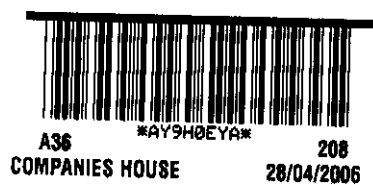


Bally Gaming and Systems UK Limited

**Directors' report and financial
statements**

Registered number 3538502

30 June 2005



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Directors' report

The directors present their report, together with the financial statements for the year ended 30 June 2005.

Principal activities

The principal activities of the company are the sale and rental of gaming machines and the development of computer software.

Business review

The company continued to invest in an infrastructure to support its principal activities in the United Kingdom and some markets in Europe.

Results and dividends

The loss for the year of £2,039,000 (*2004 15 month period: loss £605,000*) is after the deduction of finance costs in respect of non equity shares of £28,000 (*2004: £28,000*). A loss of £2,011,000 (*2004: loss £577,000*) has been transferred to reserves. The directors do not propose the payment of a dividend.

Directors

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

MD Lerner	
P Roden	(resigned 16 February 2006)
RL Saxton	
R Haddrill	(appointed 1 October 2004)
CP Preece	(resigned 10 August 2004)

None of the directors who held office during the year held any interest in shares of the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. 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.

Directors' report *(continued)*

Auditors

Pursuant to a shareholders' resolution the company is not obliged to re-appoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

RL Saxton
Director



Unit 1 Lockflight Buildings
Wheatlea Industrial Estate
Wheatlea Road
WIGAN
WW3 6XP

24th April 2006



KPMG LLP

Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Bally Gaming and Systems UK Limited

We have audited the financial statements on pages 4 to 13.

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 1, 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 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP

*Chartered Accountants
Registered Auditor*

24/06/2006

Profit and loss account

for the year ended 30 June 2005

	Note	12 months ended 30 June 2005 £000	15 months ended 30 June 2004 £000
Turnover	1	1,412	1,891
Cost of sales		(1,293)	(1,079)
Gross profit		119	812
Administrative expenses		(2,032)	(1,505)
Operating loss	2	(1,913)	(693)
Net interest (payable)/receivable	3	(98)	118
Loss on ordinary activities before taxation		(2,011)	(575)
Tax on loss on ordinary activities	6	-	(2)
Loss on ordinary activities after taxation		(2,011)	(577)
Additional finance costs in respect of non equity shares		(28)	(28)
Retained loss for the financial period	15	(2,039)	(605)

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 30 June 2005

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

Balance sheet

as at 30 June 2005

	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	7	13	505
Tangible assets	8	794	350
Investments	9	-	-
		<u>807</u>	<u>855</u>
Current assets			
Stock	10	769	1,737
Debtors	11	787	552
Cash at bank and in hand		249	137
		<u>1,805</u>	<u>2,426</u>
Creditors: amounts falling due within one year	12	<u>(5,143)</u>	<u>(3,801)</u>
Net current liabilities		<u>(3,338)</u>	<u>(1,375)</u>
Provisions for liabilities and charges	13	-	-
Net liabilities		<u>(2,531)</u>	<u>(520)</u>
Capital and reserves			
Called up share capital	14	375	375
Profit and loss account	15	(2,906)	(895)
Shareholders' funds	16	<u>(2,531)</u>	<u>(520)</u>
Shareholder's funds			
Equity		(2,962)	(923)
Non equity		431	403
	16	<u>(2,531)</u>	<u>(520)</u>

Approved by the board of directors on

24th April

2006 and signed on its behalf by:

RL Saxton
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.

Under Financial Reporting Standard ('FRS') 1 the company is exempt from the requirement to produce a cash flow statement on the grounds of its size.

Related party transactions

The company has taken advantage of the exemption available under FRS 8 Related Party Transactions not to disclose transactions with other group companies.

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. The directors consider each acquisition separately for the purpose of determining amortisation periods. The period of goodwill amortisation for amounts capitalised to date is ten years.

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%
Gaming Machines	-	33%
Fixtures and fittings	-	25%

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 period.

Notes (continued)

Statement of accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year/period 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.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year/period.

2 Operating loss

	12 months ended 30 June 2005 £000	15 months ended 30 June 2004 £000
<i>Operating loss is stated after charging:</i>		
Depreciation on owned assets	242	38
Auditors' remuneration	9	10
	<hr/>	<hr/>

3 Net interest (payable)/receivable

	12 months ended 30 June 2005 £000	15 months ended 30 June 2004 £000
<i>Interest receivable and similar income</i>		
Bank interest	2	3
<i>Interest payable and similar charges</i>		
On loans from group undertakings	(3)	(7)
Exchange (losses)/gains	(97)	122
	<hr/> (98) <hr/>	<hr/> 118 <hr/>

4 Staff numbers and costs

	12 months ended 30 June 2005 £000	15 months ended 30 June 2004 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	1,222	923
Social security costs	104	85
Pension Contributions	37	20
	<hr/> 1,363 <hr/>	<hr/> 1,028 <hr/>

Notes (continued)

4 Staff numbers and costs (continued)

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

	12 months ended 30 June 2005 Number	15 months ended 30 June 2004 Number
Management and administration	36	24

5 Directors' remuneration

Directors' remuneration of £280,531 (2004: £445,000) includes pension contributions of £15,650 (2004: £2,550).

6 Tax on loss on ordinary activities

	12 months ended 30 June 2005 £000	15 months ended 30 June 2004 £000
UK Corporation tax 30% (2004: 30%)	-	-
Adjustment in respect of prior years	-	10
Deferred taxation		
Movement in deferred tax	-	(8)
	-	2

	12 months ended 30 June 2005 £000	15 months ended 31 March 2004 £000
Loss on ordinary activities before taxation	(2,011)	(575)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	(603)	(173)
Effects of:		
Expenses not deductible for tax purposes	35	17
Capital allowances in excess of depreciation	-	(8)
Other short term timing differences	-	14
Tax losses carried forward	568	150
Adjustments in respect of prior years	-	10
Current tax charge for the year/period	-	10

Notes (continued)

7 Intangible fixed assets

	Goodwill	Intellectual Property	Total
	£000	£000	£000
<i>Cost</i>			
At 1 July 2004	501	125	626
Additions	-	-	-
At 30 June 2005	501	125	626
<i>Amortisation</i>			
At 1 July 2004	34	87	121
Charge for the year	50	25	75
Write down	417	-	417
At 30 June 2005	501	112	613
<i>Net book value</i>			
As at 30 June 2005	-	13	13
As at 1 July 2004	467	38	505

Notes (continued)

8 Tangible fixed assets

	Plant & Machinery £000
<i>Cost</i>	
At 1 July 2004	408
Additions	686
At 30 June 2005	<u>1,094</u>
<i>Amortisation</i>	
At 1 July 2004	58
Charge for the year	242
At 30 June 2005	<u>300</u>
<i>Net book value</i>	
As at 30 June 2005	<u>794</u>
As at 1 July 2004	<u>350</u>

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. Honeyframe Cashmaster Limited is currently dormant.

10 Stock

	2005 £000	2004 £000
Goods for resale	<u>769</u>	<u>1,737</u>

Notes *(continued)*

11 Debtors

	2005 £000	2004 £000
Trade debtors	445	428
Other debtors	7	87
Prepayments and accrued income	335	37
	<u>787</u>	<u>552</u>

12 Creditors

	2005 £000	2004 £000
<i>Amounts falling due within one year:</i>		
Trade creditors	335	230
Amounts owed to group undertakings	4,556	3,268
Corporation tax	-	-
Other taxes and social security	35	114
Accruals and deferred income	207	155
Other creditors	10	34
	<u>5,143</u>	<u>3,801</u>

13 Provisions for liabilities and charges

The amounts provided for deferred taxation are as follows:

	2005 £000	2004 £000
Accelerated capital allowances	-	-

A potential deferred tax asset of £748,000 in relation to losses carried forward has not been recognised due to the uncertainty surrounding future profits.

Notes (continued)

14 Called up share capital

	2005	2004
	£	£
<i>Authorised</i>		
75,000 ordinary 'A' shares of 1p each	750	750
25,000 ordinary 'B' shares of 1p each	250	250
	<u>1,000</u>	<u>1,000</u>
<i>Allotted and fully paid</i>		
7500 ordinary 'A' shares of 1p each	75	75
7500 ordinary 'B' shares of 1p each	25	25
	<u>100</u>	<u>100</u>
<i>Authorised</i>		
375,000 redeemable preference 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

The preference shares of the company carry a cumulative right to dividends at a rate of 7.5% per annum. The preference shareholders have the right to one vote per share whilst preference dividends remain unpaid. In the current and prior years the rights to preference dividends were waived by the holder.

All the preference shares in the Company became redeemable in May 2003 when the Company was sold to Bally Gaming & System Inc.

No redemption of the preference shares has been made to date

The arrears of fixed cumulative preference dividends are as follows:

2005	2004
£000	£000
56	28

Notes (continued)

15 Reserves

	Profit and loss account £000
At 1 July 2004	(895)
Loss for the year	(2039)
Appropriation for non equity interests included in loss	28
At 30 June 2005	<u>(2,906)</u>

16 Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
Loss for the financial year/period	(2,011)	(577)
Net reduction to shareholders funds	<u>(2,011)</u>	<u>(577)</u>
Shareholders' funds at beginning of year/period	(520)	57
Shareholders' funds at end of year/period	<u>(2,531)</u>	<u>(520)</u>

17 Ultimate parent company

The ultimate parent company is Bally Technologies Incorporated, a company incorporated in the United States of America. The company's results are consolidated into Bally Technologies Incorporated's results.

The consolidated financial statements of Bally Technologies Inc. are available to the public and may be obtained from:

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 Las Vegas
 Nevada
 89119