Bally Gaming and Systems UK Limited

Directors' report and financial statements

Registered number 3538502

Year ended 31 December 2017

Contents

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2017. In line with the Companies Act 2006, the directors are entitled to take the exemption from the requirement to prepare a strategic report for Bally Gaming and Systems UK Limited on the grounds of size. As such a strategic report has not been included within these financial statements.

Principal activities

During the year ended 31 December 2017, the company's principal activity was the ongoing maintenance and support for gaming industry software. However, on 30 August 2017, the directors took the decision to prepare the accounts on a break up basis following the expiration and non-renewal of significant trading contracts with two key trading partners. As the directors have not yet managed to find replacement trade for the lost income, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Business review

The directors monitors 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; and
- Level of spend on administrative costs

Results and dividends

The profit for the period is £721,000 (*2016: loss of £292,000*). The company has paid a dividend of £200,000 during the year (*2016: nil*)

Directors

The directors who held office during the period and up until the date of this report were as follows:

M Herrera	(resigned 30 November 2017)
M Quartieri	(appointed 30 November 2017)
D J Mooberry	(resigned 30 November 2017)

None of the directors who held office during the period held any interests in shares of the Company.

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Michael Quartieri

13B Telford Court
Dunkirk Lea, Chester Gates
Chester
CH1 6LT

24 September 2018

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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

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

Opinion

We have audited the financial statements of Bally Gaming and Systems UK Limited ("the company") for the year ended 31st December 2017 which comprise the profit and loss account, the balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information, which comprises the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the directors' report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Rehman Minshall

Rehman Minshall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28 September 2018

Profit and Loss Account
for the period ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	1,010	1,122
Cost of sales		(45)	(45)
Gross profit		965	1,077
Administrative expenses		(495)	(379)
Other operating income		153	19
Operating profit	3	623	717
Interest payable and similar charges	4	(101)	(90)
Other interest receivable and other income	5	14	-
Net gain/(loss) on foreign exchange differences		365	(913)
Profit/(loss) before taxation		901	(286)
Tax on profit/(loss)	8	(180)	(6)
Profit/(loss) after taxation		721	(292)

The notes on pages 8 to 15 form an integral part of these financial statements.

Balance Sheet
at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Non-current assets					
Tangible assets			-		-
Investments			-		-
Current assets					
Tangible assets	9	-		-	
Investments	10	8,210		3,883	
Debtors	11	2,434		2,249	
Cash at bank and in hand		125		289	
		10,769		6,421	
Creditors: amounts falling due within one year	12	(5,370)		(6,043)	
Net current assets			5,399		378
Creditors: amounts falling due after one year			-		-
Net assets			5,399		378
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account			899		378
Other reserves			4,500		-
Shareholder's funds			5,399		378

The notes on pages 8 to 15 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 24/9 2018 and were signed on its behalf by:

Michael Quartieri
Director

Company registered number: 3538502

Statement of Changes in Equity

	Called up Share capital £000	Profit & Loss account £000	Other Reserves £000	Total Equity £000
Balance at 1 January 2016	-	670	-	670
Total loss for the year				
Loss for the year	-	(292)	-	(292)
Total loss for the year	-	(292)	-	(292)
Balance at 31 December 2016	-	378	-	378

The notes on page 8 to 15 form an integral part of these financial statements.

	Called up Share capital £000	Profit & Loss account £000	Other Reserves £000	Total Equity £000
Balance at 1 January 2017	-	378	-	378
Total income for the year				
Profit for the year	-	721	-	721
Total income for the year	-	721	-	721
Dividends	-	(200)	-	(200)
Capital contribution	-	-	4,500	4,500
Balance at 31 December 2017	-	899	4,500	5,399

The capital contribution relates to a cash contribution from Bally Gaming Inc..

The notes on page 8 to 15 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Bally Gaming and Systems UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Scientific Games Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Scientific Games Corporation are prepared in accordance with accounting principles generally accepted in the United States of America and are available to the public and may be obtained from 750 Lexington Avenue, New York, NY 10022, United States of America. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Scientific Games Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

1.2 Break up basis

In previous years, the financial statements have been prepared on a going concern basis. However, on 30 August 2017, the directors took the decision to prepare the accounts on a break up basis following the expiration and non-renewal of significant trading contracts with two key trading partners. As the directors have not yet managed to find replacement trade for the lost income, they have not prepared the financial statements on a going concern basis.

The effect of this on the financial statements is all fixed assets have been reclassified as current assets and are valued at the lower of cost and net realisable value. Long term liabilities have been reclassified as current liabilities and any costs of early settlement are recognised. It is expected that Bally Gaming and Systems Limited will continue to hold its investments in Customized Games Limited and Red7Mobile Limited.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity 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.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Turnover

Turnover represents the amounts, excluding VAT, derived from the provision of goods and services during the period. Revenue from sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable the Company will receive the previously agreed upon payment. Revenue from services is recognised upon completion of the service to the customer.

1.7 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Operating lease

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

2 Turnover

	2017 £000	2016 £000
Sale of goods	811	876
Rendering of services	127	184
License fees	72	62
	1,010	1,122

Notes *(continued)*

3 Operating profit

	2017	2016
	£000	£000
Operating profit is stated after charging		
Auditor's remuneration – audit of financial statements	15	14
Auditor's remuneration – other assurance services	1	1

4 Interest payable and similar charges

	2017	2016
	£000	£000
Finance costs on shares classified as liabilities	-	28
Interest payable on loans from group undertakings	101	62
	101	90

5 Other interest receivable and similar income

	2017	2016
	£000	£000
Release of accrued interest on shares classified as liabilities	14	-
	14	-

6 Staff numbers and costs

	2017	2016
	£000	£000
Wages and salaries	167	232
Social security costs	16	24
Pension contributions	4	4
	187	260

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

	2017	2016
Management and administration	3	4

Notes *(continued)*

7 Directors' remuneration

The directors did not receive any remuneration for services provided to the Company during the period (*2016: £nil*) as their services provided to the Company are considered incidental to services provided elsewhere in the Group.

The directors' remuneration is included within the Group accounts, a copy of which are available from the address in note 15. No recharge is made to the Company.

8 Taxation

	2017 £000	2016 £000
Current tax		
Current tax on income for the period	173	-
Total current tax	173	-
Deferred tax		
Origination and reversal of timing differences	7	2
Effects of changes in tax rates	-	4
Total deferred tax	7	6
Total tax expense included in the Profit and Loss Account	180	6

The tax assessed for the year is higher (*2016: higher)* than the standard rate of corporation tax in the UK applied to profit for the year. The differences are explained below:

Profit/ (loss) for the year	721	(292)
Total tax expense	180	6
Profit/ (loss) excluding taxation	901	(286)
Profit/ (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (*2016: 20%*)	173	(57)
Effects of:		
Expenses not deductible for tax purposes	7	3
Tax rate changes	-	4
Losses surrendered as group relief	-	56
Tax charge for the period	180	6

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2017 has been calculated based on the rate of substantively enacted at the balance sheet date.

Notes *(continued)*

8 Taxation (continued)

Deferred tax asset

	12 months to 31 December 2017 £000	12 months to 31 December 2016 £000
Difference between accumulated depreciation and capital allowances	19	26
	19	26

A deferred tax asset of £19,000 (*2016: £26,000*) has been recognised in respect of timing differences and is included within debtors in note 11. 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.

9 Tangible fixed assets

	Fixtures and Fittings £000	Total £000
Cost		
At 1 January and 31 December 2017	3	3
Depreciation		
At 1 January and 31 December 2017	3	3
Net book value		
As at 31 December 2017	-	-
As at 1 January 2017	-	-

10 Investments

	2017 £000	2016 £000
Cost and net book value		
At 1 January 2017	3,883	3,883
Additions	4,327	-
At 31 December 2017	8,210	3,883

Investments consist of the entire share capital of Customized Games Limited, a company incorporated in England which was acquired on 20 November 2015. The principle activity of Customized Games Limited is the design and distribution of electronic casino games. The registered address of Customized Games Limited is 13B Telford Court, Dunkirk Lea, Chester Gates, Chester, CH1 6LT. The additions consists of the entire share capital of Red7Mobile Limited, a company incorporated in England which was acquired on 7 July 2017. The principle activity of Red7Mobile Limited is the design and distribution of mobile casino games. The registered address of the company is Royal Talbot House, 2 Victoria Street, Bristol, United Kingdom, BS1 6BB.

Notes *(continued)*

11 Debtors

	2017 £000	2016 £000
Trade debtors	17	170
Prepayments and accrued income	5	6
Amounts owed by group undertakings	2,393	2,047
Deferred tax asset (see note 8)	19	26
	2,434	2,249

12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	3	9
Amounts owed to group undertakings	3,769	3,830
Other taxes and social security	29	71
Accruals and deferred income	49	60
Other creditors	608	1,320
Shares classified as liabilities (see note 14)	375	375
Accrued preference dividend (see note 14)	364	378
Corporation tax creditor	173	-
	5,370	6,043

13 Defined contribution pensions scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £4,000 *(2016: £4,000).*

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

Notes *(continued)*

14 Called up share capital

	2017 £000	2016 £000
Allotted and fully paid		
7,500 ordinary 'A' shares of 1p each	-	-
2,500 ordinary 'B' shares of 1p each	-	-
	-	-
Allotted and fully paid		
375,000 redeemable preference shares of £1 each	375	375

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, with the shares continuing to be classified within liabilities (see note 12).

The arrears of fixed cumulative preference dividends are as follows:

	2017 £000	2016 £000
Accrued preference dividend	364	378

15 Ultimate parent company

At 31 December 2017 the ultimate parent company was Scientific Games Corporation, a Company incorporated in the United States of America. The Company's results for the period ended 31 December 2017 are consolidated into Scientific Games Corporation's results. Scientific Games Corporation is considered to be the controlling party of Bally Gaming & Systems UK Limited.

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

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