Bally Gaming and Systems UK Limited

Directors' report and financial statements

Registered number 3538502

30 June 2014

Contents

Directors' Report

The directors present their report, together with the financial statements for the year ended 30 June 2014.

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 £952,000 (2013: £460,000) is after the deduction of finance costs in respect of non-equity shares of £28,000 (2013: £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 (resigned 14 January 2014)
N P Davidson (appointed 8 February 2012, resigned 2 January 2015)
Scott Schweinfurth (appointed 2 January 2015)

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 auditor

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 auditor is 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 auditor is aware of that information.

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

This report was approved by the board on 17 March 2015 and signed on its behalf by

Scott Schweinfurth
Director

150 Minories,
The City, London
EC3N 1LS

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;
- make judgements 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.

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 2014 set out on pages 5 to 13. 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 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 auditor

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 auditor's 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 branches not visited by us; or
- the 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

20th March 2015

Profit and loss account

for the year ended 30 June 2014

	Note	2014 £000	2013 £000
Turnover	*1*	**2,401**	1,368
Cost of sales		**(502)**	(174)
Gross profit		**1,899**	1,194
Administrative expenses		**(856)**	(539)
Other operating income		**51**	54
Operating profit	*2*	**1,094**	709
Net interest payable	*3*	**157**	(117)
Profit on ordinary activities before taxation		**1,251**	592
Tax on profit on ordinary activities	*6*	**(299)**	(132)
Profit for the year	*13*	**952**	460

All amounts relate to continuing activities.

The notes on pages 7 to 13 form an integral part of these financial statements.

Statement of total recognised gains and losses

for the year ended 30 June 2014

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 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*7*		**9**		14
Current assets					
Stock	*8*	**-**		1	
Debtors	*9*	**2,397**		1,255	
Cash at bank and in hand		**292**		323	
		2,689		1,579	
Creditors: amounts falling due within one year	*10*	**(3,025)**		(2,872)	
Net current liabilities			**(336)**		(1,293)
Net liabilities			**(327)**		(1,279)
Capital and reserves					
Called up share capital	*12*		**-**		-
Profit and loss account	*13*		**(327)**		(1,279)
Shareholder's deficit	*14*		**(327)**		(1,279)

The notes on pages 7 to 13 form an integral part of these financial statements.

Approved by the board of directors on 17 March 2015 and signed on its behalf by:

Scott Schweinfurth
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, under the historical cost convention within the requirements of the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently in the current period.

Going concern

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.

Statement of cash flows

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 was 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 value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Plant and leasehold improvements	-	25%
Gaming Machines	-	33%
Fixtures and fittings	-	25%

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.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes *(continued)*

1 Statement of accounting policies *(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

	2014	2013
	£000	£000
Operating profit is stated after charging:		
Depreciation on owned assets	**5**	5
Auditor's remuneration - audit	**14**	13
Auditor's remuneration - non-audit	**1**	1

3 Net interest payable

	2014	2013
	£000	£000
Interest payable and similar charges		
Exchange loss	**235**	(54)
Finance costs on shares classified as liabilities	**(28)**	(28)
Interest payable on loans from group undertakings	**(50)**	(35)
	157	(117)

Notes *(continued)*

4 Staff numbers and costs

	2014	2013
	£000	£000
Employee costs (including directors):		
Wages and salaries	**175**	154
Social security costs	**15**	14
Pension contributions	**3**	3
	193	171

The average number of persons employed by the Company during the year (excluding directors) was:

	2014	2013
	Number	Number
Management and administration	**4**	4

5 Directors' remuneration

The directors did not receive any remuneration for services provided to the Company during the year *(2013: £nil)*.

6 Tax on profit on ordinary activities

	2014	2013
	£000	£000
UK Corporation tax 22.5% (*2013: 23.75%*) on profit for the year	**179**	-
Deferred tax	**120**	132
	299	132
Profit on ordinary activities before taxation	**1,251**	592
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% *(2013: 23.75%)*	**281**	141
Effects of:		
Expenses not deductible for tax purposes	**9**	10
Capital allowances in excess of depreciation	**(11)**	(16)
Utilisation of tax losses	**(100)**	(135)
Current tax charge for the year	**179**	-

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 June 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

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

Deferred tax asset

	2014 **£000**	2013 £000
Difference between accumulated depreciation and capital allowances	**47**	64
Tax losses	**-**	103
	47	167

A deferred tax asset of £47,000 (*2013: £167,000*) has been recognised in respect of timing differences and corporation tax losses, and is included within debtors in note 9. The directors regard it as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

7 Tangible fixed assets

	Plant & Leasehold Improvemen ts £000	**Fixtures and Fittings £000**	**Gaming Machines £000**	**Total £000**
Cost				
At 1 July 2013	7	115	33	155
Additions	-	-	-	-
Disposals	-	(7)	(16)	(23)
At 30 June 2014	7	108	17	132
Depreciation				
At 1 July 2013	7	101	33	141
Charge for the year	-	5	-	5
Disposals	-	(7)	(16)	(23)
At 30 June 2014	7	99	17	123
Net book value				
As at 30 June 2014	**-**	**9**	**-**	**9**
As at 1 July 2013	-	14	-	14

Notes *(continued)*

8 Stock

	2014	2013
	£000	£000
Finished Goods	**-**	1

9 Debtors

	2014	2013
	£000	£000
Trade debtors	**680**	105
Prepayments and accrued income	**22**	27
Amounts owed by group undertakings	**1,648**	956
Deferred tax asset *(see note 6)*	**47**	167
	2,397	1,255

10 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	**7**	11
Amounts owed to group undertakings	**1,653**	2,069
Other taxes and social security	**123**	45
Accruals and deferred income	**380**	54
Other creditors	**-**	38
Shares classified as liabilities	**375**	375
Accrued preference dividend	**308**	280
Corporation tax creditor	**179**	-
	3,025	2,872

11 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3,000 *(2013: £3,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

12 Called up share capital

	2014	2013
	£	£
Allotted and fully paid		
7,500 ordinary 'A' shares of 1p each	**75**	75
2,500 ordinary 'B' shares of 1p each	**25**	25
	100	100
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.

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:

	2014	2013
	£000	£000
Accrued preference dividend	**308**	280

13 Reserves

	Profit and loss account
	£000
At 1 July 2013	(1,279)
Profit for the year	952
At 30 June 2014	**(327)**

14 Reconciliation of movement in shareholders' funds

	Total
	£000
Opening shareholder's deficit	(1,279)
Retained profit for the year	952
Closing shareholder's deficit	**(327)**

Notes *(continued)*

15 Operating lease commitments

At 30 June 2014, the Company had annual commitments under non-cancellable operating leases as follows:

	Other 2014 £000	Other 2013 £000
Expiry date:		
Between two and five years	**11**	3

16 Ultimate parent company

At 30 June 2014 the ultimate parent company was Bally Technologies Incorporated, a Company incorporated in the United States of America. The Company's results for the year ended 30 June 2014 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

On 21 November 2014, Bally Technologies Incorporated was acquired by Scientific Games Corp., a Company incorporated in the United States of America. Henceforth, the Company's results will be consolidated Scientific Games Corp.'s results.

The consolidated financial statements of Scientific Games Corp are available to the public and may be obtained from:

750 Lexington Avenue
New York, NY 10022
United States of America