Bally Gaming and Systems UK Limited

Directors' report and financial statements

Registered number 3538502

30 June 2011

Contents

Directors' report

The directors present their report, together with the financial statements for the year ended 30 June 2011

Principal activities

The principal activities of the company are the development of computer software, system installations, software licensing and ongoing system support for the gaming industry

Business review

Performance and development during the year including key performance indicators

The directors monitor performance through the production of a detailed business plan and by comparing actual results against this plan

On a regular basis, key performance indicators are reviewed to ensure that they are within acceptable parameters These include

- gross profit percentage return on sales
- operating profit return on sales
- level of spend on administrative costs

Results and dividends

The profit for the year of £423,000 (*2010 £114,000*) is after the deduction of finance costs in respect of non equity shares of £28,000 (*2010 £28,000*) and has been transferred from reserves The directors do not propose the payment of a dividend

Directors

The directors who held office during the year were as follows

M D Lerner
R Haddrill

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

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

Mark Lerner

M D Lerner
Director

13B Telford Court
Dunkirk Lea
Chestergates
Chester
CH16LT

March 8, 2012

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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, or
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 auditors' 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 2011 set out on pages 5 to 14 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of the financial statements is provided on the APB's web-site at www frc org uk/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of the profit for the year ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from braches not visited by us, or
- financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Stephen Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Preston

27/5/ 2012

Profit and loss account

for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Turnover	*1*	**1,343**	1,364
Cost of sales		**(379)**	(594)
Gross profit		**964**	770
Administrative expenses		**(702)**	(383)
Operating profit	*2*	**262**	387
Net interest receivable/(payable)	*3*	**161**	(314)
Profit on ordinary activities before taxation		**423**	73
Tax on profit on ordinary activities	*6*	**-**	41
Profit for the year	*13*	**423**	114

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 30 June 2011

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

Balance sheet
as at 30 June 2011

	Note	2011		2010	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		4		16
Investments	8		-		-
			4		16
Current assets					
Stock	9	-		23	
Debtors	10	283		155	
Cash at bank and in hand		377		686	
		660		864	
Creditors: amounts falling due within one year	11	(3,304)		(3,942)	
Net current liabilities			(2,644)		(3,078)
Net liabilities			(2,640)		(3,062)
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		(2,640)		(3,062)
Shareholder's funds	14		(2,640)		(3,062)

Approved by the board of directors on March 8, 2012 and signed on its behalf by

M D Lerner
Director

Registered Number 3538502

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 s401 of the Companies Act 2006 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

As the company is a wholly owned subsidiary of Bally Technologies Incorporated, the company has taken advantage of the exemption available under FRS 8 Related Party Transactions, and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the group

Tangible fixed assets and depreciation

Depreciation is provided to write-off the cost less estimated residual of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows

Plant and machinery	-	25%
Gaming Machines	-	33%
Fixtures and fittings	-	25%
Motor Vehicles	-	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 profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

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

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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

2 Operating profit

	2011	2010
	£000	£000
Operating profit is stated after charging:		
Depreciation on owned assets	**12**	21
Auditor's remuneration - audit	**12**	12
Auditor's remuneration - non-audit	**1**	-

Notes *(continued)*

3 Net interest receivable/(payable)

	2011 £000	2010 £000
Interest payable and similar charges		
Exchange gain/(loss)	**189**	(286)
Finance costs on shares classified as liabilities	**(28)**	(28)
	161	(314)

4 Staff numbers and costs

	2011 £000	2010 £000
Employee costs (including directors):		
Wages and salaries	**132**	199
Social security costs	**22**	25
Pension contributions	**7**	8
	161	232

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

	2011 Number	2010 Number
Management and administration	**5**	7

5 Directors' remuneration

Directors' remuneration of £nil *(2010 £nil)* includes pension contributions of £nil *(2010 £nil)*

Notes *(contınued)*

6 Tax on profit on ordinary actıvıtıes

	2011	2010
	£000	£000
UK Corporatıon tax 27 5% (*2010 28%*) on profit for the year	-	-
Deferred tax	-	41
	-	41
Profit on ordınary actıvıties before taxatıon	**423**	73
Profit on ordınary actıvıtıes multıplıed by the standard rate of corporatıon tax ın the UK of 27 5% *(2010 28%)*	**116**	20
Effects of		
Expenses not deductıble for tax purposes	**9**	(18)
Capıtal allowances ın (excess of)/less than deprecıatıon	**(29)**	6
Other short term tımıng dıfferences	-	9
Utılısatıon of tax losses	**(96)**	(17)
Current tax charge for the year	-	-

Potential deferred tax asset

	2011	2010
	£000	£000
Accelerated capıtal allowances	**114**	153
Other tımıng dıfferences	-	-
Tax losses	**395**	544
	509	697

Thıs potentıal deferred tax asset has not been recognısed ın full due to uncertaınty surroundıng future profits A deferred tax asset of £41,000 (*2010 £41,000*) has been recognısed based on forecast tradıng profits for the year-endıng 30 June 2012

On 22 June 2010 the UK Chancellor of the Exchequer announced a number of corporate tax reforms that are effectıve from 1 Aprıl 2011 The followıng changes to corporatıon tax wıll have an ımpact on the company

- Maınstream rate of UK corporatıon tax reductıon from 28% to 23% over a perıod of 4 years, begınnıng 1 Aprıl 2011, and
- A proposed reductıon ın the maın and specıal rate of capıtal allowances to 18% and 8% respectıvely for accountıng perıods endıng after Aprıl 2012

On 27 July 2010, the rate of 27% was enacted wıthın F(No 2)A 2010 Subsequently on 23 March 2011 the UK government made an announcement to further reduce the rate of corporatıon tax to 26% from 1 Aprıl 2011 and ultımately to 23% by Aprıl 2014 The reductıon to 26% was substantıvely enacted at the balance sheet date and has therefore been reflected ın these financıal statements

It ıs not expected that the future reductıons to 23% once substantıvely enacted, wıll have a sıgnıficant effect on the future tax charges of the company

Notes *(continued)*

7 Tangible fixed assets

	Plant & Leasehold improvements £000	Fixtures and Fittings £000	Machines £000	Total £000
Cost				
At 1 July 2010	7	128	41	176
Additions	-	-	-	-
Disposal	-	(2)	-	(2)
At 30 June 2011	7	126	41	174
Depreciation				
At 1 July 2010	5	120	35	160
Charge for the year	1	5	6	12
Disposal	-	(2)	-	(2)
At 30 June 2011	6	123	41	170
Net book value				
As at 30 June 2011	**1**	**3**	**-**	**4**
As at 1 July 2010	2	8	6	16

8 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 was dormant during the year

Subsequent to the reporting date, in July 2011, Honeyframe Cashmaster Limited was dissolved and therefore is no longer a subsidiary of the Company

9 Stock

	2011 £000	2010 £000
Goods for resale	-	23

Notes *(continued)*

10 Debtors

	2011 £000	2010 £000
Trade debtors	**232**	76
Amounts owed by group undertakings	**-**	21
Prepayments and accrued income	**10**	17
Deferred tax asset	**41**	41
	283	155

11 Creditors

	2011 £000	2010 £000
Amounts falling due within one year.		
Trade creditors	**8**	15
Amounts owed to group undertakings	**2,544**	3,260
Other taxes and social security	**98**	23
Accruals and deferred income	**16**	33
Other creditors	**39**	40
Shares classified as liabilities	**375**	375
Accrued preference dividend	**224**	196
	3,304	3,942

12 Called up share capital

	2011 £	2010 £
Authorised		
75,000 ordinary 'A' shares of 1p each	**750**	750
25,000 ordinary 'B' shares of 1p each	**250**	250
	1,000	1,000
Allotted and fully paid		
7500 ordinary 'A' shares of 1p each	**75**	75
7500 ordinary 'B' shares of 1p each	**25**	25
	100	100
Authorised		
375,000 redeemable preference shares of £1 each	**375,000**	375,000
Allotted and fully paid		
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

Notes *(contınued)*

12 Called up share capital (contınued)

All the preference shares ın the Company became redeemable ın May 2003 when the Company was sold to Bally Gamıng & System Inc

No redemptıon of the preference shares has been made to date

The arrears of fixed cumulatıve preference dıvıdends are as follows

	2011	2010
	£000	£000
Accrued preference dıvıdend	**224**	196

13 Reserves

	Profit and loss account £000
At 1 July 2010	(3,062)
Profit for the year	423
At 30 June 2011	**(2,640)**

14 Reconcılıatıon of movement in shareholders' funds

	Total £000
Retaıned profit for the year	423
Openıng shareholder's funds	(3,062)
Closıng shareholder's funds	**(2,640)**

15 Operatıng lease commıtments

At 30 June 2011, the Company had annual commıtments under non-cancellable operatıng leases as follows

	2011	2010
	£000	£000
Expıry date		
Between two and five years	**2**	2