

**Bally Gaming and Systems UK Limited**

**Directors' report and financial  
statements**

Registered number 3538502

30 June 2007

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## Directors' report

The directors present their report, together with the financial statements for the year ended 30 June 2007.

### 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 profit for the year of £644,000 (2006: £233,000 loss) is after the deduction of finance costs in respect of non equity shares of £28,000 (2006: £28,000). A profit of £644,000 (2006: £233,000 loss) 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  
R Hadrill

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

### Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

#### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



M D Lerner  
Director

13 Telford Court  
Dunkirk Lea  
Chestergates  
CHESTER  
CH1 6LT

5/12/2008

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



**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 of Bally Gaming and Systems UK Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditor's report to the members of Bally Gaming and Systems  
UK Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

KPMG LLP  
*Chartered Accountants  
Registered Auditor*

*9 January* 2009

## Profit and loss account

for the year ended 30 June 2007

	Note	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
<b>Turnover</b>	<i>1</i>	<b>3,283</b>	<b>3,667</b>
Cost of sales		(1,823)	(2,915)
<b>Gross profit</b>		<b>1,460</b>	<b>752</b>
Administrative expenses		(1,169)	(949)
<b>Operating profit/(loss)</b>	<i>2</i>	<b>291</b>	<b>(197)</b>
Net interest receivable/(payable)	<i>3</i>	353	(36)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>644</b>	<b>(233)</b>
Tax on profit/(loss) on ordinary activities	<i>6</i>	-	-
<b>Profit/(loss) for the year</b>		<b>644</b>	<b>(233)</b>

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 30 June 2007

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

## Balance sheet

as at 30 June 2007

	Note	2007		2006	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7		244		310
Investments	8		-		-
			<u>244</u>		<u>310</u>
<b>Current assets</b>					
Stock	9	1,013		928	
Debtors	10	1,205		502	
Cash at bank and in hand		575		37	
		<u>2,793</u>		<u>1,467</u>	
<b>Creditors: amounts falling due within one year</b>	11	(5,588)		(4,972)	
<b>Net current liabilities</b>			<u>(2,795)</u>		<u>(3,505)</u>
<b>Net liabilities</b>			<u>(2,551)</u>		<u>(3,195)</u>
<b>Capital and reserves</b>					
Called up share capital	12		-		-
Profit and loss account	13		(2,551)		(3,195)
<b>Shareholders' funds</b>	14		<u>(2,551)</u>		<u>(3,195)</u>

Approved by the board of directors on

5 / 12 / 2008 and signed on its behalf by:



M D Lerner  
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 wholly owned group companies.

#### *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 and net realisable value.

#### *Turnover*

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services during the year.

#### *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.

#### *Pension costs*

The company makes employer contributions to 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.

**Notes (continued)**

**1 Statement of accounting policies (continued)**

**Classification of financial instruments issued by the Company**

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

**2 Operating profit/(loss)**

	2007 £000	2006 £000
<i>Operating loss is stated after charging:</i>		
Depreciation on owned assets	142	367
Auditor's remuneration	16	14
	<u>          </u>	<u>          </u>

**3 Net interest receivable/(payable)**

	2007 £000	2006 £000
<i>Interest receivable and similar income</i>		
Bank interest	9	7
Exchange gains	372	-
<i>Interest payable and similar charges</i>		
On loans from group undertakings	-	-
Exchange losses	-	(15)
Finance costs on shares classified as liabilities	(28)	(28)
	<u>353</u>	<u>(36)</u>

**Notes (continued)**

**4 Staff numbers and costs**

	2007 £000	2006 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	841	1,098
Social security costs	95	111
Pension Contributions	23	32
	<u>959</u>	<u>1,241</u>

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

	2007 Number	2006 Number
Management and administration	26	28

**5 Directors' remuneration**

Directors' remuneration of £nil (2006: £138,536) includes pension contributions of £nil (2006: £4,707).

**6 Tax on loss on ordinary activities**

	2007 £000	2006 £000
UK Corporation tax 30% (2006: 30%)	-	-
<b>Deferred taxation</b>		
Movement in deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>644</u>	<u>(233)</u>
Profit/(loss) on ordinary activities before taxation		
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	193	(70)
Effects of:		
Expenses not deductible for tax purposes	7	14
Depreciation in excess of capital allowances	33	40
Other short term timing differences	(3)	(5)
Adjustments to tax charge in respect of previous periods	19	-
Utilisation of tax losses	(249)	21
	<u>-</u>	<u>-</u>
Current tax charge for the year		

A potential deferred tax asset of £373,000 (2006: £684,000) in relation to losses carried forward has not been recognised due to uncertainty surrounding future profits.

**Notes (continued)**

**7 Tangible fixed assets**

	<b>Plant &amp; Machinery £000</b>
<i>Cost</i>	
At 1 July 2006	717
Additions	104
Disposal	(94)
	<hr/>
At 30 June 2007	727
	<hr/>
<i>Amortisation</i>	
At 1 July 2006	407
Charge for the year	142
Disposal	(66)
	<hr/>
At 30 June 2007	483
	<hr/>
<i>Net book value</i>	
As at 30 June 2007	<b>244</b>
	<hr/>
As at 1 July 2006	310
	<hr/>

**8 Fixed asset investments**

	<b>Investments £000</b>
Cost at beginning and end of the year	-
	<hr/>

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.

**9 Stock**

	<b>2007 £000</b>	<b>2006 £000</b>
Goods for resale	<b>1,013</b>	928
	<hr/>	<hr/>

**Notes (continued)**

**10 Debtors**

	2007 £000	2006 £000
Trade debtors	1,101	395
Prepayments and accrued income	104	107
	<u>1,205</u>	<u>502</u>

**11 Creditors**

	2007 £000	2006 £000
<i>Amounts falling due within one year:</i>		
Trade creditors	196	103
Amounts owed to group undertakings	4,834	4,230
Other taxes and social security	10	29
Accruals and deferred income	49	134
Other creditors	12	17
Shares classified as liabilities	375	375
Accrued preference dividend	112	84
	<u>5,588</u>	<u>4,972</u>

**Notes (continued)**

**12 Called up share capital**

	2007 £	2006 £
<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>
<b>Authorised</b>		
375,000 redeemable preference shares of £1 each	<u>375,000</u>	<u>375,000</u>
<b>Allotted and fully paid</b>		
375,000 redeemable preference shares of £1 each	<u>375,000</u>	<u>375,000</u>

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:

2007 £000	2006 £000
<u>112</u>	<u>84</u>

**Notes (continued)**

**13 Reserves**

	<b>Profit and loss account £000</b>
At 1 July 2006	(3,195)
Profit for the year	644
At 30 June 2007	<u>(2,551)</u>

**14 Reconciliation of movement in shareholders' funds**

	<b>Total £000</b>
Retained profit for the year	644
Opening shareholders funds	(3,195)
	<u>(2,551)</u>

**15 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