Aristocrat Leisure Limited

Annual Report 2009

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Company Profile

Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Group is licensed by over 200 regulators and its products and services are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services, including electronic gaming machines, interactive video terminal systems and casino management systems. For further information, visit the Group's website at **www.aristocratgaming.com**.

Key Dates[1]

2010	
2010 Annual General Meeting	28 April 2010
Interim Results Announcement (6 months ending 30 June 2010)	24 August 2010
Shares Trade Ex-Interim Dividend	3 September 2010
Record Date for Interim Dividend	9 September 2010
Payment Date for Interim Dividend	30 September 2010

2011	
Final Results Announcement for 2010	24 February 2011
Shares Trade Ex-Final Dividend	1 March 2011
Record Date for Final Dividend	8 March 2011
Payment Date for Final Dividend	28 March 2011
2011 Annual General Meeting	3 May 2011

1 Dates subject to change.

Directors' Report

For the 12 months ended 31 December 2009

The Directors present their Report together with the financial statements of Aristocrat Leisure Limited (Company) and its controlled entities (Group) for the 12 months ended 31 December 2009. The information in this Directors' Report is current as at 23 February 2010 unless otherwise specified.

Directors' particulars, experience and special responsibilities

Current Directors

The Directors of the Company throughout the 12 months ended 31 December 2009 and up to the date of this Directors' Report are:

Director	Experience and other directorships	Special responsibilities
DJ Simpson FCPA Age 69	Nominated July 2003. Appointed February 2004. – Director, CSL Limited – Former Finance Director, Tabcorp Holdings Limited	Non-Executive Chairman Member, Nomination and Governance Committee Member, Audit Committee Member, Human Resources and Remuneration Committee
JR Odell MBA Age 51	Nominated December 2008. Appointed May 2009. – Special Director and Chairman, Gaming Technologies Association Limited – Former Managing Director, Australia and Asia Pacific, Foster's Group Limited – Former Executive, Allied Domecq in the UK and Asia Pacific	Managing Director and Chief Executive Officer
WM Baker BA Age 70	Nominated August 1998. Appointed May 1999. – Director, J. Edgar Hoover Foundation – Former Assistant Director of the Federal Bureau of Investigations (FBI) – Former President, The Motion Picture Association	Chair, Regulatory and Compliance Committee
RA Davis BEc (Hons), M Philosophy Age 58	Nominated November 2004. Appointed June 2005. – Consulting Director – Investment Banking, Rothschild's Australia Limited – Director, Territory Insurance Office (TIO), Trust Company Limited, Macquarie Office Management Limited, Ardent Leisure Limited and Bank of Queensland Limited – Former Senior Executive, Citicorp and CitiGroup Inc in the United States and Japan – Former Group Managing Director, ANZ Banking Group Limited	Chair, Nomination and Governance Committee Member, Audit Committee Member, Innovation and Development Committee
RV Dubs BSc (Hons), Dr ès Sc, FAICD Age 57	Nominated December 2008. Appointed June 2009. – Chair, Space Industry Innovation Council – Former Deputy Vice-Chancellor (External Relations), University of Technology Sydney – Former Director, Structural Monitoring Systems Plc – Former Director, Thales ATM Pty Limited, Thales ATM Inc (USA) and Thales ATM Navigation GmbH (Germany) – Former Chairman, Thales ATM spA (Milan)	Chair, Innovation and Development Committee Member, Regulatory and Compliance Committee

Current Directors continued

Director	Experience and other directorships	Special responsibilities
P Morris AM BArch (Hons), MEnvSc, Dip CD, FRAIA, FAICD Age 61	Nominated August 2003. Appointed February 2004. – Director, Mirvac Limited, Mirvac Funds Management Limited, Clarius Group Limited, NSW Institute of Teachers, and Bowel Cancer and Digestive Research Institute Australia – Former Director, Jupiters Limited, Australia Post, Country Road Limited, Colonial State Bank, Howard Smith Limited, Energy Australia, Indigenous Land Corporation, Sydney Harbour Foreshore Authority, Landcom, Strathfield Limited and Principle Real Estate Investors (Australia) Limited – Former Director of Australian and Overseas Property for the Commonwealth Government – Former Group Executive, Lend Lease Property Services	Chair, Audit Committee Member, Human Resources and Remuneration Committee Member, Nomination and Governance Committee
SAM Pitkin LLB, LLM, FAICD Age 50	Nominated November 2004. Appointed June 2005. – Director, ASC Pty Limited, Export Finance and Insurance Corporation, Committee for Economic Development of Australia and UniQuest Pty Limited – Member, Queensland Competition Authority – Trustee, Brisbane Girls Grammar School – Member, Council of the Queensland Division of the AICD – Former Director, Chandler Macleod Limited – Former Partner and Special Counsel, Clayton Utz, Lawyers	Chair, Human Resources and Remuneration Committee Member, Regulatory and Compliance Committee Member, Innovation and Development Committee

Directors (Elect)
The following individuals were nominated by the Board during the year to be appointed Directors of the Company on receipt of regulatory approval:

Director	Experience and other directorships
ID Blackburne BSc (Hons), MBA, PhD Age 63	Nominated November 2009. Appointment pending regulatory approval. – Chairman, CSR Limited – Director, Suncorp-Metway Limited – Director, Teekay Corporation (listed on the NYSE) – Former Chairman, Australian Nuclear Science and Technology Organisation – Former Managing Director, Caltex Australia Limited – Former Director, Symbion Health Limited
SW Morro BA, Business Administration Age 51	Nominated November 2009. Nomination effective from 9 January 2010. Appointment pending regulatory approval. Former Chief Operating Officer and President, IGT Gaming Division

Former Director

The following Director held office for part of the 12 months ended 31 December 2009:

Director	Experience and other directorships	Special responsibilities
SCM Kelly BA (Hons), FCA, CA, MAICD Age 46	Nominated and appointed February 2007. Ceased office 31 July 2009.	Chief Financial Officer and Finance Director Company Secretary (from 25 July 2008)

Company Secretary

The Company Secretary was SCM Kelly until he ceased office on 31 July 2009. JR Odell then acted as interim Company Secretary from 31 July to December 2009 pending PJ McGlinchey's, BEc (SocSc) LLB (Hons), regulatory approval in selected jurisdictions. PJ McGlinchey was subsequently appointed Company Secretary in December 2009.

Principal activities

The principal activities of the Group during the 12 months under review were the design and development, assembly, sale, distribution and service of gaming machines and systems. The Company's objective is to be the leading global provider of gaming solutions. There were no significant changes in the nature of those activities during the 12 months ended 31 December 2009.

Dividends

Since the end of the year, the Directors have recommended the payment of a final dividend of nil cents (2008: 10.0 cents, 100% franked) per fully paid ordinary share.

Review and results of operations

A review of the operations of the Group for the 12 months ended 31 December 2009 is set out in the Review of Operations which forms part of this Directors' Report. The operating result of the Group attributable to shareholders for the 12 months ended 31 December 2009 was a loss of $157.8 million after tax and minority interests.

Significant changes in the state of affairs

Except as outlined below and elsewhere in this Directors' Report, there were no significant changes in the state of affairs of the Group during the 12 months ended 31 December 2009.

Events after balance date

No material matters requiring disclosure in this Directors' Report have arisen subsequent to 31 December 2009. To the best of their knowledge, the Directors are not aware of any other matter or circumstance that has arisen since 31 December 2009 that has significantly affected or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

Likely developments and expected results

Likely developments in the operations of the Group in future financial years and the expected results of operations are referred to in the Review of Operations which forms part of this Directors' Report.

The Directors believe that disclosure of further information as to the likely developments in the operations of the Group and the likely results of those operations would, in their opinion, be speculative and/or prejudice the interests of the Group.

Directors' attendance at Board and committee meetings during 2009

The attendance of members of the Board at Board meetings and attendance of members of committees at committee meetings of which they are members is set out below.

Meetings attended/held

Director	Board	Audit Committee	Human Resources and Remuneration Committee	Regulatory and Compliance Committee	Nomination and Governance Committee	Innovation and Development Committee
DJ Simpson	9/9	5/5	6/6		4/4	
JR Odell[1]	6/6					
WM Baker	9/9			6/6		
RA Davis	9/9	4/5			4/4	5/5
RV Dubs[2]	6/6			3/3		5/5
SCM Kelly[3]	5/5					
P Morris	9/9	5/5	6/6		4/4	
SAM Pitkin	9/9		6/6	6/6		5/5

1 JR Odell was nominated December 2008 and appointed May 2009.
2 RV Dubs was nominated December 2008 and appointed June 2009.
3 SCM Kelly ceased office on 31 July 2009.

Indemnities and insurance premiums

The Company's Constitution provides that the Company will indemnify each officer of the Company against any liability incurred by that officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of that officer's duties to the extent permitted by law.

An officer for the purpose of this provision includes any Director or Secretary of the Company or the Company's subsidiaries, executive officers or employees of the Company or its subsidiaries, and any person appointed as a trustee by, or acting as a trustee at the request of, the Company and includes former Directors.

In accordance with the Company's Constitution, the Company has entered into deeds of access, indemnity and insurance with each Director and nominated officers of the Company. No amount has been paid pursuant to those indemnities in the year ended 31 December 2009 or since that date to the date of this Directors' Report.

The Company has paid a premium in respect of a contract insuring officers of the Company and its related bodies corporate against any liability incurred by them arising out of the conduct of the business of the Company or in or arising out of the discharge of their duties. In accordance with normal commercial practices, under the terms of the insurance contracts, the details of the nature and extent of the liabilities insured against and the amount of premiums paid are confidential.

Environmental regulation

The Group's operations have a limited impact on the environment. The Group is subject to a number of environmental regulations in respect of its integration activities. Since the end of 2007, the Company has ceased to manufacture gaming machines, games and systems at its Australian facilities. The Company now only integrates (assembles) machines and systems in Australia, the USA, Macau, Japan, UK, South Africa and New Zealand. The Company uses limited amounts of chemicals in its assembly process and the Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the 12 months ended 31 December 2009.

Based on current emission levels, the Company is not required to register and report under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). However, the Company continues to receive reports and monitors its position to ensure compliance with the NGER Act.

The Company is committed to not only complying with the various environmental laws to which its operations are subject, but also to achieving a high standard of environmental performance across all its operations. The Company is aware of, and continues to plan for, any new Australian regulatory requirements on climate change.

It is the Company's view that climate change does not pose any significant risks to its operations in the short to medium term. Throughout the Group, new programs and initiatives have been introduced to ensure the Company is well prepared for new regulatory regimes and to reduce its carbon footprint.

Proceedings on behalf of the Company

No proceedings have been brought on behalf of the Company under section 236 of the *Corporations Act 2001* (Cth) (Act), nor has any application been made in respect of the Company under section 237 of the Act.

Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the Act.

Non-audit services provided by auditor

The Company, with the prior approval of the Chair of the Audit Committee, may decide to employ PricewaterhouseCoopers, the Company's auditor, on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Company has a charter of audit independence which specifies those non-audit services which cannot be performed by the Company auditor. The charter also sets out the procedures which are required to be followed prior to the engagement of the Company's auditor for any non-audit related service.

Details of the amounts paid or payable to the Company's auditor, for audit and non-audit services provided during the year, are set out in Note 32 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Act.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 32 to the financial statements, did not compromise the auditor independence requirements of the Act for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration is attached to this Directors' Report.

Loans to Directors and executives

No Director or executive held any loans with the Company during the financial year.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in this Directors' Report and financial statements. Amounts in this Directors' Report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This Directors' Report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors.

DJ Simpson
Chairman

23 February 2010

Review of Operations

Financial Report

Summary

Key performance indicators for the current and prior corresponding period are set out below:

	Constant currency[2] FY 2009 $M	FY 2009 $M	FY 2008 $M	Variance vs FY 2008 Constant currency[2] %	Variance vs FY 2008 Reported %
Normalised results[1]					
Total revenue from ordinary activities	907.5	908.6	1,079.9	(16.0)	(15.9)
Earnings before interest, tax and D&D costs	286.9	283.3	330.1	(13.1)	(14.2)
Earnings before interest and tax (EBIT)	176.9	169.9	212.9	(16.9)	(20.2)
Profit after tax and minority interest	121.7	116.4	140.3	(13.3)	(17.0)
Earnings per share (fully diluted)	24.1c	23.0c	30.5c	(21.0)	(24.6)
Total dividend per share	4.5c	4.5c	36.0c	(87.5)	(87.5)
Reported results					
Earnings before interest and tax (EBIT)	(187.0)	(194.0)	156.7	(219.3)	(223.8)
(Loss)/Profit after tax and minority interest	(152.5)	(157.8)	101.2	(250.7)	(255.9)
Balance sheet/cash flow					
Net working capital/revenue	20.6%	17.2%	14.4%	6.2pts	2.8pts
Operating cash flow[1]	161.8	157.8	173.8	(6.9)	(9.2)
Cash flow per share (fully diluted)[1]	32.0c	31.2c	37.8c	(15.3)	(17.5)
Closing net debt	103.5	75.3	376.4	(72.5)	(80.0)

1 Before the net impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group. Refer to pages 10 and 11.

2 2009 result adjusted for translational exchange rates using rates applying in 2008.

The Group reported a normalised profit after tax and minority interest of $116.4 million, representing a 17.0% decline compared with the prior corresponding period's result of $140.3 million. The decline reflects reduced profits in each region, other than Australia and New Zealand, partially offset by reductions in unallocated expenses, interest and income taxes.

More specifically, the result was driven by:

North America
Increased market share was more than offset by continuing weak economic conditions coupled with a slower replacement cycle and fewer new casino openings.

Australia
While overall market conditions during the year were challenging, there were signs of an improvement in the latter part of the year, driven by the Group's stronger games offerings, demand for *Viridian*™ cabinets and *Gen7*™ platforms (*Viridian*™ *Gen7*™) and the new three year licence model.

Japan
The pachislot market contracted approximately 30% in 2009, with units shipped estimated at 650,000.

Rest of World
Performance across the remaining business reflected the generally weak economic and operating conditions across most jurisdictions, causing operators to take a cautious approach to capital expenditure and reinvestment in gaming floors. The exception was New Zealand, where mandated regulatory change enforced game replacement. The Group held share in this segment despite intense competition.

While the economic and operating conditions across the Group's markets have been challenging this year, underlying business performance was stronger despite the relative weaker market. This was represented by increased ship share and the significant increase in gaming operations (high-yielding win per day recurring revenue products) installations in North America.

In Australia, improved content and customer support for the Group's new three year licence model drove platform volumes, higher revenues and increased ship share. While only in the early stages, strategic initiatives have led to cost efficiencies and improved processes.

Reported results were abnormally impacted by a net loss after tax of $274.3 million arising from a number of abnormal or one-off items.

Operating cash flow per share declined by 17.5% to 31.2 cents.

Profit and loss

Analysis throughout this section refers to results reported on a normalised management basis prior to recognising a number of transactions/adjustments taken during the year which are considered abnormal on the basis that they are not representative of the ongoing operations of the Group and are non-recurring in nature.

Summary profit and loss

Full year	FY 2009 $M	FY 2008 $M	Var %
Segment revenue			
North America	405.6	470.4	(13.8)
Australia	207.8	185.3	12.1
Japan	106.1	214.3	(50.5)
Rest of World	189.1	209.9	(9.9)
Total segment revenue	**908.6**	**1,079.9**	**(15.9)**
Segment EBIT			
Segment profits	282.2	356.6	(20.9)
Supply chain margins	21.7	1.6	1,256.3
Total segment EBIT	**303.9**	**358.2**	**(15.2)**
Unallocated expenses			
Design and development	(113.4)	(117.2)	3.2
Foreign exchange	2.3	(6.9)	N/A
Corporate	(21.2)	(21.6)	1.9
Share of JV profits/(losses) – Elektronček	(1.7)	0.4	N/A
Total unallocated expenses	**(134.0)**	**(145.3)**	**(7.8)**
Earnings before interest and tax	**169.9**	**212.9**	**(20.2)**
Interest	(13.9)	(19.8)	29.8
Profit before tax	**156.0**	**193.1**	**(19.2)**
Income tax	(39.1)	(52.1)	25.0
Profit after tax	**116.9**	**141.0**	**(17.1)**
Minority interest	(0.5)	(0.7)	28.6
Profit after tax and minority interest	**116.4**	**140.3**	**(17.0)**

	% of revenue		Var
Relative to revenue performance	FY 2009	FY 2008	Pts
Segment EBIT	33.4	33.2	0.2
Design and development	12.5	10.9	1.6
Earnings before interest and tax	18.7	19.7	(1.0)
Profit after tax and minority interest	12.8	13.0	(0.2)

Profit and loss continued

Revenue

Revenue declined $171.3 million (15.9%) and 16.0% in constant currency terms, reflecting the impact of significantly lower sales volumes in Japan and adverse economic conditions across most jurisdictions in which the Group operates. These negatives were partially offset by increased sales in Australia with high performing games and strong demand for the new three year licence model, and in New Zealand driven by regulatory changes and higher ACE Video Lottery Terminal (VLT) sales.

North American revenue decreased $64.8 million (13.8%) in Australian dollar terms while in local currency the decline was 16.8% (US$65.3 million), primarily due to lower sales volumes as a result of continuing difficult economic and operator trading conditions.

Australian revenue increased by $22.5 million (12.1%), mainly driven by higher EGM sales volume (increased 37.3%). The business gained momentum with the introduction of the new three year licence model and the release of higher performing games, in particular *JAWS*™[1] and *Hit the Heights*® during the fourth quarter. Average pricing increased 3.8% driven by product mix. The 2009 volumes associated with the new three year licensing model will deliver benefits in 2010 and 2011.

In Japan, revenue fell $108.2 million (50.5%) in Australian dollar terms, while in local currency the decline was yen 8.3 billion (49.3%). This sharp reversal results from the launch of only one key licensed game compared to two in the prior period. Unit sales were further adversely impacted by depressed market demand.

In the Rest of World segments, revenue was down by $20.8 million (9.9%), 8.7% in constant currency terms. This was principally due to poor economic conditions in most parts of the world, partially offset by increased demand in New Zealand and a higher volume of VLT units placed by ACE under the Norsk Tipping contract.

Earnings

Segment profit declined $74.4 million (20.9%) compared with the prior corresponding period.

Japan and North America were the key contributors to the decline, with EBIT falling $35.9 million and $35.3 million respectively. This was offset by a $20.1 million improvement in supply chain margins, mostly driven by manufacturing recoveries on the back of economies of scale on increased *Viridian*™ *Gen7*™ production and lower provisioning levels. Segment EBIT declined $54.3 million (15.2%), increasing as a percentage of revenue by 0.2 percentage points to 33.4%.

Total unallocated expenses decreased $11.3 million (7.8%), principally reflecting foreign currency hedging gains and cost efficiencies in design and development costs.

The Group's investment in its future through design and development spend rose as a percentage of revenue to 12.5% (12.1% on a constant currency basis) from 10.9% of revenues in the prior year. Total spend declined to $113.4 million, a 3.2% decrease compared to 2008 (6.1% decline in constant currency terms). This reflected improved efficiencies and more focused spend. Offshoring to India will further improve efficiencies going forward.

Corporate costs were adversely impacted by legal expenses incurred on the US Convertible Bonds litigation, which overshadowed cost savings achieved as part of the initial execution stages of the Group's transformation strategy.

These lower expenses were partially offset by a $1.7 million share of the losses made by Elektrončék, compared to a $0.4 million profit in 2008.

The $5.9 million decrease in interest expense (29.8%) reflects lower average net debt levels during the period following the Group's capital raising in April 2009.

The effective tax rate on the normalised result is 25.1%. This is lower than the 27.0% recorded in the 2008 full year, as a result of the mix of earnings particularly influenced by the weaker result from Japan where profits are taxed at 46%.

The decline in profit after tax has resulted in fully diluted operating earnings per share falling by 7.5 cents (down 24.6%) to 23.0 cents.

Abnormal items

The following abnormal items are summarised below:

	Before tax $M	After tax $M
Property sales	8.8	8.8
Restructuring costs	(17.8)	(12.6)
Legal settlement	(4.3)	(3.3)
Impairment of multi-terminal gaming businesses	(83.1)	(79.9)
Provision for Convertible Bond damages	(267.6)	(187.3)
Net abnormal (loss)	**(364.0)**	**(274.3)**

1 JAWS is a trademark and copyright of Universal Studios. Licensed by Universal Studios Licensing LLP. All rights reserved.

Property sales
The Group completed its program to divest its Australian manufacturing sites during the first half of 2009. This commenced in 2007 with the closure and transition of its traditional manufacturing operations. The remaining two sites were disposed of during the period.

Restructuring costs
As was reported at the half year, the Group initiated a strategic review and cost alignment program with an objective of optimising future performance. Costs associated with the implementation of this program totalled $12.6 million (after tax) and predominantly represented termination costs of over 140 full-time equivalent roles.

Legal settlement
The Group settled the Torango intellectual property litigation during the period.

Impairment of multi-terminal gaming businesses
As was reported at the half year, the Group has booked a one-off (abnormal/non-cash) charge against the carrying values of its investments and inventories in its multi-terminal gaming businesses, Elektronček and PokerTek, Inc.

Provision for Convertible Bond damages
In line with the Group's 1 February 2010 announcement to the market, the Group has recognised an abnormal provision relating to the expected damages liability associated with the US Convertible Bonds litigation which includes interest calculated to 30 April 2010. The decision to record this provision does not pre-empt the US District Court's final judgement on damages, nor the Group's position on any potential appeal.

Balance sheet

The balance sheet can be summarised as follows:

	31 Dec 2009 $M	31 Dec 2008 $M
Net working capital	156.6	156.0
Other current/non-current assets	66.8	65.8
Property, plant and equipment	120.5	150.8
Investments in associate and other companies	6.2	89.8
Intangibles	118.5	154.4
Other current/non-current liabilities	(357.1)	(97.8)
Provision for supplementary unfranked dividend	–	(9.1)
Net tax balances	117.6	58.9
Funds employed	**229.1**	**568.8**
Net debt	(75.3)	(376.4)
Shareholders' funds	**153.8**	**192.4**

Net working capital as a percentage of the last 12 months revenue was 17.2% at 31 December 2009, up 2.8 percentage points from 14.4% at 31 December 2008.

Significant balance sheet movements from 31 December 2008 are discussed on the following page.

Balance sheet continued

Property, plant and equipment

The $30.3 million decline was largely due to a $20.1 million translational foreign exchange. Total capital spend was $60.3 million of which $47.9 million was on gaming operation units as the Group increased its global net installed base. The depreciation charge for the year was $63.8 million.

Investments in associate and other companies

The $83.6 million decline primarily represents the impairment charge recognised against the Group's multi-terminal gaming businesses, Elektronček and PokerTek, Inc. in the period.

Intangible assets

The $35.9 million decline reflects the retranslation of foreign currency denominated intangible assets (primarily in the North American and ACE businesses) at closing foreign exchange rates and $4.8 million of amortisation.

Other current/non-current liabilities

The $259.3 million increase is mainly driven by the provision of damages relating to the Convertible Bonds litigation.

Provision for supplementary dividend

At 31 December 2008 a provision of $9.1 million was recorded in respect of the supplementary unfranked dividend of 2 cents per share paid on 5 January 2009. The Group has suspended the payment of further supplementary unfranked dividends.

Net tax balances

The $58.7 million increase is the combined result of the tax impact from the provision for damages relating to the Convertible Bonds litigation, lower profits in the period and tax refunds received in respect of the 2008 year.

Net debt

The Group's net debt reduced $301.1 million from the net debt position at 31 December 2008. This decline primarily reflects the benefits of the Group's $236.7 million capital raising together with the strong operating cash flow for the period offset by dividends and capital expenditure. Debt ratios remain at conservative levels, with debt coverage (net debt/EBITDA) at 0.4 times and interest cover at 23.6 times.

Shareholders' funds

The change in shareholders' funds reflects the net capital raising of $236.7 million, shares issued as a result of the dividend reinvestment plan $14.6 million, partially offset by a net reported loss of ($157.8 million) for the period, dividends ($69.2 million) and a ($65.7 million) movement in the foreign currency translation reserve.

Statement of cash flows

Effective cash flow management continues to be one of the Group's key priorities.

The movement in net debt (debt less cash), after eliminating foreign exchange movements, is set out below:

	FY 2009 $M	FY 2008 $M
Net debt – opening balance (31 December)	**(376.4)**	**(111.8)**
Normalised net cash inflow from operating activities	**157.8**	**173.8**
Cash effect of abnormal items	(16.4)	(57.4)
Net cash inflow from operating activities	**141.4**	**116.4**
Investing cash flows	**(39.9)**	**(17.1)**
Financing cash flows	**171.4**	**(334.0)**
Movement in net cash	**272.9**	**(234.7)**
Effect of exchange rate changes on net debt	28.2	(29.9)
Net debt – closing balance (31 December)	**(75.3)**	**(376.4)**

Operating cash flow decreased to $157.8 million, $16.0 million lower than in 2008, and represented 17.4% of revenue. This decrease resulted from lower earnings and was further adversely impacted by foreign exchange movement.

The cash impact of abnormal items recognised in the full year result was $16.4 million.

The net cash inflow from investing and financing activities primarily represents the net proceeds of $236.7 million from the capital raising undertaken in April 2009 offset by dividend payments.

Foreign exchange movement had a favourable impact of $28.2 million on the net debt position.

Cash flow in the statutory format is set out in the financial statements.

Transformation program

At the half year, the Group announced its transformation program aimed at reducing volatility in earnings and delivering sustainable value growth over the next three to five years.

The program focuses the business on delivering the best games and systems to grow its major markets of North America, Australia and Japan. A series of initiatives have been launched under four strategic themes:

- **Player-led, technology-driven:** Obtain privileged insights to generate competitive advantage.
- **Best games and systems:** Apply insights to build the best games and systems.
- **Right markets and segments:** Focus on the most profitable large markets and segments.
- **World-class organisation:** Build a lean, effective organisation to deliver the best products.

During the second half of 2009, the Group has focused on the implementation of a detailed investment program to support this strategy. Highlights of progress to date include:

- In North America, the Group increased its resources and focus in gaming operations as we pursue growth in recurring revenue. Focused teams have been put in place to lead the execution of stepper and systems strategies.
- In Japan, the Group has begun to expand studio capacity and to build a library of strong licensed characters. A three year games pipeline has been put in place, which will help to address performance volatility in Japan over the medium term. The Japanese subsidiary also signed a conditional agreement to make a non-material acquisition that will assist in increasing its annual game approval slots.
- In Australia, the Group restructured its operations from a sales organisation into a full regional business unit, along similar lines to the North American business unit. The Group is led by a new Managing Director supported by a dedicated regional marketing team to drive games content tailored to the local market.
- A number of cost reduction initiatives have been undertaken during the period. This includes the rightsizing of functions to realign resources with the Group's strategic focus, resulting in over 140 full-time equivalent roles being removed from the business, representing a 7% reduction in total staff costs. Further benefits were realised from the optimisation of supply chain and changes to procurement policies and processes. In addition, the Group successfully established its Indian Development Centre and the ramp-up of production work in India to free up local studios to focus on creative game content.

The early stages of the program have positioned the Group to realise productivity gains and cost savings which will facilitate investment in support of the execution of strategic initiatives.

Regional segment review

In this regional segment review, segment profit/(loss) is before abnormal items, charges for design and development expenditure, corporate costs and supply chain variances. The total amount of these items, excluding abnormal items, is disclosed in the Group profit and loss statement. Constant currency amounts refer to 2009 results restated using exchange rates applying in 2008.

North America

US$	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
Revenue	322.4	387.7	(65.3)	(16.8)
Profit	122.1	154.4	(32.3)	(20.9)
Margin %	37.9%	39.8%	–	(1.9)pts
Volume				
Platforms	8,262	10,841	(2,579)	(23.8)
Conversions	7,723	8,684	(961)	(11.1)
Average price/unit	14,675	15,117	(442)	(2.9)

	FY 2009	FY 2008	Variance	Variance %
Gaming operations units	6,409	5,459	950	17.4
Gaming operations $/day	42.12	45.84	(3.72)	(8.1)

A$	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
Revenue	405.6	470.4	(64.8)	(13.8)
Profit	152.3	187.6	(35.3)	(18.8)
Margin %	37.5%	39.9%	–	(2.4)pts

Challenging economic conditions in the North American market during the period had a significant impact on operator trading conditions driving lower sales volumes and lower participation fees per day.

In local currency, revenue declined US$65.3 million (16.8%) and profit declined US$32.3 million (20.9%) compared to the prior corresponding period. Gross margin percentage improved modestly although this was offset by the impact of lower sales volumes combined with a flat fixed cost base.

While units sold in the period declined 23.8% to 8,262, the Group did increase its ship share across the total North American market. This growth in ship share was influenced predominantly from video unit sales with a minor contribution from stepper sales. The decline in unit sales was due to the continuation of difficult operator conditions and the associated reduction in their capital spend on new gaming equipment implying a theoretical replacement cycle of approximately 25 years. The decline in unit sales was also influenced by the significantly lower number of new casino openings during 2009 as compared to 2008. Sales of software conversions decreased 11.1% to 7,723 reflecting both the capital constraints on operators and the reduction in the number of new Mk 6 titles marketed.

The competitive environment driven by weak economic conditions and the associated decline in demand did not have a significant influence on the average unit selling price achieved during the period of US$14,675 per unit. This was down by 2.9% and was primarily due to shifts in customer and product mix. The *Viridian*™ *Gen7*™ is now well embedded across the North American marketplace with over 13,000 installations at the period end. The *Gen7*™ game library is also now well established with over 100 game titles approved and available for sale.

The Group launched its new *Viridian*™ *RFX*™ stepper (*RFX*™ stepper) during the second quarter. The product is approved in all key North American jurisdictions with approximately 400 units sold during the period. As expected *RFX*™ stepper sales were constrained by the limited library of games available for sale. However, the stability and robustness of the platform has now been proven and the Group is focused on significantly building its *RFX*™ stepper games library and is currently in the process of establishing an additional *RFX*™ stepper games studio in North America.

The Group realised 17.4% (950 units) growth in its gaming operations installed base during the year, from 5,459 at 31 December 2008 to 6,409 at 31 December 2009. This growth was driven by the release and success of new games such as *JAWS*™[1], *Hit the Heights*® and *The Sopranos*™[2], with low cannibalisation of existing placements. As at 31 December 2009, the Group had close to 1,200 *JAWS*™[1] units installed.

The gaming operations average fee per day declined from US$46 in 2008 to US$42 in 2009. This decline was largely attributable to the reduction in operator revenues and the age profile of the Group's installed base. The average fee per day will benefit from improvement in operators' revenues and the Group's continued release and installation of new product. In addition to the gaming operations installed base, there were a total of 2,335 standard game leases, earning an average US$18 per day, compared to 2,256 earning US$19 per day as at 31 December 2008.

Performance of the systems business was down this period due to a lower number of new casino installations. Systems revenue, including the maintenance revenue derived from the systems business, was US$60.8 million, down 18.2% on last year's record result. The number of properties which use the *OASIS 360*™ Casino Management System in North America continued to grow and now stands at a record 264 compared to 250 at the end of the prior corresponding period.

The Group launched a number of key systems projects which are scheduled for completion in 2010, including *OASIS 360*™ *One Card*™ and the next generation *Sentinel*™. These projects are aimed at providing additional feature rich functionality to customers.

The 2010 outlook for improved industry and customer operating conditions will depend on the rate at which macro economic conditions and general consumer confidence improves. The Group expects a slight improvement in the replacement cycle to be more than offset by lower expansions.

The Group will continue to build on 2009 momentum in North America, and focus on growing the gaming operations base on the back of planned new product releases. Major jurisdictional expansion and new casino openings are expected to be realised from 2011 onwards.

1 JAWS is a trademark and copyright of Universal Studios. Licensed by Universal Studios Licensing LLP. All rights reserved.
2 The Sopranos is a trademark and copyright of Home Box Office, Inc. All rights reserved.

Australia

A$	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
Revenue	207.8	185.3	22.5	12.1
Profit	63.1	51.9	11.2	21.6
Margin %	30.4%	28.0%	–	2.4pts
Volume				
Platforms	5,292	3,853	1,439	37.3
Conversions	11,636	13,445	(1,809)	(13.5)
Average price/unit	17,214	16,584	630	3.8

Overall market conditions were difficult during the year with an improving commercial environment evidenced in the later part of the period in part driven by the strength of the Group's games offerings and strong demand for the new three year licence model. Although many venues are still facing operational difficulties due to tight credit markets, themed content such as *JAWS*™[1] and *Hit The Heights*® was well received by the market, with over 400 platforms sold under the *JAWS*™[1] theme in the final quarter.

Revenue increased 12.1% and profit rose 21.6% as a result of increased platform sales, increased average selling price and a prepaid licence fee partially offset by declining conversion sales. Platform unit sales increased 37.3%, driven mainly by the increased penetration of *Viridian*™ *Gen7*™ in New South Wales (NSW) and its release in Queensland (QLD) supported by new and stronger game offerings, in particular, themed content such as *JAWS*™[1] and *Hit the Heights*®, and the new three year licence model.

Higher new platform sales resulted in conversions declining 13.5%. The increased penetration of *Viridian*™ *Gen7*™ in NSW and its introduction into the QLD market has seen average selling price improve by approximately 3.8% overall for the year. Licence fees received also contributed to the strong revenue and profit growth. Underlying business performance, excluding this, grew compared to the prior corresponding period.

Margin increased 2.4 percentage points, driven largely by stronger *Viridian*™ *Gen7*™ margins, savings in fixed overheads of 5% and the contribution from licence fees. This was partially offset by discounting associated with the mandatory revocation of *Indian Dreaming*® in the NSW market and the accounting impact of the three year licence model.

The increase in platform sales has driven an improvement in the replacement cycle, down to 23 years from 35 years in the prior corresponding period.

In Australia, the Group expects the market to remain flat, with increasing competition through 2010. The Group will accelerate the implementation of its strategy, and make the significant changes still required to build a world-class business model in Australia. The Group will continue to improve the pipeline of strong game releases, and expects to see some benefit from the continued rollout of strong content, such as *JAWS*™[1], *Hit The Heights*® and *Fa Fa Fa*™.

A key market development will be the release of the Productivity Commission Report on the gaming industry expected in late February 2010. The Group has been preparing for this report for some time and is confident that it will be well equipped to respond to any of the findings.

1 JAWS is a trademark and copyright of Universal Studios. Licensed by Universal Studios Licensing LLP. All rights reserved.

Japan

Yen	FY 2009 ¥M	FY 2008 ¥M	Variance ¥M	Variance %
Revenue	8,493.5	16,758.1	(8,264.6)	(49.3)
Profit	1,425.9	4,452.7	(3,026.8)	(68.0)
Margin %	16.8%	26.6%	–	(9.8)pts
Volume – Games	29,760	57,437	(27,677)	(48.2)

A$	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
Revenue	106.1	214.3	(108.2)	(50.5)
Profit	16.4	52.3	(35.9)	(68.6)
Margin %	15.5%	24.4%	–	(8.9)pts

The pachislot market remained very tight in 2009, with an estimated 650,000 total units shipped during the period, approximately a 30% decline on the prior corresponding period. Market volumes were particularly depressed in the first and fourth quarters as operators focused on higher volatility and strong titled pachinko games.

It is currently estimated by the Nichidenkyo (NDK: Pachislot Manufacturers Association) that the number of hall operators declined 3.8% to 12,450 halls during 2009 and the number of installed pachislot units declined 11.0% to approximately 1.3 million units over the period.

Revenue and profits declined significantly by 49.3% and 68.0% respectively in local currency. Unit volumes were the key driver for this sharp decline in performance, with a total of 29,760 units sold in 2009, down from 57,437 units in 2008. This sharp reversal reflects a combination of the overall depressed market demand and the release of one key licensed game this period compared to two key licensed game launches in 2008.

Four games (*Judoz*™, *Get the Ranker*™, *Zettai Shogeki*™ and *Tetsuya*™ [1] *Shinjuku vs. Ueno*) were marketed during 2009. Only one title, *Tetsuya*™ [1] *Shinjuku vs. Ueno*, was a key brand licensed game with sales of 18,342 units, whereas there were two key licensed games (*Kyojin no Hoshi*® [2] *4* and *Maha Go Go Go*® [3] *2*) in 2008, which sold a combined total of 52,980 units.

Despite continued operator focus on competitive pricing during the period, the Group maintained its Japanese yen gross profit per unit by successfully lowering the cost per unit. However, this variable contribution was insufficient to offset the operation's fixed cost base given the reduction in sales volumes, resulting in a margin of 16.8% in 2009 (26.6% in 2008).

The rigorous testing process of new game submissions by the testing authority (SECTA) continues to determine the dynamics of the market, with only 43% of game submissions approved (43% for 2008). The Group currently has two games approved and a further 10 are in the development and regulatory approval process.

The Group expects the Japanese market, which saw significant decline last year, to be flat in 2010 in the absence of significant regulatory changes. The Group will continue to execute its transformation program to plan, focused on investment in game design and development as well as acquiring strong licensed titles, targeting consistent launches of two key titles per annum to reduce the volatility in revenue and profits over time. While a number of game releases are planned for 2010 in Japan, the Group is scheduled to release only one key licensed title during the year.

1 Tetsuya is a trademark of Kodansha KK.
2 Kyojin-no-hoshi is a registered trademark of Kodansha KK.
3 Maha Go Go Go is a registered trademark of Tatsunoko Productions KK.

Rest of World

A$ constant currency revenue	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
South America	22.3	43.5	(21.2)	(48.7)
New Zealand	30.0	21.7	8.3	38.2
Other international	103.3	124.8	(21.5)	(17.2)
ACE	36.0	19.9	16.1	80.9
Total revenue	**191.6**	**209.9**	**(18.3)**	**(8.7)**

A$ constant currency profit	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
South America	9.9	13.4	(3.5)	(26.1)
New Zealand	13.6	8.4	5.2	61.9
Other international	29.6	44.2	(14.6)	(33.0)
ACE	(1.7)	(1.2)	(0.5)	(41.7)
Total profit	**51.4**	**64.8**	**(13.4)**	**(20.7)**

A$	FY 2009 $M	FY 2008 $M	Variance $M	Variance %
Revenue	189.1	209.9	(20.8)	(9.9)
Profit	50.4	64.8	(14.4)	(22.2)
Margin %	26.7%	30.9%	–	(4.2)pts
Volume – platforms	6,123	9,546	(3,423)	(35.9)

In constant currency terms, revenue and profit declined 8.7% and 20.7% respectively.

The strongest performing region in the Rest of World was New Zealand, where the mandated requirement to comply with responsible gaming legislation requiring random interruptive Player Information Displays (PIDs) by 1 July drove sales during the period, growing 38.2% for the full year in constant currency. Profits increased 61.9% over the prior year, reflecting fixed cost leverage and improved margins as a result of a shift in the mix towards PIDs game conversions and the introduction of *Viridian*™ *Gen7*™ into the casino market. Over the longer term, the New Zealand market is expected to remain in gradual decline.

In the Group's South American region, sales declined 48.7% as the 2008 comparative had been positively impacted by the expansion of the Chilean gaming market. The decline in overall profitability was 26.1%; however, the profit decline from lower sales volumes was partially offset by improved margins and cash collections from sales made in 2008. Improvements in the average selling price, combined with supply chain efficiencies driving lower refurbishment costs per unit, contributed to the higher margins.

During the year the Group also established a presence in Mexico and commenced sales activities there late in the fourth quarter. The Group expects a greater contribution in 2010 from the South American region, mainly due to the activities in Mexico.

Revenues for Europe, South Africa and Asia Pacific all declined, reflecting sustained depressed economic and operating conditions with operator's capital budgets being constrained, coupled with a lack of new venue openings. In addition, Asia Pacific was affected by the unexpected closing in February 2009 of the Cambodian arcade/club market that had been a steady source of sales in recent years. Profitability declines in these businesses were not offset by the reduction in their fixed cost structures.

Despite the decline in profitability across these regions, the Group continued to maintain or grow its market share, with European markets rising modestly, the South African business maintaining its casino market share at 26% (41% video) and its Limited Payout Market share at 85% and the Group's percentage of market share in key Macau venues remaining stable at 55% to 60%.

The ACE business continues to grow its revenue base through sales of *Indago*™ Video Lottery Terminals (VLT), *TruServ*™ system upgrades and related services under the Norsk Tipping contract. During 2009 a total of 3,640 terminals were delivered, driving the 80.9% increase in revenues and taking the total number of terminals delivered under the contract to date to 4,431. A total of 6,500 terminals are forecast to be deployed; however, the exact timing of the remaining terminals is difficult to predict.

Game performance has been steadily improving and is exceeding initial expectations, especially with the release of Aristocrat's *Ball Power*™ and *Arishinko*™. Game performance is expected to be further enhanced with the release of additional Aristocrat games in 2010, which would also be expected to provide support for an accelerated rollout of terminals by Norsk Tipping.

Despite the significant volume of terminals delivered under the Norsk Tipping contract during the year, the business reported a loss of $1.7 million due to costs incurred as it continues to actively pursue and identify other VLT opportunities in Europe as well as global server based market opportunities. As a result, ACE expects to engage with the Italian gaming operator Cogetech to jointly enter the Italian VLT market. In addition, the Group continues to trial ACE's server based gaming platform *TruServ*™ in the Class III casino environment.

While trading across the Rest of World portfolio is anticipated to remain difficult going into 2010, it is expected improvements in performance will benefit through the continued rollout and strong performance of the *Viridian*™ *Gen7*™ platform in the Asia Pacific region, new venue openings in Singapore, ACE's engagement with Cogetech and an increase of opportunities in the Mexican market, and from greater focus on high value, growing markets.

Capital management

The Group remains prudent in its balance sheet management, with debt levels maintained well within those expected of its BBB– investment grade credit rating.

In April 2009 the Group raised $236.7 million (after costs) through a capital raising to:

- strengthen the Group's balance sheet to deal with the current operating environment;
- improve credit metrics to support its investment grade credit rating;
- provide additional debt facility headroom to counter:
  - reliance on debt refinancing, given credit market conditions; and
  - a range of outcomes in relation to outstanding litigation matters; and
- provide financial flexibility to execute strategic opportunities as they arise.

The outlook for cash flow remains positive, with the business requiring limited capital investment to grow organically, combined with a continued focus on cash flow management aimed at maintaining conservative gearing levels. This, coupled with the capital raising, will curtail the impact of any cash outflows that may be realised on the settlement of damages under the US Convertible Bonds litigation.

Dividends

In light of the Company's reported loss for 2009, and any resulting cash outflow from the Convertible Bond litigation, the Board has determined that no final dividend will be paid for the 2009 year.

An interim dividend in respect of the half year ended 30 June 2009 of 4.5 cents per share, fully franked ($23.9 million) was paid on 29 September 2009.

Given that no final dividend for 2009 was able to be paid, total dividends in respect of the 2009 year amount to 4.5 cents per share, fully franked. This represents a significant reduction on the total dividend payout of 36 cents per share ($163.7 million), with average franking of 66.7% paid in 2008, which included 12 cents per share in supplementary unfranked dividends.

The Group is committed to providing shareholder returns through paying dividends and, subject to Board review at the appropriate times, will revert to its annual earnings payout ratio target of 50%–70% in 2010.

The Group's ability to pay franked dividends is primarily influenced by its mix of earnings and agreed positions with various taxation authorities around the world. Based on the current mix of earnings and the impact of the 2009 abnormal items, any dividends determined to be paid over the medium term are currently not expected to be fully franked.

Bank facilities

The Group had committed bank facilities of $805 million and a US$100 million Letter of Credit facility at 31 December 2009, of which $127.1 million was drawn, compared to $482.6 million at 31 December 2008. The reduction in drawn facilities primarily reflects the receipt of funds from the capital raising, continued strength in operating cash flows and lower translated US dollar denominated borrowings as a consequence of the higher AUD:USD exchange rate relative to last year.

The Group's facilities are summarised as follows:

Facility	Drawn as at 31 Dec 2009	Limit 31 Dec 2009	Maturity date
364 day debt	Nil	A$220.0m	February 2010
Letter of credit	Nil	US$100.0m	February 2010
Three year debt	A$127.1m	A$585.1m	February 2011

Facility	Drawn as at 31 Dec 2008	Limit 31 Dec 2008	Maturity date
364 day debt	A$150.0m	A$250.0m	February 2009
Letter of credit	Nil	US$200.0m	February 2009
Three year debt	A$332.6m	A$585.1m	February 2011

Subsequent to 31 December 2009, the Group rolled over its short-term facility arrangements. In light of the significant amount of headroom in the Group's committed bank facilities, the overall size of these facilities has been revised down to $782 million. Additionally, the US$100 million Letter of Credit tranche was allowed to expire at maturity on 5 February 2010.

The Group is confident that these facilities remain adequate to meet the ongoing requirements of the business and provide sufficient flexibility to enable the Group to respond to any outcome in the US Convertible Bonds litigation and execute strategic opportunities as they arise.

Debt ratios

The Group's interest and debt coverage ratios remain strong:

Ratio	31 Dec 2009	31 Dec 2008
EBITDA[1]/interest expense[1]	23.6X	13.9X
Debt/EBITDA[1]	0.7X	1.7X
Net Debt/EBITDA[1]	0.4X	1.4X

1 EBITDA and Interest Expense are based on the preceding 12 months results. EBITDA represents Bank EBITDA, which is inclusive of interest received but excludes Class Action settlement, profits on the disposal of land and buildings, Convertible Bond litigation and the impairment charge against the investment in Elektronček and PokerTek, Inc.

For financial management purposes, the Group pays particular attention to the interest cover ratio (EBITDA/Interest Expense) as it reflects the ability of the Group to service its debt and is regarded as more relevant than gearing calculations.

Credit rating

The Group's objective is to maintain conservative debt levels and to continue to operate at debt coverage ratios which are well within those considered appropriate of an investment grade rating. The Group's Standard & Poor's (S&P) credit rating is BBB–, which is investment grade, reflecting the Group's strong strategic, operational and financial position and outlook.

Foreign exchange

Given the extent of the Group's global operations and the percentage of its earnings derived from overseas, its reported results are impacted by movements in foreign exchange rates.

The Australian dollar was weaker against the US dollar and Japanese yen on average in 2009, compared to 2008. The impact of translating foreign currency (translational impact) increased reported revenue by $1.1 million, while decreasing profit after tax by $5.3 million when compared with rates prevailing in the respective months in the prior year.

The translational impact on earnings year on year was more significant than the visible depreciation in the Australian dollar against the US dollar and Japanese yen due to the timing of when earnings were realised. While the average unweighted Japanese yen rate was 84.9 during 2008, the effective weighted rate was 62.57 as a result of the majority of Japanese profits being earned in December.

In addition, the net effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was an unfavourable $58.2 million (compared to a favourable $2.6 million as at 31 December 2008) as the Australian dollar as at 31 December 2009 was stronger than 31 December 2008.

Based on the Group's 2009 mix of profitability, the major exposure to translational foreign exchange results from the Group's US dollar profits. A US dollar 1 cent change in the USD:AUD exchange rate results in an estimated $1.3 million translational impact on the Group's reported profit after tax. This impact will vary as the magnitude of overseas profits changes.

Foreign exchange rates compared with prior periods for key currencies are as follows:

AUD:	31 December 2009	30 June 2009	31 December 2008	2009 average[1]	2008 average[1]
USD	0.8969	0.8114	0.6928	0.7863	0.8358
NZD	1.2354	1.2428	1.1955	1.2497	1.1964
JPY	82.8200	77.7600	62.5700	73.6038	84.9120
EUR	0.5666	0.5751	0.4919	0.5666	0.5715
SEK	6.3788	6.2245	5.3743	6.0054	5.5324
ZAR	6.5078	6.2999	6.4818	6.5078	6.9117

1 Average of monthly exchange rates only. No weighting applied.

Remuneration Report

For the 12 months ended 31 December 2009

The Directors of Aristocrat Leisure Limited (Company) present this Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Act) for the Company and the consolidated Group for the year ended 31 December 2009.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act. This Remuneration Report forms part of the Directors' Report.

This Remuneration Report details the policy and principles that govern the remuneration of the Company's Directors and Senior Executives (as that term is defined on page 25 of this Report), the link between remuneration policy and principles and the Company's performance for the financial year, and the remuneration and service agreements of Directors and Senior Executives.

1 2009 Remuneration Report summary

The Company aims to deliver sustainable, superior returns to its shareholders and the remuneration strategy adopted by the Company is a key driver in achieving these objectives and is aligned with the Company's business strategy. It aims to attract, motivate, reward and retain Senior Executives through a remuneration framework that is globally relevant, performance driven, competitive, shareholder aligned and transparent and has a high perceived value.

The Board and Senior Executives are mindful of the challenging economic and business environment facing the Company and the extensive public debate on remuneration practices. During 2009, the following initiatives were taken by the Company with respect to its remuneration practices:

- introduced a requirement that 50% of any annual short-term incentive payments payable for the 2009 financial year to Senior Executives could be satisfied by the grant of deferred share rights, with trading restrictions and forfeiture conditions that would apply to such shares transferred upon vesting;
- initiated a detailed review of the long-term incentive program to drive improvements in the connectivity to company performance and shareholder value and ensure effectiveness;
- took extensive advice from Deloitte, an independent and experienced global remuneration consultant; and
- reviewed the report and recommendations of the Productivity Commission and other key reports on remuneration practices and trends.

Further details of these changes, and the requisite statutory information, are set out in this Report.

1.1 Overview of remuneration components

Below is an overview of the components of remuneration of Non-Executive Directors and Senior Executives. Further details on each remuneration component are set out in the corresponding page in this Report.

Remuneration component		Participants		
		Non-Executive Directors	CEO and Managing Director	Senior Executives (excluding CEO and Managing Director)
Fixed	**Fixed remuneration**		✓ (page 28)	✓ (page 28)
	Fees	✓ (page 23)		
Short Term Incentive			✓ (page 29)	✓ (page 29)
Long Term Incentive			✓ (page 31)	✓ (page 31)
Post-employment	**Superannuation**	✓ (page 23)	✓ (page 36)	✓ (page 36)
	Termination	✓ (page 24)[1]		✓ (page 36)[2]

1 Relates to the post-termination benefit for WM Baker, which is payable on retirement or resignation as Director.

2 Relates to payments made to SCM Kelly on cessation of office.

2 Non-Executive Directors

Details of the Non-Executive Directors of the Company during the year ended 31 December 2009 are provided in the Directors' Report.

2.1 Board policy on Non-Executive Director remuneration

The remuneration of the Non-Executive Directors is not linked to the performance of the Company in order to maintain their independence and impartiality. In setting fee levels, the Human Resources (HR) and Remuneration Committee, which makes recommendations to the Board, obtains advice from an independent remuneration consultant and takes into account the demands and responsibilities associated with the Directors' roles and the global scope and highly regulated environment that the Company operates in. The Board will continue to review its approach to Non-Executive Director remuneration to ensure it remains in line with high standards of corporate governance.

2.2 Components of remuneration

The table below summarises the components of Non-Executive Director remuneration.

	Element		
Directors' fees	Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of $1,750,000 approved by shareholders at the Annual General Meeting (AGM) in May 2004. Current fees for Directors, which have remained unchanged since 1 July 2007, are set out below. The Chairman does not receive any additional fees for his committee responsibilities.		
	Chairman	$365,000	
	Director	$155,000	
Committee fees		Chair	Member
	Audit	$30,000	$15,000
	HR and Remuneration	$20,000	$10,000
	Nomination and Governance	$15,500	$7,750
	Innovation and Development	$20,000	$10,000
	Regulatory and Compliance	$25,000	$12,500
Shares	Following the changes to Australian tax laws, Non-Executive Directors have ceased contributing a portion of their remuneration to purchase shares on-market under the Non-Executive Directors Share Plan (NEDSP) and the NEDSP is currently dormant. A decision regarding whether the NEDSP will operate in the future will be made once the implications of the new tax laws have been fully reviewed and further considered.		
Superannuation	Superannuation contributions are made on behalf of the Directors in accordance with statutory superannuation obligations. Fees set out above include any superannuation payable.		
Other fees/benefits	Directors may be paid additional fees for extra services provided to the Board in accordance with the Company's Constitution. No such fees were paid during the year. Directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties. The Company does not make sign-on payments to new Non-Executive Directors.		
Other post-employment benefits	A resolution was passed at the AGM in May 2004 to freeze the retirement allowances of certain 'eligible' directors. A director was considered to be an 'eligible' director if they were appointed as a Non-Executive Director before May 2003 and if their service agreement with the Company entitled them to a retirement allowance (Eligible Director). After the 2004 AGM, the Company entered into new service agreements with each of the Eligible Directors, the terms of which do not provide additional entitlements to any retirement allowance other than as approved by shareholders at the 2004 AGM. There currently remains one Eligible Director, WM Baker, with existing accrued retirement allowances which, in accordance with the 2004 shareholder resolution, were frozen as at 1 June 2004 and indexed to the annual change in the Consumer Price Index (All Groups). The benefit may only be paid out to WM Baker on his retirement, removal or resignation from the Board as a Director. No other Non-Executive Director is entitled to receive any retirement benefit other than the statutorily prescribed superannuation contributions referred to above.		

2.3 Details of remuneration

The remuneration details of Non-Executive Directors and Non-Executive Directors (Elect) for the financial year are set out below.

		Short-term benefits			Post-employment benefits		Share-based payments	
Name	Year	Cash salary and fees[1] $	Cash bonus $	Non-monetary benefits[2] $	Super-annuation[3] $	Retirement benefits[4] $	Options and PSRs $	Total $
Non-Executive Directors								
DJ Simpson	**2009**	**334,862**	**–**	**–**	**30,138**	**–**	**–**	**365,000**
	2008	334,862	–	–	30,138	–	–	365,000
WM Baker	**2009**	**199,517**	**–**	**–**	**2,330**	**7,201**	**–**	**209,048**
	2008	188,452	–	16,128	2,133	8,211	–	214,924
RA Davis	**2009**	**178,635**	**–**	**–**	**15,314**	**–**	**–**	**193,949**
	2008	170,184	–	–	15,316	–	–	185,500
RV Dubs[5]	**2009**	**167,945**	**–**	**–**	**14,721**	**–**	**–**	**182,666**
	2008	3,822	–	–	–	–	–	3,822
P Morris	**2009**	**202,750**	**–**	**–**	**–**	**–**	**–**	**202,750**
	2008	202,750	–	–	–	–	–	202,750
SAM Pitkin	**2009**	**179,770**	**–**	**–**	**16,179**	**–**	**–**	**195,949**
	2008	172,018	–	–	15,482	–	–	187,500
Non-Executive Director (Elect)[6]								
ID Blackburne	**2009**	**12,917**	**–**	**–**	**–**	**–**	**–**	**12,917**
	2008	–	–	–	–	–	–	–
Former Non-Executive Director								
AW Steelman[7]	**2009**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2008	51,617	–	25,426	1,354	9,332	–	87,729
Total	**2009**	**1,276,396**	**–**	**–**	**78,682**	**7,201**	**–**	**1,362,279**
	2008	1,123,705	–	41,554	64,423	17,543	–	1,247,225

1 Amounts shown as cash salary and fees include amounts sacrificed in lieu of other benefits at the discretion of the individual. To the extent that any non-monetary benefits are subject to Fringe Benefits Tax (FBT), amounts shown include FBT.

2 Amounts relate to spousal travel provided for under the terms of a pre-existing service contract entered into before 2004.

3 Superannuation contributions include amounts required to satisfy the Company's obligations under applicable Superannuation Guarantee legislation.

4 Amounts provided for by the Company during the financial year in relation to the indexation of frozen retirement allowances, payable upon retirement from office. See section 2.2 of this Remuneration Report for further details. As at 31 December 2009, the total retirement benefit payable to WM Baker was $267,098.

5 RV Dubs was nominated to the Board on 22 December 2008, subject to regulatory approval. Her formal appointment as a Non-Executive Director received regulatory approval on 9 June 2009.

6 Non-Executive Directors (Elect) are individuals nominated to be Directors of the Company, pending regulatory approval. Upon receipt of regulatory approval, the Directors (Elect) will be formally appointed as Directors of the Company. Until such time, the Directors (Elect) are consultants to the Company and, in accordance with the requirements of the Company's Constitution, are not entitled to vote on any Board resolutions. The Directors (Elect) will be paid a consultants fee that is equivalent to the fee that they would have otherwise been paid as a Director. For completeness, any consultant's fees paid to ID Blackburne in 2009 have been disclosed.

ID Blackburne was nominated to the Board on 1 December 2009, subject to regulatory approval. SW Morro's nomination to the Board, although announced in 2009, was not effective in the financial year ended 31 December 2009, but became effective on 9 January 2010, subject to regulatory approval. Their nominations were announced on 13 November 2009. For further information, refer to page 4 of the Directors' Report.

7 AW Steelman ceased to be a Director on 29 April 2008 and therefore his remuneration details are shown for comparative purposes only. The amount of $231,520 shown in the 2008 Remuneration Report represents the total retirement benefit paid to him in 2008. The amount of $9,332 disclosed in the table above represents the expense recorded in the 2008 accounts for indexation (see Note 3 for further information on indexation). As explained in the last paragraph of section 2.2 of this Remuneration Report, the payment of retirement benefits to Non-Executive Directors relates to a previous arrangement disclosed and specifically approved by shareholders at the 2004 AGM. AW Steelman was entitled to receive a retirement benefit upon cessation as a Director as he was appointed as a Director prior to May 2003 and the terms of his then existing service agreement entitled him to a retirement benefit.

3 Group performance

Over the past five financial years, the Board has set financial performance targets for management to align executive incentives to the achievement of those targets. When target performance is achieved, target executive rewards are earned, and when above target performance is achieved, executives earn above target rewards. This approach is reflected in the terms and performance conditions of the Short Term Incentive (STI) program and Long Term Incentive (LTI) program.

3.1 Earnings

The Group's earnings for the five years to 31 December 2009 are summarised below.

	2009[1] $M	2008[2] $M	2007 $M	2006 $M	2005 $M
Revenue from operating activities	908.6	1,079.9	1,122.0	1,074.5	1,296.3
Earnings before interest and tax	169.9	212.9	332.3	335.3	358.3
Profit before tax	156.0	193.1	326.2	332.9	363.9
Profit after tax before minority interest	116.9	141.0	247.9	240.0	244.3

1 Before the impact of property sales, restructuring costs, legal settlement, impairment of multi-terminal gaming businesses and convertible bonds litigation, which are considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

2 Before the impact of the Class Action settlement, disposal of land and buildings and the impairment charge against the investment in PokerTek, Inc., which were considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

3.2 Shareholder wealth

The table below shows the Group's Total Shareholder Return (TSR), fully diluted earnings per share, dividends per share and the share price from 2005 to 2009, all of which measure the impact of Group performance on shareholder wealth.

	2009[1]	2008[2]	2007	2006	2005
Share price as at 31 December (A$)	4.02	3.88	11.25	15.90	12.32
Total dividends paid (cps)	4.5	36.0	49.0	36.0	30.0
Capital returns (cps)	–	–	–	–	21.0
Share buy-back ($m)	–	68.6	52.4	34.6	102.4
Fully diluted earnings per share (cps)	23.0	30.5	52.8	50.9	51.1
Total Shareholder Return (%)[3]	4.8%	–62.3%	–26.2%	32.0%	26.8%

1 The earnings used in the fully diluted earnings per share calculation for 2009 are before the impact of the property sales, restructuring costs, legal settlement, impairment of multi-terminal gaming businesses and convertible bonds litigation, which are considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

2 The earnings used in the fully diluted earnings per share calculation for 2008 are before the impact of the Class Action settlement, disposal of land and buildings and the impairment charge against the investment in PokerTek, Inc., which were considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

3 The closing share price for 2004 of $9.95 used in the TSR calculation has not been restated to reflect the capital return of 21 cents per share paid in 2005.

4 Senior Executives

The term 'Senior Executives' is used throughout this report to mean the group of executives consisting of:

- the Chief Executive Officer (CEO) and Managing Director;
- key management personnel (KMPs) with authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the financial year; and
- the five most highly remunerated Company and Group executives during the financial year, as required under section 300A(1)(c)(iii) and (iv) of the Act, unless they are already classified as a KMP (Nominated Executives).

4 Senior Executives continued

The following table lists all the Senior Executives referred to in this Remuneration Report. For completeness, any relevant former Senior and Nominated Executives have also been included.

Name	Role
CEO and Managing Director	
JR Odell	CEO and Managing Director (Appointed, subject to regulatory approval[1], on 1 February 2009. His appointment received regulatory approval on 13 May 2009)
Executive KMP	
A Korsanos	Chief Financial Officer (Appointed, subject to regulatory approval[1], on 14 July 2009. Prior to this, A Korsanos was General Manager, Group Finance. Her appointment received regulatory approval on 12 January 2010)
WP Jowett	Managing Director, EMEA (Europe, Middle East, Africa), Asia Pacific and Japan (Appointed 14 July 2009. Prior to this, WP Jowett was Executive General Manager, Australasia and Asia Pacific)
NR Khin	President, Americas
TJ Croker	Managing Director, Australia and New Zealand (Appointed, subject to regulatory approval[1], on 12 October 2009. His appointment received regulatory approval on 15 December 2009)
Nominated Executive	
AG Weston	Chief Human Resources Officer (Appointed 11 May 2009)
Former KMP – Continuing in office	
PK Kitchin	Chief Marketing Officer (Change of title effective on 14 July 2009. PK Kitchin's appointment was not subject to regulatory pre-approval as he had previously obtained the requisite regulatory approvals in his role as Group General Manager, Marketing on 3 March 2009. In that role, PK Kitchin was included in the 2008 Remuneration Report as an Executive KMP. It was considered that from 1 January 2009 his role does not fall within the definition of a KMP. PK Kitchin continues to play an integral role in the marketing activities of the Company)
Former Senior and Nominated Executives – Cessation of office	
GS Phillips	Chief Technology Officer (On 5 October 2009, GS Phillips was appointed as Global Technology Consultant. His revised role with the Company does not fall within the definition of section 300A(1)(c) of the Act. GS Phillips subsequently announced his intention to resign from that role, effective 30 June 2010)
SCM Kelly	Chief Financial Officer and Finance Director, Company Secretary (Ceased office on 31 July 2009)
IH Timmis	Group General Manager, Corporate Development (Ceased office on 1 July 2009)
PN Oneile	Chief Executive Officer (Ceased office on 29 September 2008)
SJ Parker	Group General Manager, Business Innovation (Ceased office on 15 August 2008)
BJ Yahl	Group General Manager, Commercial and Legal and Company Secretary (Ceased office on 25 July 2008)
TJ Parrott	President, Americas (Ceased office on 12 September 2008)

1 Regulatory pre-approval required only in certain jurisdictions. Even after those pre-approvals are obtained, the Senior Executive may need to continue to obtain regulatory approval in other jurisdictions, as required.

4.1 Board policy on Senior Executive remuneration

Senior Executive remuneration is designed to remunerate executives for increasing shareholder value and for achieving financial targets and business strategies. It is also set to attract, retain and motivate appropriately qualified and experienced executives.

Accordingly, the Board considers it desirable for remuneration packages of Senior Executives to include both a fixed component and an at-risk or performance related component (governing both short-term and long-term incentives). This is consistent with generally accepted Australian corporate practice. The Board views the at-risk component as an essential driver of a high performance culture. The HR and Remuneration Committee has recommended, and the Board has adopted, a policy that remuneration will:

(a) support the short, medium and long-term financial targets and business strategies of the Company as set out in the strategic business plans endorsed by the Board;

(b) provide a common interest between executives and shareholders by aligning the rewards that accrue to management to the creation of shareholder value; and

(c) be competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre executives.

The Company's remuneration policy requires that remuneration levels properly reflect the duties and responsibilities of Senior Executives. When Senior Executives meet target levels of performance, the combined elements of remuneration are designed to provide remuneration at the market median. For superior performance, the Company aims to remunerate Senior Executives in the range of the upper quartile of their performance based incentives, in comparison to benchmark companies. The Board also considers it important that key employees have ongoing share ownership in the Company through the award of Performance Share Rights (PSRs).

Details of the composition and responsibilities of the HR and Remuneration Committee are set out in the Corporate Governance Statement. The HR and Remuneration Committee continues to receive external, independent advice on matters relating to remuneration.

Review of variable pay programs

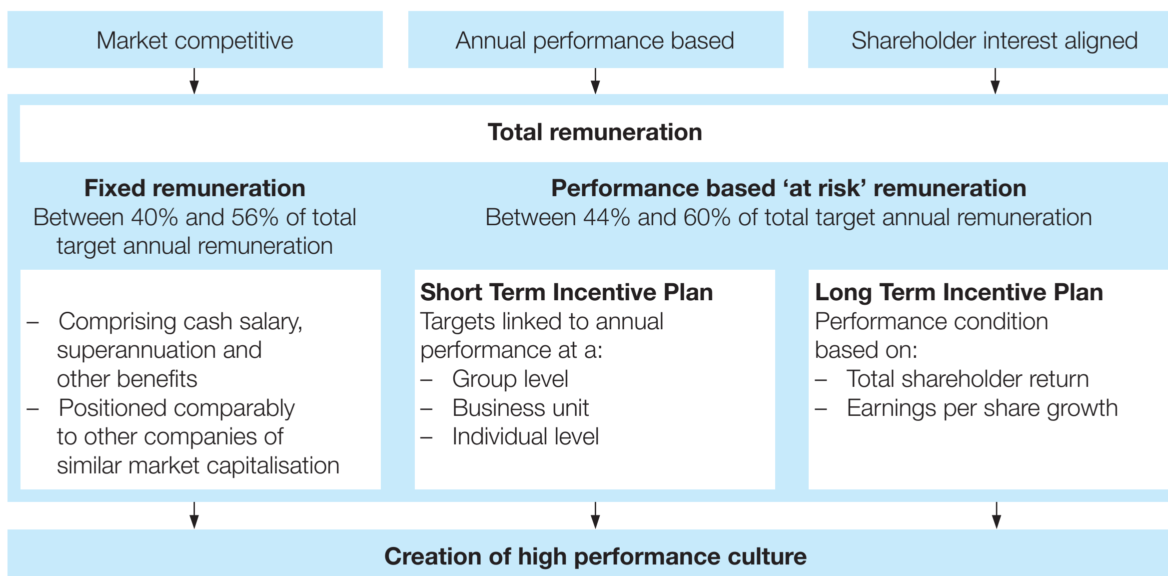
A review of the Company's variable pay programs was initiated in 2009 in order to further continue alignment of the STI and LTI programs with business goals and outcomes and sustainable superior shareholder returns.

The Company engaged an external remuneration adviser, Deloitte, to facilitate the review, which included a review of market data and remuneration practices in the Company's key markets and against high standards of corporate governance expected for an Australian listed company.

The review identified a number of possible refinements in both the structure and measurement of the variable pay programs. The Board has approved further detailed review work to be undertaken, which the Company aims to have completed in 2010.

4.2 Components of remuneration

As indicated above, current remuneration for Senior Executives comprises fixed remuneration, a short-term incentive and a long-term incentive, as demonstrated diagrammatically below.



4.2 Components of remuneration continued

The Board aims to achieve a balance between fixed and performance related components of remuneration that reflect market conditions at each job and seniority level and attain high standards of corporate governance.

The actual remuneration mix for the Senior Executives will vary depending on the level of performance achieved at a Group, business unit and individual level. Where stretch targets for short-term and long-term incentives are met, then the proportion of total remuneration derived from at-risk components will be higher. This higher weighting of performance related remuneration reflects the Board's commitment to performance based reward.

The relative target proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
CEO and Managing Director						
JR Odell	**40.0**	–	**20.0**	–	**40.0**	–
Executive KMP						
A Korsanos	**50.0**	–	**25.0**	–	**25.0**	–
WP Jowett	**50.0**	50.0	**25.0**	25.0	**25.0**	25.0
NR Khin	**50.0**	50.0	**25.0**	25.0	**25.0**	25.0
TJ Croker	**50.0**	–	**25.0**	–	**25.0**	–
Nominated Executive						
AG Weston	**56.0**	–	**22.0**	–	**22.0**	–

For full details of the remuneration paid to Senior Executives for the 2009 financial year, refer to section 4.4 of this Remuneration Report.

4.2.1 Fixed remuneration

Senior Executives receive a competitive base salary comprising cash salary, superannuation and other benefits which make up the 'fixed remuneration' component of their total remuneration package.

Fixed remuneration is reviewed annually against the external market and compared to similar sized roles from a specifically identified peer group of companies based on market capitalisation and in similar circumstances to the Company (in terms of highly regulated operations and significant presence outside Australia) to ensure competitive positioning. The international nature of the Company's operations and the global responsibilities of the Senior Executives, in addition to the mix of knowledge, skills, experience and performance are considered when determining remuneration. The onerous probity requirements placed on certain Senior Executives by regulators of the global jurisdictions in which the Company operates are also considered in determining remuneration levels.

Senior Executives have the choice to have a combination of benefits, including additional superannuation contributions and the provision of a vehicle provided out of their fixed remuneration.

Senior Executives also receive other benefits including salary continuance, trauma, death and disability insurance. Executives are able to maintain memberships to appropriate professional associations. As appropriate, expatriate executives receive additional support including accommodation allowances, travel and life insurance and taxation advice.

Senior Executives do not receive retirement benefits other than those disclosed in section 4.3 of this Remuneration Report.

4.2.2 Short Term Incentive (STI) program

What is the STI and who participates?	The STI program is an annual incentive program that, in respect of Senior Executives, may involve a cash and/or equity-based reward, payable subject to the satisfaction of performance conditions. Participants in the STI include Senior Executives and other employees who hold positions that are identified as being able to directly influence the Company's performance.
What are the maximum and minimum amounts that Senior Executives can earn under the STI?	Senior Executives can earn between nil and 200% of that Senior Executive's target STI, subject to the satisfaction of performance conditions. A Senior Executive's target STI will vary from 20% to 25% of their total remuneration, depending on the role and seniority of the individual. No payment is made under the STI program if minimum performance across the Company (i.e. the 'Business Score', as defined below) does not meet the required threshold, being the achievement of a Business Score of 85% or greater, except in special mitigating circumstances which will be determined or approved on a case-by-case basis by the CEO, and subject to approval by the HR and Remuneration Committee and the Board. The 'Business Score' is further explained below.
What are the performance conditions for Senior Executives participating in the 2009 STI program?	The performance conditions for Senior Executives participating in the 2009 STI program include the 'Business Score' and the Senior Executive's 'Individual Performance Score'. A matrix of the aforementioned performance conditions determines the final incentive payable. The Business Score is determined as set out in the table below: **'Business Score'** The Business Score is a combination (average) of the Company Score and the Regional Score.

'Company Score' (50 per cent)	'Regional Score' (50 per cent)
– Net Operating Profit After Tax (NOPAT) – Average Funds Employed (AFE)	– Local Contribution Profit (LCP) – Local Average Funds Employed (LAFE)

The Individual Performance Score is an assessment of the performance of each Senior Executive against objectives specific to their role and responsibilities. The Individual Performance Score has four ratings and ranges from 'Underperforms' (lowest) to 'Star' (highest).

The final incentive payout is determined by a matrix of the Business Score and the 'Individual Performance Score', which is then combined (or essentially multiplied) against the participant's STI target.

Participants are eligible to receive an incentive payment if the Business Score is above 85% of target and the participant's Individual Performance Score is at least 'Strong Performer' or if the Business Score is between 100% and 114% of target and their Individual Performance Score is at least 'Developing Performer'.

4.2.2 Short Term Incentive (STI) program continued

Why were these performance conditions chosen?	Performance conditions are based on a mixture of Company, regional business unit and individual objectives and are also based on the individual's ability to influence the Company's performance. The hurdles are set so that achievement of internal financial goals (i.e. a Business Score of 100%) and personal objectives (i.e. an Individual Performance Score of 'Strong Performer') results in the participant being rewarded 100% of the STI amount. Additional incentive payments are available for performance exceeding target objectives. Performance measures and conditions are reviewed annually and are subject to change as considered appropriate. Financial targets are established following Board review and approval of the annual plan for the following year. The Board considers these performance measures to be appropriate as they are aligned with the Company's objectives of delivering profitable sustainable growth and sustainable superior returns to shareholders. In addition, Senior Executives have a clear line of sight to the targets and are able to affect results through their actions.
Who assesses performance and when?	In respect of the CEO's performance, the HR and Remuneration Committee assesses the CEO's performance against the performance conditions and makes a recommendation to the Board. In respect of the Senior Executives (other than the CEO), the CEO assesses the Senior Executive's performance against the performance conditions and makes recommendations to the HR and Remuneration Committee. The Committee reviews the recommendations and the performance review process and makes recommendations to the Board. The assessment is finalised after the completion of the audit of the accounts for the financial year.
Is the STI a cash award and when is it paid?	For Senior Executives participating in the 2009 STI program, the STI is not a 100% cash award. Once the HR and Remuneration Committee recommends and the Board determines that the performance conditions have been met, the payment of cash or the grant of rights in the Company's shares (Share Rights) will also then be approved. 50% of the STI will be made by cash payment within 14 days of the auditor's sign-off of the Company's annual accounts (the STI payment date). The remaining 50% of the STI will be deferred and will be satisfied by the grant of Share Rights. Each Share Right is a right to one fully paid ordinary share in the Company. 50% of the Share Rights granted to the Senior Executive will vest after one year and the remaining 50% will vest after two years. There will be no additional performance conditions applicable to the vesting of the Share Rights to the Senior Executive, with the exception of the continued employment by the Senior Executive with the Company (see below for further information on forfeiture of Share Rights). The Share Rights will be issued at the volume-weighted average price (VWAP) over the five trading days immediately prior to the announcement of the Company's full year results.
Can the Share Rights be forfeited?	Unvested Share Rights will be forfeited if the Senior Executive leaves employment for any reason other than a qualifying reason, unless the Board, in its discretion, determines otherwise.

Specific information relating to the percentage of the STI which was paid and the percentage that was forfeited for the Senior Executives is set out in section 4.4 of this Remuneration Report.

4.2.3 Long Term Incentive (LTI) program

The following table summarises the terms of the 2009 LTI program. A review of the LTI program is being conducted with the aim of improving the alignment between Company performance and shareholder value.

What is the LTI?	The LTI program links reward with ongoing creation of shareholder value through the grant of equity instruments known as 'Performance Share Rights' (PSRs). Each PSR granted will entitle the participant to one ordinary share in the Company, subject to satisfaction of performance conditions. Details of the grants made to Senior Executives during the 2009 financial year are set out in section 4.4 of this Remuneration Report. The LTI program was first implemented in 2004. Prior to the introduction of the current LTI program, the Company operated the Employee Share Option Plan (ESOP). Further information in relation to the ESOP is set out in section 4.2.4 of this Remuneration Report.
Who participates in the LTI?	Participants in the LTI program include Senior Executives as well as any employee of the Company or Group who is invited by the Board to participate. The Board ordinarily invites employees of the Company or Group to participate in the LTI program where those employees are key to sustainable and superior Company performance.
What are the key terms of the PSRs?	PSRs are granted at no cost to the participant. Each PSR granted will entitle the participant to one ordinary share in the Company, subject to satisfaction of performance conditions set by the Board in respect of the grant. If the relevant performance conditions are satisfied at the end of the performance period, then the PSRs will vest automatically and fully paid shares in the Company will be allocated to the participant at no cost. PSRs granted under the plan are not transferable, and participating Senior Executives are prohibited from entering into hedging arrangements in respect of unvested PSRs. Performance measures, the designated performance period and the quantity of the PSRs offered to each participant are determined by the HR and Remuneration Committee and approved by the Board. Further information in relation to the performance conditions and performance periods are set out below.
Why does the Board consider the LTI to be an appropriate incentive?	The LTI facilitates share ownership by the Senior Executives and other key employees and links a significant proportion of their potential remuneration with the key performance drivers which underpin sustainable and superior shareholder returns.
What are the performance conditions for the PSRs?	The PSRs are subject to a performance condition based on the Company's Total Shareholder Return (TSR) and growth in earnings per share (EPSG) over the performance period relative to a group of 50 Australian Securities Exchange (ASX) listed companies of a similar size (Comparator Group). The Comparator Group for Series 12 and 13 PSRs (which were granted in 2009) is set out below. **Total shareholder return or 'TSR' performance test (Series A)** The TSR is the return to shareholders, calculated by reference to share price appreciation plus dividends expressed as a percentage of the investment. Therefore, the TSR represents the increase in value delivered to shareholders over the performance period. **Earnings per share growth or 'EPSG' performance test (Series B)** EPSG is the percentage increase in fully diluted earnings per share over the performance period. In determining EPSG, adjustments are made for capital management initiatives of the Company and the Comparator Group companies, including the effect of net changes in capital and any other distortionary items which unduly impact reported EPSG in order to ensure an appropriate like-for-like comparison.

4.2.3 Long Term Incentive (LTI) program continued

What are the performance conditions for the PSRs? continued

Determination of rankings
At the end of the performance period, the TSR and EPSG of the Company are ranked against the TSR and EPSG of each company within the Comparator Group.

The ranking of the Company will determine the portion of the PSRs that will vest. The vesting scale is described below.

Series 12, 13 and 14 PSRs were granted in 2009. The table on page 40 sets out further information on the PSRs granted to Senior Executives in 2009.

The abovementioned performance conditions apply to Series 12 and 13. The performance period for Series 12 and 13 is 1 January 2009 to 31 December 2011.

On 30 June 2009, 25,907 Series 14 PSRs were granted to AG Weston, Chief Human Resources Officer, in consideration of the forfeiture of his Wesfarmers share rights upon accepting his position with the Company. The Series 14 PSRs will vest subject to his continued employment with the Company between 1 July 2009 and 31 December 2010. The Series 14 PSRs will vest, and the shares in the Company will be allocated, as soon as practicable after 1 January 2011.

How is the number of the PSRs to be vested determined?

A vesting scale determines how many PSRs are to be vested (and therefore shares to be allocated). The link between performance and the percentage of the relevant PSRs which will vest is represented in the following table:

Company performance (TSR and EPSG percentile ranking)	% of vesting
Up to the 50.1st percentile	0%
At the 50.1st percentile	45%
Between 51st and 55th percentile	46%–50% pro-rata vesting (for each percentile improvement, an additional 1% vesting)
Between 56th and 74th percentile	52.5%–97.5% pro-rata vesting (for each percentile improvement, an additional 2.5% vesting)
At the 75th percentile or above	100%

The vesting scale applies to each of the TSR tranche (being 50% of total PSRs granted) and the EPSG tranche (being the remaining 50% of total PSRs granted). Each of the TSR and the EPSG tranches are tested independently. For example, upon the Company achieving a TSR ranking above the 50th percentile, but failing to reach above the 50th percentile in respect of the EPSG, a proportion of the PSRs will still vest.

In respect of the Series 14 PSRs granted to AG Weston, as mentioned above, those PSRs will vest if he remains employed with the Company until 31 December 2010. Accordingly, the above vesting scale does not apply to issues of Series 14 PSRs.

Why were these performance conditions chosen?	TSR was selected as a performance measure on the basis that it: – ensures an alignment between comparative shareholder return and reward for the executive; and – provides a relative, external, market-based performance measure against those companies with which the Company competes for capital, customers and talent. EPSG was selected as a performance measure for vesting of PSRs on the basis that it: – is a relevant indicator of increases in shareholder value; and – is a target that provides a suitable line of sight to encourage executive performance. In respect of the Series 14 PSRs, the Company considered that the issue of PSRs on the terms set out to AG Weston was preferable to paying any type of cash amount to AG Weston.
Who assesses performance and when?	TSR and EPSG results are calculated by an external remuneration consultant as soon as practicable after the end of the relevant performance period. The external consultant's calculations are considered by the Board to determine vesting outcomes.
Is there any re-testing of performance conditions?	The performance conditions are tested once at the end of the performance period. There is no re-testing of performance conditions.
Are the shares granted upon vesting of PSRs subject to restrictions?	Shares allocated on vesting of the PSRs are subject to certain disposal restrictions set out in the LTI Plan Rules, and carry full dividend and voting rights upon allocation.
What happens if the Senior Executive ceases employment during the performance period?	If a participant in the LTI program ceases employment with the Company during the first 12 months of the performance period, regardless of whether it is because of a 'Qualifying Reason' or otherwise, then any PSRs in relation to that performance period will lapse. If a participant ceases employment with the Company after the first 12 months of the performance period and the cessation is due to: – a 'Qualifying Reason', the board may determine in its absolute discretion that some or all of the PSRs in relation to that performance period may vest on a pro-rated basis. – any other reason than because of a 'Qualifying Reason', any PSRs in relation to that performance period will lapse. Where a participant acts fraudulently, dishonestly or is, in the Board's opinion, in breach of his or her obligations to the Company, then any unvested PSRs will lapse and any shares in the Company allocated but not yet withdrawn pursuant to the terms of the LTI Plan Rules will be forfeited.

4.2.3 Long Term Incentive (LTI) program continued

Comparator Group
The Comparator Group comprises 50 companies listed on the ASX of a similar size, based on the average market capitalisation of the Company for the three months prior to the beginning of the relevant performance period, excluding real estate, financial services and resources companies. The TSR and EPSG of all Comparator Group companies and the Company will be ranked at the end of the performance period.

The list below contains the peer group companies comprising the Comparator Group for the Company's 2009 LTI program (being Series 12 and 13):

APN News & Media Limited, Austar United Communications, Billabong International Limited, Boral Limited, Coca-Cola Amatil Limited, Cochlear Limited, Computershare Limited, Consolidated Media Holdings, CSL Limited, CSR Limited, David Jones Limited, Downer EDI Limited, Fairfax Media Limited, Flight Centre Limited, Foster's Group Limited, Goodman Fielder Limited, Harvey Norman Holdings, Leighton Holdings Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Communications Infrastructure Group, Macquarie Infrastructure Group, Metcash Limited, Mirvac Group, News Corporation Inc, Orica Limited, Primary Health Care Limited, Qantas Airways Limited, Ramsay Health Care Limited, ResMed Inc, SEEK Limited, Seven Network Limited, Sigma Pharmaceuticals, Sims Metal Management Limited, Singapore Telecommunications, Sonic Healthcare Limited, SP AusNet, Tabcorp Holdings Limited, Tattersalls Limited, Telecom Corporation NZ, Telstra Corporation Limited, Toll Holdings Limited, Transfield Services Limited, Transpacific Industries Group, Transurban Group, United Group Limited, Virgin Blue Holdings Limited, Wesfarmers Limited, West Australian Newspapers, Woolworths Limited.

Share trading policy
The Company's share trading policy prohibits all Directors and employees of the Group from hedging any unvested equity instruments at all times, irrespective of whether the hedging takes place during a Trading Window. Vested positions, however, including those unexercised instruments or instruments subject to a holding lock, may be hedged, subject to compliance with the other provisions of the share trading policy.

An Executive must obtain the prior approval of the Chairman if he or she intends to enter into a margin loan or similar funding arrangement over the Company's securities (or any other instrument which is linked in any way to the underlying price of shares in the Company). A Non-Executive Director is strictly prohibited from entering into a margin loan or similar funding arrangement to acquire the Company's securities.

Breaches of the Company's share trading policy are regarded very seriously and may lead to disciplinary action being taken (including termination of employment).

4.2.4 Employee Share Option Plan

Prior to the introduction of the LTI program described in section 4.2.3 of this Remuneration Report, the Company operated the Employee Share Option Plan (ESOP) as the long-term incentive component of remuneration for Senior Executives. The Company no longer makes grants under the ESOP, the last grant having been made in September 2004.

The only outstanding options granted pursuant to the ESOP were held by SCM Kelly, a former Executive Director, but those outstanding options either did not vest as the performance hurdles were not met or the options were not exercised and therefore were allowed to lapse. Further details in relation to the options are set out in section 4.4 of this Remuneration Report.

Further information on the ESOP is available in the 2008 Annual Report.

4.2.5 General Employee Share Plan

The Company also operates the General Employee Share Plan (GESP), which was introduced to allow employees a tax effective way of acquiring an equity interest in the Company and thereby participate in the Company's future performance. All permanent full time employees of the Company, including the Senior Executives, are eligible to participate in the GESP.

Up to $1,000 is contributed by the Company to fund the acquisition of shares in the Company for its participants. The Board, in its absolute discretion, determines the amount to be contributed by the Company each year.

The shares are acquired in the name of the participant, but are held subject to the GESP rules. Sale of the shares is restricted until the earlier of three years after grant and the cessation of employment.

4.3 Service agreements

The remuneration and other terms of employment for the Senior Executives are formalised in service agreements, which have no specified term. Each of these agreements provides for performance related bonuses under the STI program (the terms of which are described in section 4.2.2 of this Remuneration Report), and participation, where eligible, in the Company's LTI program (the terms of which are described in section 4.2.3 of this Remuneration Report). Any sign-on payments made to Senior Executives prior to them agreeing to take office are disclosed in section 4.4 of this Remuneration Report.

Other major provisions of the service agreements of the Senior Executives are as follows:

	Notice to be given by executive	Notice to be given by Company[1]	Termination payment	Post-employment restraint
CEO and Managing Director				
JR Odell	3 months	9 months	–	6 months
Executive KMP				
A Korsanos	3 months	3 months	6 months (fixed remuneration)	6 months
WP Jowett	3 months	3 months	9 months (fixed and target remuneration)	12 months
NR Khin	3 months	3 months	6 months (fixed and target remuneration)	12 months
TJ Croker	3 months	3 months	6 months (fixed remuneration)	6 months
Nominated Executive				
AG Weston	3 months	3 months	6 months (fixed and target remuneration)	6 months

1 Payments may be made in lieu of notice period.

The Company has moved to standardise Executive contracts for Senior Executives appointed in 2009 and this explains variances in the terms for the Senior Executives who have been with the Company for an extended period of time.

4.4 Details of executive remuneration

Details of the 2009 remuneration (as defined in AASB 124 *Related Party Disclosures*) paid to the Senior Executives are set out below.

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments[6]		Total	% of share-based remuneration
	Cash salary[1] $	Cash bonuses[2] $	Non-monetary benefits[3] $	Superannuation $	Termination[4] $	Long service leave[5] $	STI PSRs[7] $	PSRs[8] $	$	%
CEO and Managing Director										
JR Odell	1,052,829	–	213,559	93,005	–	17,724	–	637,500	**2,014,617**	**31.6**
Executive KMP										
A Korsanos[9]	198,886	–	–	6,725	–	5,433	–	–	**211,044**	**–**
WP Jowett	475,473	–	7,843	42,793	–	7,917	–	149,611	**683,637**	**21.9**
NR Khin	618,357	–	26,324	89,851	–	6,854	–	123,582	**864,968**	**14.3**
TJ Croker	107,034	–	17,428	9,633	–	1,765	–	–	**135,860**	**–**
Nominated Executive										
AG Weston	245,913	62,500	123,565	22,230	–	4,129	–	109,330	**567,667**	**19.3**
Former Senior Executives – Cessation of office										
GS Phillips[10]	265,540	–	4,443	23,627	–	–	–	37,382	**330,992**	**11.3**
SCM Kelly[11]	457,945	520,723	19,619	11,693	1,129,713	76,397	–	(464,071)	**1,752,019**	**–**
IH Timmis[12]	189,814	–	9,285	27,269	168,907	40,090	–	(308,896)	**126,469**	**–**
Total	**3,611,791**	**583,223**	**422,066**	**326,826**	**1,298,620**	**160,309**	**–**	**284,438**	**6,687,273**	**4.3**

1 Amounts shown as cash salary and fees include amounts sacrificed in lieu of other benefits at the discretion of the individual. To the extent that benefits are paid and subject to FBT, the above amount includes FBT.

2 On 14 August 2009, upon successful completion of his three months probation period, AG Weston received a sign on cash bonus of $62,500.

Cash bonus for SCM Kelly includes a bonus amount of $400,000 payable under a deed of release entered into between SCM Kelly and the Company on 31 July 2009. The deed of release recognises pre-existing contractual obligations that the Company had with SCM Kelly, including a prior contractual obligation in relation to retention arrangements. 100% of that amount was paid to SCM Kelly on 31 July 2009, under the deed of release. SCM Kelly was also paid an amount of $120,723 for the STI payment he would have been entitled to in 2009 if his employment had continued for the full year, pro-rated for the proportion of his actual employment.

Cash bonuses other than those described above are payable after the end of the financial year upon completion of audit and are based on the amounts calculated and accrued in 2009 financial statements.

3 Non-monetary benefits include motor vehicle leasing payments, relocation costs, expatriate related costs and associated Fringe Benefits Tax.

4 Termination payment for IH Timmis represents the amount payable for balance of notice period. The total termination payment for SCM Kelly represents the amount payable for balance of notice period of $224,289 and an amount of $905,424 as pre-agreed contractual termination payment.

5 The amounts provided for by the Company during the financial year in relation to accruals for long service leave. The amount of $76,397 and $40,090 disclosed for SCM Kelly and IH Timmis, respectively, represent total long service leave amounts paid to them in 2009 upon their cessation of office.

6 In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual Senior Executives may ultimately realise should the equity instruments vest. An independent accounting valuation for each tranche of PSRs at their respective grant dates has been performed by Deloitte. In undertaking the valuation of the PSRs, Deloitte has used a TSR model and an EPSG model. These models are described below:

TSR model

Deloitte has developed a Monte-Carlo simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the shares. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.

EPSG model

The Black-Scholes Generalised model was used to determine the fair value of PSRs, which incorporates the impact of the earnings per share performance condition. This pricing model takes into account factors such as the Company's share price at the date of grant, current price of the underlying shares, volatility of the underlying share price, the risk free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the actual level of vesting over the performance period.

For the purposes of remuneration packaging, the TSR accounting valuation as at the commencement of the performance period is adopted for determining the total number of PSRs to be allocated, as this valuation best reflects the fair value of PSRs to each executive at that time. The requirements of AASB 2 in relation to the treatment of non-market vesting conditions such as EPSG and share-based remuneration requiring shareholder approval results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.

The fair value of the Series 14 PSRs granted to AG Weston on 30 June 2009 is calculated based on the market value of equity compensation at the grant date.

7 No PSRs were issued under the 2009 STI program.

8 Share-based payments include shares to the value of A$1,000 allocated under the General Employee Share Plan (GESP). Remuneration in the form of PSRs includes negative amounts for PSRs forfeited during the year.

9 A Korsanos was appointed as Chief Financial Officer on 14 July 2009. Amounts shown above only disclose amounts received by A Korsanos as a Senior Executive (i.e. from 14 July 2009).

10 GS Phillips was appointed Global Technology Consultant on 5 October 2009. Before this appointment, he was Chief Technology Officer. His revised role of Global Technology Consultant does not fall within the definition of section 300A(1)(c) of the Act and, therefore, amounts disclosed above only include amounts paid to GS Phillips in his position as Senior Executive (i.e. up until 5 October 2009). GS Phillips announced his intention to resign from the role of Global Technology Consultant, effective 30 June 2010.

11 SCM Kelly's employment by the Company ceased on 31 July 2009. Total amounts received by SCM Kelly in 2009 include the following amounts payable under a deed of release between SCM Kelly and the Company on 31 July 2009, all of which were pre-agreed contractual arrangements: a bonus amount of $400,000 (gross) (see Note 2); a pro-rated amount of his notional STI for 2009 of $120,723 (see Note 2); and a total termination payment of $1,129,713 (see Note 4).

12 IH Timmis left the Company on 1 July 2009.

4.4 Details of executive remuneration continued

Details of the 2008 remuneration (as defined in AASB 124 *Related Party Disclosures*) paid to the Senior Executives are set out below.

The amounts have been revised when compared to the prior year table to include long service leave expense.

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments[6]	Total	% of share-based remun-eration
	Cash salary[1] $	Cash bonuses[2] $	Non-monetary benefits[3] $	Super-annuation $	Term-ination[4] $	Long service leave[5] $	Options and PSRs[7] $	$	%
CEO and Managing Director									
JR Odell	–	–	–	–	–	–	–	–	–
Executive KMP									
A Korsanos	–	–	–	–	–	–	–	–	–
WP Jowett	466,400	39,555	16,701	41,976	–	20,450	156,878	741,960	21.1
NR Khin	433,322	34,209	113,359	10,899	–	22,529	115,517	729,835	15.8
TJ Croker	–	–	–	–	–	–	–	–	–
Nominated Executive									
AG Weston	–	–	–	–	–	–	–	–	–
Former KMP – Continuing in office									
PK Kitchin	129,617	21,180	–	10,459	–	2,161	–	163,417	–
Former Senior and Nominated Executives – Cessation of office									
GS Phillips	368,062	8,344	6,210	33,126	–	–	101,858	517,600	19.7
SCM Kelly	689,930	116,359	42,375	11,248	–	25,466	235,944	1,121,322	21.0
IH Timmis	361,290	37,555	32,913	34,723	–	10,507	122,770	599,758	20.5
PN Oneile	1,353,877	420,000	23,700	10,003	454,626	–	(788,881)	1,473,325	–
SJ Parker	314,811	–	1,484	26,305	141,653	–	(114,037)	370,216	–
BJ Yahl	334,910	–	1,258	30,142	288,652	–	(189,308)	465,654	–
TJ Parrott	372,575	–	20,737	6,931	139,417	–	(13,431)	526,229	–
Total	**4,824,794**	**677,202**	**258,737**	**215,812**	**1,024,348**	**81,113**	**(372,690)**	**6,709,316**	**–**

1 Amounts shown as cash salary and fees include amounts sacrificed in lieu of other benefits at the discretion of the individual. To the extent that benefits are paid and subject to Fringe Benefits Tax (FBT), the above amount includes FBT.

2 Cash bonuses are payable after the end of the financial year upon completion of audit and are based on the amounts calculated and accrued in 2008 financial statements.

3 Non-monetary benefits include motor vehicle leasing payments, relocation costs, expatriate related costs and associated FBT.

4 PN Oneile and SJ Parker termination payments represent amounts payable for balance of notice period. Termination payment for BJ Yahl represents transition fees associated with assisting with certain key objectives after ceasing employment.

5 The amounts provided for by the Company during the financial year in relation to accruals for long service leave.

6 In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. An independent accounting valuation for each tranche of PSRs at their respective grant dates has been performed by Deloitte. In undertaking the valuation of the rights, Deloitte has used a TSR model and an EPSG model. These models are described below:

TSR model

Deloitte has developed a Monte-Carlo simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the shares. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.

EPSG model

The Black-Scholes Generalised model was used to determine the fair value of PSRs, which incorporates the impact of the earnings per share performance condition. This pricing model takes into account factors such as the Company's share price at the date of grant, current price of the underlying shares, volatility of the underlying share price, the risk free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the actual level of vesting over the performance period.

For the purposes of remuneration packaging, the TSR accounting valuation as at the commencement of the performance period is adopted for determining the total number of PSRs to be allocated, as this valuation best reflects the fair value of PSRs to each executive at that time. The requirements of AASB 2 in relation to the treatment of non-market vesting conditions such as EPSG and share-based remuneration requiring shareholder approval results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.

7 Share-based payments include shares to the value of $1,000 allocated under the General Employee Share Plan (GESP). Remuneration in the form of PSRs includes negative amounts for PSRs forfeited during the year.

The following table provides the percentage of STI paid and forfeited for the year ended 31 December 2009. The 2009 STI constitutes a 50% cash component and 50% share rights component in respect of Senior Executives.

The key terms of the 2009 STI program are set out in section 4.2.2 of this Remuneration Report.

For the year to 31 December 2009	Actual STI payment $	Actual STI payment as % of maximum STI	% of maximum STI payment forfeited
CEO and Managing Director			
JR Odell	–	–	100
Executive KMP			
A Korsanos	–	–	100
WP Jowett	–	–	100
NR Khin	–	–	100
TJ Croker	–	–	100
Nominated Executive			
AG Weston	–	–	100
Former Senior Executives – Cessation of office			
GS Phillips	–	–	100
SCM Kelly[1]	120,723	16	84
IH Timmis	–	–	100

1. On 31 July 2009, SCM Kelly was paid an amount of $120,723 for the notional STI payment he would have been entitled to in 2009 if his employment had continued for the full year, pro-rated for the proportion of his actual employment. This payment was made on cessation of his employment with the Company and was payable under a deed of release entered into between SCM Kelly and the Company on 31 July 2009 reflecting pre-agreed contractual arrangements. SCM Kelly's STI is a 100% cash based award.

4.4 Details of executive remuneration continued

The PSRs granted to Senior Executives during the year were as follows:

	Series	Number of PSRs granted[1, 2]	Grant date[3]	Fair value[4]	Maximum value of grant	Vested No.	Vested %	Forfeited No.	Forfeited %
CEO and Managing Director									
JR Odell	13A	330,311	21 April 2009	$2.26	$746,503	–	–	–	–
	13B	330,311	21 April 2009	$3.53	$1,165,998	–	–	–	–
Executive KMP									
A Korsanos[5]	12A	26,856	1 January 2009	$1.93	$51,832	–	–	–	–
	12B	26,855	1 January 2009	$3.35	$89,964	–	–	–	–
WP Jowett	12A	73,349	1 January 2009	$1.93	$141,564	–	–	–	–
	12B	73,349	1 January 2009	$3.35	$245,719	–	–	–	–
NR Khin	12A	76,097	1 January 2009	$1.93	$146,867	–	–	–	–
	12B	76,096	1 January 2009	$3.35	$254,922	–	–	–	–
TJ Croker	–	–	–	–	–	–	–	–	–
Nominated Executive									
AG Weston	12A	43,524	1 January 2009	$1.93	$84,001	–	–	–	–
	12B	43,523	1 January 2009	$3.35	$145,802	–	–	–	–
	14	25,907	30 June 2009	$3.79	$98,188	–	–	–	–
Former Senior Executives – Cessation of office									
GS Phillips	12A	20,586	1 January 2009	$1.93	$39,731	–	–	–	–
	12B	20,586	1 January 2009	$3.35	$68,963	–	–	–	–
SCM Kelly	13A	104,252	21 April 2009	$2.26	$235,610	–	–	104,252	100
	13B	104,251	21 April 2009	$3.53	$368,006	–	–	104,251	100
IH Timmis	–	–	–	–	–	–	–	–	–
Total		**1,375,853**			**$3,883,670**			**208,503**	**15.2**

1 As the PSRs only vest on satisfaction of performance conditions, which are tested at the end of the performance period (1 January 2009 to 31 December 2011), none of the PSRs set out above have vested. However, where the Senior Executive ceased employment during the year, those PSRs were forfeited.

2 PSRs granted in 2009 will vest in 2012 (testing occurs after the performance period), subject to the satisfaction of performance conditions. Unvested PSRs will expire at that time if it has been determined that the performance conditions were not met.

3 For the purposes of this table and the valuation of the PSRs, the grant date is the first day of the performance period rather than the date of the letter of offer. The difference in valuation is considered not material.

4 The fair value of a PSR is determined by the Board based on an accounting valuation performed by Deloitte, having regard to the likelihood that vesting conditions will be met. This value will not be equal to the market value of a share at the commencement of the performance period as a result of PSRs being contingent rights to shares in the future. The fair value of the PSR at the commencement of a performance period is influenced by the Company's share price at the date of grant, volatility of the underlying shares, the risk free rate of return, expected dividend yield, time to maturity and the likelihood that vesting conditions will be met.

At 1 January 2009, for the 2009 grant of PSRs, the remuneration value of a PSR was determined, in accordance with the above methodology, as $1.93 per share (Series 12A), and as $3.35 per share (Series 12B), compared with a closing market price of the Company's share on 31 December 2008 of $3.88. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

At 21 April 2009, for the 2009 grant of PSRs to the CEO and Managing Director, the remuneration value of a PSR was determined, in accordance with the above methodology, as $2.26 per share (Series 13A) and as $3.53 per share (Series 13B), compared with a closing market price of the Company's share on 20 April 2009 of $3.98. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

5 Series 12 PSRs were granted to A Korsanos prior to her appointment as a Senior Executive on 14 July 2009.

6 For the 2009 grant of Series 14 PSRs to AG Weston on 30 June 2009, the remuneration value of a PSR was determined, based on the market value of the Company's shares at the grant date, as $3.79 per share.

The following sets out details of the movement in numbers of PSRs during the year:

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 January 2009	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 31 December 2009
CEO and Managing Director								
JR Odell	13A	31 December 2011	$2.26	–	330,311	–	–	330,311
	13B	31 December 2011	$3.53	–	330,311	–	–	330,311
Executive KMP								
A Korsanos[5]	10A	31 December 2010	$5.01	9,980	–	–	–	9,980
	10B	31 December 2010	$9.59	9,980	–	–	–	9,980
	12A	31 December 2011	$1.93	–	26,856	–	–	26,856
	12B	31 December 2011	$3.35	–	26,855	–	–	26,855
WP Jowett	6A[6]	31 December 2008	$6.01	20,516	–	–	(20,516)	–
	6B[6]	31 December 2008	$11.25	20,516	–	–	(20,516)	–
	8A[7]	31 December 2009	$7.79	16,791	–	–	–	16,791
	8B[7]	31 December 2009	$14.41	16,791	–	–	–	16,791
	10A	31 December 2010	$5.01	28,197	–	–	–	28,197
	10B	31 December 2010	$9.59	28,197	–	–	–	28,197
	12A	31 December 2011	$1.93	–	73,349	–	–	73,349
	12B	31 December 2011	$3.35	–	73,349	–	–	73,349
NR Khin	6A[6]	31 December 2008	$6.01	7,451	–	–	(7,451)	–
	6B[6]	31 December 2008	$11.25	7,451	–	–	(7,451)	–
	8A[7]	31 December 2009	$7.79	11,232	–	–	–	11,232
	8B[7]	31 December 2009	$14.41	11,232	–	–	–	11,232
	10A	31 December 2010	$5.01	13,950	–	–	–	13,950
	10B	31 December 2010	$9.59	13,950	–	–	–	13,950
	12A	31 December 2011	$1.93	–	76,097	–	–	76,097
	12B	31 December 2011	$3.35	–	76,096	–	–	76,096
TJ Croker	–	–	–	–	–	–	–	–
Nominated Executive								
AG Weston	12A	31 December 2011	$1.93	–	43,524	–	–	43,524
	12B	31 December 2011	$3.35	–	43,523	–	–	43,523
	14	31 December 2010	$3.79	–	25,907	–	–	25,907

4.4 Details of executive remuneration continued

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 January 2009	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 31 December 2009
Former Senior Executives – Cessation of office								
GS Phillips	6A[6]	31 December 2008	$6.01	13,920	–	–	(13,920)	–
	6B[6]	31 December 2008	$11.25	13,920	–	–	(13,920)	–
	8A[7]	31 December 2009	$7.79	11,786	–	–	–	11,786
	8B[7]	31 December 2009	$14.41	11,786	–	–	–	11,786
	10A	31 December 2010	$5.01	17,075	–	–	–	17,075
	10B	31 December 2010	$9.59	17,075	–	–	–	17,075
	12A	31 December 2011	$1.93	–	20,586	–	–	20,586
	12B	31 December 2011	$3.35	–	20,586	–	–	20,586
SCM Kelly	7A[6]	31 December 2008	$6.01	25,123	–	–	(25,123)	–
	7B[6]	31 December 2008	$11.25	25,122	–	–	(25,122)	–
	9A	31 December 2009	$8.41	21,629	–	–	(21,629)	–
	9B	31 December 2009	$15.25	21,628	–	–	(21,628)	–
	11A	31 December 2010	$3.70	37,666	–	–	(37,666)	–
	11B	31 December 2010	$7.09	37,666	–	–	(37,666)	–
	13A	31 December 2011	$2.26	–	104,252	–	(104,252)	–
	13B	31 December 2011	$3.53	–	104,251	–	(104,251)	–
IH Timmis	6A[6]	31 December 2008	$6.01	16,838	–	–	(16,838)	–
	6B[6]	31 December 2008	$11.25	16,838	–	–	(16,838)	–
	8A[7]	31 December 2009	$7.79	13,536	–	–	(13,536)	–
	8B[7]	31 December 2009	$14.41	13,535	–	–	(13,535)	–
	10A	31 December 2010	$5.01	22,309	–	–	(22,309)	–
	10B	31 December 2010	$9.59	22,309	–	–	(22,309)	–

1 The value of the PSRs granted to Senior Executives during the year (including the aggregate value of PSRs granted) is set out in section 4.4 of this Remuneration Report. No options were granted during the year to any Senior Executive.

2 The value of each PSR on the date of vesting is the closing price of the Company's shares on the ASX on the preceding trading day. The aggregate value of PSRs which vested during the year is nil, as PSRs that expired during the year did not meet the required performance criteria.

3 As shares are immediately allocated upon the vesting of PSRs, there will be no instances where PSRs are vested and exercisable, or vested but not yet exercisable.

4 As the PSRs only vest on satisfaction of performance conditions which are to be tested in future periods, none of the PSRs under Series 10A, 10B, 11A, 11B, 12A and 12B have vested; however, where the executive ceased employment during the year those PSRs were forfeited. Further information on the Comparator Groups for Series 10 and 11 are available in the 2008 Annual Report.

5 Series 10 and 12 PSRs were granted to A Korsanos prior to her appointment as a Senior Executive on 14 July 2009.

6 On 24 February 2009, the Board determined that the PSRs under Series 6A, 6B, 7A and 7B had not met the required performance criteria and therefore lapsed.

7 On 22 February 2010, the Board determined that the PSRs under Series 8A, 8B, 9A and 9B had not met the required performance conditions and therefore lapsed. Further information on the Comparator Groups for Series 8 and 9 are available in the 2008 Annual Report.

The following sets out details of the movement in numbers of PSRs during the prior year:

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 January 2008	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 31 December 2008
Senior and Nominated Executives								
WP Jowett	1B	31 December 2007	$6.25	46,593	–	(46,593)	–	–
	6A[4]	31 December 2008	$6.01	20,516	–	–	–	20,516
	6B[4]	31 December 2008	$11.25	20,516	–	–	–	20,516
	8A	31 December 2009	$7.79	16,791	–	–	–	16,791
	8B	31 December 2009	$14.41	16,791	–	–	–	16,791
	10A	31 December 2010	$5.01	–	28,197	–	–	28,197
	10B	31 December 2010	$9.59	–	28,197	–	–	28,197
NR Khin	1B	31 December 2007	$6.25	16,575	–	(16,575)	–	–
	6A[4]	31 December 2008	$6.01	7,451	–	–	–	7,451
	6B[4]	31 December 2008	$11.25	7,451	–	–	–	7,451
	8A	31 December 2009	$7.79	11,232	–	–	–	11,232
	8B	31 December 2009	$14.41	11,232	–	–	–	11,232
	10A	31 December 2010	$5.01	–	13,950	–	–	13,950
	10B	31 December 2010	$9.59	–	13,950	–	–	13,950
Former KMP – Continuing in office								
PK Kitchin	–	–	–	–	–	–	–	–
Former Senior and Nominated Executives – Cessation of office								
GS Phillips	1B	31 December 2007	$6.25	41,572	–	(41,572)	–	–
	6A[4]	31 December 2008	$6.01	13,920	–	–	–	13,920
	6B[4]	31 December 2008	$11.25	13,920	–	–	–	13,920
	8A	31 December 2009	$7.79	11,786	–	–	–	11,786
	8B	31 December 2009	$14.41	11,785	–	–	–	11,785
	10A	31 December 2010	$5.01	–	17,075	–	–	17,075
	10B	31 December 2010	$9.59	–	17,075	–	–	17,075
SCM Kelly	3A	31 December 2007	$6.10	10,854	–	(4,518)	(6,336)	–
	3B	31 December 2007	$6.10	10,853	–	(4,518)	(6,335)	–
	7A[4]	31 December 2008	$6.01	25,123	–	–	–	25,123
	7B[4]	31 December 2008	$11.25	25,122	–	–	–	25,122
	9A	31 December 2009	$8.41	21,629	–	–	–	21,629
	9B	31 December 2009	$15.25	21,628	–	–	–	21,628
	11A	31 December 2010	$3.70	–	37,666	–	–	37,666
	11B	31 December 2010	$7.09	–	37,666	–	–	37,666
IH Timmis	1B	31 December 2007	$6.25	41,627	–	(41,627)	–	–
	6A[4]	31 December 2008	$6.01	16,838	–	–	–	16,838
	6B[4]	31 December 2008	$11.25	16,838	–	–	–	16,838
	8A	31 December 2009	$7.79	13,536	–	–	–	13,536
	8B	31 December 2009	$14.41	13,535	–	–	–	13,535
	10A	31 December 2010	$5.01	–	22,309	–	–	22,309
	10B	31 December 2010	$9.59	–	22,309	–	–	22,309

4.4 Details of executive remuneration continued

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 January 2008	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 31 December 2008
Former Senior and Nominated Executives – Cessation of office continued								
PN Oneile	4A	31 December 2007	$6.10	34,172	–	(14,224)	(19,948)	–
	4B	31 December 2007	$6.10	34,171	–	(14,224)	(19,947)	–
	7A	31 December 2008	$8.18	99,001	–	–	(99,001)	–
	7B	31 December 2008	$13.09	99,002	–	–	(99,002)	–
	9A	31 December 2009	$8.41	89,859	–	–	(89,859)	–
	9B	31 December 2009	$15.25	89,859	–	–	(89,859)	–
	11A	31 December 2010	$3.70	–	139,721	–	(139,721)	–
	11B	31 December 2010	$7.09	–	139,721	–	(139,721)	–
SJ Parker	1B	31 December 2007	$6.25	38,165	–	(38,165)	–	–
	6A	31 December 2008	$6.01	16,138	–	–	(16,138)	–
	6B	31 December 2008	$11.25	16,137	–	–	(16,137)	–
	8A	31 December 2009	$7.79	16,092	–	–	(16,092)	–
	8B	31 December 2009	$14.41	16,092	–	–	(16,092)	–
	10A	31 December 2010	$5.01	–	26,773	–	(26,773)	–
	10B	31 December 2010	$9.59	–	26,773	–	(26,773)	–
BJ Yahl	1B	31 December 2007	$6.25	30,000	–	(30,000)	–	–
	6A	31 December 2008	$6.01	24,746	–	–	(24,746)	–
	6B	31 December 2008	$11.25	24,746	–	–	(24,746)	–
	8A	31 December 2009	$7.79	19,894	–	–	(19,894)	–
	8B	31 December 2009	$14.41	19,893	–	–	(19,893)	–
	10A	31 December 2010	$5.01	–	32,170	–	(32,170)	–
	10B	31 December 2010	$9.59	–	32,170	–	(32,170)	–
TJ Parrott	8A	31 December 2009	$7.79	22,306	–	–	(22,306)	–
	8B	31 December 2009	$14.41	22,306	–	–	(22,306)	–
	10A	31 December 2010	$5.01	–	34,216	–	(34,216)	–
	10B	31 December 2010	$9.59	–	34,216	–	(34,216)	–

1 The value of the PSRs granted to Senior Executives during the year (including the aggregate value of PSRs granted) is set out in section 4.4 of this Remuneration Report. No options were granted during the year to any Senior Executive.

2 The value of each PSR on the date of vesting was $10.60, being the closing price of the Company's shares on the ASX on the preceding trading day. The aggregate value of PSRs which vested during the year is $2,671,370.

3 As the shares are immediately allocated on vesting of PSRs, there will be no instances where PSRs are vested and exercisable, or vested but not yet exercisable.

4 On 24 February 2009, the Board determined that the PSRs under Series 6A, 6B, 7A and 7B had not met the required performance criteria and therefore lapsed.

The following sets out details of the movement in executive options during the year.

	Series	Expiry date	Exercise price[1]	Balance at 1 January 2009	Vested during the year	Exercised during the year	Balance at 31 December 2009	Fair value at exercise date $
Former Executive Director – Cessation of office								
SCM Kelly	31C[2]	1 September 2009	$7.7016	125,000	–	–	–	–
	31D[4]	1 September 2009	$8.2016	125,000	–	–	–	–

The following sets out details of the movement in executive options during the prior year.

	Series	Expiry date	Exercise price[1]	Balance at 1 January 2008	Vested during the year	Exercised during the year	Balance at 31 December 2008	Fair value at exercise date $
Senior and Nominated Executives								
WP Jowett	28[3]	26 August 2008	$1.3497	50,000	–	(50,000)	–	455,015
Former Senior Executives – Cessation of office								
SCM Kelly	30[3]	3 November 2008	$2.2177	50,000	–	(50,000)	–	214,615
	29D[4]	1 September 2008	$2.9503	125,000	125,000	(125,000)	–	937,463
	31C[2]	1 September 2009	$7.7016	125,000	125,000	–	125,000	–
	31D[4]	1 September 2009	$8.2016	125,000	–	–	125,000	–
SJ Parker	28[3]	26 August 2008	$1.3497	50,000	–	(50,000)	–	473,515

1 The option exercise price has been adjusted for the 21 cent capital return paid in July 2005. Where options were exercised prior to the capital return, the exercise price was 21 cents higher than shown above.

2 Options were exercisable 42 months after grant date. Tranche 31C was not exercised and the options were allowed to lapse.

3 Options are exercisable in four equal tranches at intervals of 18, 30, 42 and 54 months after the grant date.

4 Options were exercisable 54 months after grant date. Tranche 31D did not meet the performance hurdles and the options did not vest.

4.4 Details of executive remuneration continued

The following sets out details of the movement in shares held under the GESP during the year:

	Balance as at 1 January 2009	Shares issued/ granted during the year	Shares vested/ lapsed during the year	Balance as at 31 December 2009
CEO and Managing Director				
JR Odell	–	–	–	–
Executive KMP				
A Korsanos	157	265	–	422
WP Jowett	305	265	(79)	491
NR Khin[1]	305	265	(79)	491
TJ Croker	–	–	–	–
Nominated Executive				
AG Weston	–	–	–	–
Former Senior Executives – Cessation of office				
GS Phillips[1]	143	265	(74)	334
SCM Kelly	79	–	(79)	–
IH Timmis	305	–	(305)	–

1 As overseas employees, NR Khin and GS Phillips were granted a contingent right to 265 shares each during the year in lieu of a share allocation under the GESP, subject to continued employment for a period of three years.

The following sets out details of the movement in shares held under the GESP during the prior year:

	Balance as at 1 January 2008	Shares issued/ granted during the year	Shares vested/ lapsed during the year	Balance as at 31 December 2008
Senior and Nominated Executives				
WP Jowett	237	157	(89)	305
NR Khin[1]	237	157	(89)	305
Former KMP – Continuing in office				
PK Kitchin	–	–	–	–
Former Senior and Nominated Executives – Cessation of office				
GS Phillips	143	–	–	143
SCM Kelly	168	–	(89)	79
IH Timmis	237	157	(89)	305
PN Oneile	–	–	–	–
SJ Parker	237	157	(394)	–
TJ Parrott[1]	69	157	(226)	–
BJ Yahl	237	157	(394)	–

1 As overseas employees, NR Khin and TJ Parrott were granted a contingent right to 157 shares each during the year in lieu of a share allocation under the GESP, subject to continued employment for a period of three years.

5 Shareholdings

5.1 Movement in shares

The numbers of shares (excluding those unvested under the GESP and the LTI program) in the Company held during the year ended 31 December 2009, and the comparative year by each Non-Executive Director and Senior Executive, including their personally related entities, are set out below.

No amounts are unpaid on any of the shares issued. Where shares are held by the Director or Senior Executive and any entity under the joint or several control of the Director or Senior Executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the Director or Senior Executive are shown as 'non-beneficially held'.

The following sets out details of the movement in shares in the Company held by Directors and Senior Executives during the year:

	Type	Balance as at 1 January 2009	Options exercised, performance shares and GESP shares vested	Other net changes during the year	Balance as at 31 December 2009[1]
Non-Executive Directors					
DJ Simpson	Beneficially held	113,000	–	7,150	120,150
	Non-beneficially held	–	–	–	–
WM Baker	Beneficially held	4,700	–	–	4,700
	Non-beneficially held	–	–	–	–
RA Davis	Beneficially held	10,685	–	9,616	20,301
	Non-beneficially held	–	–	–	–
RV Dubs	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	–	–
P Morris	Beneficially held	19,876	–	20,663	40,539
	Non-beneficially held	12,560	–	(1,173)	11,387
SAM Pitkin	Beneficially held	2,196	–	–	2,196
	Non-beneficially held	14,600	–	–	14,600
Non-Executive Directors (Elect)					
ID Blackburne	Beneficially held	–	–	5,000	5,000
	Non-beneficially held	–	–	–	–
CEO and Managing Director					
JR Odell	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	64,45	64,45
Executive KMP					
A Korsanos	Beneficially held	–	–	2,308	2,308
	Non-beneficially held	–	–	–	–
WP Jowett	Beneficially held	361,482	79	–	361,561
	Non-beneficially held	40,800	–	–	40,800
NR Khin	Beneficially held	1,117	79	–	1,196
	Non-beneficially held	–	–	–	–
TJ Croker	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	–	–

5.1 Movement in shares continued

	Type	Balance as at 1 January 2009	Options exercised, performance shares and GESP shares vested	Other net changes during the year	Balance as at 31 December 2009[1]
Nominated Executive					
AG Weston	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	–	–
Former Senior Executives – Cessation of office					
GS Phillips	Beneficially held	147,946	74	–	148,020
	Non-beneficially held	–	–	–	–
SCM Kelly	Beneficially held	709,467	–	(506,311)	203,156
	Non-beneficially held	–	–	–	–
IH Timmis	Beneficially held	352	–	–	352
	Non-beneficially held	10,000	–	–	10,000

1 Where applicable, the balance disclosed is the balance of shareholding as at the date of cessation of the employment.

The following sets out details of the movement in shares in the Company held by the Non-Executive Directors and the Senior Executives during the prior year:

	Type	Balance as at 1 January 2008	Options exercised, performance shares and GESP shares vested	Other net changes during the year	Balance as at 31 December 2008
Non-Executive Directors					
DJ Simpson	Beneficially held	106,000	–	7,000	113,000
	Non-beneficially held	–	–	–	–
WM Baker	Beneficially held	4,700	–	–	4,700
	Non-beneficially held	–	–	–	–
RA Davis	Beneficially held	6,654	–	4,031	10,685
	Non-beneficially held	–	–	–	–
P Morris	Beneficially held	9,488	–	10,388	19,876
	Non-beneficially held	12,560	–	–	12,560
SAM Pitkin	Beneficially held	2,061	–	135	2,196
	Non-beneficially held	11,100	–	3,500	14,600
Former Non-Executive Directors					
AW Steelman	Beneficially held	22,834	–	–	22,834
	Non-beneficially held	4,505	–	–	4,505
Former KMP – Continuing in office					
PK Kitchin	Beneficially held	–	–	2,000	2,000
	Non-beneficially held	–	–	–	–

	Type	Balance as at 1 January 2008	Options exercised, performance shares and GESP shares vested	Other net changes during the year	Balance as at 31 December 2008
Former Senior Executives – Cessation of office					
GS Phillips	Beneficially held	125,913	91,572	(69,539)	147,946
	Non-beneficially held	–	–	–	–
IH Timmis	Beneficially held	263	41,717	(41,628)	352
	Non-beneficially held	–	–	10,000	10,000
SCM Kelly	Beneficially held	700,431	134,036	(125,000)	709,467
	Non-beneficially held	–	–	–	–
PN Oneile	Beneficially held	380,000	28,448	(25,000)	383,448
	Non-beneficially held	6,000	4,000	–	10,000
SJ Parker	Beneficially held	169,028	88,558	(112,000)	145,586
	Non-beneficially held	–	–	–	–
BJ Yahl	Beneficially held	30,000	30,394	(60,394)	–
	Non-beneficially held	–	–	–	–

Auditor's Independence Declaration

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Telephone +61 2 8266 0000
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Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aristocrat Leisure Limited and the entities it controlled during the period.

R L Gavin
Partner
PricewaterhouseCoopers

Sydney
23 February 2010

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

For the 12 months ended 31 December 2009

The Board of Aristocrat Leisure Limited (Company) is committed to maintaining high standards of corporate governance, in line with the revised *Corporate Governance Principles and Recommendations* published by the Australian Securities Exchange Corporate Governance Council (ASX Principles).

Set out below is a summary of the Company's corporate governance principles which were in place throughout the 2009 reporting period. The Company complies with the ASX Principles except where disclosed below. For ease of reference, this statement has been prepared and presented in a format consistent with the ASX Principles.

Principle 1 – Lay solid foundations for management and oversight

Board roles and responsibilities

The Board has formalised its roles and responsibilities into a Board Charter which is available on the Company's website, www.aristocratgaming.com. In summary, the Board's main responsibilities include the:

- review and approval of Company strategy;
- performance management with specific responsibility for the monitoring of Company performance and overall conduct;
- selection, appointment, remuneration and performance evaluation of the Chief Executive Officer (CEO);
- evaluation of the principal risks of the Company and continued monitoring of appropriate risk management and reporting systems;
- establishment and monitoring of policies to ensure compliance with the legal and regulatory regimes to which the Company is subject and to ensure the highest standards of corporate conduct; and
- promotion of open and proper communication between the Company and its stakeholders.

Delegation to CEO

The Board has delegated certain responsibilities to the CEO, including the day-to-day operation and administration of the Company which is managed by the Executive Leadership Team (ELT). The ELT consists of the CEO, Chief Financial Officer (CFO), regional Managing Directors and the heads of Legal and Compliance, Human Resources, Design and Development, Marketing, Technology and Business Transformation. The Board Charter clearly specifies those matters that are reserved for the Board only.

Appointment, induction and performance evaluation for the ELT

Upon appointment, ELT members including the CEO and CFO are provided with formal letters of appointment setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

An induction program is in place for all new ELT members to provide them with knowledge of the Company's financial position, strategies, operations, policies and risk management procedures.

The Board, based on recommendations from the Human Resources (HR) and Remuneration Committee in conjunction with the Nomination and Governance Committee, determines the CEO's key performance objectives (KPOs) annually and reviews performance against these on an ongoing basis, with a formal evaluation being completed at the end of each year.

The CEO, under the delegated authority of the Board, determines the KPOs of the ELT members and reviews their performance on an ongoing basis. The CEO formally reviews the performance of the ELT annually with the HR and Remuneration Committee, which reports its findings to the Board for endorsement.

The performance evaluation of the CEO and ELT is undertaken in the first quarter of each year.

Principle 2 – Structure the board to add value

Board composition

The Board has determined that its optimal size is between seven and nine members. As at 31 December 2009, the Board comprises six independent Non-Executive Directors and one Executive Director. Details, including the term of office, qualifications and experience and information on other directorships held by each member of the Board, can be found in the Directors' Report.

In November 2009 the Board also nominated ID Blackburne and SW Morro to be appointed as independent Non-Executive Directors, subject to regulatory approval. They are currently Directors (Elect).

The Board comprises members with a broad range of skills and experience. The Board considers it important for the following skills and experience to be represented:

- experience as a Chief Executive;
- international business experience particularly US experience;
- financial and accounting experience;
- technology experience, especially in the software or computer industries;
- gaming experience;
- legal and regulatory experience; and
- corporate governance and risk management experience.

The Board annually reviews the skills and experience of its members and decides whether any action needs to be taken to augment or complement those skills.

Continuing education of Directors and access to information

A continuing education process for Directors through ongoing management presentations and tutorials from selected external experts took place during the year, allowing Directors the opportunity to pose questions about the Company and factors impacting, or likely to impact, on the business. Directors are also entitled to request additional information where they consider such information necessary to make informed decisions.

Board meetings

The Board is required to meet a minimum of 10 times a year as per the Board Charter. During 2009, the Board held a total of nine meetings; however, the November Board meeting was a two day meeting. During the course of the year, the Board also met informally by phone on a number of occasions. Accordingly, the Board did not feel the need to hold 10 face-to-face meetings.

Board meetings focus on strategy and the group's performance. The number of meetings attended by each Director is tabled in the Directors' Report. ELT members are regularly invited to attend and present at Board meetings. During the year, the Non-Executive Directors also held meetings without the presence of management.

Director independence

All Directors, whether independent or not, bring an impartial judgement to bear on Board decisions and are subject to the Board's policy regarding management of conflict of interests, as well as common law and Corporations Act requirements.

During the year, the Board assesses if the Non-Executive Directors are independent. In making such an assessment, consideration is given to whether the Director:

- is a substantial shareholder of the Company or an officer of a substantial shareholder of the Company;
- has been employed in an executive capacity in the last three years by the Company or a subsidiary of the Company;
- has been employed as a principal of a material professional adviser to the Company during the past three years;
- is a material supplier or customer of the Company or any subsidiary of the Company;
- has any material contractual relationship with the Company (other than as a Director); and
- is free from any interest, business or personal, which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Having considered these criteria, the Board was of the view that, except for the Chair of the Board as disclosed below, there were no factors affecting the independent status of any other Non-Executive Director at 31 December 2009 or throughout the year.

Chair of the Board

DJ Simpson was appointed Chair by the Board in 2004. He was an independent Non-Executive Director and Chair until 29 September 2008, when he became Executive Chairman following the resignation of the then CEO and Managing Director. While not holding the title of CEO, DJ Simpson acted in the capacity of interim CEO to ensure the continued leadership of the Company until 13 May 2009, at which time JR Odell was appointed Chief Executive Officer and Managing Director. Following the appointment of JR Odell, DJ Simpson resumed his previous role.

The Chair is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its role including:

- setting Board meeting agendas;
- conducting and leading Board meetings;
- ensuring effective communication with shareholders;
- conducting and leading shareholder meetings;
- being the main point of contact between the Board and the CEO; and
- ensuring the Board operates effectively and cooperatively.

Independent professional advice

Any Director may seek independent external advice in relation to any Board matter at the expense of the Company with the prior consent of the Chair. Whenever practicable, the advice is commissioned in the joint names of the Director and the Company and a copy of the advice should be made available to the entire Board. During the year, a number of requests were made for external advice which were approved by the Chair.

Board committees

The Board is assisted in fulfilling its responsibilities by five committees, including the establishment of the Innovation and Development Committee in February 2009. Each committee is governed by a Charter which is regularly reviewed and approved by the Board. The Committee Charters are available on the Company's website, www.aristocratgaming.com. The five Board committees are the:

- Audit Committee;
- Nomination and Governance Committee;
- Regulatory and Compliance Committee;
- HR and Remuneration Committee; and
- Innovation and Development Committee.

Members are appointed for a three year term (or shorter time as they remain in the office of Director) and, subject to continuing to be a Director, are eligible for reappointment at the end of their term.

An overview of the composition and responsibilities of each of the Board committees is provided below:

Audit Committee
As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The committee is chaired by an independent chair who is not the Chair of the Board. The current committee members are P Morris (Chair), RA Davis and DJ Simpson. All members of the committee are financially literate and the committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates.

The committee is required to meet a minimum of four times a year per the Charter. During the year, in addition to scheduled committee meetings, separate meetings also took place between the Chair of the committee and both the Company's external and internal auditors. The number of actual committee meetings and attendance by its members is contained in the Directors' Report.

The committee responsibilities include:

- evaluating and monitoring the Company's internal control environment and risk management function;
- evaluating and monitoring the Company's exposure to fraud;
- overseeing and reviewing the scope, quality and cost of the internal and external audits;
- reviewing the reports presented to the committee by both the auditors and management;
- recommending to the Board the appointment of internal and external auditors;
- reviewing the Company's management and statutory reporting (including the half year and full year accounts);
- reviewing and approving finance and accounting policies and the ongoing monitoring of their implementation and effectiveness;
- ongoing financial monitoring of the Company's various disclosure obligations; and
- reviewing and pre-approving any non-audit services provided by the internal or external auditors to ensure their independence is maintained at all times.

Regulatory and Compliance Committee
As at 31 December 2009, the committee comprises five members. The committee is chaired by WM Baker, who is an independent Non-Executive Director. The other committee members include two independent Non-Executive Directors, SAM Pitkin and RV Dubs, an independent external member, H Keating, and the Global Compliance Manager as a member of management.

The committee is required to meet a minimum of four times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- evaluating and monitoring the Company's compliance program, policies and processes;
- reviewing existing and proposed business undertakings for regulatory compliance;
- overseeing the framework for compliance training and education of Company staff; and
- monitoring and ensuring licensing conditions and regulatory requirements are met.

HR and Remuneration Committee
As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are SAM Pitkin (Chair), P Morris and DJ Simpson.

The committee is required to meet a minimum of four times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- recruitment, remuneration, retention, succession planning, termination, and training policies and procedures for the ELT;
- the Company's overall remuneration strategy, including remuneration components, performance and accountability framework, business and cultural alignment and external competitiveness; and
- making recommendations to the Board on:
  - CEO and ELT fixed remuneration framework and levels;
  - CEO and ELT performance and equity-based remuneration plans, including performance incentives and hurdles;
  - Chair and Non-Executive Director fees; and
  - the Company's superannuation arrangements.

Innovation and Development Committee
The Board established the Innovation and Development Committee in February 2009.

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are RV Dubs (Chair), SAM Pitkin and RA Davis.

The committee is required to meet a minimum of three times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- overseeing the strategic direction of the Company's research and product development program;
- reviewing the proposed development of new products, concepts and market initiatives;
- overseeing the strategy and framework for intellectual property protection;
- monitoring the establishment and progress of major projects, and the program and resource allocation for the delivery of the Company's innovation pipeline;
- monitoring external trends in technology and innovation in the gaming field;
- liaising with the HR and Remuneration Committee to provide input into the frameworks for learning and recognition for Design and Development (D&D) staff; and
- considering any other matters referred to it by the Board on D&D, technology and innovation.

Nomination and Governance Committee

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are RA Davis (Chair), P Morris and DJ Simpson.

The committee is required to meet a minimum of three times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- recommendations on Board structure, membership, tenure, succession planning and committee membership;
- induction and education of Directors;
- the Board and individual Director performance assessment;
- in conjunction with the HR and Remuneration Committee, setting the CEO's conditions of employment and annual KPOs; and
- overall corporate governance policies and procedures.

Nomination, selection and appointment process of new Directors

Recommendations for the nomination of new Directors are made by the Nomination and Governance Committee. Generally, external consultants are used to identify potential Directors. Those nominated are assessed by the committee against a range of criteria, including professional skills, experience, qualifications and background, including probity and integrity.

Any Non-Executive Director nominated during the year will be appointed following receipt of regulatory approval and will stand for election by shareholders at the subsequent Annual General Meeting of the Company following their formal appointment.

The Company's Policy for the Selection and Appointment of Non-Executive Directors is available on the Company's website, www.aristocratgaming.com.

Formal letters of appointment are issued to those joining the Board. All new Directors undergo an induction program which includes being provided with a Director's Handbook (or equivalent), a copy of the strategic plan for the Company together with latest budgets/forecasts and meetings with some senior management and ELT members.

Other directorships

Directors are required to limit the number of directorships of other listed companies in order to ensure that sufficient time is available to attend to the affairs of the Company. This process is managed by the Chair and other members consult with the Chair before taking up additional appointments. The CEO should only accept appointment to the board of another listed company with the approval of the Board.

Performance evaluation for the Board, Board committees and individual Directors

The Board performance evaluation process involves the Non-Executive Directors collectively undertaking a review at least once every year of the performance of the Board and its committees.

Board performance as a whole is reviewed by reference to the core competency criteria set out in the evaluation process, while committee performance is reviewed in the context of the objectives and responsibilities set out in the relevant charter of each committee. The Company engaged an external consultant to undertake these reviews during the fourth quarter of 2008, where feedback was presented to the Nomination and Governance Committee during the first quarter of 2009.

An assessment facilitated by the Chair of the Committee and managed by external consultants took place during the fourth quarter of 2009, where the Directors provided written feedback in relation to the performance of the Board against a set of agreed criteria.

On an ongoing basis, all Directors are encouraged to raise any issues of concern regarding the performance of any other Director with the Chair, or if the concern relates to the Chair, with the Chair of the Nomination and Governance Committee. The Chair or Chair of the Nomination and Governance Committee, as applicable, is responsible for determining the appropriate follow-up of any matters raised.

The Chair of the Nomination and Governance Committee has overall responsibility for managing and overseeing the performance evaluation process.

Principle 3 – Promote ethical and responsible decision-making

Code of Conduct

The Board has adopted a Code of Conduct (the Code) which applies to Directors and all employees. The Code is reinforced through various training programs and Company publications. The Code provides an ethical and behavioural framework for the way business is conducted and contains a set of general business ethics including (but not limited to):

- to act honestly and fairly in all dealings and to conduct business with strict professional courtesy and integrity;
- to abide and comply with all applicable laws and regulations;
- to report suspected corrupt or unethical conduct;
- to ensure that Company resources and property are used properly and efficiently; and
- not to disclose information or documents relating to the Company or its businesses other than as required by law and not to make any public comment on Company matters unless authorised to do so.

The Code is available on the Company's website, www.aristocratgaming.com.

The Board and the ELT are committed to the Code and the principles contained within it. The Code is regularly communicated and distributed to employees. New employees are issued with an employee handbook which contains, among other things, the Code and they are required to certify (prior to commencing their employment) that they have read and understood the requirements contained in it.

The Code, together with the policies listed in this Principle, are aimed at ensuring the Company maintains the highest standards of honesty, integrity and fair trading with shareholders, customers, suppliers, employees, regulators and the community.

The Company has procedures in place to monitor overall compliance with the Code. It is made clear in the Code that any breaches are treated seriously and could lead to disciplinary action including termination of employment.

In addition to the Code, the Company also has policies which govern, among other things:

- occupational health and safety;
- trade practices;
- conflicts of interest;
- gifts, gratuities and donations;
- dealing in Company securities;
- market disclosure; and
- privacy.

The Company has implemented training courses dealing with harassment in the workplace, discrimination, legal and operational compliance globally, which all employees are required to complete. In addition, the Company has provided training to relevant employees on privacy, fair trading, restrictive trade practices and gaming legislation.

'Tip-offs Anonymous' program

'Tip-offs Anonymous' is an independent, confidential telephone, email and postal service that provides a channel for employees to anonymously report instances of suspected workplace misconduct. The service is available to all employees worldwide.

All reported incidents are reviewed by a select group of senior executives who decide on the appropriate course of action to be taken. A summary of all reported incidents and action taken is provided to the Audit Committee. Any reported incidents involving the ELT are reported directly to the Chair of the Board and the Chair of the Audit Committee by the Tip-offs Anonymous service provider.

Share trading policy

The Company's policy prohibits any Director or employee dealing in the securities of the Company if they are in possession of any price-sensitive information. Subject to this, Directors and the ELT may only deal in the shares of the Company from the day after until the 42nd calendar day following:

- announcement of the half year and full year results;
- the Annual General Meeting;
- any half or full year profit guidance released to the ASX by the Company where the Directors determine, at their discretion, that such announcement is sufficiently comprehensive for this purpose and executives are advised accordingly; and
- the issue of any prospectus by the Company.

The Company prohibits Non-Executive Directors from entering into a margin loan or similar funding arrangement over the Company's securities. Executives may only enter into a margin loan or similar funding arrangement over any securities with the prior approval of the Chair of the Board.

The Company prohibits the hedging of unvested options and unvested Performance Share Rights at all times, irrespective of trading windows.

The policy can be found on the Company's website, www.aristocratgaming.com.

Principle 4 – Safeguard integrity in financial reporting

Audit Committee
The Audit Committee's composition, qualifications, roles and responsibilities are provided under Principle 2 of this statement.

Selection of auditor
The Audit Committee is responsible for overseeing the external auditor selection process. This process includes assessing each of the submissions received and making a formal recommendation to the Board on the appointment of the external auditor. The external audit service contract is retendered at least every five years, unless otherwise approved by the Board.

As part of that selection process, the Audit Committee assesses each of the submissions received on the following criteria:

- independence;
- overall audit approach and methodology;
- relevant industry experience;
- experience and qualifications of key audit staff; and
- cost.

Every year, the Audit Committee assesses the external auditor's performance and recommends to the Board the appointment of the Company's external auditor for the ensuing year.

Auditor independence
The Company has adopted a formal Charter of Audit Independence. The Charter restricts the types of non-audit services that can be provided by either the internal or external auditors. In addition, any non-audit services which are to be provided by the internal or external auditors need to be pre-approved by the Chair of the Audit Committee.

The Charter does not allow the following services to be provided by the external auditor:

- preparation of source documents, bookkeeping or other services related to preparing accounting records or financial statements;
- financial information systems design and implementation services;
- appraisal or valuation services for financial purposes;
- fairness opinions;
- contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing;
- management functions (including any decision-making, supervisory or ongoing monitoring function and authorising, executing or consummating transactions, or exercise authority, on behalf of management);
- human resources and recruitment functions;
- design and implementation of financial information technology systems that are used to generate financial information;
- broker or dealer, investment adviser, or investment banking services;
- legal services and other expert advocacy services;
- any service that involves a contingent fee;
- any service that involves taking custody of the Company's assets; and
- any other service the Board determines.

The Audit Committee reviews the independence of the auditors four times a year. The Company requires the senior external audit partner to rotate every five years. The Charter also places restrictions on the hiring of employees or former employees of the auditor firms. The Company expects the external auditor to attend the Annual General Meeting of the Company and to respond to questions relating to the conduct of the audit and the auditor's role.

Principle 5 – Make timely and balanced disclosure

The Company has written policies dealing with the Company's disclosure obligations and responsibilities under both the ASX Listing Rules and the Corporations Act. The Company's Continuous Disclosure Policy is available on the Company's website, www.aristocratgaming.com.

The Company has in place the following procedures in order to comply with its continuous disclosure responsibilities:

- to immediately advise the ASX of any information which a reasonable person would expect to have a material effect on the price of the Company's securities subject to the exceptions set out in the Listing Rules. The CEO, CFO and the Chief Legal Officer and Company Secretary of the Company confer regularly to determine if any announcement should be made under ASX Listing Rule 3.1;
- the Chair, CEO, CFO and the Company's media relations adviser are the only persons authorised to talk to the media, analysts or shareholders;
- any employee who comes into possession of information which is likely to affect the price of the Company's securities must immediately inform the Chief Legal Officer and Company Secretary, who, in consultation with the CEO and CFO, will determine whether an announcement is required;
- where appropriate, the consideration of whether matters under discussion would trigger continuous disclosure obligations at meetings of the Board, Audit Committee and the ELT; and
- there is an established protocol and approval procedure for all intended announcements which is maintained by the Chief Legal Officer and Company Secretary in consultation with the CFO.

Principle 6 – Respect the rights of shareholders

One of the most significant responsibilities of the Board is to have regard to the long-term sustainability of returns to shareholders, taking into account the interests of other stakeholders.

The Company promotes effective communication with shareholders and encourages effective participation at general meetings to ensure a high level of accountability and discussion of the Company's strategy, goals and performance.

The Company maintains a website, www.aristocratgaming.com, which is regularly updated with all recent announcements to the ASX, annual reports, briefing materials, and presentations to investors and analysts. The Corporate Governance section of the website allows shareholders direct access to the Board Charter, committee Charters and key governance policies.

The Annual General Meeting is webcast each year. The Company's most recent full year and half year results presentation webcasts are archived and can be accessed through the investor information link on the Company's website, www.aristocratgaming.com.

The Company's Shareholder Communication Policy is available on the Company's website, www.aristocratgaming.com.

Principle 7 – Recognise and manage risk

The Board recognises the importance of a sound framework of risk oversight, risk management and internal control to good corporate governance and has put in place a formal ongoing process for identifying, assessing, monitoring and managing the material business risks faced, or potentially exposed to, by the Company in pursuing its objectives. The adequacy and effectiveness of this process is continually reviewed by the Board. The Company's Risk Management Policy Statement is available on the Company's website, www.aristocratgaming.com.

Elements of the Company's risk management system include:

- a formal risk management policy, which is based on Australian Standard AS 4360:2004 Risk Management and the ASX Principles;
- well-defined roles and accountabilities of the Board, Audit Committee, Regulatory and Compliance Committee, ELT, Risk Review Committee, Group Risk and Audit team and internal audit function;
- training of key executives and managers in the area of risk and the requirements of the Company's risk management policy;
- regular formal risk workshops and meetings across the business to identify and assess all material business risks;
- a risk rating system based on the likelihood of occurrence, possible consequence should the risk occur, and level of current controls and strategies which exist to manage the risk;
- review of material business risks, including significant changes in risk profiles, by the Risk Review Committee, ELT, Audit Committee and the Board on a monthly basis or as appropriate;
- establishment of an internal audit function, independent of the external auditor, which develops a risk-based internal audit plan and has direct access to the Board and management;
- an organisation structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority and approval limits;
- a set of documented internal policies and procedures, which are subject to regular review and improvement;
- annual budgeting and monthly reporting systems for all operating units;
- a Group-wide control self-assessment survey to assess internal control processes;
- a Group-wide regulatory compliance program covering licensure, environment, occupational health and safety and employment practices;
- a comprehensive insurance program; and
- a confidential Tip-offs Anonymous program deployed worldwide.

The Company uses governance, risk and compliance software to facilitate the update and maintenance of the Company's risk register and to track risk management activities.

Certification from the CEO and the CFO

The Board received a written certification on 23 February 2010 from both the CEO and the CFO that the declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) (the integrity of financial statements) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Due to the limitations that are inherent in any system of risk management and internal control, the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement, adverse events or more volatile outcomes arising.

Principle 8 – Remunerate fairly and responsibly

Remuneration Committee

The composition of the committee, its roles and responsibilities are provided under Principle 2 of this statement.

Remuneration of Directors and ELT

Details of the principles and amounts of remuneration of Non-Executive Directors (including any applicable retirement benefits), Executive Directors and specific members of the ELT who are designated as Key Management Personnel or Nominated Executives are set out in the Remuneration Report, which also includes disclosures on equity-based remuneration provided by the Company.

Corporate Social Responsibility

Aristocrat is proud to be licensed in over 200 jurisdictions around the world, and adheres to the highest standards of probity along with extensive regulatory requirements. As one of the world's established gaming businesses, Aristocrat's vision is for a gaming industry that is vibrant, sustainable and delivering benefits to all stakeholders over the long term. This is why we are particularly active in promoting responsible gaming. As a manufacturing business, we are also focused on staff health and safety and reducing our environmental impact as far as possible.

Responsible gaming

Aristocrat welcomes effective initiatives that promote responsible gaming. In our view, effective initiatives are those that:

- are proven to reduce problem gambling without unduly impacting the overwhelming majority of recreational gamers, or limiting their choices, amenity and enjoyment;
- empower players to make responsible choices according to their own circumstances;
- are able to be implemented with a high degree of integrity, from both a technological and a legal perspective; and
- are affordable and viable for operators and ultimately for players.

We contribute actively to peak industry associations, including the American Gaming Association and the (Australian) Gaming Technologies Association to identify and promote initiatives that meet these criteria.

Aristocrat also works cooperatively with regulators, industry associations and independent researchers to better understand the drivers behind problem gambling, and contribute to the development of balanced and effective gaming policy.

Through our ACE Interactive business, Aristocrat was the first major manufacturer to deliver a networked 'player pre-commitment and self exclusion' system. We continue to invest in developing and assessing products that could help the industry to further promote responsible gaming practices.

Environment

Aristocrat works proactively to improve our environmental performance across our operations, including through the following ongoing initiatives:

- energy efficiency and recycling programs in all Aristocrat sites;
- investment in R&D to improve the environmental credentials of our products;
- removal of hazardous substances from manufacturing processes and extending equivalent standards to our suppliers;
- increasing recyclable content in Aristocrat products and packaging;
- embedding higher environmental standards into the product development process where appropriate; and
- collation of performance information on key environmental indicators, including energy consumption and greenhouse gas emissions. This information is considered by the executive team and Board as appropriate.

Aristocrat is not required to report on our greenhouse gas emissions under the Australian *National Greenhouse & Energy Reporting Act 2007* (Cth) as our emissions are under the prescribed threshold. While climate change is unlikely to pose a material risk to the business in the short to medium term, we will continue to measure and reduce our emissions to prudently manage risk, reduce costs and play our part in the global abatement effort.

People and culture

Aristocrat is proud of the diversity of our staff, Board and management. We employ more than 2,000 people around the world, including in our offices located in Australia, the United States, New Zealand, the United Kingdom, South Africa, Sweden, Japan, India and Macau.

We have Directors and senior leaders located in our major markets of Australia and the United States. Three of nine of our appointed and nominated Directors are women, as is our Chief Financial Officer.

Over the course of 2009, we introduced a rigorous, company-wide approach to setting and assessing meaningful and aligned Key Performance Objectives (KPOs), and launched a 'Winning Ways' program to define and embed high performance behaviours across the business. We are actively breaking down silos through the creation of senior cross-functional teams and shared KPOs, and will continue our focus on culture through 2010.

Aristocrat takes a comprehensive approach to OHS, with a dedicated team in place to help business units safeguard the health and safety of all staff.

The flagship ‘Safety First’ program applies across the business and is designed to promote and reinforce a safety oriented culture. Safety First aims to continuously reduce workplace risks and injuries and ensure the business meets or exceeds all relevant safety management standards (AS/NZ 4801, ANSI/AIHA Z10 and ISO 18001).

Aristocrat provides OHS and risk management training at induction and on an ongoing basis. OHS performance is monitored continuously through incident registers, and appropriate KPOs and performance reporting are also in place. Periodic audits are also conducted and the results reviewed by the senior executive team the Board.

Aristocrat also offers a range of employee wellness programs. These include a free, independent and confidential counselling service, free health fairs and discounted health memberships, along with other site-specific social and community events and initiatives.

Five year summary

12 months ended 31 December: $'000 (except where indicated)		2009	2008	2007	2006	2005
Profit and loss items						
Revenue from operating activities[1]		**908,648**	1,079,902	1,121,969	1,074,534	1,296,323
EBITDA[3]		**212,733**	253,171	368,693	366,707	398,111
Depreciation and amortisation		**42,814**	40,231	36,435	31,415	39,735
EBIT[3]		**169,919**	212,940	332,258	335,292	358,376
Net interest revenue/(expense)		**(13,909)**	(19,826)	(6,027)	(2,364)	5,571
Profit/(loss) from ordinary activities before income tax expense[3]		**156,010**	193,114	326,231	332,928	363,947
Income tax expense[3]		**(39,070)**	(52,179)	78,295	92,873	119,626
Profit/(loss) from ordinary activities after income tax expense[3]		**116,940**	140,935	247,936	240,055	244,321
Minority interests		**(539)**	(720)	(764)	(1,057)	–
Net profit/(loss) attributable to members of Aristocrat Leisure Limited[3]		**116,401**	140,215	247,172	238,998	244,321
Abnormal items after tax		**(274,239)**	(39,008)	–	–	–
Reported net profit/(loss) attributable to members of Aristocrat Leisure Limited		**(157,838)**	101,207	247,172	238,998	244,321
Total dividend paid – parent entity only		**78,587**	266,146	182,827	149,947	66,746
Balance sheet items						
Contributed equity		**185,320**	(67,298)	1,291	53,633	88,240
Reserves		**(92,013)**	(28,762)	(101,635)	(85,131)	(41,928)
Retained earnings		**61,498**	288,505	420,470	395,420	305,245
Outside equity interest		**(944)**	(16)	675	1,047	–
Total equity		**153,861**	192,429	320,801	364,969	351,557
Cash and cash equivalents		**59,045**	106,243	80,618	123,496	359,532
Other current assets		**336,650**	435,220	354,334	288,321	378,966
Property, plant and equipment		**120,459**	150,776	103,004	117,846	116,455
Intangible assets		**118,547**	154,420	128,212	146,392	76,183
Other non-current assets		**173,407**	169,712	159,730	201,907	136,284
Total assets		**808,108**	1,016,371	825,898	877,962	1,067,420
Current payables and other liabilities		**195,128**	258,294	203,243	209,547	354,294
Current borrowings		**7,245**	150,000	45,000	–	175,808
Current tax liabilites and provisions		**283,449**	30,617	74,283	71,191	116,798
Non-current borrowings		**127,104**	332,644	147,459	164,287	–
Non-current provisions		**18,632**	25,121	18,008	20,039	18,292
Other non-current liabilities		**22,689**	27,266	17,104	47,929	50,671
Total liabilities		**654,247**	823,942	505,097	512,993	715,863
Net assets		**153,861**	192,429	320,801	364,969	351,557
Other information						
Employees at year end	Number	**2,038**	2,128	2,219	2,282	2,140
Return on Aristocrat shareholders' equity[3]	%	**75.7**	72.9	77.1	65.5	69.5
Basic earnings per share[3]	Cents	**23.0**	30.5	53.0	51.2	51.4
Net tangible assets per share	$	**0.07**	0.08	0.41	0.47	0.59
Total dividends per share – ordinary	Cents	**4.5**	36.0	49.0	36.0	30.0
Dividend payout ratio[3]	%	**19.6**	118.0	92.8	70.7	58.7
Issued shares at year end	'000	**533,379**	455,330	464,296	467,713	470,536
Net (cash)/debt[2]	$'000	**75,304**	376,401	111,841	40,791	(183,724)
Net cash (debt)/equity	%	**(48.9)**	(195.6)	(34.9)	(11.2)	52.3

1 Revenue from operating activities as per Note 5 to the financial statements.
2 Current and non-current borrowings net of cash and cash equivalents.
3 Before the net impact to profit and loss items of abnormal and one off items that are not representative of the underlying operational performance of the Group.

Financial Statements

For the year ended 31 December 2009

These financial statements cover both Aristocrat Leisure Limited (Company) as an individual entity and the consolidated entity consisting of the Company and its subsidiaries (Group). The financial statements are presented in Australian dollars.

The Company is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Aristocrat Leisure Limited
Building A, Pinnacle Office Park
85 Epping Road
North Ryde NSW 2113
Australia

A description of the nature of the consolidated Group's operations and principal activities is included in the Review of Operations and in the Directors' Report, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 23 February 2010. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, the Company ensures that its corporate reporting is timely, complete and available globally at minimum cost to the Group. All press releases, financial statements, and other information are available on the Company's website: www.aristocratgaming.com.

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Statements of comprehensive income

For the year ended 31 December 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Revenue from operating activities	5	**908,648**	1,079,902	**–**	–
Cost of revenue from operating activities		**(413,567)**	(517,190)	**–**	–
Gross profit		**495,081**	562,712	**–**	–
Other revenue and other income	5	**17,224**	30,312	**59,716**	275,520
Design and development costs		**(113,449)**	(117,154)	**–**	–
Sales and marketing costs		**(99,679)**	(114,392)	**–**	–
General and administration costs		**(470,143)**	(201,274)	**(267,595)**	(57,553)
Restructuring cost		**(17,757)**	–	**–**	–
Finance costs		**(17,413)**	(23,865)	**–**	–
Share of net profits/(losses) of jointly controlled entity	28	**(1,745)**	495	**–**	–
Profit/(loss) from ordinary activities before income tax expense		**(207,881)**	136,834	**(207,879)**	217,967
Income tax credit/(expense)	6	**50,582**	(34,907)	**83,056**	26,589
Profit/(loss) from ordinary activities after income tax expense		**(157,299)**	101,927	**(124,823)**	244,556
Profit is attributable to:					
Members of Aristocrat Leisure Limited		**(157,838)**	101,207	**(124,823)**	244,556
Minority interest	23	**539**	720	**–**	–
		(157,299)	101,927	**(124,823)**	244,556

Earnings per share for profit attributable to the ordinary equity holders of the Company

	Notes	Cents	Cents
Basic earnings per share	34	**(31.3)**	22.0
Diluted earnings per share	34	**(31.3)**	22.0

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of comprehensive income

For the year ended 31 December 2009 continued

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Other comprehensive income					
Exchange difference on translation of foreign operations	22(i)	**(65,594)**	60,179	**–**	–
Changes in fair value of available-for-sale financial assets	22(iv)	**–**	7,327	**–**	–
Other comprehensive income/(loss)		**(65,594)**	67,506	**–**	–
Total comprehensive income/(loss) for the year		**(222,893)**	169,433	**(124,823)**	244,556
Total comprehensive income/(loss) is attributable to:					
Members of Aristocrat Leisure Limited		**(223,432)**	168,713	**(124,823)**	244,556
Minority interest	23	**539**	720	**–**	–
		(222,893)	169,433	**(124,823)**	244,556

Non-statutory measure:

Normalised profit is presented below to assist users of the financial statements to understand the Company's consolidated business results and reconciles with reported results as follows:

	Notes	Before tax 2009 $'000	Before tax 2008 $'000	After tax 2009 $'000	After tax 2008 $'000
Normalised profit		**156,078**	193,065	**116,940**	140,935
Significant items of income/(expense):					
Property sales		**8,827**	21,056	**8,827**	21,056
Restructuring costs	5	**(17,757)**	–	**(12,591)**	–
Legal settlement		**(4,314)**	–	**(3,256)**	–
Impairment of multi-terminal gaming businesses	5	**(83,127)**	(19,877)	**(79,907)**	(19,877)
Convertible Bonds litigation	5	**(267,588)**	–	**(187,312)**	–
Class Action settlement	5	**–**	(57,410)	**–**	(40,187)
Reported (loss)/profit		**(207,881)**	136,834	**(157,299)**	101,927

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

As at 31 December 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current assets					
Cash and cash equivalents	8	**59,045**	106,243	**63**	53
Trade receivables	9	**253,347**	294,671	**20,933**	–
Inventories	10	**66,093**	95,813	**–**	–
Financial assets	11	**7,600**	11,674	**–**	–
Other assets	12	**8,515**	8,788	**–**	–
Tax assets		**1,095**	9,887	**3,315**	26,697
		395,695	527,076	**24,311**	26,750
Non-current assets classified as held-for-sale	13	**–**	14,387	**–**	–
Total current assets		**395,695**	541,463	**24,311**	26,750
Non-current assets					
Trade receivables	9	**41,179**	16,579	**190,877**	–
Financial assets	11	**15,680**	104,079	**34,875**	35,368
Property, plant and equipment	14	**120,459**	150,776	**–**	–
Deferred tax assets	15	**116,548**	49,054	**82,453**	1,782
Intangible assets	16	**118,547**	154,420	**–**	–
Total non-current assets		**412,413**	474,908	**308,205**	37,150
Total assets		**808,108**	1,016,371	**332,516**	63,900
Current liabilities					
Trade and other payables	17	**162,835**	234,472	**3,479**	5,243
Borrowings	18	**7,245**	150,000	**–**	–
Provisions	19	**283,449**	30,617	**267,588**	9,107
Other liabilities	20	**32,293**	23,822	**–**	–
Total current liabilities		**485,822**	438,911	**271,067**	14,350
Non-current liabilities					
Trade and other payables	17	**159**	275	**–**	46,925
Borrowings	18	**127,104**	332,644	**–**	–
Provisions	19	**18,632**	25,121	**–**	–
Other liabilities	20	**22,530**	26,991	**–**	–
Total non-current liabilities		**168,425**	385,031	**–**	46,925
Total liabilities		**654,247**	823,942	**271,067**	61,275
Net assets		**153,861**	192,429	**61,449**	2,625
Equity					
Contributed equity	21	**185,320**	(67,298)	**185,320**	(67,298)
Reserves	22(a)	**(92,013)**	(28,762)	**55,244**	54,735
Retained earnings	22(b)	**61,498**	288,505	**(179,115)**	15,188
Capital and reserves attributed to equity holders		**154,805**	192,445	**61,449**	2,625
Minority interest	23	**(944)**	(16)	**–**	–
Total equity		**153,861**	192,429	**61,449**	2,625

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 31 December 2009

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interest $'000	Total equity $'000
		Attributable to owners of Aristocrat Leisure Limited					
Balance at 1 January 2008		**1,291**	**(101,635)**	**420,470**	**320,126**	**675**	**320,801**
Total comprehensive income for the year		**–**	**67,506**	**101,207**	**168,713**	**720**	**169,433**
Transactions with equity holders in their capacity as equity holders:							
Shares bought back on-market and cancelled (including transaction costs)	21	(68,615)	–	–	(68,615)	–	(68,615)
Issues of ordinary shares as re-investment of unpresented dividend cheques	21	26	–	–	26	–	26
Net movement in share-based payments reserve	22(a)(ii)	–	(13,168)	–	(13,168)	–	(13,168)
Issues from the Trust to satisfy vested shares	22(a)(iii)	–	18,535	–	18,535	–	18,535
Dividends provided for and paid	7	–	–	(233,172)	(233,172)	–	(233,172)
Dividends paid to minority shareholder	23	–	–	–	–	(1,410)	(1,410)
Net movement in reserves attributable to minority interest	23	–	–	–	–	(1)	(1)
		(68,589)	5,367	(233,172)	(296,394)	(1,411)	(297,805)
Balance at 31 December 2008		**(67,298)**	**(28,762)**	**288,505**	**192,445**	**(16)**	**192,429**
Total comprehensive income for the year		–	(65,594)	(157,838)	(223,432)	539	(222,893)
Transactions with equity holders in their capacity as equity holders:							
Shares issued under dividend reinvestment plan (excluding transaction costs)	21	14,577	–	–	14,577	–	14,577
Contributions of equity, net of transaction costs and tax	21	238,041	–	–	238,041	–	238,041
Net movement in share-based payments reserve	22(a)(ii)	–	(2,028)	–	(2,028)	–	(2,028)
Issues from the Trust to satisfy vested shares	22(a)(iii)	–	4,371	–	4,371	–	4,371
Dividends provided for and paid	7	–	–	(69,169)	(69,169)	–	(69,169)
Dividends paid to minority shareholder	23	–	–	–	–	(1,485)	(1,485)
Net movement in reserves attributable to minority interest	23	–	–	–	–	18	18
		252,618	2,343	(69,169)	185,792	(1,467)	184,325
Balance at 31 December 2009		**185,320**	**(92,013)**	**61,498**	**154,805**	**(944)**	**153,861**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 31 December 2009 continued

Parent entity	Notes	Attributable to owners of Aristocrat Leisure Limited					
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interest $'000	Total equity $'000
Balance at 1 January 2008		1,291	49,921	5,058	56,270	–	56,270
Total comprehensive income for the year		**–**	**–**	**244,556**	**244,556**	**–**	**244,556**
Transactions with equity holders in their capacity as equity holders:							
Shares bought back on-market and cancelled (including transaction costs)	21	(68,615)	–	–	(68,615)	–	(68,615)
Issues of ordinary shares as re-investment of unpresented dividend cheques	21	26	–	–	26	–	26
Net movement in share-based payments reserve	22(a)(ii)	–	4,814	–	4,814	–	4,814
Issues from the Trust to satisfy vested shares	22(a)(iii)	–	–	–	–	–	–
Dividends provided for and paid	7	–	–	(234,426)	(234,426)	–	(234,426)
Dividends paid to minority shareholder	23	–	–	–	–	–	–
Net movement in reserves attributable to minority interest	23	–	–	–	–	–	–
		(68,589)	4,814	(234,426)	(298,201)	–	(298,201)
Balance at 31 December 2008		**(67,298)**	**54,735**	**15,188**	**2,625**	**–**	**2,625**
Total comprehensive income for the year		–	–	(124,823)	(124,823)	–	(124,823)
Transactions with equity holders in their capacity as equity holders:							
Shares issued under dividend reinvestment plan (excluding transaction costs)	21	14,577	–	–	14,577	–	14,577
Contributions of equity, net of transaction costs and tax	21	238,041	–	–	238,041	–	238,041
Net movement in share-based payments reserve	22(a)(ii)	–	509	–	509	–	509
Issues from the Trust to satisfy vested shares	22(a)(iii)	–	–	–	–	–	–
Dividends provided for and paid	7	–	–	(69,480)	(69,480)	–	(69,480)
Dividends paid to minority shareholder	23	–	–	–	–	–	–
Net movement in reserves attributable to minority interest	23	–	–	–	–	–	–
		252,618	509	(69,480)	183,647	–	183,647
Balance at 31 December 2009		**185,320**	**55,244**	**(179,115)**	**61,449**	**–**	**61,449**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 31 December 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,021,371**	1,125,143	**–**	–
Payments to suppliers and employees (inclusive of goods and services tax)		**(855,584)**	(884,973)	**–**	(43)
		165,787	240,170	**–**	(43)
Other income	5	**2,069**	4,860	**–**	–
Interest received		**3,595**	4,783	**18**	33
Interest paid		**(17,086)**	(24,898)	**–**	–
Income taxes (paid)/refunded		**(12,924)**	(51,096)	**(2,696)**	6,246
Class Action settlement		**–**	(57,410)	**–**	(57,410)
Net cash inflow/(outflow) from operating activities	35	**141,441**	116,409	**(2,678)**	(51,174)
Cash flows from investing activities					
Payments for property, plant and equipment		**(60,095)**	(62,214)	**–**	–
Payments for intangibles	16	**(3,210)**	(2,795)	**–**	–
Loans from/(to) related parties		**–**	–	**(169,929)**	385,318
Loan repayments from non-related party		**1,297**	1,203	**–**	–
Proceeds from sale of property, plant and equipment		**22,044**	46,616	**–**	–
Net cash inflow/(outflow) from investing activities		**(39,964)**	(17,190)	**(169,929)**	385,318
Cash flows from financing activities					
Proceeds from issue of shares (net of transaction cost)	21	**236,627**	–	**236,627**	–
Proceeds from issue and exercise of options under the Employee Share Option Plan	22(a)(ii)	**–**	632	**–**	632
Payments for shares bought back	21	**–**	(68,615)	**–**	(68,615)
Repayments of borrowings		**(323,707)**	–	**–**	–
Proceeds from borrowings		**18,111**	250,000	**–**	–
Dividends paid	7	**(63,741)**	(264,574)	**(64,010)**	(266,146)
Dividends paid to minority shareholder	23	**(1,485)**	(1,410)	**–**	–
Net cash inflow/(outflow) from financing activities		**(134,195)**	(83,967)	**172,617**	(334,129)
Net increase/(decrease) in cash and cash equivalents		**(32,718)**	15,252	**10**	15
Cash and cash equivalents at the beginning of the year		**106,243**	80,618	**53**	38
Effects of exchange rate changes on cash and cash equivalents		**(14,480)**	10,373	**–**	–
Cash and cash equivalents at the end of the year	8	**59,045**	106,243	**63**	53

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2009

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Aristocrat Leisure Limited (Company) as an individual entity and the consolidated entity consisting of the Company and its subsidiaries (Group).

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the *Corporations Act 2001* (Cth) (Act).

(i) Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The parent entity financial statements and notes also comply with IFRS.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and for property, plant and equipment which have been measured at deemed cost.

(iii) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(iv) Comparatives

Comparative information is reclassified where appropriate to enhance comparability.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company (or parent entity) as at 31 December 2009 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Refer to Note 1(i).

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company as an individual entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

(ii) Jointly controlled entities

The investment in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the jointly controlled entity is recognised in the statement of comprehensive income, and the share of movements in reserves is recognised in reserves in the statement of financial position.

Note 1. Summary of significant accounting policies continued

(b) Principles of consolidation continued

(ii) Jointly controlled entities continued

Profits or losses on transactions establishing the jointly controlled entity and transactions with the entity are eliminated to the extent of the Group's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(iii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Treasury shares acquired by Aristocrat Employee Equity Plan Trust are recorded in share-based payment reserves. Information relating to these shares is disclosed in Note 22(a)(ii) and (iii).

(c) Segment reporting

Operating statements are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors and the Executive Leadership Team, who have determined operating segments based on a geographical perspective. Further information is provided in Note 4.

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 January 2009. AASB 8 replaces AASB 14 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no impact on measurement of the Company's assets and liabilities or any amounts recognised in the financial statements. Comparatives for 2008 have been restated.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale investments revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve in equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Note 1. Summary of significant accounting policies continued

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, settlement discounts and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Revenue from the sale of goods

Platform/machine sales

Revenue is recognised when goods have been dispatched to a customer pursuant to a sales order, the associated risks have passed to the customer, and it is probable that future economic benefits will flow to the Group.

Value Added Customer Agreements

Revenue arising from Value Added Customer Agreements where gaming machines, games, conversions and other incidental items are licensed to customers for extended periods, is recognised on delivery in the case of gaming machines and games, and for other items including conversions, only as the long-term goods or services are delivered. Where appropriate, receivables are discounted to present values at the relevant implicit interest rates.

Value Added Service Agreements

Revenue arising from Value Added Service Agreements where gaming machines and games are licensed to customers for extended periods and a service fee is payable over the term of the contract for warranty conversions to ensure product performance at or above the agreed level, is recognised on delivery in the case of gaming machines and games, and over the term of the contract on a straight-line basis for the service fee provided for warranty conversions. Where appropriate, receivables are discounted to present values at the relevant implicit interest rates.

Long-term contracts

Revenue on long-term contracts for systems and similar installations is recognised progressively over the period of individual contracts, wherever a reliable estimate can be made, using the percentage of completion method. Where a reliable estimate cannot be made, revenue is recognised to the extent of costs incurred, where it is probable that the costs will be recovered.

(ii) Revenue from gaming operations and services

Participation revenue

Participation revenue is where the Group's owned machines are placed directly by the Group or indirectly through a licensed operator in venues in return for a fee per day which can either be fixed or performance based. The amount of revenue recognised is calculated by either: (i) multiplying a daily fee by the total number of days the machine has been operating on the venue floor in the reporting period; or (ii) an agreed fee based upon a percentage of turnover of participating machines.

Rental

Rental income from operating leases is recognised on a straight-line basis over the term of the operating lease contract.

Service revenue

Service revenue is recognised as work is performed, other than for service agreements, where revenue is recognised evenly over the period of the service agreement.

Revenue in advance

Revenue derived from prepaid service contracts is apportioned on a pro-rata basis over the life of each respective agreement. Amounts received at balance date in respect of future periods are treated as revenue in advance and are included in current liabilities.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities, current income tax of prior years, unused tax losses and unused tax credits. Deferred tax assets and liabilities are attributable to temporary differences which arise when there is a difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Note 1. Summary of significant accounting policies continued

(f) Income tax continued
Deferred tax assets are recognised for deductible temporary differences and unused tax losses and unused tax credits only if it is probable that future taxable amounts will be available to utilise those temporary differences, losses and tax credits.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(g) Tax consolidation legislation
The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004.

The head entity, Aristocrat Leisure Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured by applying a group allocation approach, which uses a combination between the 'stand alone tax payer' and 'separate tax payer within a group' approach as described in UIG 1052 *Tax Consolidation Accounting*.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. Details about the tax funding agreement are disclosed in Note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(i) Business combinations
The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(t)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Note 1. Summary of significant accounting policies continued

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(k) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(m) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value using principally standard costs. Standard cost for work in progress and finished goods includes direct materials, direct labour and an appropriate proportion of fixed and variable production overheads. Standards are reviewed on a regular basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Contract work in progress

Contract work in progress is stated at cost less progress billings. Cost includes all costs directly related to specific contracts and an allocation of overhead expenses incurred in connection with the Group's contract operations. Where a loss is indicated on completion, the work in progress is reduced to the level of recoverability less progress billings.

(n) Intellectual property rights

A controlled entity has entered into an agreement to purchase intellectual property rights in the form of licence tags to certain technology relating to cashless gaming systems in the United States. These rights are capitalised and subsequently expensed as and when the licence tags are consumed.

(o) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale.

Non-current assets classified as held-for-sale are presented separately from the other assets in the statement of financial position.

Note 1. Summary of significant accounting policies continued

(p) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the Group's investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in trade receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Cost of an investment in a subsidiary, jointly controlled entity or associate

All dividends received from investments in subsidiaries, jointly controlled entities or associates are recognised as revenue, even if they are paid out of pre-acquisition profits. The investments may need to be tested for impairment as a result of the dividend payment.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Note 1. Summary of significant accounting policies continued

(p) Investments and other financial assets continued

(iv) Available-for-sale financial assets continued

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Details on how the fair value of financial instruments is determined are disclosed in Note 1(r).

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of comprehensive income within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in a hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other income or other expense.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventories) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or carrying amount of liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and are included in other income or other expenses.

Note 1. Summary of significant accounting policies continued

(r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(s) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated remaining useful lives, as follows:

- Buildings 40 years
- Leasehold improvements 2–10 years
- Plant and equipment 2–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(t) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each region of operation by each operating segment. Refer to Note 16.

(ii) Computer technology

Computer technology has a finite useful life and is carried at cost less accumulated amortisation and impaired losses. Computer technology acquired through a business combination is measured at fair value at acquisition date. Amortisation is calculated using the straight-line method to allocate the value of computer technology over its estimated useful life, which varies from three to 10 years.

Note 1. Summary of significant accounting policies continued

(t) Intangible assets continued

(iii) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from three to 12 years.

(iv) Design and development

Design expenditure is recognised as an expense as incurred.

An intangible asset arising from development expenditure is only recognised when all of the recognition criteria can be demonstrated. The recognition criteria for the development activity are:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the generation by the intangible asset of probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

As at the end of the reporting period, only development costs relating to creation of an asset that can be used or sold and can be reliably measured are capitalised as intangible assets.

Other development costs that do not meet these criteria are recognised in the statement of comprehensive income as incurred.

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30–120 days of recognition.

Payables include employee benefits. Refer to Note 1(y).

(v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(x) Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Progressive jackpot liabilities

In certain jurisdictions in the United States, the Group is liable for progressive jackpots, which are paid as an initial amount followed by either: (i) an annuity paid out over 19 or 20 years after winning; or (ii) a lump sum amount equal to the present value of the progressive component. Base jackpots are charged to cost of sales with the level of play expected based on statistical analysis. The progressive component increases at a rate based on the number of coins played. The possibility exists that a winning combination may be hit before the Group has fully accrued the base component amount, at which time any unaccrued portion is expensed.

Note 1. Summary of significant accounting policies continued

(x) Provisions continued

(ii) Warranties

Provision is made for the estimated liability on all products still under warranty at balance date. The amount of the provision is the estimated cash flows expected to be required to settle the warranty obligations, having regard to the service warranty experience and the risks of the warranty obligations. The provision is not discounted to its present value as the effect of discounting is not material.

(iii) Make good allowances

Provision is made for the estimated liability where required on leases still held at balance date. The amount of the provision is the estimated discounted cash flows expected to be required to satisfy the make good clauses in the lease contracts.

(y) Employee benefits – payable

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The controlled entities in Australia contribute a minimum of 9% of employees' base salary to Australian-based approved defined contribution funds. Contributions are recognised as an expense when they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan, the Long Term Performance Option Plan, the Performance Share Plan and the General Employee Share Plan.

Shares, options and rights granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options or rights. The shares are recognised when the options are exercised and the proceeds received allocated to contributed equity.

Shares, options and rights granted after 7 November 2002 and vested after 1 January 2005

The fair value of options and rights granted under the Employee Share Option Plan, the Long Term Performance Option Plan and the Performance Share Plan is recognised as an employee benefits expense with a corresponding increase in reserves. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and rights.

The fair value of options at grant date is independently determined using a modified version of the Merton Reiner Rubinstein Barrier Option model. The model has been modified to deal with options where a total shareholder return hurdle barrier is applicable. The model takes into account the exercise price, the expected life of the option, the non-tradeable nature of the option, the share price at grant date, the vesting criteria, the expected price volatility of the underlying share, and the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of share rights at grant date is independently determined using either a Monte-Carlo simulation-based pricing model or a Black-Scholes model that takes into account the share price at grant date, the estimated expected share price volatility, the risk-free interest rate, the expected dividend yield, the term of the share right and the vesting and performance criteria.

Upon the exercise of options or rights, the balance of the share-based payments reserve relating to those options or rights is transferred to share capital only if the shares are a new issue from contributed equity.

Shares issued through Aristocrat Employee Equity Plan Trust continue to be recognised in the share-based payments reserve in equity. Similarly, treasury shares acquired by Aristocrat Employee Equity Plan Trust are recorded in share-based reserves. Information relating to these shares is disclosed in Note 22(a)(ii) and (iii).

The market value of shares issued to employees for no cash consideration under the General Employee Share Plan is recognised as an employee benefits expense with a corresponding increase in reserves.

Note 1. Summary of significant accounting policies continued

(y) Employee benefits – payable continued

(iv) Share-based payments continued

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each end of the reporting period, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate.

(v) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefits;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(vi) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

(z) Contributed equity

Ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental cost (net of income taxes), is recognised directly in equity.

(aa) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(ac) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the net asset or as part of the expense.

Note 1. Summary of significant accounting policies continued

(ac) Goods and Services Tax (GST) continued

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(ad) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission (ASIC), relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and* AASB 127

Effective for annual reporting periods commencing on or after 1 July 2009. The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note 1(i) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see Note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of the investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 January 2010.

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

Effective for annual reporting periods commencing on or after 1 July 2009. The amendment to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 January 2010.

AASB 2008-8 *Amendment to IAS 39 Financial Instruments: Recognition and Measurement*

Effective for annual reporting periods commencing on or after 1 July 2009. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item. The changes are not expected to affect any of the amounts recognised in the financial statements. The Group will apply the interpretation prospectively from 1 January 2010.

AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

Effective for annual reporting periods commencing on or after 1 July 2009. AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the statement of comprehensive income on distribution. This is different from the Group's current policy, which is to measure distributions of non-cash assets at their carrying, amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 January 2010.

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (including cash flow and fair value interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

The parent entity is not exposed to any significant financial risk.

(a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. If deemed necessary, the Group has the ability to manage floating interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Under the Group Treasury policy, the mix between fixed to floating rate debt is reviewed on a regular basis. The Group had predominantly floating rate Australian dollar, US dollar and Japanese yen denominated borrowings during 2009, with some Australian dollar interest rate swaps executed and subsequently cancelled during the first half of the year (2008: floating rate Australian dollar and US dollar denominated borrowings only). There were no interest rate swaps in place at the end of the reporting period (2008: nil).

Refer to Note 18 for further details of the Group's borrowings.

	2009		2008	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**0.8**	**134,349**	4.1	482,644
Interest rate swaps (notional principal amount)	**–**	**–**	–	–
Net exposure to cash flow interest rate risk				

An analysis by maturity is provided in Note 2(c) below.

Group sensitivity

A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 2(a)(iv).

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Japanese yen.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Refer to Notes 9(i) and 17(a) for receivables and payables denominated in foreign currencies.

The Group's foreign exchange hedging policy is to reduce the foreign exchange risk associated with transactional exposures, primarily over a 12 month horizon. External foreign exchange contracts are designated at the Group level as hedges of foreign exchange risk on specific foreign currency denominated transactions.

Unrealised gains or losses on outstanding foreign exchange contracts are taken to the Group's statement of comprehensive income on a monthly basis.

Group sensitivity

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 2(a)(iv).

Note 2. Financial risk management continued

(iii) Price risk

The Group is exposed to equity securities price risk. This arises from an investment held by the Group and classified in the statement of financial position as available-for-sale. The Group's exposure to commodity price risk is indirect and is not considered likely to be material. Changes in price risk are unrealised and reflected through equity.

The Group's equity investment is in PokerTek, Inc. shares publicly traded on the NASDAQ Index in the United States.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's and the parent entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and price risk. These sensitivities are prior to the offsetting impact of hedging instruments:

Group sensitivity	Carrying amount	Interest rate risk –1% Profit $'000	Interest rate risk +1% Profit $'000	Foreign exchange risk –10% Profit $'000	Foreign exchange risk +10% Profit $'000	Price risk –10% Profit $'000	Price risk +10% Equity $'000
2009							
Financial assets							
Cash and cash equivalents	59,045	(538)	538	(305)	373	–	–
Receivables	288,825	–	–	(4,210)	3,445	–	–
Loans – other	5,701	(57)	57	518	(633)	–	–
Financial assets:							
Equity securities available-for-sale, current	6,194	(61)	61	–	–	–	–
Equity securities available-for-sale, non-current	1,391	–	–	–	–	(139)	139
Debt securities held-to-maturity	10,927	(109)	109	–	–	–	–
Investment in jointly controlled entity	4,634	–	–	–	–	–	–
Financial liabilities							
Payables	162,994	–	–	–	–	–	–
Borrowings	134,349	1,345	(1,345)	–	–	–	–
Progressive jackpot liabilities	13,988	140	(140)	–	–	–	–
Convertible Bonds litigation	267,588	–	–	(29,732)	24,326	–	–
Total increase/(decrease)		**720**	**(720)**	**(33,729)**	**27,511**	**(139)**	**139**

Note 2. Financial risk management continued

(a) Market risk continued

(iv) Summarised sensitivity analysis continued

Group sensitivity	Carrying amount	Interest rate risk –1% Profit $'000	Interest rate risk +1% Profit $'000	Foreign exchange risk –10% Profit $'000	Foreign exchange risk +10% Profit $'000	Price risk –10% Profit $'000	Price risk +10% Equity $'000
2008							
Financial assets							
Cash and cash equivalents	106,243	(972)	972	1,299	(1,588)	–	–
Receivables	304,953	–	–	(8,130)	6,310	–	–
Loans – other	6,297	(63)	63	700	(575)	–	–
Financial assets:							
Equity securities available-for-sale, current	9,854	(98)	98	–	–	–	–
Equity securities available-for-sale, non-current	3,340	–	–	–	–	(334)	334
Debt securities held-to-maturity	16,148	(161)	161	–	–	–	–
Investment in jointly controlled entity	86,411	–	–	–	–	–	–
Financial liabilities							
Payables	234,747	–	–	75	(91)	–	–
Borrowings	482,644	4,826	(4,826)	–	–	–	–
Progressive jackpot liabilities	24,976	250	(250)	–	–	–	–
Total increase/(decrease)		**3,782**	**(3,782)**	**(6,056)**	**4,056**	**(334)**	**334**

Parent entity sensitivity	Carrying amount	Interest rate risk –1% Profit $'000	Interest rate risk +1% Profit $'000	Foreign exchange risk –10% Profit $'000	Foreign exchange risk +10% Profit $'000	Price risk –10% Profit $'000	Price risk +10% Equity $'000
2009							
Financial assets							
Receivables	211,810	–	–	–	–	–	–
Financial liabilities							
Convertible Bonds litigation	267,588	–	–	(29,732)	24,326	–	–
Total increase/(decrease)		**–**	**–**	**(29,732)**	**24,326**	**–**	**–**

Hedges were taken at 5 January 2010 to mitigate foreign exchange risk stemming from the provision for Convertible Bonds litigation. The parent entity was not exposed to any significant financial risk in 2008.

(b) Credit risk

Credit risk is managed on a Group basis. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

For all cash and cash equivalents, these are held with counterparties which are rated 'A' or higher.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Group Treasury policy requires that the drawn portion of committed facilities must remain below 80% of the sum of committed facilities at any time.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) on the basis of expected cash flow.

Note 2. Financial risk management continued

(c) Liquidity risk continued

The Group restated prior year comparative information as permitted by the amendments to AASB 7 for the liquidity risk disclosures.

Financing arrangements

The Group and the parent entity had access to the following undrawn borrowing facilities at the end of the reporting period:

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Floating Rate					
Expiring within one year (bank loans and bank overdrafts)		**262,245**	133,458	**–**	–
Expiring beyond one year (bank loans)		**458,016**	252,476	**–**	–
		720,261	385,934	**–**	–

The short-term bank loans and overdraft facilities may be drawn at any time and are subject to annual review.

Maturities of financial liabilities

The table below analyses the Group's and the parent entity's financial liabilities into relevant maturity grouping as follows:

(i) based on their contractual maturities:
  (A) all non-derivative financial liabilities; and
  (B) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows; and
(ii) based on the remaining period to the expected settlement date:
  (C) derivative financial liabilities for which the contractual maturities are not essential for an understanding of the timing of cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Group – at 31 December 2009							
Non-derivatives							
Trade creditors	56,404	–	–	–	–	56,404	56,404
Other creditors	106,270	–	159	–	–	106,429	106,429
Borrowings (excluding finance leases)	7,245	–	127,104	–	–	134,349	134,349
Finance lease liabilities	–	57	–	131	–	188	159
Progressive jackpot liabilities	415	4,052	2,878	3,777	2,866	13,988	13,988
Provision for Convertible Bonds litigation	267,588	–	–	–	–	267,588	267,588
Total non-derivatives	437,922	4,109	130,141	3,908	2,866	578,946	578,917
Derivatives							
Net settled (interest rate swap)	–	–	–	–	–	–	–
Gross settled (forward foreign exchange contracts – cash flow hedges)							
(inflow)	(17,060)	–	(1,330)	(4,599)	–	(22,989)	(1,322)
outflow	16,636	–	–	–	–	16,636	–
	(424)	–	(1,330)	(4,599)	–	(6,353)	(1,322)

Note 2. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of financial liabilities	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Group – at 31 December 2008							
Non-derivatives							
Trade creditors	97,252	–	–	–	–	97,252	97,252
Other creditors	136,945	–	275	–	–	137,220	137,220
Borrowings (excluding finance leases)	150,000	–	332,644	–	–	482,644	482,644
Finance lease liabilities	–	263	–	411	–	674	275
Progressive jackpot liabilities	10,648	–	6,430	–	7,898	24,976	24,976
Total non-derivatives	394,845	263	339,349	411	7,898	742,766	742,367
Derivatives							
Net settled (interest rate swap)	–	–	–	–	–	–	–
Gross settled (forward foreign exchange contracts – cash flow hedges)							
(inflow)	(71,087)	(916)	(412)	(3,664)	–	(76,079)	–
outflow	2,841	–	–	–	–	2,841	494
	(68,246)	(916)	(412)	(3,664)	–	(73,238)	494

Contractual maturities of financial liabilities	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Parent entity – at 31 December 2009							
Non-derivatives							
Trade creditors	–	–	–	–	–	–	–
Other creditors	3,479	–	–	–	–	3,479	3,479
Borrowings (excluding finance leases)	–	–	–	–	–	–	–
Finance lease liabilities	–	–	–	–	–	–	–
Provision for Convertible Bonds litigation	267,588	–	–	–	–	267,588	267,588
Total non-derivatives	271,067	–	–	–	–	271,067	271,067
Derivatives							
Net settled (interest rate swap)	–	–	–	–	–	–	–
Gross settled (forward foreign exchange contracts – cash flow hedges)							
inflow	–	–	–	–	–	–	–
outflow	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

Note 2. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of financial liabilities	Less than 6 months	6–12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Parent entity – at 31 December 2008							
Non-derivatives							
Trade creditors	–	–	–	–	–	–	–
Other creditors	5,243	–	46,925	–	–	52,168	–
Borrowings (excluding finance leases)	–	–	–	–	–	–	–
Finance lease liabilities	–	–	–	–	–	–	–
Total non-derivatives	5,243	–	46,925	–	–	52,168	–
Derivatives							
Net settled (interest rate swap)	–	–	–	–	–	–	–
Gross settled (forward foreign exchange contracts – cash flow hedges)							
inflow	–	–	–	–	–	–	–
outflow	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

The table below analyses the parent entity's trading portfolio of derivative financial liabilities for which contractual maturities are not essential and which are managed on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the expected settlement date. The amounts disclosed in the table are net fair values, being the amounts at which an orderly settlement of the transactions would take place between market participants at the reporting date. There were no such liabilities in the Group, as the contracts were designated as cash flow hedges to that level.

Expected maturities of financial liabilities	Less than 6 months $'000	6–12 months $'000	Total $'000	Carrying amount $'000
Parent entity – at 31 December 2009				
Forward foreign exchange contracts	–	–	–	–
Parent entity – at 31 December 2008				
Forward foreign exchange contracts	–	–	–	–

Note 2. Financial risk management continued

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 January 2009, the Company has adopted the amendments to AASB 7 *Financial Instruments: Disclosures,* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from process) (level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 31 December 2009. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Group as at 31 December 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	1,323	–	1,323
Equity securities available-for-sale, current	6,194	–	–	6,194
Equity securities available-for-sale, non-current	1,391	–	–	1,391
Debt securities held-to-maturity	10,927	–	–	10,927
Total assets	18,512	1,323	–	19,835
Liabilities	–	–	–	–
Total liabilities	–	–	–	–

At 31 December 2009, the parent entity had no financial instruments measured and recognised at fair value.

The total value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2.

The carrying amount of financial assets and financial liabilities are assumed to approximate their fair values due to their short-term nature. The fair value of financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to impairment of goodwill.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(t). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and fair value less cost to sell. These calculations require the use of assumptions. Refer to Note 16 for details of these assumptions and the potential impact of changes to the assumptions.

Estimated provision for Convertible Bonds litigation

The Group recognised a provision of $187.3 million (after tax) in relation to the US Convertible Bonds matter. The figure includes interest payable calculated to 30 April 2010, based on the information available as at the reporting date.

Note 4. Segment information

(a) Segment information provided to the chief operating decision maker

2009	North America $'000	Australia $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue					
Revenue from external customers	405,609	207,789	106,081	189,169	908,648
Consolidated revenue					908,648
Result					
Segment profit	152,251	63,126	16,396	50,412	282,185
Supply Chain margins					21,747
Interest revenue					3,504
Interest expense					(17,413)
Design and development expenditure					(113,449)
Convertible Bonds litigation					(267,588)
Other					(116,867)
Consolidated loss before tax					(207,881)
Income tax credit					50,582
Net loss after tax					(157,299)

	North America $'000	Australia $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Assets and liabilities					
Segment assets	245,066	457,906	152,435	171,416	1,026,823
Investments in equity accounted investees					4,768
Eliminations of investments in subsidiaries					(218,942)
Other unallocated amounts					(4,541)
Total assets					808,108
Segment liabilities	207,956	364,487	58,115	23,671	654,229
Unallocated liabilities					18
Total liabilities					654,247
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current segment assets	19,831	12,161	459	1,908	34,359
Depreciation and amortisation expense	21,847	11,703	1,232	8,032	42,814

Note 4. Segment information continued

(a) Segment information provided to the chief operating decision maker continued

2008	North America $'000	Australia $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue					
Revenue from external customers	470,396	185,257	214,312	209,937	1,079,902
Consolidated revenue					1,079,902
Result					
Segment profit	187,600	51,890	52,311	64,755	356,556
Supply Chain margins					1,632
Interest revenue					4,040
Interest expense					(23,865)
Design and development expenditure					(117,154)
Class Action Settlement					(57,410)
Other					(26,965)
Consolidated profit before tax					136,834
Income tax expense					(34,907)
Net profit after tax					101,927

	North America $'000	Australia $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Assets and liabilities					
Segment assets	302,388	433,884	214,586	212,182	1,163,040
Investments in equity accounted investees					86,411
Eliminations of investments in subsidiaries					(249,479)
Other unallocated amounts					16,399
Total assets					1,016,371
Segment liabilities	289,963	396,584	98,543	38,783	823,873
Unallocated liabilities					69
Total liabilities					823,942
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current segment assets	29,755	23,105	2,733	5,129	60,722
Depreciation and amortisation expense	19,681	9,699	1,735	9,116	40,231

Note 4. Segment information continued

(b) Notes to and forming part of the segment information

Management has determined the operating segments based on a geographical perspective and on the reports reviewed by the Board of Directors and the Executive Leadership Team. The following reportable segments have been identified:

- North America
- Australia
- Japan
- Rest of World

Since the presentation of segment information in the 2008 Annual Report, South America and New Zealand have been included in Rest of World as they do not meet the reportable thresholds of reportable segments. In addition, certain head office recharges (e.g. licence fees) previously included in segment profit are no longer included.

Segment profit is measured on the basis of segment profit before tax, design and development expenditure, charges for licence fees and advanced pricing agreements, impairment of intangibles, other transfer pricing charges and other non-trading assets.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment revenues are allocated based on the country in which the customer is located. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other payables, employee benefits and provision for warranties. Segment assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset or liability. Segment assets and liabilities do not include income tax liabilities.

Unallocated assets and liabilities include the investment in the jointly controlled entity.

(i) Segment revenue

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of comprehensive income.

The activities of the entities in the Group are predominantly within a single business, which is the development, assembly, sale, distribution and service of gaming machines and systems.

Gross margins are measured as revenues less cost of revenue from operating activities, being labour and related on-costs as well as direct material costs, as a percentage of revenues.

(ii) Head office expenses

Head office expenses are included in the segment profit as they are allocated and charged out to each of the segments.

Note 5. Profit from ordinary activities

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(a) Revenue from operating activities					
Sale of goods	1(e)(i)	**651,197**	828,486	**–**	–
Gaming operations and services	1(e)(ii)	**257,451**	251,416	**–**	–
		908,648	1,079,902	**–**	–
(b) Other revenue and other income					
Interest		**3,504**	4,039	**716**	35
Dividends		**–**	–	**59,000**	275,474
Other revenue		**3,504**	4,039	**59,716**	275,509
Foreign exchange gains	5(d)	**2,572**	1	**–**	11
Gain on disposal of property, plant and equipment	5(e)	**9,079**	21,412	**–**	–
Other income		**2,069**	4,860	**–**	–
Other income		**13,720**	26,273	**–**	11
Total other revenue and other income		**17,224**	30,312	**59,716**	275,520
(c) Expenses					
(i) Depreciation and amortisation					
Depreciation and amortisation of property, plant and equipment					
Buildings		**649**	505	**–**	–
Leasehold improvements		**3,369**	2,607	**–**	–
Plant and equipment		**32,899**	31,153	**–**	–
Total depreciation and amortisation of property, plant and equipment	14	**36,917**	34,265	**–**	–
Amortisation of intangible assets					
Computer technology		**5,897**	5,579	**–**	–
Copyrights, patents, trademarks and licensing rights		**–**	387	**–**	–
Total amortisation of intangible assets	16	**5,897**	5,966	**–**	–
Total depreciation and amortisation	35	**42,814**	40,231	**–**	–
(ii) Employee benefits expense					
Salaries and wages		**198,344**	194,971	**–**	–
Superannuation costs		**8,472**	8,224	**–**	–
Post-employment benefits other than superannuation		**11,993**	3,648	**–**	–
Share-based payments expense	30(e)	**522**	4,182	**–**	–
Employee benefits expense		**219,331**	211,025	**–**	–

Note 5. Profit from ordinary activities continued

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(iii) Lease payments					
Rental expense relating to operating leases					
Minimum lease payments		**18,336**	14,935	**–**	–
Total rental expense relating to operating leases		**18,336**	14,935	**–**	–
(iv) Other significant items					
Other charges against assets					
Write-down of inventories to net realisable value		**15,308**	23,242	**–**	–
Restructuring costs		**17,757**	–	**–**	–
Impairment of multi-terminal gaming businesses		**83,127**	19,877	**–**	–
Class Action settlement		**–**	57,410	**–**	57,410
Convertible Bonds litigation		**267,588**	–	**267,588**	–
Legal costs		**22,840**	10,530	**–**	–
(d) Net foreign exchange gain/(loss)					
Foreign exchange gain		**2,572**	1	**–**	11
Foreign exchange loss		**(276)**	(6,889)	**–**	–
Net foreign exchange gain/(loss)		**2,296**	(6,888)	**–**	11
(e) Net gain/(loss) on disposal of property, plant and equipment					
Gain on disposal of property, plant and equipment		**9,079**	21,412	**–**	–
Loss on disposal of property, plant and equipment		**(425)**	(13)	**–**	–
Net gain on disposal of property, plant and equipment	35	**8,654**	21,399	**–**	–

Note 6. Income tax expense

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Major components of income tax expense/(credit) are:				
(a) Income tax expense/(credit)				
Current income tax	**20,064**	44,525	**(3,806)**	(25,297)
Deferred income tax	**(67,628)**	(2,004)	**(79,257)**	(752)
Adjustments in respect of current income tax of previous years	**(3,018)**	(7,614)	**7**	(540)
Income tax expense/(credit)	**(50,582)**	34,907	**(83,056)**	(26,589)
Deferred income tax expense included in income tax expense comprises:				
(Increase)/decrease in deferred tax asset	**(66,912)**	(1,330)	**(79,257)**	(752)
Decrease in deferred tax liabilities	**(716)**	(674)	**–**	–
Deferred income tax expense included in income tax expense	**(67,628)**	(2,004)	**(79,257)**	(752)
(b) Reconciliation of income tax expense/(credit) to prima facie tax payable				
Profit/(loss) from ordinary activities before income tax expense	**(207,881)**	136,834	**(207,879)**	217,967
Tax at the Australian tax rate of 30% (2008: 30%)	**(62,364)**	41,050	**(62,364)**	65,390
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Design and development	**(3,789)**	(5,467)	**–**	–
Share-based payments	**(27)**	272	**–**	–
Non-taxable dividends	**92**	374	**(17,700)**	(82,641)
Share of net profits in jointly controlled entity	**–**	(138)	**–**	–
Sale of land and buildings not taxable	**(2,750)**	(6,317)	**(3,120)**	(6,511)
Tax losses not previously recognised	**(154)**	(1,252)	**–**	–
Overseas exempt income and non-creditable taxes	**(2,977)**	672	**–**	–
Impairment of available-for-sale equity securities	**538**	5,963	**–**	–
Impairment of investments	**20,997**	–	**–**	–
Other	**1,270**	292	**–**	–
	(49,164)	35,449	**(83,184)**	(23,762)
Difference in overseas tax rates	**2,813**	6,934	**–**	–
Difference in exchange rates on overseas tax rates	**852**	(315)	**–**	–
Tax losses not recognised	**45**	103	**–**	–
Adjustments in respect of previous years income tax:				
Current income tax	**(3,018)**	(7,614)	**7**	(540)
Deferred income tax	**(2,110)**	350	**121**	(2,287)
Income tax expense/(credit)	**(50,582)**	34,907	**(83,056)**	(26,589)
Average effective tax rate	**24.33%**	25.51%	**39.95%**	(12.20%)
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit but directly (debited) or credited to equity				
Current income tax – credited/(debited) directly to equity	**(111)**	113	**–**	–
Net deferred tax – credited/(debited) directly to equity	**3,148**	–	**1,414**	–
Aggregate current and deferred tax arising in the reporting period directly credited to equity	**3,037**	113	**1,414**	–

Note 6. Income tax expense continued

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(d) Revenue and capital tax losses				
Unused gross tax losses for which no deferred tax asset has been recognised	**19,341**	22,486	**–**	–
Unused gross capital tax losses for which no deferred tax asset has been recognised	**40,920**	50,894	**40,920**	50,894
	60,261	73,380	**40,920**	50,894
Potential tax benefit	**17,601**	21,533	**12,276**	15,268

Unused revenue losses were incurred by the Company's overseas subsidiaries. All unused capital tax losses were incurred by Australian entities.

	Consolidated 2009	Consolidated 2008	Parent entity 2009	Parent entity 2008
(e) Unrecognised temporary differences				
Deferred tax assets on general temporary differences	**162**	99	**–**	–
	162	99	**–**	–

Under Australian tax law, the taxable profit made by a tax consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of assets and liabilities of the leaving entity, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on the disposal of investments within the tax consolidated group will therefore depend upon when each entity leaves the tax consolidated group and the assets and liabilities that the leaving entity holds at that time.

The Australian tax consolidated group considers the effects of the entities entering or leaving the tax consolidated group to be a change of tax status that is only recognised when those events occur. As a result, temporary differences and deferred tax liability have not been measured or recognised in relation to investments within the tax consolidated group.

The deferred tax balances in relation to the Company's indirect overseas investments have not been recognised. The accounting policy in relation to this is set out in Note 1(f).

(f) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have implemented tax consolidation legislation as of 1 January 2004. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Aristocrat Leisure Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation. The funding amounts are determined by reference to the tax funding agreement which applies a group allocation approach, taking into account a combination between the 'stand alone taxpayer' and a 'separate taxpayer within a group' amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables (refer to Note 9).

Note 7. Dividends

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Ordinary shares				
Final dividends paid during the year				
2008 – 10.0 cents, 100% franked on tax paid at 30%, per fully paid share paid on 30 March 2009	**45,309**	–	**45,533**	–
2007 – 25.0 cents, 100% franked on tax paid at 30%, per fully paid share paid on 31 March 2008	**–**	115,030	**–**	115,679
Interim dividends paid during the year				
2009 – 4.5 cents, 100% franked on tax paid at 30%, per fully paid share paid on 29 September 2009	**23,860**	–	**23,947**	–
2008 – 14.0 cents, 100% franked on tax paid at 30%, per fully paid share paid on 30 September 2008	**–**	63,470	**–**	63,784
Supplementary unfranked dividend provided and/or paid during the year				
2008 – 2.0 cents, unfranked, per fully paid share paid on 5 January 2009	**–**	9,062	**–**	9,107
2008 – 10.0 cents, unfranked, per fully paid share paid on 1 July 2008	**–**	45,610	**–**	45,856
Total dividends paid and provided during the year	**69,169**	233,172	**69,480**	234,426
Dividends paid were satisfied as follows:				
Paid in cash	**64,010**	247,960	**64,010**	247,960
Shares issued in lieu of unclaimed dividend payments	**–**	26	**–**	26
Dividend received by Aristocrat Employee Equity Plan Trust	**(269)**	(1,572)	**–**	–
Paid through the Dividend Reinvestment Plan	**14,577**	18,160	**14,577**	18,160
	78,318	264,574	**78,587**	266,146

Dividends not recognised at year end
Since the end of the year, the Directors have recommended the payment of a final dividend of nil cents (2008: 10.0 cents, 100% franked) per fully paid ordinary share.

The aggregate amount of the proposed final dividend paid on 31 March 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the year was $45,533,000.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Franked dividends				
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2008: 30%)	**–**	–	**6,912**	12,150

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

Note 8. Cash and cash equivalents

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	**56,045**	103,243	**63**	53
Short-term deposits	**3,000**	3,000	**–**	–
	59,045	106,243	**63**	53

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group. Short-term deposits bear a floating interest rate of 3.85% (2008: 4.35%) per annum.

(a) Risk exposure
The Group's and the parent entity's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 9. Trade receivables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade receivables	**232,622**	257,766	**–**	–
Provision for doubtful debts	**(6,178)**	(7,969)	**–**	–
	226,444	249,797	**–**	–
Tax related amounts receivable from wholly-owned entities[1]	**–**	–	**20,933**	–
Other receivables	**23,877**	42,632	**–**	–
Loans to non-related parties – secured	**3,026**	2,242	**–**	–
	253,347	294,671	**20,933**	–

Current receivables other than loans to non-related parties are non-interest bearing and are generally on 30 day terms from the date of billing.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current				
Trade receivables	**5,031**	8,499	**–**	–
Receivable from wholly-owned entities[2]	**–**	–	**190,877**	–
Other receivables	**33,473**	4,025	**–**	–
Loans to non-related parties – secured	**2,675**	4,055	**–**	–
	41,179	16,579	**190,877**	–

1 Refer to Note 6 for details of tax sharing and compensation arrangements.
2 Refer to Note 33 for terms and conditions relating to receivables from wholly-owned entities.

Note 9. Trade receivables continued

(a) Trade receivables – current

At 31 December, the ageing analysis of trade receivables is as follows:

	Total $'000	Current $'000	0–30 days $'000	31–60 days $'000	61–90 days $'000	91+ days $'000
2009 Consolidated	**232,622**	**212,959**	**15,002**	**1,559**	**1,115**	**1,987**
Parent entity	**–**	**–**	**–**	**–**	**–**	**–**
2008 Consolidated	257,766	226,163	26,579	4,699	325	–
Parent entity	–	–	–	–	–	–

As of 31 December 2009, trade receivables of $1,569,998 (2008: $781,000) were past due and considered impaired and trade receivables of $18,093,265 (2008: $30,822,000) were past due but not impaired.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Movements in the provision for doubtful debts are as follows:				
At 1 January	**(7,969)**	(6,954)	**–**	–
Charge for the year	**(92)**	(3,546)	**–**	–
Transfer to non-current receivables	**16**	4,105	**–**	–
Foreign currency exchange differences	**1,726**	(1,617)	**–**	–
Receivables written off during the year as uncollectible	**141**	43	**–**	–
At 31 December	**(6,178)**	(7,969)	**–**	–

The creation and release of the provision for impaired receivables has been included in general and administration costs in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Trade receivables – non-current

No provision for doubtful debts has been carried forward against the non-current receivables (2008: $6,359,000). There are no other non-current receivables that are impaired or past due but not impaired.

(c) Other receivables – current

These include prepayments and other receivables incurred under normal terms and conditions and which do not earn interest.

(d) Other receivables – non-current

These include long-term deposits and prepayments and other receivables incurred under normal terms and conditions and which do not earn interest.

(e) Loan to non-related parties

This represents a loan issued to a third party on the partial sale of a subsidiary in the African operations (refer to Note 33). The loan is for a term of seven years with annual principal and interest payments due in March of each year. The annual interest rate is the South African prime bank overdraft rate less 1%. The annual repayments are funded from the dividend payment by the African operations to the minority shareholders.

(f) Interest rate and foreign exchange risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 2(a)(i) and (ii).

(g) Fair value risk – current

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(h) Fair value – non-current

The fair values of non-current receivables approximate their discounted carrying values.

Note 9. Trade receivables continued

(i) Interest rate and foreign currency risk

The carrying amounts of the Group's and parent entity's current and non-current receivables are denominated in the following currencies:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
US dollar	**114,591**	165,988	**–**	–
Australian dollar	**89,390**	51,392	**211,810**	–
Other[1]	**90,545**	93,870	**–**	–
	294,526	311,250	**211,810**	–
Current receivables	**253,347**	294,671	**20,933**	–
Non-current receivables	**41,179**	16,579	**190,877**	–
	294,526	311,250	**211,810**	–

1 Other refers to a basket of currencies (Japanese yen, euro, South African rand, New Zealand dollar, Swedish krona).

Details regarding interest rate and foreign exchange risk exposure are disclosed in Note 2(a)(i) and (ii).

(j) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group. The Group holds guarantees over the debts of certain customers. The value of debtor balances over which guarantees are held is detailed below:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Trade receivables[1] with guarantees	**11,838**	26,775	**–**	–
Trade receivables[1] without guarantees	**219,637**	231,521	**–**	–
	231,475	258,296	**–**	–

1 Includes current and non-current trade receivables, net of provision for doubtful debts.

Note 10. Inventories

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current				
Raw materials and stores – at cost	**76,779**	92,995	**–**	–
Provision for obsolescence	**(38,805)**	(43,463)	**–**	–
	37,974	49,532	**–**	–
Work in progress	**1,452**	1,505	**–**	–
Finished goods – at cost	**28,195**	49,084	**–**	–
Provision for obsolescence	**(5,991)**	(7,517)	**–**	–
	22,204	41,567	**–**	–
Contract work in progress	**290**	–	**–**	–
Inventory in transit – at cost	**4,173**	3,209	**–**	–
	66,093	95,813	**–**	–

Inventory expense

Inventories recognised as an expense during the year ended 31 December 2009 amounted to $274,506,000 (2008: $350,022,000).

Note 11. Financial assets

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current					
Available-for-sale equity securities	11(a)	**6,194**	9,854	**–**	–
Debt securities held-to-maturity		**1,406**	1,820	**–**	–
		7,600	11,674	**–**	–
Non-current					
Debt securities held-to-maturity		**9,521**	14,328	**–**	–
Available-for-sale equity securities[1]	11(a)	**1,391**	3,340	**–**	–
Investment in unlisted controlled entities[2]		**–**	–	**34,875**	35,368
Other investments		**134**	–	**–**	–
Investment in jointly controlled entity	28(b)	**4,634**	86,411	**–**	–
		15,680	104,079	**34,875**	35,368

1 At 31 December 2009, an impairment loss was recognised on these securities, as disclosed in Note 22(a)(iv).
2 The decrease in investment in unlisted controlled entities is a non-cash movement as a result of share-based payments transactions.

(a) Available-for-sale equity securities[1]

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Balance at the beginning of the year	**13,194**	23,513	**–**	–
(Disposals)/additions	**(3,660)**	2,231	**–**	–
Revaluation	**(1,949)**	(12,550)	**–**	–
Balance at the end of the year	**7,585**	13,194	**–**	–

1 The maximum exposure to credit risk at the reporting date is the fair value of the debentures classified as available-for-sale.

An impairment loss was recorded as a result of a further decline in the value of the investment.

(b) Investment in a jointly controlled entity

The investment in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting.

(c) Impairment and risk exposure – available-for-sale financial assets

The maximum exposure to credit risk at the reporting date is the carrying amount of the investments. Current investments were issued by entities rated 'A' or higher.

None of the current financial assets are either past due or impaired.

Non-current available-for-sale financial assets were considered impaired and an impairment loss was recognised as at 31 December 2009 and 31 December 2008.

For an analysis of the sensitivity of available-for-sale financial assets to interest rate, foreign exchange and price risk, refer to Note 2.

(d) Impairment and risk exposure – held-to-maturity investments

The maximum exposure to credit risk at the reporting date is the carrying amount of the investments. All investments were issued by entities rated 'A' or higher.

None of the held-to-maturity investments are either past due or impaired.

All held-to-maturity investments are denominated in US dollars. Details regarding interest rate and foreign exchange risk exposure are disclosed in Note 2. There is also no exposure to price risk as the investments will be held to maturity.

(e) Impairment and risk exposure – investment in a jointly controlled entity

The investment in a jointly controlled entity is subject to foreign exchange risk. Changes in foreign currency risk are unrealised and reflected through equity.

Note 12. Other assets

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Intellectual property rights	1(n)	**8,412**	8,788	**–**	–
Other current assets		**103**	–	**–**	–
		8,515	8,788	**–**	–

Note 13. Current assets – non-current assets classified as held-for-sale

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Land and buildings	**–**	14,387	**–**	–
	–	14,387	**–**	–

Land and buildings totalling $14,387,000 classified as held-for-sale in the prior year were sold during 2009. There were no assets held-for-sale as at 31 December 2009.

Note 14. Property, plant and equipment

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Land and buildings				
Land and buildings – at deemed cost	**14,846**	9,853	**–**	–
Leasehold improvements – at cost	**41,889**	45,520	**–**	–
Accumulated amortisation	**(9,451)**	(15,695)	**–**	–
	32,438	29,825	**–**	–
Total land and buildings	**47,284**	39,678	**–**	–
Plant and equipment				
Plant and equipment owned – at cost	**176,425**	251,330	**–**	–
Accumulated depreciation	**(103,250)**	(140,232)	**–**	–
Total plant and equipment	**73,175**	111,098	**–**	–
	120,459	150,776	**–**	–

Note 14. Property, plant and equipment continued

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land and buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Total $'000
Consolidated				
Carrying amount at 1 January 2008	8,116	6,131	88,757	103,004
Additions	–	14,919	43,007	57,926
Additions – leasehold incentives	–	10,865	–	10,865
Disposals	–	–	(1,779)	(1,779)
Depreciation and amortisation	(505)	(2,607)	(31,153)	(34,265)
Foreign currency exchange movements	2,242	517	12,266	15,025
Carrying amount at 31 December 2008	9,853	29,825	111,098	150,776
Additions	7,625	6,840	16,684	31,149
Disposals	–	(1)	(1,065)	(1,066)
Impairment	–	–	(3,548)	(3,548)
Transfers	207	–	–	207
Depreciation and amortisation	(649)	(3,369)	(32,899)	(36,917)
Foreign currency exchange differences	(2,190)	(857)	(17,095)	(20,142)
Carrying amount at 31 December 2009	14,846	32,438	73,175	120,459

Note 15. Deferred tax assets

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
The balance comprises temporary differences attributable to:					
Accruals and other provisions		**9,064**	11,846	**1,044**	1,044
Doubtful debts		**1,193**	1,098	**–**	–
Convertible Bonds litigation provision		**80,874**	449	**80,277**	–
Deferred revenue		**2,307**	1,383	**–**	–
Employee benefits		**9,533**	11,056	**–**	–
Plant, equipment and intangible assets		**(4,553)**	1,171	**–**	–
Prepayments		**(551)**	(1,344)	**–**	–
Provision for stock obsolescence		**11,639**	12,607	**–**	–
Share-based equity		**(1,957)**	(3,525)	**–**	–
Overseas tax obligations		**1,824**	3,381	**–**	–
Unrealised foreign exchange (gains)/losses		**1,901**	8,758	**(18)**	(17)
Tax losses		**3,370**	815	**–**	729
Other		**5,986**	7,456	**1,150**	26
Gross deferred tax assets		**120,630**	55,151	**82,453**	1,782
Intangible assets (not offset above)		**(4,082)**	(6,097)	**–**	–
Net deferred tax assets		**116,548**	49,054	**82,453**	1,782
Movements					
Opening balance at 1 January		**49,054**	40,528	**1,782**	1,030
Charged to the statement of comprehensive income	6(a)	**67,628**	2,004	**79,257**	752
Charged to equity (share-based equity and foreign currency exchange differences)		**3,148**	440	**1,414**	–
Foreign exchange currency movements		**(3,282)**	6,082	**–**	–
Closing balance at 31 December		**116,548**	49,054	**82,453**	1,782

Note 16. Intangible assets

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Goodwill	**90,400**	116,843	**–**	–
Copyrights, patents, trademarks and licensing rights	**35**	1,209	**–**	–
Accumulated amortisation	**(35)**	(1,209)	**–**	–
	–	–	**–**	–
Computer technology	**67,058**	75,574	**–**	–
Accumulated amortisation	**(38,911)**	(37,997)	**–**	–
	28,147	37,577	**–**	–
Total	**118,547**	154,420	**–**	–

	Goodwill $'000	Copyrights, patents, trademarks and licensing rights $'000	Computer technology $'000	Total $'000
Consolidated				
Carrying amount at 1 January 2008	92,023	387	35,802	128,212
Additions	–	–	2,795	2,795
Amortisation charge	–	(387)	(5,579)	(5,966)
Foreign currency exchange differences	24,820	–	4,559	29,379
Carrying amount at 31 December 2008	116,843	–	37,577	154,420
Additions	–	–	3,210	3,210
Amortisation charge	–	–	(5,897)	(5,897)
Foreign currency exchange differences	(26,443)	–	(6,743)	(33,186)
Carrying amount at 31 December 2009	**90,400**	**–**	**28,147**	**118,547**

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) which are identified as the geographical business units according to the segment reporting.

A summary of the goodwill allocation by CGU is presented below:

(i) Wholly-owned controlled entities

	2009 $'000	2008 $'000
North America	**58,097**	75,213
Rest of World – South Africa	**688**	701
Rest of World – ACE Interactive	**31,615**	40,929
	90,400	116,843

(ii) Jointly controlled entity

	2009 $'000	2008 $'000
Rest of World – Elektronček	**4,634**	80,955
	4,634	80,955

In the financial years ended 31 December 2008 and 2009, the recoverable amount of all the Group's CGUs were determined based upon a value-in-use calculation.

Note 16. Intangible assets continued

(b) Key assumptions used for value-in-use calculations

(i) Value-in-use

A discounted cash flow has been used based on operating and investing cash flows (before borrowing costs and tax impacts), in the analysis of the Group's CGUs. The following inputs and assumptions have been adopted:

1. Financial budgets and strategic plans, approved by the Board, to 2011 for North America, South Africa, and Elektronček and to 2012 for ACE Interactive, with growth rates thereafter of 3% per annum for North America, South Africa and Elektronček and 5% per annum for ACE Interactive, assumed until 2014.
2. A pre-tax annual discount rate of:

	2009 %	2008 %
North America	**13.4**	12.3
Rest of World – South Africa	**20.4**	20.7
Rest of World – ACE Interactive	**12.1**	10.4
Rest of World – Elektronček	**12.5**	12.0

3. A terminal growth rate, which does not exceed the long-term average growth rate for the gaming industry in the regions:

	2009 %	2008 %
North America	**3.0**	3.0
Rest of World – South Africa	**3.0**	3.0
Rest of World – ACE Interactive	**5.0**	5.0
Rest of World – Elektronček	**1.5**	3.0

4. An allocation of head office assets.

Management has based the assumptions in the model on the CGUs past performance and future expectations and forecast growth rates found in local industry reports.

(c) Impact of possible changes in key assumptions

With regard to the assessment of the value-in-use of the CGUs, management does not believe that a reasonably possible change in any one of the key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amounts.

(d) Impairment charge

The future economic benefits of the investments in multi-terminal gaming businesses have been tested using the value in use method (present value of the future cash flows expected to be derived from the CGU), as allowed by AASB 136.

An impairment charge of $63,415,000 (after tax) was realised against the value of these investments as a result of a decline in forecasts following weak trading performance and short-to-medium term foreseeable depressed market conditions.

Note 17. Trade and other payables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade creditors	**56,406**	97,252	**–**	–
Tax related amounts payable to wholly-owned entities[1]	**–**	–	**–**	1,764
Other creditors	**106,429**	137,220	**3,479**	3,479
	162,835	234,472	**3,479**	5,243
Non-current				
Payable to wholly-owned entities[2]	**–**	–	**–**	46,925
Other creditors	**159**	275	**–**	–
	159	275	**–**	46,925

1 Refer to Note 6 for details of tax sharing and compensation arrangements.
2 Refer to Note 33 for terms and conditions relating to payables from wholly-owned entities.

(a) Foreign currency risk
The carrying amounts of the Group's and parent entity's payables are denominated in the following currencies:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
US dollar	**61,918**	72,317	**–**	–
Australian dollar	**49,110**	55,233	**3,479**	52,168
Other[1]	**51,966**	107,197	**–**	–
	162,994	234,747	**3,479**	52,168

1 Other refers to a basket of currencies (Japanese yen, euro, South African rand, New Zealand dollar, Swedish krona).

(b) Fair value
Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 18. Borrowings

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Secured				
Bank loans	**7,245**	150,000	**–**	–
	7,245	150,000	**–**	–
Non-current				
Secured				
Bank loans	**127,104**	332,644	**–**	–
	127,104	332,644	**–**	–

Note 18. Borrowings continued

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts[i]	**7,230**	7,887	**–**	–
Bank loans[ii]	**805,120**	835,120	**–**	–
Letter of credit[iii]	**111,495**	288,684	**–**	–
Other[iv]	**36,223**	25,571	**–**	–
	960,068	1,157,262	**–**	–
Used at balance date				
Bank overdrafts	**–**	–	**–**	–
Bank loans	**127,104**	482,644	**–**	–
Letter of credit	**–**	–	**–**	–
Other	**7,245**	–	**–**	–
	134,349	482,644	**–**	–
Unused at balance date				
Bank overdrafts	**7,230**	7,887	**–**	–
Bank loans	**678,016**	352,476	**–**	–
Letter of credit	**111,495**	288,684	**–**	–
Other	**28,978**	25,571	**–**	–
	825,719	674,618	**–**	–

(i) The bank overdraft facilities ($5,000,000 and US$2,000,000) are subject to annual review.

(ii) The bank loan facilities are structured as follows:

Syndicated Facility

Facility A – $220,000,000 tranche matured 6 February 2010. This facility was subsequently rolled over to an amount of $197,440,000. The facility is reviewed annually with extension by mutual agreement.

Facility B – $585,120,000 tranche maturing 8 February 2011.

The committed bank facility is secured by a negative pledge that imposes certain financial covenants. The Group was in compliance with the imposed covenants at balance date.

Borrowings are at a floating rate. The borrowings are drawn under Facilities A and B of the facility. Renewal of the Group's short-term bank facilities has occurred subsequent to year end. Refer to Note 24.

(iii) The letter of credit facility totalling US$100,000,000 maturing on 6 February 2010 has subsequently been cancelled by the Company.

(iv) Other facilities relate to the Japanese uncommitted borrowing facilities which are subject to annual review.

Note 18. Borrowings continued

(b) Forward exchange contracts

The Group enters into derivatives in the form of forward exchange contracts to hedge foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items. The following table provides information as at 31 December 2009 on the net fair value of the Group's existing foreign exchange hedge contracts:

	Weighted average exchange rate	Maturity profile 1 year or less $'000	Maturity profile 1 to 7 year(s) $'000	Net fair value gain/(loss)[2] $'000
AUD:USD	0.8488	3,436	916	184
AUD:JPY	80.3600	7,677	–	206
AUD:EUR	0.5495	8,899	–	995
AUD:NZD	1.2549	198	–	(3)
AUD:ZAR	6.7534	4,115	5,424	211
USD:ZAR[1]	7.8519	6,947	–	(144)
USD:SEK[1]	7.5609	1,941	–	(123)
EUR:ZAR[1]	11.2380	70	–	(4)
Total		33,283	6,340	1,322

1 The foreign base amounts are converted at the prevailing period end exchange rate to Australian dollar equivalents.
2 Refer to Note 1(d)(ii). The net fair value of the derivatives above is included in receivables/(payables).

(c) Net fair value of financial assets and liabilities

(i) On-statement of financial position

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of non-current borrowings is equated to the carrying value given that the US dollar borrowing is a floating rate and is drawn from the three year tranche (Facility B) of the Syndicated Facility (per Note 18(a)(ii)).

(ii) Off-statement of financial position

At 31 December 2009, there were no financial assets or liabilities that were off-statement of financial position, other than those potential liabilities which may arise from certain contingencies disclosed in Note 25.

(d) Foreign currency risk

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
US dollar	**127,104**	187,644	**–**	–
Australian dollar	**–**	295,000	**–**	–
Japanese yen	**7,245**	–	**–**	–
	134,349	482,644	**–**	–

For an analysis of the sensitivity of borrowings to interest rate and foreign exchange risk, refer to Note 2.

Note 19. Provisions

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current					
Dividend	7	**–**	9,062	**–**	9,107
Employee benefits	1(y)	**8,330**	8,359	**–**	–
Convertible Bonds litigation	5	**267,588**	–	**267,588**	–
Make good allowances	1(x)(iii)	**537**	229	**–**	–
Progressive jackpot liabilities	1(x)(i)	**4,467**	10,648	**–**	–
Warranties	1(x)(ii)	**2,527**	2,319	**–**	–
		283,449	30,617	**267,588**	9,107
Non-current					
Employee benefits	1(y)	**6,763**	7,941	**–**	–
Make good allowances	1(x)(iii)	**2,348**	2,852	**–**	–
Progressive jackpot liabilities	1(x)(i)	**9,521**	14,328	**–**	–
		18,632	25,121	**–**	–

(a) Convertible Bonds litigation
The Company has recognised a provision based on an estimate of the Convertible Bonds damages liability in respect of the Convertible Bonds litigation of $267,588,359 (before tax). Refer to Note 25 (iv).

(b) Movements in provisions
Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Make good allowances $'000	Progressive jackpot liabilities $'000	Warranties $'000	Convertible Bonds litigation $'000	Total $'000
Consolidated – current and non-current					
Carrying amount at 1 January 2009	3,081	24,976	2,319	–	30,376
Payments	(381)	(12,010)	(324)	–	(12,715)
Additional provisions recognised	299	6,846	557	267,588	275,290
Reversal of provisions recognised	–	(140)	–	–	(140)
Foreign currency exchange differences	(114)	(5,684)	(25)	–	(5,823)
Carrying amount at 31 December 2009	2,885	13,988	2,527	267,588	286,988

Note 20. Other liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current				
Deferred revenue	**32,293**	23,822	**–**	–
Non-current				
Unsecured				
Deferred revenue	**5,315**	6,094	**–**	–
Other	**17,215**	20,897	**–**	–
	22,530	26,991	**–**	–

Note 21. Contributed equity

	Notes	Parent entity 2009 Shares	Parent entity 2008 Shares	Parent entity 2009 $'000	Parent entity 2008 $'000
Ordinary shares, fully paid		**533,379,348**	455,329,650	**185,320**	(67,298)
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	**455,329,650**	464,295,501	**(67,298)**	1,291
Shares bought back on-market and cancelled	(b)	**–**	(8,968,881)	**–**	(68,615)
General Employee Share Plan issues	(c)	**–**	–	**–**	–
Shares issued under dividend reinvestment plan (excluding transaction cost)		**3,790,348**	–	**14,577**	–
Shares issued under capital raising (excluding transaction cost)		**74,259,350**	–	**241,340**	–
Shares issued in lieu of unclaimed dividend payments		**–**	3,030	**–**	26
Less:					
Transaction cost arising on share issue		**–**	–	**(4,713)**	–
Tax credit recognised directly in equity		**–**	–	**1,414**	–
Ordinary shares at the end of the financial year		**533,379,348**	455,329,650	**185,320**	(67,298)

(a) Ordinary shares
Ordinary shares have no par value and entitle the holder to participate in dividends and the winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Shares bought back on-market and cancelled
No shares were purchased by the Company during the year. In 2008 the Company bought back 8,968,881 shares at an average price of $7.65 per share.

(c) General Employee Share Plan
Information concerning the General Employee Share Plan is set out in Note 30(b).

(d) Capital management
The Group's and the parent entity's overall strategic capital management objective is to maintain a conservative funding structure, which provides sufficient flexibility to fund the operational demands of the business and to underwrite any strategic opportunities. The Group looks to achieve the maximum equity rating while maintaining an appropriate (investment grade) credit rating. The Group holds a credit rating of 'BBB minus' (S&P).

The Group manages its capital through interest and debt coverage ratios as follows:

	2009	2008
Gearing ratio (gross debt/bank EBITDA[1])	**0.7x**	1.7x
Interest coverage ratio (bank EBITDA[1]/interest expense)	**23.6x**	13.9x

1 Bank EBITDA = EBITDA + Interest Received.

Note 22. Reserves and retained earnings

(a) Reserves

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Foreign currency translation reserve	(i)	**(63,063)**	2,531	**–**	–
Share-based payments reserves	(ii),(iii)	**(28,950)**	(31,293)	**55,244**	54,735
Available-for-sale investments revaluation reserve	(iv)	**–**	–	**–**	–
		(92,013)	(28,762)	**55,244**	54,735

Movements

(i) Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency exchange differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in foreign operations. Refer to Note 1(d)(iii).

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Foreign currency translation reserve at the beginning of the financial year	**2,531**	(57,648)	**–**	–
Net exchange differences on translation of foreign controlled entities, net investment in foreign operations and related hedges	**(65,594)**	60,179	**–**	–
Net movement in foreign currency translation reserve	**(65,594)**	60,179	**–**	–
Foreign currency translation reserve at the end of the financial year	**(63,063)**	2,531	**–**	–

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of all shares, options and rights both issued and issued but not exercised under the various employee share plans.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Share-based payments reserve at the beginning of the financial year	**(2,360)**	10,808	**54,735**	49,921
Share-based payments expense	**522**	4,182	**509**	4,182
Employee Share Option Plan issues[1]	**–**	632	**–**	632
Issues from the Trust to satisfy vested shares	**(4,371)**	(18,535)	**–**	–
Share-based tax adjustment	**1,821**	553	**–**	–
Net movement in share-based payments reserve	**(2,028)**	(13,168)	**509**	4,814
Share-based payments reserve at the end of the financial year	**(4,388)**	(2,360)	**55,244**	54,735

1 Represents the proceeds received from employees on the exercise of share options. The shares have been issued to the employees from shares purchased through the Aristocrat Employee Equity Plan Trust.

Note 22. Reserves and retained earnings continued

(a) Reserves continued

(iii) Share-based payments trust reserve

The share-based payments trust reserve is used to recognise the cost, post-income tax, of shares purchased through the Aristocrat Employee Equity Plan Trust.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share-based payments trust reserve at the beginning of the financial year	**(28,933)**	(47,468)	**–**	–
Purchases	**–**	–	**–**	–
Tax effect on the purchases	**–**	–	**–**	–
Issues from the Trust to satisfy vested shares	**4,371**	18,535	**–**	–
Net movement in share-based payments trust reserve	**4,371**	18,535	**–**	–
Share-based payments trust reserve at the end of the financial year[1]	**(24,562)**	(28,933)	**–**	–
Total share-based payments reserves at the beginning of the financial year	**(31,293)**	(36,660)	**54,735**	49,921
Net movement in share-based payments reserves	**2,343**	5,367	**509**	4,814
Total share-based payments reserve at the end of the financial year	**(28,950)**	(31,293)	**55,244**	54,735

1 Represents 1,945,306 shares (2008: 2,241,854)

(iv) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve is used to recognise the changes in the fair value and foreign currency exchange differences arising on translation of equities classified as available-for-sale financial assets as described in Note 1(p)(iv). Amounts are recognised in the statement of comprehensive income when the associated assets are sold or impaired.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total available-for-sale investments revaluation reserve at the beginning of the financial year	**–**	(7,327)	**–**	–
Revaluation movement in available-for-sale investments revaluation reserve	**–**	(12,550)	**–**	–
Impairment of available-for-sale investment	**–**	19,877	**–**	–
Total available-for-sale investments revaluation reserves at the end of the financial year	**–**	–	**–**	–

(b) Retained earnings

		Consolidated		Parent entity	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Retained earnings at the beginning of the financial year		**288,505**	420,470	**15,188**	5,058
Net profit attributable to members of Aristocrat Leisure Limited		**(157,838)**	101,207	**(124,823)**	244,556
Dividends paid or provided for	7	**(69,169)**	(233,172)	**(69,480)**	(234,426)
Retained earnings at the end of the financial year		**61,498**	288,505	**(179,115)**	15,188

Note 23. Minority interest

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Outside equity interest in controlled entity comprise:				
Retained earnings	**59**	749	**–**	–
Profit from ordinary activities after income tax expense	**539**	720	**–**	–
Dividends paid	**(1,485)**	(1,410)	**–**	–
Retained earnings	**(887)**	59	**–**	–
Reserves	**(57)**	(75)	**–**	–
	(944)	(16)	**–**	–

Note 24. Events occurring after reporting date

In the opinion of the Directors of the Company, there has not arisen, in the interval between the end of the financial year and the date of this Report, any item, transaction or event of a material and unusual nature that would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Note 25. Contingent liabilities

The Group and parent entity have contingent liabilities at 31 December 2009 in respect of the following matters:

(i) a contingent liability may exist in relation to certain guarantees and indemnities given in the ordinary course of business by the Company and/or its controlled entities;

(ii) controlled entities within the Group are and become parties to various legal actions in the ordinary course of business from time to time. The Directors consider that any liabilities arising from this type of legal action are unlikely to have a material adverse effect on the Group;

(iii) under the terms of existing Senior Executive service contracts, termination benefits may be required to be paid by the Company or a controlled entity. The amounts (if any) depend upon the specific circumstances of the case and the relevant terms of those contracts;

(iv) the Company has been engaged in litigation since 2004 relating to US$130 million of 5% convertible subordinated bonds. The Company has recognised a provision based on an estimate of the damages liability associated with this matter of $267.6 million (before tax) (Convertible Bonds litigation provision).

Previously, the US District Court had found that the Company was in breach of the indenture governing the bonds. In April 2009, the US District Court reaffirmed its previous finding and determined that the Company was liable to the bondholders for general damages for breach of the indenture in a final amount yet to be determined.

In addition, the District Court directed that there should be a jury trial in October 2009 to determine what, if any, consequential damages should be payable by the Company. The verdict in that trial went against the Company, the effect of this being that the bondholders will be permitted to recover consequential damages in a final amount to be determined by the District Court in a final judgement.

While the Convertible Bonds litigation provision is the Company's current best estimate of the liability associated with this matter, the US District Court has not made a final decision on damages. As at the date of this report, it is not possible to determine when a final judgement will be entered;

(v) Aristocrat Leisure Limited, Aristocrat International Pty Limited, Aristocrat Technologies Australia Pty Limited, Aristocrat (Asia) Pty Limited and Aristocrat (Macau) Pty Limited are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities & Investments Commission as discussed in Note 36. During the financial year ended 31 December 2008, Aristocrat (Holdings) Pty Limited was added to the deed of cross guarantee;

(vi) the Company and its controlled entities had a contingent liability at 31 December 2008 of $380,486 in respect of a guarantee facility provided by Commonwealth Bank of Australia. This liability no longer existed at 31 December 2009;

(vii) under the terms of severance agreements with a former Executive Director, who left the Company in 1994, a controlled entity is obliged to fund certain costs of a motor vehicle provided to the former Executive Director for an indefinite period. The estimated annual cost of providing the motor vehicle and associated benefits amounts to $54,963 (2008: $56,952); and

(viii) on adoption of tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Aristocrat Leisure Limited.

Note 26. Commitments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Capital commitments				
Capital equipment and other commitments contracted at the balance date but not recognised as liabilities, payable within one year	**–**	1,241	**–**	–
Lease commitments				
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**14,247**	14,336	**–**	–
Later than one year but not later than five years	**42,037**	45,068	**–**	–
Later than five years	**45,811**	56,470	**–**	–
Commitments not recognised in the financial statements	**102,095**	115,874	**–**	–

Note 27. Subsidiaries

	Notes	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
Ultimate parent entity				
Aristocrat Leisure Limited		Australia	**–**	–
Controlled entities				
Aristocrat Technical Services Pty Limited	(c)	Australia	**100**	100
Aristocrat Properties Pty Limited	(c)	Australia	**100**	100
Aristocrat (Holdings) Pty Limited	(a)	Australia	**100**	100
Aristocrat Technologies Australia Pty Limited	(a)	Australia	**100**	100
ASSPA Pty Limited	(c)	Australia	**100**	100
Aristocrat Technology Gaming Systems Pty Limited	(c)	Australia	**100**	100
Aristocrat International Pty Limited	(a)	Australia	**100**	100
Aristocrat Leisure Cyprus Limited	(b)	Cyprus	**100**	100
ACEI AB	(b)	Sweden	**100**	100
ACE Interactive Software Norway AS	(b)	Norway	**100**	100
Aristocrat Gaming LLC	(b)	Russia	**100**	100
Aristocrat (Argentina) Pty Limited	(b)	Australia	**100**	100
AI (Puerto Rico) Pty Limited (*formerly known as Aristocrat (Puerto Rico) Pty Limited*)	(b)	Australia	**100**	100
Aristocrat (Latin America) Pty Limited	(b)	Australia	**100**	100
Aristocrat Technologies Mexico, S.A. DE C.V.	(b)	Mexico	**100**	n/a
Aristocrat Service Mexico, S.A. DE C.V.	(b)	Mexico	**100**	n/a
Aristocrat (Asia) Pty Limited	(a)	Australia	**100**	100
Aristocrat (Macau) Pty Limited	(a)	Australia	**100**	100
Aristocrat (Philippines) Pty Limited	(b)	Australia	**100**	100
Aristocrat (Singapore) Pty Limited	(b)	Australia	**100**	100
Aristocrat (Cambodia) Pty Limited	(b)	Australia	**100**	100
Aristocrat (Malaysia) Pty Limited	(b)	Australia	**100**	100
Aristocrat Leisure Technology Development (Beijing) Co. Limited	(b)	China	**100**	100
Aristocrat Technologies Europe (Holdings) Limited	(b)	UK	**100**	100
Aristocrat Technologies Europe Limited	(b)	UK	**100**	100
ASSPA (UK) Limited	(b)	UK	**100**	100
Aristocrat Technologies LLC	(b)	Russia	**100**	100
Aristocrat Technologies Spain S.L.	(b)	Spain	**100**	100
Aristocrat Technologies NZ Limited	(b)	New Zealand	**100**	100
Aristocrat Technologies, Inc.	(b)	USA	**100**	100
Aristocrat Funding Corporation	(c)	USA	**100**	100
Aristocrat Argentina S.A.	(c)	Argentina	**100**	100
Aristocrat Funding Corporation Pty Limited	(c)	Australia	**100**	100
Aristocrat Technologies Canada, Inc.	(c)	Canada	**100**	100
Aristocrat CA	(c)	Venezuela	**100**	100
Aristocrat Research & Development (Africa) Pty Limited	(b)	South Africa	**100**	100
Aristocrat Africa (Pty) Limited	(b)	South Africa	**72**	72
Aristocrat Technologies Africa (Pty) Limited	(b)	South Africa	**72**	72
Aristocrat Technologies KK	(b) & (c)	Japan	**100**	100
Aristocrat Hanbai KK	(b) & (c)	Japan	**100**	100
Aristocrat Technologies India Private Limited	(b)	India	**100**	n/a
Other controlled entities				
Aristocrat Employee Equity Plan Trust	(d)	Australia	**100**	100
Aristocrat Funding GP	(b)	USA	**100**	100

Note 27. Subsidiaries continued

(a) These controlled entities have been granted relief from the necessity to prepare accounts in accordance with Class Orders issued by the Australian Securities & Investments Commission. For further information, refer to Note 25.

(b) Controlled entities audited by other PricewaterhouseCoopers firms.

(c) Controlled entities for which statutory audits are not required at 31 December 2009 under relevant local legislation.

(d) The trust is a special purpose entity which is consolidated because it meets the following criteria:
- the activity of the Trust which is to purchase and issue shares for the various Aristocrat employee share plans are being conducted on behalf of the Group according to its specific business needs and the Group obtains benefits from the Trust's operation;
- the Group has the decision making powers to obtain the majority of the benefits of the activities of the Trust; and
- the Group has rights to obtain the majority of the benefits of the Trust and is exposed to the risks incident to ownership of the special purpose entity.

Note 28. Interest in jointly controlled entity

Elektrončék

A subsidiary of the Company owns 50% of the issued shares in Elektrončék d.d. (Elektrončék), which manufactures a range of electro-mechanical multi-terminal gaming products.

	2009 $'000	2008 $'000
(a) Group's share of results of jointly controlled entity		
Revenue from ordinary activities	**19,340**	28,581
Expenses from ordinary activities	**(21,343)**	(28,205)
(Loss)/profit from ordinary activities before income tax expense	**(2,003)**	376
Income tax expense relating to ordinary activities	**258**	119
(Loss)/profit from ordinary activities after income tax expense	**(1,745)**	495
Unrealised profits on related party transactions	**–**	–
Net (losses)/profits – accounted for using the equity method	**(1,745)**	495
(b) Interest in jointly controlled entity		
Carrying amount at the beginning of the year	**86,411**	71,744
Share of jointly controlled entity's net profit after tax	**(1,745)**	495
Share of jointly controlled entity's reserves	**–**	(113)
Movement in foreign currency exchange translation reserves	**(16,617)**	14,285
Impairment of investment	**(63,415)**	–
Carrying amount at the end of the year	**4,634**	86,411
Share of jointly controlled entity's assets and liabilities:		
Current assets	**13,169**	18,238
Non-current assets	**15,003**	19,244
	28,172	37,482
Current liabilities	**(11,346)**	(22,281)
Non-current liabilities	**(5,086)**	(7,050)
	(16,432)	(29,331)
Net assets	**11,740**	8,151

Note 29. Employee benefits

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Employee benefits and related on-cost liabilities					
Included in payables – current		**17,403**	24,987	**–**	–
Provision for employee benefits – current	19	**8,330**	8,359	**–**	–
Provision for employee benefits – non-current	19	**6,763**	7,941	**–**	–
Aggregate employee benefits and related on-cost liabilities		**32,496**	41,287	**–**	–

Note 30. Share-based payments

The Remuneration Report, presented in the Directors' Report which is separately attached, also provides detailed disclosure on share-based payments.

(a) Performance Share Plan

The Performance Share Plan (PSP) is a long-term employee share scheme that provides for eligible employees to be offered conditional entitlements to fully paid ordinary shares in the parent entity (Performance Share Rights). Performance Share Rights issued under the PSP are identical in all respects other than performance conditions and periods, which are detailed below.

As at 31 December 2009, 164 employees (2008: 177) were entitled to 5,034,242 (2008: 2,713,093) Performance Share Rights under this plan.

Accounting fair value of Performance Share Rights granted

The assessed accounting fair values of Performance Share Rights granted during the financial years ended 31 December 2009 and 31 December 2008 are as follows:

Performance Share Right series	Performance period start date	Performance period expiry date	Performance condition[1]	Accounting valuation date	Accounting valuation[2] $
Issued 2009					
Series 12A	1 January 2009	31 December 2011	TSR	1 January 2009	1.93
Series 12B	1 January 2009	31 December 2011	EPSG	1 January 2009	3.35
Series 13A[3]	1 January 2009	31 December 2011	TSR	21 April 2009	2.26
Series 13B[3]	1 January 2009	31 December 2011	EPSG	21 April 2009	3.53
Series 14	30 June 2009	31 December 2010	18 months service	30 June 2009	3.79
Issued 2008					
Series 10A	1 January 2008	31 December 2010	TSR	1 January 2008	5.01
Series 10B	1 January 2008	31 December 2010	EPSG	1 January 2008	9.59
Series 11A[3]	1 January 2008	31 December 2010	TSR	29 April 2008	3.70
Series 11B[3]	1 January 2008	31 December 2010	EPSG	29 April 2008	7.09

1 TSR – Total Shareholder Return; EPSG – Earnings Per Share Growth

2 In accordance with accounting standards, the accounting valuation, as independently determined by Deloitte Touche Tohmatsu (Deloitte), of a Performance Share Right with a market vesting condition (for example, TSR) incorporates the likelihood that the vesting condition will be met. Whereas, the accounting valuation, as independently determined by Deloitte, of a Performance Share Right with a non-market vesting condition (for example, EPSG) does not take into account the likelihood that the vesting condition will be met. Accordingly, the accounting value of a Performance Share Right with a TSR vesting condition is lower than that with an EPSG vesting condition.

3 In accordance with accounting standards, as these Performance Share Rights were granted to Directors, the accounting valuation as determined by Deloitte has been performed at the date of approval by shareholders.

The accounting valuation represents the independent valuation of each tranche of Performance Share Rights at their respective grant dates. The valuations have been performed by Deloitte using a Total Shareholder Return (TSR) model and an Earnings Per Share Growth (EPSG) model. The accounting valuation of a Performance Share Right with only service condition (Series 14) is the price at which the Company's shares were last traded on the ASX on the date of the offer.

Note 30. Share-based payments continued

(a) Performance Share Plan continued

(i) Total Shareholder Return model

Deloitte has developed a Monte-Carlo Simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the share rights. This pricing model takes into account such factors as the Company's share price at the date of grant, volatility of the underlying share price, expected dividend yield, risk free rate of return and time to maturity.

The accounting valuation of the rights has been allocated equally over the vesting period (either three, four or five years).

The model inputs for share rights granted during the year ended 31 December 2009 included:

(a) share rights are granted for no consideration and have a three to five year life;

(b) exercise price: zero consideration;

(c) the grant date and expiry dates: refer to tables below;

(d) share price at grant date:
 2009: Series 12A – $3.88 and Series 13A – $3.98; and
 2008: Series 10A – $11.13 and Series 11A – $8.10.

(e) price volatility of the Company's shares:
 2009: Series 12A – 43.66% and Series 13A – 45.78%; and
 2008: Series 10A – 28.44% and Series 11A – 31.67%.

(f) dividend yield:
 2009: Series 12A – 5.00% and Series 13A – 4.50%; and
 2008: Series 10A – 5.11% and Series 11A – 5.00%.

(g) risk-free interest rate:
 2009: Series 12A – 3.36% and Series 13A – 3.34%; and
 2008: Series 10A – 7.45% and Series 11A – 6.45%.

(ii) Earnings Per Share Growth model

Deloitte has utilised the Black-Scholes generalised model to determine the fair value of share rights. This pricing model takes into account such factors as the Company's share price at the date of grant, volatility of the underlying share price, expected dividend yield, risk-free rate of return and time to maturity.

The accounting valuation of the rights has been allocated equally over the vesting period (ranging from three to five years).

The model inputs for share rights granted during the year ended 31 December 2009 included:

(a) share rights are granted for no consideration and have a three to five year life;

(b) exercise price: zero consideration;

(c) the grant date and expiry dates: refer to tables below;

(d) share price at grant date:
 2009: Series 12B – $3.88 and Series 13B – $3.98; and
 2008: Series 10B – $11.13 and Series 11B – $8.10.

(e) price volatility of the Company's shares:
 2009: Series 12B – 43.66% and Series 13B – 45.78%; and
 2008: Series 10B – 28.44% and Series 11B – 31.67%.

(f) dividend yield:
 2009: Series 12B – 5.00% and Series 13B – 4.50%; and
 2008: Series 10B – 5.11% and Series 11B – 5.00%.

(g) risk-free interest rate:
 2009: Series 12B – 3.36% and Series 13B – 3.34%; and
 2008: Series 10B – 7.45% and Series 11B – 6.45%.

The expected price volatility is based on the annualised historical volatility of the share price of the Company due to the long-term nature of the underlying share rights.

Note 30. Share-based payments continued

(a) Performance Share Plan continued

Performance Share Rights are detailed in the tables below:

Right series	Grant date	Performance period expiry date	Rights at start of year Number	Add: new rights issues Number	Less: rights exercised Number	Less: rights lapsed Number	Rights at end of year Number
Consolidated and parent entity – 2009							
PSP							
Series 5A[1]	17 October 2005	31 December 2009	9,433	–	–	–	9,433
Series 5B[1]	17 October 2005	31 December 2009	9,433	–	–	–	9,433
Series 5C	17 October 2005	31 December 2010	9,432	–	–	–	9,432
Series 5D	17 October 2005	31 December 2010	9,432	–	–	–	9,432
Series 6A	1 January 2006	31 December 2008	339,585	–	–	339,585	–
Series 6B	1 January 2006	31 December 2008	339,585	–	–	339,585	–
Series 7A	2 May 2006	31 December 2008	25,123	–	–	25,123	–
Series 7B	2 May 2006	31 December 2008	25,123	–	–	25,123	–
Series 8A[1]	1 January 2007	31 December 0209	329,582	–	–	83,000	246,582
Series 8B[1]	1 January 2007	31 December 2009	329,582	–	–	83,000	246,582
Series 9A	1 May 2007	31 December 2009	21,629	–	–	21,629	–
Series 9B	1 May 2007	31 December 2009	21,628	–	–	21,628	–
Series 10A	1 January 2008	31 December 2010	584,097	–	–	123,878	460,219
Series 10B	1 January 2008	31 December 2010	584,097	–	–	123,878	460,219
Series 11A	29 April 2008	31 December 2010	37,666	–	–	37,666	–
Series 11B	29 April 2008	31 December 2010	37,666	–	–	37,666	–
Series 12A	1 January 2009	31 December 2011	–	1,612,290	–	164,100	1,448,190
Series 12B	1 January 2009	31 December 2011	–	1,612,290	–	164,099	1,448,191
Series 13A	21 April 2009	31 December 2011	–	434,563	–	104,252	330,311
Series 13B	21 April 2009	31 December 2011	–	434,563	–	104,252	330,311
Series 14	30 June 2009	31 December 2010	–	25,907	–	–	25,907
			2,713,093	**4,119,613**	**–**	**1,798,464**	**5,034,242**

1 On 22 February 2010, the Board determined that the PSRs under Series 5A, 5B, 8A and 8B had not met the required performance criteria and therefore lapsed.

Note 30. Share-based payments continued

(a) Performance Share Plan continued

Right series	Grant date	Performance period expiry date	Rights at start of year Number	Add: new rights issues Number	Less: rights exercised Number	Less: rights lapsed Number	Rights at end of year Number
Consolidated and parent entity – 2008							
PSP							
Series 1B	2 September 2004	31 December 2007	903,074	–	884,078	18,996	–
Series 3A	1 January 2005	31 December 2007	23,781	–	9,899	13,882	–
Series 3B	1 January 2005	31 December 2007	23,781	–	9,899	13,882	–
Series 4A	17 May 2005	31 December 2007	34,172	–	14,224	19,948	–
Series 4B	17 May 2005	31 December 2007	34,171	–	14,223	19,948	–
Series 5A	17 October 2005	31 December 2009	9,433	–	–	–	9,433
Series 5B	17 October 2005	31 December 2009	9,433	–	–	–	9,433
Series 5C	17 October 0205	31 December 2010	9,432	–	–	–	9,432
Series 5D	17 October 2005	31 December 2010	9,432	–	–	–	9,432
Series 6A[1]	1 January 2006	31 December 2008	423,198	–	–	83,613	339,585
Series 6B[1]	1 January 2006	31 December 2008	423,198	–	–	83,613	339,585
Series 7A[1]	2 May 2006	31 December 2008	124,124	–	–	99,001	25,123
Series 7B[1]	2 May 2006	31 December 2008	124,124	–	–	99,001	25,123
Series 8A	1 January 2007	31 December 2009	418,569	–	–	88,987	329,582
Series 8B	1 January 2007	31 December 2009	418,569	–	–	88,987	329,582
Series 9A	1 May 2007	31 December 2009	111,488	–	–	89,859	21,629
Series 9B	1 May 2007	31 December 2009	111,487	–	–	89,859	21,628
Series 10A	1 January 2008	31 December 2010	–	693,445	–	109,348	584,097
Series 10B	1 January 2008	31 December 2010	–	693,445	–	109,348	584,097
Series 11A	29 April 2008	31 December 2010	–	177,387	–	139,721	37,666
Series 11B	29 April 2008	31 December 2010	–	177,387	–	139,721	37,666
			3,211,466	**1,741,664**	**932,323**	**1,307,714**	**2,713,093**

1 On 24 February 2009, the Board determined that the PSRs under Series 6A, 6B, 7A and 7B had not met the required performance criteria and therefore lapsed.

Note 30. Share-based payments continued

(b) General Employee Share Plan

The General Employee Share Plan (GESP) is designed to provide employees with shares in the parent entity under the provisions of section 139CD of the Australian *Income Tax Assessment Act 1936* (Cth).

During the year, the Company issued 266,060 shares (2008: 168,461) to 1,004 employees (2008: 1,073) in Australia under this plan. Due to tax complexities, certain eligible staff located overseas were issued either a deferred bonus of A$1,000 cash or a contingent allocation of an equivalent number of shares (206,965 shares to 781 employees; 2008: 120,733 shares to 769 employees) in lieu of a share allocation under the General Employee Share Plan, subject to their continued employment for a period of three years.

The number of shares issued to participants in the Plan is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five days immediately before the date of the offer.

	Weighted average market price $	Consolidated 2009 Number	Consolidated 2008 Number	Parent entity 2009 Number	Parent entity 2008 Number
Shares issued under the Plan to participating employees on:					
30 June 2009[1]	3.77	266,060	–	–	–
30 June 2008[1]	6.35	–	168,461	–	–
		266,060	168,461	–	–

1 Issued from the Aristocrat Employee Equity Plan Trust.

(c) Long-term Performance Option Plan

The Long-term Performance Option Plan (POP), an executive incentive scheme to drive the continuing improvement in the Company's performance, was approved at the Annual General Meeting of the Company in May 2005. The POP provides for eligible employees to be offered conditional entitlements to options over fully paid ordinary shares in the Company, such that shares may, on exercise of such options, be allocated to eligible employees, subject to meeting performance criteria specified by the Board within a set performance period.

Performance options will have an exercise price based on the value of the underlying fully paid shares at grant with vesting to the eligible employee dependent on the satisfaction of performance criteria and within a performance period specified by the Board of Directors (the Performance Criteria and Performance Period, respectively).

If the Performance Criteria are satisfied at the end of the Performance Period, the POP provides for shares to be allocated and registered in the name of the eligible employee on exercise of the option and payment of the exercise price, subject to disposal restrictions, until the eligible employee is entitled to have the disposal restrictions lifted, in accordance with the rules of the POP. Shares allocated under the POP may be forfeited by the Company, but only in limited circumstances such as where eligible employees act fraudulently or dishonestly.

The POP rules permit the Company, in its discretion, to issue or acquire on-market shares which are then registered in the name of the eligible employee or in the name of an agent or trustee on behalf of the eligible employee prior to the eligible employee becoming entitled to be allocated the shares, that is, prior to Performance Criteria being satisfied and the option being exercised. These are called unallocated shares. Rights to unallocated shares (and the associated options) will expire and they will be forfeited and sold if the Performance Criteria are not satisfied.

There have been no invitations issued to participate in this Plan.

Note 30. Share-based payments continued

(d) Employee Share Option Plan

The Employee Share Option Plan (ESOP) was established to issue options over ordinary shares in the parent entity to employees of the Group.

As at 31 December 2009, no employees (2008: 1) were entitled to options under this plan (2008: 250,000).

The ESOP was discontinued in 2004. Options issued pursuant to the plan were exercisable subject to the ESOP rules.

Options are detailed in the tables below:

Option series	Grant date	Expiry date	Exercise price $[1]	Options at start of year Number	Add: new issues Number	Less: options exercised Number	Less: options lapsed Number	Options at end of year Number
Consolidated and parent entity – 2009								
ESOP								
Series 31C[2]	1 September 2004	1 September 2009	7.7016	125,000	–	–	125,000	–
Series 31D[2]	1 September 2004	1 September 2009	8.2016	125,000	–	–	125,000	
				250,000	–	–	250,000	

1 The option exercise price has been adjusted for the $0.21 per share capital return paid in July 2005.

2 Options under Tranche C are exercisable 42 months after grant date.
Options under Tranche D are exercisable 54 months after grant date.

Series 31C was not exercised and the options were allowed to lapse.
Series 31D did not meet the performance hurdles and the options did not vest.

Option series	Grant date	Expiry date	Exercise price $[1]	Options at start of year Number	Add: new issues Number	Less: options exercised Number	Less: options lapsed Number	Options at end of year Number
Consolidated and parent entity – 2008								
ESOP								
Series 28[2]	26 August 2003	26 August 2008	1.3497	112,500	–	112,500	–	–
Series 29D[2]	1 September 2003	1 September 2008	2.9503	125,000	–	125,000	–	–
Series 30[2]	3 November 2003	3 November 2008	2.2177	50,000	–	50,000	–	–
Series 31C[3]	1 September 2004	1 September 2009	7.7016	125,000	–	–	–	125,000
Series 31D[3]	1 September 2004	1 September 2009	8.2016	125,000	–	–	–	125,000
				537,500	–	287,500	–	250,000

1 The option exercise price has been adjusted for the $0.21 per share capital return paid in July 2005.

2 Options are exercisable in four equal tranches at intervals of 18 months, 30 months, 42 months and 54 months after grant date.

3 Options under Tranche C are exercisable 42 months after grant date.
Options under Tranche D are exercisable 54 months after grant date.

	Options at start of year	Add: new issues	Less: options exercised	Less: options lapsed	Options at end of year
Weighted average exercise price	$4.87		$2.20		$7.95

The weighted average share price at the date of exercise of those options exercised during the year ended 31 December 2008 was $9.55.

The weighted average remaining contractual life of options outstanding as at 31 December 2008 was 0.67 years. No options were forfeited during the year ended 31 December 2008.

Note 30. Share-based payments continued

(d) Employee Share Option Plan continued

Options exercised during the financial year and number of shares issued to employees on the exercise of options are detailed below. There have been no options exercised during the financial year.

Consolidated and parent entity					
Exercise date	Value of shares at issue date[1] $	2009 Number	Exercise date	Value of shares at issue date[1] $	2008 Number
ESOP			**ESOP**		
–	–	–	27 February 2008	9.47	50,000
			29 February 2008	9.10	50,000
			1 March 2008	7.50	125,000
			20 March 2008	8.19	12,500
			18 June 2008	4.29	50,000
	–	–			287,500

1 The value reflected above is the intrinsic value of the option, which is calculated as the market price less the exercise price on the date of exercise of the option.

	Consolidated 2009 Number	Consolidated 2008 Number	Parent entity 2009 Number	Parent entity 2008 Number
Options vested and exercisable at the reporting date	**–**	125,000	**–**	125,000
Aggregate proceeds received from employees on the exercise of options and recognised in reserves	**–**	631,514	**–**	631,514
Value of shares issued to employees on the exercise of options as at their issue date	**–**	2,182,986	**–**	2,182,986

(e) Share-based payments expense

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Share rights issued under Performance Share Plan	**(1,370)**	2,714	**–**	–
Shares issued under General Employee Share Plan	**1,823**	1,384	**–**	–
Options issued under Employee Share Option Plan	**69**	84	**–**	–
	522	4,182	**–**	–

Note 31. Key management personnel disclosures

Key management personnel compensation

Key management personnel (KMP) includes all Non-Executive Directors, Executive Directors and Senior Executives who were responsible for the overall planning, directing and controlling of activities of the Group.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	**5,461,497**	5,425,312	**–**	–
Post-employment benefits	**390,479**	237,972	**–**	–
Long-term benefits	**156,180**	38,134	**–**	–
Termination benefits	**1,298,620**	884,931	**–**	–
Share-based payments	**175,109**	(631,654)	**–**	–
	7,481,885	5,954,695	**–**	–

Performance Share Plan rights provided as remuneration and rights holdings

Details of PSRs in the Company held during the financial year by any KMP of the Group can be found in the Remuneration Report.

Options provided as remuneration and option holdings

Details of options over ordinary shares in the Company provided as remuneration to any KMP of the Group can be found in the Remuneration Report.

General Employee Share Plan shares provided as remuneration

The numbers of shares held under the GESP during the financial year by any of the key management personnel of the Group, including their personally related entities, can be found in the Remuneration Report.

Shareholdings

The numbers of shares (excluding those unvested under the GESP and the PSP) in the Company held during the financial year by each KMP of the Group, including their personally related entities, can be found in the Remuneration Report.

Loans to key management personnel

No KMP held any loans with the Company during the financial year.

Other transactions with key management personnel

Refer to Note 33 for details of other transactions with KMP.

Note 32. Remuneration of auditors

During the year, the following fees were paid to the auditor of the parent entity and its related practices:

Assurance services

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001* (Cth)	**409,266**	469,333	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**650,621**	706,203	**–**	–
Total remuneration for audit services	**1,059,887**	1,175,536	**–**	–
Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm	**–**	–	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**101,251**	137,131	**–**	–
Total remuneration for other assurance services	**101,251**	137,131	**–**	–
Total remuneration for assurance services	**1,161,138**	1,312,667	**–**	–
Advisory services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Legal and compliance	**–**	–	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**9,238**	12,968	**–**	–
Total remuneration for advisory services	**9,238**	12,968	**–**	–

Audit fees for the parent entity were paid by a subsidiary.

Note 33. Related parties

(a) Other transactions with key management personnel

There were no transactions with Directors and other KMP during the year ended 31 December 2009.

(b) Wholly-owned group

The wholly-owned group consists of the parent entity and its wholly-owned controlled entities set out in Note 27.

All transactions between entities within the wholly-owned group during the years ended 31 December 2009 and 31 December 2008 have been eliminated on consolidation.

Transactions between the Company and other entities in the wholly-owned group during the years ended 31 December 2009 and 31 December 2008 consisted of:

(i) the payment of dividends to the Company; and

(ii) a tax sharing and funding agreement.

Note 33. Related parties continued

(b) Wholly-owned group continued

	Parent entity 2009 $	Parent entity 2008 $
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group		
Interest revenue	**–**	–
Dividend revenue	**59,000,000**	275,474,246
Aggregate net amount (payable)/receivable from entities in the wholly-owned group at balance date		
Current		
Tax related amounts (payable)/receivable from wholly-owned entities	**20,932,770**	(1,763,500)
Non-current		
(Payable)/receivable from wholly-owned entities	**190,877,472**	(46,925,575)

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Jointly controlled legal entity				
Revenue				
Service fee	**176,477**	173,943	**–**	–
Expense recharges	**10,429**	13,385	**–**	–
Other revenue	**30,659**	12,627		
Purchase of goods and services				
Purchase of gaming equipment	**1,683,921**	2,050,046	**–**	–
Current receivables (service fee)	**–**	–	**–**	–
Other receivables (dividend receivable from Electronček)	**–**	8,389,292		
Net amount receivable from minority interest as at balance date				
Current				
Receivable from related entity – interest	**1,332,081**	1,408,683	**–**	–
Receivable from related entity – loan	**1,693,854**	833,394	**–**	–
Non-current				
Receivable from related entity – loan	**2,674,729**	4,054,988	**–**	–

On 31 May 2006, Aristocrat International Pty Limited, a wholly-owned entity, advanced to Yabohle Investments (Pty) Limited, the minority shareholder of the Group's South African operations, a seven year loan of ZAR43,400,000.

The loan is secured over the shares of the South African legal entity and the shareholder's dividends are redirected as repayments against the loan balance.

The annual interest rate payable is at 1% less than the prime bank overdraft rate charged by an approved bank of the Republic of South Africa.

Note 34. Earnings per share

	Consolidated 2009 Cents	Consolidated 2008 Cents
Basic earnings per share	**(31.3)**	22.0
Diluted earnings per share	**(31.3)**	22.0

	Consolidated 2009 Number	Consolidated 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**504,628,236**	459,640,457
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**504,628,236**	459,640,457
Effect of options	**–**	42,912
Effect of Performance Share Rights[1]	**–**	447,261
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share[1]	**504,628,236**	460,130,630

1 In 2009 Performance Share Rights are excluded from the calculation of diluted earnings per share as they are anti-dilutive as at 31 December 2009.

	Consolidated 2009 $'000	Consolidated 2008 $'000
Reconciliation of earnings used in calculating diluted earnings per share		
Net profit/(loss) attributable to members of Aristocrat Leisure Limited	**(157,838)**	101,207
Earnings used in calculating diluted earnings per share	**(157,838)**	101,207

Information concerning the classification of securities

(a) Options

Options granted to employees under the ESOP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details of options in relation to the year ended 31 December 2009 are set out in Note 30.

Included within the weighted average number of potential ordinary shares related to options, there were nil (2008: nil) options that had lapsed during the year and nil (2008: 42,912) options that had been exercised during the year.

(b) Performance Share Rights

Rights granted to employees under the PSP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in Note 30.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights is nil (2008: 184,541) Performance Share Rights that had lapsed during the year.

(c) Share-based payments trust

Shares purchased on-market through the Aristocrat Employee Equity Plan Trust have been treated as shares bought back and cancelled for the purpose of the calculation of the weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.

Shares issued through the Aristocrat Employee Equity Plan Trust on the exercise of options have been treated as shares issued from contributed equity capital for the purpose of the calculation of the weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.

Note 35. Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit from ordinary activities after income tax	**(157,299)**	101,927	**(124,823)**	244,556
Depreciation and amortisation	**42,814**	40,231	**–**	–
Dividends	**–**	–	**(59,000)**	(275,474)
Other income	**–**	–	**(699)**	–
Equity-settled share-based payments	**522**	4,182	**–**	–
Non-cash interest expense	**(769)**	(798)	**–**	–
Net gains on sale of property, plant and equipment	**(8,654)**	(21,399)	**–**	–
Share of net profits of jointly controlled entity	**1,745**	(495)	**–**	–
Revaluation of available-for-sale equity securities	**155**	–	**–**	–
Impairment of multi-terminal gaming business	**83,127**	19,877	**–**	–
Convertible Bonds litigation	**267,588**	–	**267,588**	–
Net foreign currency exchange differences	**(28,634)**	31,127	**–**	–
Change in operating assets and liabilities:				
Decrease/(increase) in receivables and deferred revenue	**16,605**	(56,653)	**(20,933)**	25,817
Decrease/(increase) in inventories	**52,549**	(30,168)	**–**	–
Increase in other operating assets	**13,276**	(9,677)	**–**	–
Decrease in tax balances	**(55,443)**	(32,919)	**(57,639)**	(46,073)
(Decrease)/increase in payables	**(73,958)**	61,819	**1,915**	–
(Decrease)/increase in other provisions	**(12,183)**	9,355	**(9,087)**	–
Net cash inflow from operating activities	**141,441**	116,409	**(2,678)**	(51,174)

Note 36. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 (Class Order), the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of a financial report and Directors' Report.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee (Deed). The effect of the Deed, dated 22 December 2006, is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the participating subsidiaries under certain provisions of the Corporations Act. If a winding up occurs under other provisions of the Corporations Act, the Company will only be liable in the event that after six months, any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event the Company is wound up.

The subsidiaries subject to the deed are:

- Aristocrat Technologies Australia Pty Limited
- Aristocrat International Pty Limited
- Aristocrat (Asia) Pty Limited
- Aristocrat (Macau) Pty Limited
- Aristocrat (Holdings) Pty Limited

The above named companies represent a Closed Group for the purposes of the Class Order, and as there are no other parties to the deed that are controlled by the Company, they also represent the Extended Closed Group.

Set out below is a consolidated statement of comprehensive income of the Closed Group:

	2009 $'000	2008 $'000
Revenue from continuing operations	**302,527**	297,517
Other income	**6,272**	13,247
Cost of revenue and other expenses	**(345,460)**	(106,678)
Employee benefits expense	**(130,583)**	(133,460)
Finance cost	**(14,877)**	(19,909)
Depreciation and amortisation expense	**(11,513)**	(10,169)
Share of net (losses)/profits of jointly controlled entity	**–**	–
(Loss)/profit before income tax	**(193,634)**	40,548
Income tax credit/(expense)	**54,987**	(2,378)
(Loss)/profit for the year	**(138,647)**	38,170

Set out below is a summary of movements in consolidated retained earnings of the Closed Group:

	2009 $'000	2008 $'000
Retained earnings at the beginning of the financial year	**146,200**	342,456
(Loss)/profit for the year	**(138,647)**	38,170
Dividends paid	**(72,480)**	(234,426)
Retained earnings at the end of the financial year	**(64,927)**	146,200

Note 36. Deed of Cross Guarantee continued

	2009 $'000	2008 $'000
Set out below is a consolidated statement of financial position of the Closed Group:		
Current assets		
Cash and cash equivalents	**12,866**	37,185
Receivables	**63,806**	68,614
Inventories	**22,334**	17,100
Other financial assets	**103**	–
Tax assets	**3,155**	26,385
Total current assets	**102,264**	149,284
Non-current assets		
Receivables	**–**	–
Inventories	**–**	–
Financial assets	**221,631**	252,432
Property, plant and equipment	**43,166**	48,286
Deferred tax assets	**105,629**	31,873
Intangible assets	**3,141**	1,693
Total non-current assets	**373,567**	334,284
Total assets	**475,831**	483,568
Current liabilities		
Payables	**55,082**	60,714
Borrowings	**–**	150,000
Provisions	**278,324**	19,513
Other liabilities	**13,388**	5,263
Total current liabilities	**346,794**	235,490
Non-current liabilities		
Payables	**23,254**	37,638
Interest bearing liabilities	**–**	145,000
Provisions	**4,466**	5,587
Other liabilities	**5,314**	6,095
Total non-current liabilities	**33,034**	194,320
Total liabilities	**379,828**	429,810
Net assets	**96,003**	53,758
Equity		
Contributed equity	**185,471**	(67,358)
Reserves	**(24,541)**	(25,084)
Retained earnings	**(64,927)**	146,200
Total equity	**96,003**	53,758

Directors' declaration

For the year ended 31 December 2009

In the Directors' opinion:

(a) the financial statements and notes set out on pages 61 to 127 are in accordance with the *Corporations Act 2001* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance, for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 36.

The Directors have been given declarations by the Chief Executive Officer and Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

DJ Simpson
Chairman

Sydney
23 February 2010

Independent Auditor's Report

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Independent auditor's report to the members of Aristocrat Leisure Limited

Report on the financial report

We have audited the accompanying financial report of Aristocrat Leisure Limited (the company), which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Aristocrat Leisure Limited and the Aristocrat Leisure Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report continued

Independent auditor's report to the members of Aristocrat Leisure Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Aristocrat Leisure Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 49 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aristocrat Leisure Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

R L Gavin
Partner

Sydney
23 February 2010

Shareholder Information

Distribution of equity securities as at 23 February 2010

Size of holding	Holders of Performance Share Rights[1]	Shareholders	Number of shares[2]	% of issued capital
1–1,000	**704**	**6,860**	**3,113,869**	**0.584**
1,001–5,000	**40**	**5,454**	**13,177,773**	**2.471**
5,001–10,000	**43**	**1,092**	**7,734,279**	**1.450**
10,001–100,000	**105**	**621**	**13,773,139**	**2.582**
100,001–over	**9**	**90**	**495,580,288**	**92.913**
Total	**901**	**14,117**	**533,379,348**	**100.000**
Less than a marketable parcel of $500.00	**2**	**1,219**	**55,885**	**0.011**

1 All share rights allocated under the 'Three Plus' Performance Plan (Plan) to take up ordinary shares in the capital of the Company subject to the rules of the Plan are unquoted and non-transferable

2 Fully paid ordinary shares (excludes unvested performance share rights that have not been converted into shares).

Substantial shareholders as at 23 February 2010

Lazard Asset Management Pacific Co. advised that, as at 14 December 2009, it and its associates had a relevant interest in 41,533,448 shares, which represented 7.79% of Aristocrat's total issued capital.

The Commonwealth Bank of Australia advised that, as at 26 November 2009, it and its associates had a relevant interest in 46,114,262 shares, which represented 8.65% of Aristocrat's total issued capital.

Maple-Brown Abbott Limited advised that, as at 27 November 2008, it and its associates had a relevant interest in 40,126,516 shares, which represented 8.81% of Aristocrat's total issued capital.

National Australia Bank Limited advised that, as at 29 April 2009, it and its associates had a relevant interest in 37,468,485 shares, which represented 7.213% of Aristocrat's total issued capital.

Twenty largest shareholders as at 23 February 2010

Name	Number of ordinary shares held	% issued capital
National Nominees Limited	99,209,481	18.600
HSBC Custody Nominees (Australia) Limited	76,775,828	14.394
J P Morgan Nominees Australia Limited	67,386,808	12.634
Citicorp Nominees Pty Limited	57,352,943	10.753
Writeman Pty Limited	31,394,622	5.886
Serioso Pty Limited	31,029,564	5.818
Thunderbirds Are Go Pty Limited	26,966,208	5.056
Maaku Pty Limited	16,104,872	3.019
Cogent Nominees Pty Limited	15,050,182	2.822
Arminella Pty Limited	10,655,500	1.998
ECA 1 Pty Limited	8,857,359	1.661
RBC Dexia Investor Services Australia Nominees Pty Limited	7,805,509	1.463
CJHA Pty Limited	7,600,000	1.425
ANZ Nominees Limited	5,864,840	1.100
Tasman Asset Management Limited	4,764,952	0.893
Australian Reward Investment Alliance 1	4,579,918	0.859
UBS Nominees Pty Limited	3,553,700	0.666
Queensland Investment Corporation	3,222,617	0.604
M F Custodians Limited	2,991,301	0.561
UBS Wealth Management Australia Nominees Pty Limited	2,472,256	0.464

Shareholder Information continued

Voting rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy has one vote and upon a poll, each share has one vote. Performance share right holders have no voting rights.

Regulatory considerations affecting shareholders

Aristocrat Leisure Limited and its subsidiaries could be subject to disciplinary action by gaming authorities in some jurisdictions if, after receiving notice that a person is unsuitable to be a shareholder, that person continues to be a shareholder. Because of the importance of licensing to the Company and its subsidiaries, the Constitution contains provisions that may require members to provide information and also gives the Company powers to divest or require divestiture of shares, suspend voting rights and withhold payments of certain amounts to shareholders or other persons who may be unsuitable.

Shareholder enquiries

You can access information about Aristocrat Leisure Limited and your holdings via the internet. Aristocrat's website, www.aristocratgaming.com, has the latest information on Company announcements, presentations and reports. Shareholders may also communicate with the Company via its website. In addition, there is a link to the Australian Securities Exchange to provide current share prices. The share registry manages all your shareholding details. Visit www.registries.com.au and access a wide variety of holding information, make changes to your holding record and download forms. You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your InvestorServe PIN.

Dividends

Electronic funds transfer

In 2007, the Company introduced a mandatory direct payment of dividends program for shareholders resident in Australia who were requested to complete and submit a *Direct Credit of Dividends Form* (available from the Company's website) and return it to the Company's share registrar. Shareholders who have not completed and returned this form will receive a notice from the Company's share registrar advising that:

(i) the relevant dividend amount is being held as direct credit instructions have not been received;

(ii) the relevant dividend will be credited to the nominated bank account as soon as possible on receipt of direct credit instructions; and

(iii) no interest is payable on the dividend being withheld.

Such notices are sent to shareholders who have not completed and submitted a *Direct Credit of Dividends Form* on the payment date of the relevant dividend.

Dividend cheques

Dividend cheques (shareholders resident outside Australia) should be banked as soon as conveniently possible.

Dividend Reinvestment Plan

The Directors consider whether the Company's Dividend Reinvestment Plan (DRP) should operate each time a dividend is declared.

The Board has determined that no final dividend will be paid for the 2009 year.

The DRP Rules and the '*Dividend Reinvestment Plan Application or Variation Form*' are available from the Company's share registrar, Registries Limited, on +61 2 9290 9682 or email registries@registries.com.au.

Corporate Directory

Directors

DJ Simpson
Chairman

JR Odell
Chief Executive Officer and Managing Director

WM Baker
Non-Executive Director

ID Blackburne
Non-Executive Director (Elect)

RA Davis
Non-Executive Director

RV Dubs
Non-Executive Director

P Morris
Non-Executive Director

SW Morro
Non-Executive Director (Elect)

SAM Pitkin
Non-Executive Director

Company Secretary

PJ McGlinchey

Global headquarters

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Internet site

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The Americas

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Investor contacts

Share registry

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Email: registries@registries.com.au
Website: www.registries.com.au

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 1171
Australia

Stock exchange listing

Aristocrat Leisure Limited
Ordinary shares are listed on the Australian Securities Exchange

Code: ALL

Investor email address

Investors may send email queries to:
investor.relations@ali.com.au

Mixed Sources
Product group from well-managed forests and recycled wood or fiber
www.fsc.org Cert no. SGS-COC-003898
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