

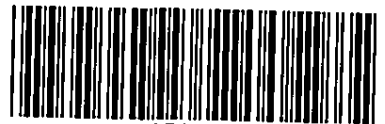
**Bally Gaming and Systems UK Limited**

**Directors' report and financial  
statements**

**Registered number 3538502**

**30 June 2008**

TUESDAY



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COMPANIES HOUSE

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## Directors' report

The directors present their report, together with the financial statements for the year ended 30 June 2008.

### Principal activities

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

The business has been re-organised during the year. This has resulted in certain gaming activities being transferred to another subsidiary of Bally Technologies, situated in the Netherlands. The subsequent re-organisation meant that machine stock was transferred to the subsidiary causing a significant decrease in the year end stock balance. During the year, the business has relocated to smaller premises in the UK and employee numbers reduced from 21 in July 2007 to 9 in June 2008.

In the future, revenues will be generated from system installations, software licensing and ongoing system support rather than gaming sales. It is expected that the realignment of revenues with costs will bring the UK back into profit within 2 years subject to fluctuations in the US dollar exchange rate.

### 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 loss for the year of £161,000 (2007: profit £644,000) is after the deduction of finance costs in respect of non equity shares of £28,000 (2007: £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:

MD 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



M Lerner  
Director

13B Telford Count  
Dunkirk Lea  
Chestergates  
Chester  
CH1 6LT

21/10/2009  
1

## **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 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Movement in Shareholders Funds 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 2008 and of its loss 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.

*h/mc LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

*2 November, 2009*

## Profit and loss account

for the year ended 30 June 2008

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>3,045</b>	<b>3,283</b>
Cost of sales		<b>(2,022)</b>	<b>(1,823)</b>
<b>Gross profit</b>		<b>1,023</b>	<b>1,460</b>
Administrative expenses		<b>(1,153)</b>	<b>(1,169)</b>
<b>Operating (loss)/ profit</b>	<i>2</i>	<b>(130)</b>	<b>291</b>
Net interest (payable)/ receivable	<i>3</i>	<b>(31)</b>	<b>353</b>
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(161)</b>	<b>644</b>
Tax on (loss)/ profit on ordinary activities	<i>6</i>	<b>-</b>	<b>-</b>
<b>(Loss)/ Profit for the year</b>	<i>13</i>	<b>(161)</b>	<b>644</b>

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 30 June 2008

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 2008

	Note	2008		2007	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7		75		244
Investments	8		-		-
			<u>75</u>		<u>244</u>
<b>Current assets</b>					
Stock	9	58		1,013	
Debtors	10	793		1,205	
Cash at bank and in hand		528		575	
		<u>1,379</u>		<u>2,793</u>	
<b>Creditors: amounts falling due within one year</b>	11	(4,166)		(5,588)	
<b>Net current liabilities</b>			<u>(2,787)</u>		<u>(2,795)</u>
<b>Net liabilities</b>			<u>(2,712)</u>		<u>(2,551)</u>
<b>Capital and reserves</b>					
Called up share capital	12		-		-
Profit and loss account	13		(2,712)		(2,551)
<b>Shareholders' funds</b>	14		<u>(2,712)</u>		<u>(2,551)</u>

Approved by the board of directors on October 2nd 2009 and signed on its behalf by:



M 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 (para 17) 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%
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 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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

### 2 Operating (loss)/ profit

	2008 £000	2007 £000
<i>Operating (loss) /profit is stated after charging:</i>		
Depreciation on owned assets	109	142
Auditor's remuneration - audit	15	14
- tax	-	2
	<hr/>	<hr/>

### 3 Net interest (payable)/ receivable

	2008 £000	2007 £000
<i>Interest receivable and similar income</i>		
Bank interest	18	9
Exchange gains	-	372
<i>Interest payable and similar charges</i>		
Exchange losses	(21)	-
Finance costs on shares classified as liabilities	(28)	(28)
	<hr/>	<hr/>
	(31)	353
	<hr/>	<hr/>

**Notes (continued)**

**4 Staff numbers and costs**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<i>Employee costs (including directors):</i>		
Wages and salaries	<b>601</b>	<b>841</b>
Social security costs	<b>60</b>	<b>95</b>
Pension contributions	<b>16</b>	<b>23</b>
	<b>677</b>	<b>959</b>

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

	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
Management and administration	<b>12</b>	<b>26</b>

**5 Directors' remuneration**

Directors' remuneration of £nil (2007: £nil) includes pension contributions of £nil (2007: £nil).

**6 Tax on loss on ordinary activities**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
UK Corporation tax 28.5% (2007: 30%) on (loss)/ profit for the year	-	-
	-	-
(Loss)/ profit on ordinary activities before taxation	<b>(161)</b>	<b>644</b>
(Loss)/ profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	<b>(46)</b>	<b>193</b>
Effects of:		
Expenses not deductible for tax purposes	<b>23</b>	<b>7</b>
Depreciation in excess of capital allowances	<b>(4)</b>	<b>33</b>
Other short term timing differences	<b>1</b>	<b>(3)</b>
Adjustments to tax charge in respect of previous periods	-	<b>19</b>
Tax losses carried forward	<b>26</b>	<b>(249)</b>
Current tax charge for the year	-	-

**Notes (continued)**

**6 Tax on loss on ordinary activities (continued)**

**Potential deferred tax asset**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>149</b>	<b>153</b>
Other timing differences	<b>49</b>	<b>48</b>
Tax losses	<b>411</b>	<b>385</b>
	<b>609</b>	<b>586</b>

This potential deferred tax asset has not been recognised due to uncertainty surrounding future profits.

**7 Tangible fixed assets**

	<b>Plant &amp; Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Fixtures and Fittings</b>	<b>Machines</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>					
At 1 July 2007	68	20	235	403	726
Additions	5	-	15	24	44
Disposal	(66)	(20)	(124)	(220)	(430)
At 30 June 2008	7	-	126	207	340
<b>Depreciation</b>					
At 1 July 2007	14	15	168	286	483
Charge for the year	13	2	36	58	109
Disposal	(24)	(17)	(117)	(169)	(327)
At 30 June 2008	3	-	87	175	265
<b>Net book value</b>					
As at 30 June 2008	4	-	39	32	75
As at 1 July 2007	54	5	67	117	243

**Notes (continued)**

**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 is currently dormant.

**9 Stock**

**2008  
£000**

**2007  
£000**

Goods for resale

**58**

**1,013**

**10 Debtors**

**2008  
£000**

**2007  
£000**

Trade debtors

**711**

**1,101**

Prepayments and accrued income

**82**

**104**

**793**

**1,205**

**11 Creditors**

**2008  
£000**

**2007  
£000**

***Amounts falling due within one year:***

Trade creditors

**45**

**196**

Amounts owed to group undertakings

**3,270**

**4,834**

Other taxes and social security

**77**

**10**

Accruals and deferred income

**235**

**49**

Other creditors

**24**

**12**

Shares classified as liabilities

**375**

**375**

Accrued preference dividend

**140**

**112**

**4,166**

**5,588**

**Notes (continued)**

**12 Called up share capital**

	2008 £	2007 £
<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	<u>375,000</u>	<u>375,000</u>
 <i>Allotted and fully paid</i>		
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:

	2008 £000	2007 £000
Accrued preference dividend	<u>140</u>	<u>112</u>

**Notes (continued)**

**13 Reserves**

	<b>Profit and loss account £000</b>
At 1 July 2007	(2,551)
Loss for the year	(161)
At 30 June 2008	<u>(2,712)</u>

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

	<b>Total £000</b>
Retained loss for the year	(161)
Opening shareholder's funds	(2,551)
Closing shareholder's funds	<u>(2,712)</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:

6601 S. Bermuda Road  
 Las Vegas  
 Nevada  
 89119