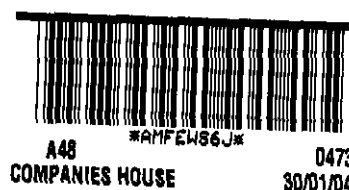


**Bally Gaming and Systems UK Limited (formerly
known as Honeyframe Software Development
Limited)**

**Directors' report and financial
statements**

Registered number 3538502

31 March 2003



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Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 2003.

Principal activities

The principal activity of the company is the development of computer software.

Business review

The directors are satisfied with the results for the year.

Post balance sheet event

In May 2003 the company was sold by TJH Group Limited to Bally Gaming & Systems.

In January 2004 the company changed its name to Bally Gaming & Systems UK Limited.

Results and dividends

The retained profit attributable to shareholders is £241,000 (2002: loss of £203,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

JC Kay	(resigned 21 May 2003)
WD Martin	(resigned 21 May 2003)
CP Preece	
S Stott	(resigned 21 May 2003)
EM Kilby	(resigned on 27 February 2002)
K Revitt	(resigned on 27 February 2002)
RN Miodunski	(appointed 21 May 2003)
RL Saxton	(appointed 21 May 2003)
MD Leaner	(appointed 21 May 2003)

The directors who held office during the year had the following interests in the ordinary shares of the Company according to the register of directors' interests:

	Class of share	Interest at beginning and end of year Number
Mr CP Preece	Ordinary "B" shares	13
Mr WD Martin	Ordinary "B" shares	12

No rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Directors responsibilities

Company law 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

KPMG LLP resigned as auditors on 21 May 2003 and were subsequently re-appointed on 7 January 2004.

By order of the board

CP Preece
Director



Lynton House
Ackhurst Park
CHORLEY
Lancashire
PR7 1NY

28 January 2004



Edward VII Quay
Navigation Way
Ashton-on-Ribble
PRESTON
Lancashire PR2 2YF

Independent auditor's report to the members of Bally Gaming and Systems UK Limited (Formerly known as Honeyframe Software Development Limited)

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP

Chartered Accountants
Registered Auditor

Registered number 3538502 / 31 March 2003

28/11/2004

Profit and loss account

for the year ended 31 March 2003

	Note	2003 £000	2002 £000
Turnover	1	1,508	722
Cost of sales		(458)	(363)
Gross profit		1,050	359
Administrative expenses		(685)	(531)
Operating loss	2	365	(172)
Net interest payable	3	(17)	(23)
Profit/(loss) on ordinary activities before taxation		348	(195)
Tax on loss on ordinary activities	6	(107)	(8)
Retained profit/(loss) for the financial year	15	241	(203)

All amounts relate to continuing activities.

There was no material difference between the reported profits and the historical cost profits of the company.

Statement of total recognised gains and losses

for the year ended 31 March 2003

The profit and loss account includes the only gains and losses of the company for the current and prior period.

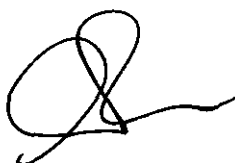
Balance sheet

as at 31 March 2003

	Note	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	7		69		94
Tangible assets	8		24		23
Investments	9		-		-
			<u>93</u>		<u>117</u>
Current assets					
Stock	10	63		69	
Debtors	11	453		251	
Cash at bank and in hand		-		-	
		<u>516</u>		<u>320</u>	
Creditors: amounts falling due within one year	12	(544)		(612)	
Net current liabilities			(28)		(292)
Provisions for liabilities and charges	13		(8)		(8)
Net liabilities			<u>57</u>		<u>(183)</u>
Capital and reserves					
Called up share capital	14		375		375
Profit and loss account	15		(318)		(558)
Equity shareholders' funds	16		<u>57</u>		<u>(183)</u>

Approved by the board of directors on 28 January 2004 and signed on its behalf by:

CP Preece
Director



Notes to the financial statements

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements have been prepared on a going concern basis. The Company is reliant on its ultimate parent undertaking for its continued support. The ultimate parent company has indicated its continued support for the foreseeable future.

The company is exempt by issue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard Number 1 to prepare a cash flow statement as it was a wholly owned subsidiary undertaking of TJH Group Limited at the year end, and its cash flows are included within the consolidated cash flow statement of that company.

Intangible fixed assets

Goodwill arising on acquisitions represented by the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life.

Tangible fixed assets and depreciation

The cost of tangible fixed assets less their estimated residual value is written off on a straight line basis over their useful lives. The principal annual rates in use are:

Plant and machinery	-	25%
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Investments

Investments are stated at cost less provision for any impairments.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services during the year. All turnover arises in the United Kingdom.

Notes (continued)

1 Statement of accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Amounts claimed or surrendered by way of group relief are transferred at nil consideration.

2 Operating loss

	2003 £000	2002 £000
<i>Operating loss is stated after charging:</i>		
Depreciation on owned assets	10	7
Auditors' remuneration	3	2
	<hr/>	<hr/>

3 Net interest payable

	2003 £000	2002 £000
<i>Interest payable</i>		
On loans from group undertakings	17	23
	<hr/>	<hr/>

4 Staff numbers and costs

	2003 £000	2002 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	424	300
Social security costs	45	31
Redundancy on termination of contract	13	-
	<hr/>	<hr/>
	482	331
	<hr/>	<hr/>

The average number of persons employed by the company during the year (including directors) was:

	2003 Number	2002 Number
Management and administration	12	11
	<hr/>	<hr/>

Notes *(continued)*

5 Directors' remuneration

Directors' remuneration of £212,500 (2002: £111,000) includes pension contributions of £nil (2002: £nil).

The emoluments of the highest paid director were £175,000 (2002 : £83,000). An amount of £12,500 was paid to a director for compensation of loss of office.

6 Tax on loss on ordinary activities

	2003 £000	2002 £000
UK corporation tax at 30% (2002: 30%) on the profit/(loss) for the year	107	-
Deferred tax – adjustment in relation to prior years	-	8
	<u>107</u>	<u>8</u>
	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Profit/(loss) on ordinary activities before taxation	348	(195)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	104	(59)
Effects of:		
Group relief surrendered to fellow group companies	-	57
Expenses not deductible for tax purposes	3	2
Current tax charge for the period	<u>107</u>	<u>-</u>

7 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At 1 April 2002	125
Additions	-
At 31 March 2003	<u>125</u>
<i>Amortisation</i>	
At 1 April 2002	31
Charge for the year	25
At 31 March 2003	<u>56</u>
<i>Net book value</i>	
As at 31 March 2003	<u>69</u>
As at 1 April 2002	<u>94</u>

Notes (continued)

8 Tangible fixed assets

	Plant & machinery £000
<i>Cost</i>	
At 1 April 2002	34
Additions	10
At 31 March 2003	44
<i>Depreciation</i>	
At 1 April 2002	11
Charge for the year	9
At 31 March 2003	20
<i>Net book value</i>	
As at 31 March 2003	24
As at 1 April 2002	23

9 Fixed asset investments

	Investments £000
Cost at beginning and end of the year	-

The company has a subsidiary Honeyframe Cashmaster Limited, a company incorporated in England. The company holds 2 ordinary shares of £1 each, representing 100% of the issued share capital. The company is currently dormant.

10 Stock

	2003 £000	2002 £000
Goods for resale	63	69

11 Debtors

	2003 £000	2002 £000
Trade debtors	422	230
Other debtors	10	10
Prepayments and accrued income	21	11
	453	251

Notes (continued)

12 Creditors

	2003 £000	2002 £000
<i>Amounts falling due within one year:</i>		
Loans and overdraft	-	298
Trade creditors	138	27
Amounts owed to group undertakings	78	19
Corporation tax	107	230
Other taxes and social security	43	38
Accruals and deferred income	178	-
	<u>544</u>	<u>612</u>

13 Provisions for liabilities and charges

The amounts provided for deferred taxation are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	8	8
	<u>8</u>	<u>8</u>

14 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
750 ordinary 'A' shares of £1 each	750	750
250 ordinary 'B' shares of £1 each	250	250
	<u>1,000</u>	<u>1,000</u>
<i>Allotted and fully paid</i>		
75 ordinary 'A' shares of £1 each	75	75
25 ordinary 'B' shares of £1 each	25	25
	<u>100</u>	<u>100</u>
<i>Authorised</i>		
375,000 redeemable shares of £1 each	375,000	375,000
<i>Allotted and fully paid</i>		
375,000 redeemable preference shares of £1 each	375,000	375,000

Notes (continued)

15 Reserves

	Profit and loss account £000
At 1 April 2002	(558)
Profit for the year	240
At 31 March 2003	<u>(318)</u>

16 Reconciliation of movement in shareholders' funds

	2003 £000	2002 £000
Profit/(loss) for the financial year	241	(203)
Issue of preference shares	-	375
Net addition/(reduction) to shareholders funds	240	172
Shareholders' funds at beginning of year	(183)	(355)
Shareholders' funds at end of year	<u>57</u>	<u>(183)</u>

17 Related party transactions

The amount owed to group companies at the balance sheet date was £77,000 (2002: £288,000) being a loan from Guild Ventures Limited.

18 Contingent liabilities

The company is party to group banking arrangements for TJH Group Limited. Consequently it is jointly and severally liable for the loans and overdrafts of TJH Group Limited and certain of its subsidiary undertakings. At 31 March 2003 the liability under this guarantee amounted to £229,150,000 (2002: £203,710,000).

19 Ultimate parent company

The ultimate parent company as at 31 March 2003 was TJH Group Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by TJH Group Limited. The consolidated financial statements of TJH Group Limited are available to the public and may be obtained from:

The Registrar of Companies
Companies House
Crown Way
CARDIFF
CF14 3UZ

Notes *(continued)*

19 Ultimate parent company *(continued)*

On 21 May 2003 Bally Gaming & Systems acquired TJH Group Limited's entire interest in the company.

The group in which the results of Bally Gaming & Systems are consolidated is that headed by Alliance Gaming Corporation. The consolidated financial statements of Alliance Gaming Corporation are available to the public and may be obtained from:

6601 S. Bermuda Road
Las Vegas
Nevada
89119