interest rate risks arise from fluctuation in market rates, which could have a negative impact on the financial position of the Company. Changes in interest rates cause variation in interest income and expense and the fair value of financial assets and liabilities with fixed interest rates. The Company has utilized interest-rate-swaps to manage its interest rate risk in its Italian operations. The Company had no such swaps existing at December 31, 2014 or 2013.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

2. Summary of Significant Accounting Policies (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the Company's policy to assess the credit risk of new customers before entering contracts. The Credit Department has established a corporate credit policy under which each new customer is analyzed for creditworthiness. The Company has no significant concentrations of credit risk. The danger of cluster risks is minimized by the large number of customers. The Company also has policies that limit the amount of credit exposure to any one customer.

Liquidity Risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company routinely performs monthly reviews of cash flow projections.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Those judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are further discussed below.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

2. Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make the required payments. If the financial conditions of customers were to deteriorate, resulting in their inability to make the required payments, additional allowances may be required in future periods.

Inventory-related allowances

The Company periodically reviews inventory for excess quantities, product obsolescence and declines in market value below cost and records an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventory in future periods.

Warranty provisions

The Company provides for the estimated cost of product warranties at the time revenue is recognized. The Company's warranty provision is established based upon best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As new products are introduced and as local laws, regulations and practices may change, changes in these estimates could result in additional provisions or changes to recorded provisions being required in future periods.

Legal contingencies

Legal proceedings are pending or threatened against the Company. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Valuation of property and equipment and intangible assets

The Company assesses the carrying value of identifiable intangible assets and property and equipment annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

2. Summary of Significant Accounting Policies (continued)

Deferred taxes

Management judgment is required in determining provisions for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. If the final outcome of these matters differs from the amounts initially recorded, differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Subsequent Events

The Company evaluates subsequent events through the date which the Company approves the financial statements for issue.

Recently issued IFRS standards

In May 2014, the IASB issued IFRS 15 as a substantially converged standard with the FASB's ASU 2014-09, Revenue from Contracts with Customers. The core principle of IFRS 15 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. IFRS 15 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing IFRS. IFRS 15 has an effective date of January 1, 2017, with early application permitted.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date of IFRS 9 from January 1, 2013, to January 1, 2015. The purpose of the deferral is to make the mandatory effective date the same for all phases of the IASB's financial instruments project. Early application of IFRS 9 is still permitted. The Company has not adopted this standard or evaluated its potential impact upon adoption.

None of the new standards listed below, interpretations and amendments, which are effective for periods on or beginning after January 1, 2014 had a material effect on the Company's financial statements.

- IFRS 10 Consolidated Statements (Amendments – Investment Entities)
- IAS 32 Financial Instruments Presentation (Amendments - Offsetting)
- IAS 36 Impairment of Assets (Amendments – Recoverable Amount Disclosures)
- IAS 39 Financial Instruments Recognition and Measurement (Amendments – Valuation of Derivatives)
- IFRIC 21 Levies

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

3. Trade and Other Receivables

Trade and other receivables consist of the following as of December 31, 2014 and 2013

| <i>Year Ended December 31,</i> | 2014 | 2013 |
|-----------------------------------|-----------|----------|
| Trade receivables | \$ 13,691 | \$12,967 |
| Other trade receivables | 1,436 | 1,022 |
| Allowance for doubtful accounts | (485) | (387) |
| Total trade and other receivables | \$ 14,642 | \$13,602 |

4. Inventories

Inventories, net of obsolescence reserves of \$3,011 and \$2,820 as of December 31, 2014 and 2013, respectively, consist of the following

| <i>Year Ended December 31,</i> | 2014 | 2013 |
|--------------------------------|-----------|----------|
| Raw materials | \$ 3,554 | \$ 4,235 |
| Work in process (a) | 1,364 | 1,526 |
| Finished goods and spare parts | 12,986 | 14,814 |
| Total inventories | \$ 17,904 | \$20,575 |

(a) Work in process also includes certain inventory shipments in-transit to customers

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2014 and 2013

| | Land | Building & Improvements | Equipment, Furniture & Fixtures | CIP | Total |
|---|-----------------|----------------------------|---------------------------------------|---------------|------------------|
| Cost | | | | | |
| Balance at December 31, 2013 | \$ 2,844 | \$14,331 | \$24,481 | \$264 | \$41,920 |
| Acquisitions | — | 42 | 816 | (32) | 826 |
| Disposals | — | — | (89) | — | (89) |
| Effect of movements in foreign exchange | (158) | (461) | (343) | — | (962) |
| Balance at December 31, 2014 | \$ 2,686 | \$ 13,912 | \$ 24,865 | \$ 232 | \$ 41,695 |
| Depreciation and Impairment losses | | | | | |
| Balance at December 31, 2013 | \$ 260 | \$6,234 | \$21,166 | \$ — | \$27,660 |
| Depreciation charge for the year | 2 | 669 | 1,315 | — | 1,986 |
| Disposals | — | — | (89) | — | (89) |
| Effect of movements in foreign exchange | — | (158) | (255) | — | (413) |
| Balance at December 31, 2014 | \$ 262 | \$6,745 | \$22,137 | — | \$29,144 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

5. Property and Equipment (continued)

| | Land | Buildings & Improvements | Equipment, Furniture & Fixtures | CIP | Total |
|---|-----------------|-----------------------------|---------------------------------------|---------------|------------------|
| Cost | | | | | |
| Balance at December 31, 2012 | \$ 2,791 | \$ 14,080 | \$ 23,995 | \$ 319 | \$ 41,185 |
| Acquisitions | — | 107 | 1,356 | (52) | 1,411 |
| Disposals | — | — | (967) | — | (967) |
| Effect of movements in foreign exchange | 53 | 144 | 97 | (3) | 291 |
| Balances at December 31, 2013 | \$ 2,844 | \$ 14,331 | \$ 24,481 | \$ 264 | \$ 41,920 |
| Depreciation and Impairment losses | | | | | |
| Balance at December 31, 2012 | \$ 258 | \$ 5,529 | \$ 20,123 | \$ — | \$ 25,910 |
| Depreciation charge for the year | 2 | 657 | 1,941 | — | 2,600 |
| Disposals | — | — | (960) | — | (960) |
| Effect of movements in foreign exchange | — | 48 | 62 | — | 110 |
| Balance at December 31, 2013 | \$ 260 | \$ 6,234 | \$ 21,166 | \$ — | \$ 27,660 |
| Carrying amounts | | | | | |
| At December 31, 2014 | 2,424 | 7,167 | 2,728 | 232 | 12,551 |
| At December 31, 2013 | \$2,584 | \$8,097 | \$3,315 | \$264 | \$14,260 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

6. Intangible Assets

Intangible assets consist of the following as of December 31, 2014 and 2013:

| 2014 | Distributor Relationships | Patents and Trademarks | Total |
|------------------------------------|------------------------------|---------------------------|---------|
| Cost | | | |
| Balance at December 31, 2013 | \$1,931 | \$3,013 | \$4,944 |
| Additions | — | 65 | 65 |
| Disposals | — | — | — |
| Effect of exchange rate movement | (5) | (233) | (238) |
| Balance at December 31, 2014 | \$1,926 | \$2,845 | \$4,771 |
| Amortization and impairment | | | |
| Losses | | | |
| Balance at December 31, 2013 | \$1,752 | \$2,537 | \$4,289 |
| Amortization for the period | 73 | 157 | 230 |
| Disposals | — | — | — |
| Effect of exchange rate movement | (5) | (211) | (216) |
| Balance at December 31, 2014 | \$1,820 | \$2,483 | \$4,303 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

6. Intangible Assets (continued)

| 2013 | Distributor Relationships | Patents and Trademarks | Total |
|------------------------------------|---------------------------|------------------------|---------|
| Cost | | | |
| Balance at December 31, 2012 | \$1,929 | \$2,927 | \$4,856 |
| Additions | – | 132 | 132 |
| Disposals | – | (120) | (120) |
| Effect of exchange rate movement | 2 | 74 | 76 |
| Balance at December 31, 2013 | \$1,931 | \$3,013 | \$4,944 |
| Amortization and impairment | | | |
| Losses | | | |
| Balance at December 31, 2012 | \$1,556 | \$2,273 | \$3,829 |
| Amortization for the period | 194 | 321 | 515 |
| Disposals | – | (120) | (120) |
| Effect of exchange rate movement | 2 | 63 | 65 |
| Balance at December 31, 2013 | \$1,752 | \$2,537 | \$4,289 |
| Carrying amounts | | | |
| At December 31, 2014 | \$106 | \$362 | \$ 468 |
| At December 31, 2013 | \$179 | \$476 | \$ 655 |

Amortization

Aggregate amortization expense for intangible assets was \$230 and \$515 for the years ended December 31, 2014 and 2013, respectively. Estimated amortization expense for the next five years is \$189 in 2015, \$56 in 2016, \$48 in 2017, \$9 in 2018, \$9 in 2019 and \$9 thereafter.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

7. Other Assets

Other assets consist of the following as of December 31, 2014 and 2013

| | 2014 | 2013 |
|---|--------------|--------------|
| Deferred finance charges, net of amortization of \$279 and \$41 | \$524 | \$705 |
| Other | 39 | 20 |
| Total other assets | \$563 | \$725 |

8. Income Taxes

The Company's income tax provision for the period ended December 31, 2014 and 2013 consisted of a foreign current income tax expense of \$959 and \$778 and a foreign deferred income tax (benefit)\expense of \$728 and \$(96), respectively

Income tax expense recognized in the consolidated statement of operations includes

| | 2014 | 2013 |
|---------------------------------|----------------|--------------|
| Current tax expense | \$ 959 | \$778 |
| Deferred tax expense | 728 | (96) |
| Total income tax expense | \$1,687 | \$682 |

Reconciliation of effective tax rate

| | 2014 | 2013 |
|---|-----------------|---------------|
| Income tax (benefit) / expense using the Luxembourg tax rate of 28.89% and 29.63% | \$(1,873) | \$(3,106) |
| Effect of tax rates in different foreign jurisdictions | 203 | 180 |
| Prior year true-ups | - | 3,048 |
| IRAP expense calculation on a different basis | 127 | 262 |
| Non-deductible interest expense | 2340 | 2,120 |
| Change in unrecognized deferred tax asset | 750 | (2,278) |
| Rate adjustment for royalties | (252) | (249) |
| Partnership loss/(income) not taxable | 217 | 987 |
| Change in indefinite reinvestment assertion | 220 | - |
| Other (net) | (45) | (282) |
| Income tax expense | \$ 1,687 | \$ 682 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

8. Income Taxes (continued)

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the company believes it is probable that these assets will be recovered

No deferred tax is recognized on the unremitted earnings of overseas subsidiaries and joint ventures. As earnings are continually reinvested by the Company and there is no intention for these entities to pay dividends, no tax is expected to be payable on them in the foreseeable future.

Recognized deferred tax assets and liabilities

| | 2014 | 2013 |
|-------------------------------|-----------|----------|
| Property, plant and equipment | \$ (3) | \$ (5) |
| Leasing | (916) | (1,067) |
| Unrealized losses | (977) | (682) |
| Reserves | 5 | 85 |
| Withholding tax | (220) | - |
| Other items | 53 | 72 |
| Net operating losses | 717 | 714 |
| Net tax liabilities | \$(1,349) | \$ (883) |

Deferred tax assets have not been recognized for the following

| | 2014 | 2013 |
|----------------------|---------|---------|
| Net operating losses | \$7,177 | \$7,506 |
| Reserves | 84 | - |
| Unrealized losses | 85 | 113 |

The net operating losses are for various foreign jurisdictions and carry varying expiration dates. The deductible temporary differences can be carried forward indefinitely. The Company records penalties and interest in income taxes related to any tax assessments when the amounts are probable of occurrence and reasonably estimable.

The Company has operations in many areas of the world and is subject, at times, to tax audits in these jurisdictions. These tax audits by their nature are complex and can require several years to resolve. The final resolution of any such tax audits could result in either a reduction in the Company's accruals or an increase in its income tax provision, both of which could have an impact on the results of operations in any given period. The Company regularly evaluates, assesses and adjusts these accruals in light of changing facts and circumstances, which could cause the effective tax rate to fluctuate from period to period.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

9. Trade and Other Liabilities

Trade and other liabilities consist of the following as of December 31, 2014 and 2013

| | 2014 | 2013 |
|---------------------------------------|-----------------|----------------|
| Trade payables | \$ 3,280 | \$4,356 |
| Customer deposits | 5,175 | 2,016 |
| Accrued salaries and wages | 2,092 | 1,359 |
| Accrued payables and expenses | 914 | 1,007 |
| Other | 370 | 499 |
| Total trade and other payables | \$11,831 | \$9,237 |

10. Deferred Revenue

The Company defers revenue primarily associated with software licenses with post-contract support services for which VSOE cannot be established and extended warranty arrangements. This revenue is recognized ratably over the term of the service or arrangement which is primarily within 18 months. Total amounts deferred are as of December 31, 2014 and 2013, respectively, are \$3,230 and \$2,850.

11. Provisions

| | Employee benefits | Warranties | Legal claims | Other | Total |
|---------------------------------------|----------------------|--------------|-----------------|----------|-----------------|
| Balance at December 31, 2013 | \$ 4,432 | \$ 997 | \$ 6 | – | \$ 5,435 |
| Provisions made during the period | 1,404 | 35 | – | – | 1,439 |
| Provisions used during the period | (3,513) | (37) | – | – | (3,550) |
| Provisions reversed during the period | (639) | (264) | – | – | (903) |
| Exchange rate effects | (114) | | (2) | – | (117) |
| Balance at December 31, 2014 | \$ 1,570 | \$731 | \$ 4 | – | \$ 2,305 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

| 11. Provisions (continued) | | Employee benefits | Warranties | Legal claims | Other | Total |
|---------------------------------------|----|----------------------|------------|-----------------|--------|----------|
| Balance at December 31, 2012 | \$ | 3,895 | \$ 932 | \$ 8 | \$ 252 | \$ 5,087 |
| Provisions made during the period | | 944 | 1,215 | 12 | – | 2,171 |
| Provisions used during the period | | (459) | (1,150) | (12) | (252) | (1,873) |
| Provisions reversed during the period | | – | – | (2) | – | (2) |
| Exchange rate effects | | 52 | – | – | – | 52 |
| Balance at December 31, 2013 | \$ | 4,432 | \$ 997 | \$ 6 | \$ – | \$ 5,435 |

Employee benefits

In June 2008, the Company entered into a guarantee with the Trustees of a UK Pension Plan whereby the Company agreed to guarantee up to 10% of any amounts due under the Plan with WINC guaranteeing the remaining amount due up to 90%. In August 2012, WINC filed for Bankruptcy in the United Kingdom and discontinued the joint operation. Additionally, in November 2012, WINC, filed for Chapter 11 bankruptcy in the US. The Company, according to the terms of the Plan Agreement and Guarantee, could be required to fund up to 10% of the unfunded position if the Plan were to terminate. The Company determined that it was probable that a liability had been incurred and accrued an amount totaling \$2,000 in the Consolidated Financial Statements at December 31, 2012. After continuing discussions in 2013 with the UK liquidators the Company believed that an amount equal to \$2,650 for full release of any future claims was needed and as a result recorded an incremental \$650 in the Consolidated 2013 Financial Statements. On May 15, 2014, the Company paid \$2,500 to the UK Pension Fund and as a result has been released from all past and future claims.

Warranties

Normally, the Company warrants all new products for one year. The provision represents the estimated amount of future warranty obligations and is based on estimates made from historical warranty data associated with similar products and services. The Company expects to receive the claims during the next 12 months.

Restructuring

In 2014, the Company incurred various one time charges related to severance of \$740, legal of \$279 and other miscellaneous charges of \$69 for a total of \$1,089. In 2013, the Company incurred legal expense and an incremental accrual related to the UK Pension of \$1,125. These charges were considered one-time expenses.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

12. Long-Term Debt

Long-term debt consisted of the following at December 31, 2014 and 2013, respectively

| | 2014 | 2013 |
|--|---------|---------|
| Term loan facility | \$3,133 | \$3,933 |
| Revolving loan facility | - | 585 |
| Less current maturities of term loan | (800) | (800) |
| Long-term debt, excluding current maturities | \$2,333 | \$3,718 |

On October 29, 2013, a three year agreement for a Revolving Credit, Term Loan and Security Agreement was entered into between QubicaAMF Worldwide LLC and PNC Bank, National Association. Under the revolving credit, cash collections are automatically swept against any outstanding revolver borrowings. Availability under the revolver is subject to certain borrowing limits based on the carrying amounts of the Company's assets. These limits are determined weekly and monthly and are based upon receivables and inventory as defined in the revolving credit agreement. Balances outstanding under the revolver mature October 2016 and bear interest at a variable rate 6.75% at December 31, 2014. The term loan is an original \$4,000 loan that matures October 28, 2016 with interest due monthly at a variable rate 7.75% at December 31, 2014 plus monthly principal payments of \$67 until maturity. The loan facilities are secured by virtually all U.S. assets. There are two covenants that are required by the loan facilities. The Company was not in compliance with the covenants at December 31, 2013 and March 31, 2014. In July 2014, the covenants were amended effective June 30, 2014 and prior non-compliance was waived. The Company is in compliance with revised covenants at December 31, 2014. However due to the past non-compliance, the variable interest rate margins were effectively raised in 2014 by 2%. The rates on the revolver and term loan may reset to 4.75% and 5.75%, respectively, in May 2015.

Additionally, the Company's Italian subsidiary maintains a unsecured line of credit with a consortium of Banks. This line has a limit of 3,200 Euros, or \$3,890 at December 31, 2014. There were no borrowings on the line of credit at December 31, 2014 and 2013 and it has no expiration.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

13. Preferred Equity Certificates and Convertible Preferred Equity Certificates

Upon formation, the Company authorized 19,550,000 shares each of Series 1 and Series 2 Preferred Equity Certificates ("PECs"), par value of 1 Euro (or \$1.22), and issued 15,980,000 Series 1 PECs to AMF Holdings, Inc. and 15,980,000 Series 2 PECs to Qubica Lux, S a r l. The PECs have a yield of 10%, compounded annually on December 31. Holders of the PECs have no voting rights. The PECs are mandatorily redeemable after 49 years for Series 1 and 60 years for Series 2, are not convertible to common stock and are therefore classified as long-term liabilities in the accompanying consolidated balance sheet. For the year ended December 31, 2013, the accrued but unpaid yield totaled \$38,653 which includes \$7,232 which has been charged to 2013 interest expense. For the year ended December 31, 2014, the accrued but unpaid yield totaled \$41,423 which includes \$7,974 which has been charged to 2014 interest expense. For the year ended December 31, 2013, the accrued but unpaid yield totaled \$38,653 which includes \$7,232 which has been charged to 2013 interest expense. Additionally, the liability (decreased) increased in 2014 and 2013 by approximately \$(2,374) and \$3,238, respectively, due to foreign exchange rate changes. The yield is payable upon redemption of the PECs by the Company, except that all or a portion of the accrued yield may be paid sooner if so declared by the Company's board of managers.

Upon formation, the Company also authorized 128,800 shares each of Series 1 Convertible Preferred Equity Certificates ("CPECs"), par value of 25 Euros (or \$30.46), and issued 105,280 Series 1 CPECs to AMF Holdings, Inc. and 105,280 Series 2 CPECs to Qubica Lux, S a r l. These Certificates bear no interest. Each CPEC can be converted into a number of common shares determined by dividing the par value of the CPEC by the conversion price of \$30.46. The Company has the option to redeem these shares at any time at the greater of par value or fair value as determined by the Company's board of managers. The CPECs have no voting rights and are mandatorily redeemable after 49 years for Series 1 and 60 years for Series 2, if not previously converted into common stock by the holders.

14. Capital and Reserves

Under the terms of the articles of incorporation, five percent of net profits must be set aside for the establishment of a statutory reserve until such reserve amounts to ten percent of the Company's share capital, which consists of PECs, CPECs and common stock.

The translation reserve consists all of foreign exchange differences arising from the translation of the financial statements of foreign operations into U.S. dollars.

15. Revenue

Revenue for the period consisted of

| | 2014 | 2013 |
|-----------------------|-----------|-----------|
| Sales of goods | \$ 90,075 | \$ 96,194 |
| Rendering of services | 6,978 | 7,972 |
| Other | 4,145 | 4,663 |
| Total revenue | \$101,198 | \$108,829 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

16. Personnel Expenses

Personnel expenses for the period consisted of

| <i>Year Ended December 31,</i> | 2014 | 2013 |
|---------------------------------|-----------------|-----------------|
| Wages and salaries | \$23,003 | \$24,550 |
| Employee benefits | 6,329 | 6,584 |
| Other | 123 | 418 |
| Total personnel expenses | \$29,455 | \$31,552 |

Personnel expenses are included in cost of goods and operating expenses. Cost of goods sold for December 31, 2014 and 2013 were \$9,466 and \$10,537, respectively. Operating expenses for December 31, 2014 and 2013 were \$19,980 and \$21,015, respectively.

17. Financial Instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Company's business. The Company's policies implemented to mitigate these risks are further explained in Note 2.

| | Effective Interest Rate | Balance as Of 12/31/14 | 6 Months Or Less | 6-12 Months Or Less | 1-2 Years | 2-5 Years | More Than 5 Years |
|-------------------------------|-------------------------------|---------------------------|---------------------|---------------------------|--------------|--------------|-------------------------|
| Cash and cash equivalents | 0.0% | \$ 1,433 | \$ 1,433 | \$ - | \$ - | \$ - | \$ - |
| Notes receivable | 3.9% | \$ 1,340 | \$ 854 | \$ 150 | \$ 165 | \$ 171 | \$ - |
| Preferred equity certificates | 10.0% | \$(80,278) | \$(80,278) | \$ - | \$ - | \$ - | \$ - |

Fair values

The carrying amounts reported in the balance sheet for cash, accounts receivable, inventories, and accounts payable approximate those assets' fair values. Our notes and leases payable approximate fair value since the interest rate is variable. We have no other material financial instruments. The Company does not hold any collateral as security for the note receivable balances.

18. Operating Leases

The Company has certain noncancelable operating leases, primarily for office space and equipment that expire over the next 5 years. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of December 31, 2014 are

| | |
|---------------------|----------------|
| 2015 | \$ 590 |
| 2016 | 413 |
| 2017 | 303 |
| 2018 | 29 |
| 2019 and thereafter | 49 |
| Total | \$1,384 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

18. Operating Leases (continued)

Rental expense for operating leases during the year ended December 31, 2014 and 2013 was approximately \$577 and \$587, respectively

19. Commitments and Contingencies

The Company is occasionally a party to legal proceedings and disputes which arise in the ordinary course of business. However, in the opinion of management, resolution of such matters will not have a material adverse effect on the financial position of the Company or its operations.

The Company guarantees borrowing from third party lenders for certain customers that purchase bowling equipment. In the event of a customer's default under the borrowing agreement, the Company may be required to repurchase the equipment from the lender at pre-determined prices. The Company's contractual repurchase obligation does not exceed 50% of the borrowed amount, and declines to \$0 over the three-year period of the guarantee. Pursuant to the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and IAS 39, Financial Instruments Recognition and Measurement, Company has accrued \$90 and \$140 as of December 31, 2014 and 2013, respectively, related to its stand ready obligation under the guarantee arrangement. The Company maintains the liabilities until the guarantee expires. The Company's maximum exposure under these arrangements was \$663 and \$1,232 as of December 31, 2014 and 2013, respectively. When necessary, management estimates and records an additional liability based on the difference between the contingent repurchase price and the estimated fair value of the used equipment.

In June 2008, the Company entered into a guarantee with the Trustees of the UK Pension Plan whereby the Company agreed to guarantee up to 10% of any amounts due under the Plan with AMF Bowling Worldwide, Inc. guaranteeing the remaining amount due up to 90%. In August 2012, WINC filed for Bankruptcy in the United Kingdom and discontinued the joint operation. Additionally, in November 2012, AMF Bowling Worldwide Inc., filed for Chapter 11 bankruptcy in the US. According to the terms of the Plan Agreement and Guarantee, the Company could be required to fund up to 10% of the unfunded position if the Plan were to terminate. The Company determined that it was probable that a liability had been incurred and accrued \$2,000 in the Consolidated Financial Statements at December 31, 2012. After continuing discussions in 2013 with the UK liquidators the Company believed that an amount equal to \$2,650 for full release of any future claims was needed and as a result increased the accrual by \$650 in the Consolidated 2013 Financial Statements. On May 15, 2014 the Company paid \$2,500 to the UK Pension Plan and as a result has been released from all past and future claims.

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

19. Commitments and Contingencies (continued)

The Company's wholly owned UK subsidiary, QubicaAMF (UK) Limited ("QAMF UK") (Registered number 08207080), is exempt from the UK requirements for audit of individual QAMF UK accounts under Section 479A of the Companies Act 2006 in the UK. Under section 479C of the Companies Act 2006 related to subsidiary companies, the Company has given a statutory guarantee of all the outstanding liabilities of QAMF UK at December 31, 2014. This guarantee has been filed at the Companies House in the UK.

20. Related Parties

The Company has a related party relationship with its subsidiaries, associates and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company or their immediate relatives do not control any of the voting shares of the Company.

The key management personnel compensations are as follows:

| | 2014 | 2013 |
|------------------------------|-------|-------|
| Short-term employee benefits | \$291 | \$601 |
| Total compensation | \$291 | \$601 |

Total remuneration is included in "personnel expenses" (see Note 16)

| | 2014 | 2013 |
|---------------------|-------|-------|
| Executive officers` | \$291 | \$601 |
| Total compensation | \$291 | \$601 |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) (In thousands except share data)

20. Related Parties (continued)

Other related party transactions

The following related party transactions occurred as of and for the period ended December 31, 2013. No related party transactions occurred as of and for the period ended December 31, 2014. The related party other than AMF Bowling represents entities owned by individuals who have an indirect ownership interest in the Company.

| 2014 | <u>Accounts Receivable</u> | <u>Accounts Payable</u> |
|-------------------------------------|----------------------------|-------------------------|
| Vebo SrL | \$ 147 | \$ 53 |
| | | |
| 2014 | <u>Sales To</u> | <u>Purchases From</u> |
| Vebo SrL | \$ 228 | \$80 |
| | | |
| 2013 | <u>Accounts Receivable</u> | <u>Accounts Payable</u> |
| AMF Bowling, including subsidiaries | \$1,323 | \$ — |
| Vebo SrL | 194 | — |
| EB Australia | 1 | — |
| | | |
| 2013 | <u>Sales To</u> | <u>Purchases From</u> |
| AMF Bowling, including subsidiaries | \$9,330 | \$ — |
| Vebo SrL | 239 | 10 |
| EB Australia | 37 | — |

QubicaAMF Worldwide, S.a.r.l.

Notes to Consolidated Financial Statements (continued) **(In thousands except share data)**

21. Deferred Royalty Income

The Company entered into a long-term distributor agreement in December 2006. This agreement, which runs for a duration of 12 years, provides for an agreed upon purchase commitment by the distributor as well as a royalty agreement spanning the entire period. The Company received cash totaling \$10,115 in 2006 for the distributor's royalty rights to use the QubicaAMF names and trademarks. The Company recognized \$852 and \$851 in revenue associated with this agreement, in 2014 and 2013 respectively. Deferred royalty income was \$3,120 and \$4,416 at December 31, 2014 and 2013, respectively. The deferral (decreased) increased in 2014 and 2013 by approximately \$(444) and \$177, respectively, due to foreign currency exchange rate changes.

22. Pension and Retirement Plans

The Company has a 401-K retirement plan covering substantially all US employees. The Company matches 100% of the employees first 3% of contributions and 50% of the next 2%, subject to certain length of service and vesting requirements. Vesting is immediate. The Company contributed \$367 and \$408 for the years ended December 31, 2014 and 2013, respectively.

23. Subsequent Events

The Company has evaluated all events subsequent to December 31, 2014 up to April 30, 2015 which was the date that the financial statements were available to be issued.