ARISTOCRAT LEISURE LIMITED

ABN 44 002 818 368

2010 PROFIT ANNOUNCEMENT

RESULTS TO BE RELEASED TO THE MARKET

ANNUAL INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.3A

ARISTOCRAT LEISURE LIMITED
BUILDING A PINNACLE OFFICE PARK
85 EPPING ROAD
NORTH RYDE NSW 2113

2010 PROFIT ANNOUNCEMENT CONTENTS

ARISTOCRAT LEISURE LIMITED

A.B.N. 44 002 818 368

APPENDIX 4E

Preliminary Final Report

Year ended: 31 December 2010

Previous corresponding period: 31 December 2009

Results for announcement to the market

				December 2010 $'000
Revenue from ordinary activities	down	-25.1%	to	680,510
Profit from ordinary activities after tax	up	149.4%	to	77,751
Profit for the period attributable to members	up	148.9%	to	77,194
Earnings before interest and tax	up	34.9%	to	110,658
Operating cash flow	down	-214.9%	to	(162,520)

Dividends

	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current year – 2010:			
- Interim dividend	3.5c	0.0c	9 September 2010
- Final dividend	1.5c	0.0c	7 March 2011
Previous year – 2009:			
- Interim dividend	4.5c	4.5c	8 September 2009
- Final dividend	0.0c	0.0c	Not applicable

Dividend Reinvestment Plan

The directors have determined that the Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will remain active in respect of the 2010 final dividend (for shareholders resident in Australia and New Zealand). The DRP participants will be issued shares which will rank equally with existing shares on issue. In accordance with the DRP rules, the DRP issue price will be calculated by reference to the arithmetic average of the daily VWAPs over a period of ten days commencing on 8 March 2011. A 2.5% discount is applicable, and the number of ordinary shares DRP participants will receive will be rounded up to the nearest share.

Any shareholder who wishes to participate in the DRP or to change their current application in the DRP must lodge an application or variation notice on or before 5.00pm on 7 March 2011 to the Company's share registry, Registries Limited.

Net tangible assets

	December 2010	December 2009
Net tangible assets per security	$ 0.14	$ 0.07

For further explanation of the above figures please refer to the media release, review of operations and market presentations. Other financial information required by the Appendix 4E is contained in the financial statements.

Review of operations
for the full year ended 31 December 2010
Aristocrat Leisure Limited
ABN 44 002 818 368

Summary

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

$ million	Constant currency** FY 2010	FY 2010	FY 2009	Variance vs FY 2009 Constant currency** %	Variance vs FY 2009 Reported %
Normalised results*					
Total segment revenue from ordinary activities	760.0	684.6	908.6	(16.4)%	(24.7)%
Earnings before interest, tax and D&D costs	217.2	194.5	283.3	(23.3)%	(31.3)%
Earnings before interest and tax (EBIT)	99.6	84.7	169.9	(41.4)%	(50.1)%
Profit after tax	66.6	55.2	116.9	(43.0)%	(52.8)%
Profit after tax and non-controlling interest	66.0	54.6	116.4	(43.3)%	(53.1)%
Earnings per share (fully diluted)	12.4c	10.3c	23.0c	(46.1)%	(55.2)%
Total dividend per share	5.0c	5.0c	4.5c	11.1%	11.1%
Reported results					
Profit / (loss) after tax and non-controlling interest	88.7	77.2	(157.8)	156.2%	148.9%
Balance sheet / cashflow					
Net working capital / revenue	18.2%	20.2%	14.3%	3.9pts	5.9pts
Operating cash flow *	86.6	73.6	157.8	(45.1)%	(53.4)%
Cash flow per share (fully diluted) *	16.3c	13.9c	31.2c	(47.8)%	(55.4)%
Closing net debt	290.7	285.8	75.3	(286.1)%	(279.5)%

* Before the net impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group. Refer page 5.
** Full year 2010 result adjusted for translational exchange rates using rates applying in 2009.

The Group reported a normalised profit after tax and non-controlling interest of $54.6 million, representing a 53.1% decline compared with the prior corresponding period's result of $116.4 million. In constant currency terms, the full-year result declined 43.3% compared with the prior period.

More specifically, the result was driven by:

North America: Local currency performance has decreased on the prior year impacted by continued soft market conditions, unchanged replacement cycle, and limited new openings and expansions. While the market declined an estimated 12.0%, the Group increased its ship share and improved its average selling price (ASP) through the release of the *Viridian WS*, *Viridian Slant Vii* and strong game performance. Contributions from gaming operations, declined year on year, driven by a reduction in the installed base and fee per day (FPD) influenced by legacy product and the timing of new product releases skewed towards the fourth quarter of 2010.

Australia: Performance was significantly down on the prior year, mainly driven by declining legacy game performance in New South Wales (NSW) and Queensland (QLD), insufficient games into QLD and the lack of a widescreen offering. Legacy games required price support resulting in reduced revenues, selling prices and margins. The prior period was also favourably impacted by the *Indian Dreaming* revocation and the take-off of product licensing agreements.

Japan: Despite significant improvement in the pachislot market shipments this period (30% increase), sales were heavily weighted towards a handful of competitor's premium licensed titles. The Group's performance was unfavourable year on year, selling less units and not realising the benefits of a larger market due to intensely competitive market conditions and a lack of key competitive titles and technology.

Rest of World: Strong performance in Asia Pacific and Europe was offset by lower performance elsewhere, driven by weak economic performance across most of the portfolio and limited activity from New Zealand. Importantly, the Group held share in the segment despite continuing strong competition.

Reported results included a net abnormal profit after tax of $22.6 million comprised of profit recognised on the disposal of the Group's investment in Elektronč`ek, a favourable adjustment realised on the lower than expected convertible bonds damages settlement that was partially offset by the impairment on gaming operations fixed assets and restructuring costs.

Fully diluted normalised operating earnings per share of 10.3 cents represent a 55.2% decline on the prior year. Consistent with earnings, operating cash flow per share declined by 55.4% to 13.9 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 period which are considered abnormal on the basis that they are not representative of the underlying operational performance of the Group and are non-recurring in nature.

Note that with effect from this reporting period, supply chain margins, which previously had been treated as unallocated, have now been allocated to the individual segment whose activity generated the margin so as to better reflect the underlying profitability of individual segments.

Summary profit and loss

$ million	FY 2010	FY 2009	Variance %
Segment revenue			
Australia	137.6	207.8	(33.8)%
North America	323.1	405.6	(20.3)%
Japan	48.5	106.1	(54.3)%
Rest of World	175.4	189.1	(7.2)%
Total segment revenue	**684.6**	**908.6**	**(24.7)%**
Segment profit			
Australia	23.3	73.4	(68.3)%
North America	126.7	156.2	(18.9)%
Japan	6.0	17.7	(66.1)%
Rest of World	55.8	56.6	(1.4)%
Total segment profit	**211.8**	**303.9**	**(30.3)%**
Unallocated expenses			
Group D&D expense	(109.8)	(113.4)	3.2%
Foreign exchange	0.6	2.3	(73.9)%
Corporate	(17.3)	(21.2)	18.4%
Share of losses - Elektronček	(0.6)	(1.7)	64.7%
Total unallocated expenses	**(127.1)**	**(134.0)**	**5.1%**
EBIT	**84.7**	**169.9**	**50.1%**
Interest	(13.5)	(13.9)	2.9%
Profit before tax	**71.2**	**156.0**	**(54.4)%**
Income tax	(16.0)	(39.1)	59.1%
Profit after tax	**55.2**	**116.9**	**(52.8)%**
Non-controlling interest	(0.6)	(0.5)	(20.0)%
Profit after tax after non-controlling interest	**54.6**	**116.4**	**(53.1)%**

Key metrics	FY 2010	FY 2009	Variance Pts
Segment profit margin %			
Australia	16.9%	35.3%	(18.4)
North America	39.2%	38.5%	0.7
Japan	12.4%	16.7%	(4.3)
Rest of World	31.8%	29.9%	1.9
Overall segment profit margin	**30.9%**	**33.4%**	**(2.5)**
% of revenue			
Group D&D expense	16.0%	12.5%	3.5
Earnings before interest and tax	12.4%	18.7%	(6.3)
Profit after tax and non-controlling interest	8.0%	12.8%	(4.8)

Revenue

Segment revenue declined $224.0 million (24.7%) in reported currency (16.4% in constant currency), reflecting the impact of lower sales volumes predominantly across the Group's core markets of North America, Australia and Japan. Soft economic conditions and weak operator capital spend in North America, the lack of competitive product in Australia and the lack of a competitive licensed game in Japan resulted in lower volumes. Unfavourable foreign exchange translation impacts also influenced reported North America revenue.

These negatives were partially offset by strong performance in Asia Pacific, driven by sales to the two new Singapore casinos Resorts World Sentosa and Marina Bay Sands, where the Group achieved the highest individual supplier floor shares.

North American revenue decreased $82.5 million (20.3%) in Australian dollar terms while in local currency the decline was US$25.6 million (7.9%), primarily driven by lower sales volumes as a result of poor economic and operator conditions and lower contribution from gaming operations. Despite the market declining approximately 12%, ship share increased and average selling price improved. Gaming operations were impacted by a lower year on year install base and lower fee per day. The install base was impacted by the removal of legacy products (returns) which continued to outpace new product releases. The decline in FPD was also influenced by the continued aging of the install base in the absence of new product releases during the period, as well as the continued trend of lower operator revenues. Systems revenue was down on a lower number of new casino installs compared to the prior year (8 compared to 14).

Australian revenue declined $70.2 million (33.8%), mainly driven by lower sales as a result of weak game performance, lower average pricing, insufficient product for the QLD market and the lack of a widescreen offering. This is against the back drop of non recurring licensing and games conversion activity in the prior year that was largely driven by regulatory and one off market opportunities (*Indian Dreaming* revocation).

In Japan, revenue fell $57.6 million (54.3%) in Australian dollar terms, while in local currency the decline was 54.7% due to a highly competitive market dominated by a handful of premium licensed releases. The Group's volumes fell 52.0% compared to the prior corresponding period, reflecting a lack of key competitive titles and technology. Of the four products released during the period the most prominent, licensed title *Mach GoGoGo 3*™, fell short of expectations.

In the Rest of World segment, in Australian dollars overall revenue was down by $13.7 million (7.2%) while in constant currency overall revenue improved by $10.0 million (5.3%). Asia Pacific was the strongest performing region (typified by the high share of new casino openings in Singapore), with favourable performance also delivered by Europe, driven by growth from Spain and the German Street market. Performance in these regions was partially offset by a lack of activity in New Zealand, and lower volumes in ACE and South Africa.

Earnings

Segment profit in reported currency declined $92.1 million (30.3%) compared with the prior corresponding period (21.2% in constant currency). The decline was driven by declines in Australia of $50.1 million, in North America of $29.5 million (7.0% in local currency), in Japan of $11.7 million (69.4% in local currency), and in New Zealand of $12.1 million, primarily due to lower revenue. This has partially been offset by strong profit performance in the Asia Pacific region, which improved 28.6% in reported currency (58.2% in constant currency), and Europe.

Despite unit sales in North America being lower than in the prior year, improved price and margin resulted in slightly improved profit over the prior year. This was more than offset by revenue declines in gaming operations (install base and fee per day) and lower new systems installations compared to the prior corresponding period.

Total unallocated expenses decreased by $6.9 million (5.1%), principally reflecting lower reported design and development and corporate costs offset by reduced gains from foreign exchange.

Cost control remains a key focus of the Group's turnaround strategy. Corporate costs declined 18.4% compared to the prior corresponding period and Group SMG&A costs showed a similar trend, declining 12.8% overall (7.1% in constant currency).

The Group's investment in its future through design and development (D&D) spend rose as a percentage of revenue to 16.0% (15.5% on a constant currency basis) from 12.5% (12.1% on a constant currency basis) of revenues in the prior corresponding period. Total reported spend declined $3.6 million or 3.2% compared to the prior corresponding period, and increased by 3.7% on a constant currency basis. The underlying increase in D&D spend as a percentage of revenue is consistent with the Group's turnaround strategy as it invests in better games development and new technology. The design and development headcount has grown significantly in the period and is currently at 761 full-time equivalents (FTE) compared to 644 FTEs as at 31 December 2009, influenced by the ramp up of the Indian Development Centre.

Net interest expense was marginally down reflecting lower average net debt levels held for the most part of the year. At period end, the Group was carrying higher levels of debt following the settlement of convertible bond litigation and the associated damages payment in September 2010.

The effective tax rate on the normalised result is 22.5%. This is lower than the 25.1% recorded in the prior corresponding period. The reduction in the effective tax rate was driven by the mix of earnings and the lower relative levels of earnings.

The decline in profit after tax has resulted in basic and fully diluted earnings per share falling by 12.7 cents (down 55.2%) to 10.3 cents.

Abnormal items

	Full year 2010	
$ million	**Before tax**	**After tax**
Convertible bonds settlement	35.8	22.1
Profit on disposal of investment in Elektronček	12.7	12.7
Impairment of gaming operation assets	(12.5)	(8.1)
Restructuring costs	(6.1)	(4.1)
Net abnormal profit	**29.9**	**22.6**

Convertible bond settlement: The Group's reported result after tax for the year included an abnormal net profit after tax of $22.1 million arising from the release of the bond settlement provision that was raised in 2009 realised on the lower than expected final damages settlement.

Profit on disposal of investment in Elektronček: The Group's reported result after tax for the year included an abnormal net profit after tax of $12.7 million arising from the disposal of its investment in Elektronček. The divestment of Elektronček is consistent with the Group's strategy to exit non-core businesses and to focus resources on its core business of video and stepper reel games and systems. Proceeds from this transaction were received during the period following regulatory approval of the divestment.

Impairment of gaming operations assets: The Group's reported result after tax for the year included an abnormal loss of $8.1 million arising from the write down of *Viridian 19″* machines. Following the successful release of the *Viridian WS*, the level of churn in the install base of *Viridian 19″* machines has increased, with a shift to *Viridian WS*.

Restructuring costs: Restructuring costs of $4.1 million after tax were incurred in the period as the Group continues to drive a more efficient cost base. Restructuring activities were focused on the Australian and Japanese businesses, with an objective of reducing the fixed cost base supporting these businesses, as well as the D&D function, as the efficiency benefits of the Indian Development Centre are realised.

Balance sheet

The balance sheet can be summarised as follows:

$ million	**31 Dec 2010**	**31 Dec 2009**
Net working capital	138.0	129.7
Other current/non-current assets	96.8	93.7
Property, plant and equipment	100.1	120.5
Investments in associate and other companies	1.5	6.2
Intangibles	114.0	118.5
Other current/non-current liabilities	(89.5)	(357.1)
Net tax balances	112.8	117.6
Funds employed	**473.7**	**229.1**
Net debt	(285.8)	(75.3)
Total equity	**187.9**	**153.8**

Significant balance sheet movements from 31 December 2009 are:

Net working capital: As a percentage of the last 12 month's revenue, net working capital was 20.2% at 31 December 2010, up 5.9% from 14.3% at 31 December 2009. This was principally driven by reduced revenues, and an increase in the range of inventory held as a result of the new product launches for the *Viridian WS* in Australia and North America and the *Viridian Slant Vii* and *VERVE hd* in North America.

Property, plant and equipment: The $20.4 million decline primarily represents the depreciation charge for the year ($30.5 million), the impairment of gaming operations assets and translational foreign exchange partially offset by net capital additions, primarily relating to gaming operation units in North America.

Other current/non-current liabilities: The decrease primarily reflects the release of the convertible bond provision raised in 2009 following settlement of damages.

Net debt: The increase in the Group's net debt was mainly driven by the payment of the convertible bond damages settlement.

Intangible assets: The $4.5 million decrease primarily reflects the retranslation of foreign currency denominated intangible assets (primarily in North American and ACE businesses) at closing foreign exchange rates ($10.6 million) and amortisation, partially offset by the acquisition of intangible assets in Japan.

Total equity: The change in total equity predominantly reflects net reported profit of $77.2 million for the period, offset by a $28.5 million increase in the foreign currency translation reserve, and the current year $18.6 million interim dividend payment.

Statement of cash flows

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

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

$ million	**FY 2010**	**FY 2009**
Net debt - opening balance	**(75.3)**	**(376.4)**
Normalised net cash inflow from operating activities	**73.6**	**157.8**
Cash effect of abnormal items	(236.1)	(16.4)
Net cash flow from operating activities	**(162.5)**	**141.4**
Investing cash flows	(35.4)	(39.9)
Financing cash flows	(17.5)	171.4
Movement in net cash	**(215.4)**	**272.9**
Effect of exchange rate changes on net debt	4.9	28.2
Net debt - closing balance	**(285.8)**	**(75.3)**

Normalised operating cash flow of $73.6 million was $84.2 million lower than in the prior period and represents 10.8% of revenues driven by lower normalised earnings.

The abnormal cash impact of $236.1 million relates predominantly to the settlement of the convertible bond damages.

Fully diluted operating cash flow per share decreased from 31.2 cents to 13.9 cents.

The net cash outflow from investing activities primarily represents investment in plant and equipment, predominantly for gaming operation units in North America, investment in software assets and the acquisition of Spiky intangibles in Japan, partially offset by proceeds on the disposal of the Elektrončec investment.

The net cash flow from financing activities is primarily driven by payments of dividends.

Foreign exchange movements had a favourable impact of $4.9 million on the net debt position during the period.

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

Capital management

The Group remains prudent in its approach to balance sheet management, with the recent finalisation of the US convertible bond litigation having a significant impact on Group borrowings as was anticipated.

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. The company remains committed to reducing borrowing and gearing to more conservative levels than those currently prevailing, following the settlement of the convertible bond litigation.

Dividends

The Directors have authorised a final dividend in respect of the year ended 31 December 2010 of 1.5 cents per share ($8.0 million). The dividend will be unfranked and is expected to be declared and paid on 28 March 2011 to shareholders on the register at 5.00pm on 7 March 2011. The Dividend Reinvestment Plan (DRP) will be activated in respect of this dividend (for shareholders resident in Australia and New Zealand), with DRP participants to be issued shares. In accordance with the DRP rules, the DRP issue price will be calculated by reference to the arithmetic average of the daily volume weighted average prices over a period of ten days commencing on 8 March 2011. A 2.5% discount is applicable with, the number of ordinary shares DRP participants will receive being rounded to the nearest share. The dividend will be funded by way of a fully underwritten DRP.

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. As noted previously, based on the current mix of earnings and the impact of prior period abnormal items, the 2010 final dividend and dividends paid over the medium term are not expected to be fully franked.

Total dividends in respect of the 2010 year amount to 5.0 cents per share compared to 4.5 cents per share in the prior corresponding period. Total 2010 dividends represent a payout ratio of 49% of normalised earnings. It remains the Group's intention to maintain an annual earnings payout ratio within its stated 50% -70% range over the medium term.

Bank facilities

The Group had committed bank facilities of $500.0 million at 31 December 2010, of which $298.7 million were drawn compared to $127.1 million at 31 December 2009. Net debt levels at 31 December 2010 increased to $285.8 million from $75.3 million as at 31 December 2009. This increase in drawn facilities primarily reflects the impact of the US convertible bond litigation settlement in September 2010.

The Group's facilities are summarised as follows:

Facility	Drawn as at 31 December 2010	Limit	Maturity Date
3 year debt	A$298.7m	A$500.0m	June 2013

This term facility will continue to satisfy the ongoing requirements of the business and provides sufficient flexibility to execute strategic opportunities as they arise.

Debt ratios

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

Ratio	31 Dec 2010	31 Dec 2009
EBITDA*/interest expense**	9.0X	12.6X
Debt/EBITDA*	2.5X	0.7X
Net debt/EBITDA*	2.3X	0.4X

* EBITDA and interest expense are based on the preceding 12 month results. EBITDA represents bank EBITDA, which is inclusive of interest received but excludes the impact of abnormal items.

** Interest expense shown above includes ongoing finance fees relating to bank debt facility arrangements, such as line fees.

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 for the business. The Group's Standard & Poor's credit rating is BB+.

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, on average, stronger against the US dollar but broadly neutral against the Yen in 2010 compared to 2009. The impact of translating foreign currency (translational impact) decreased revenue by $75.4 million while decreasing reported profit after tax and non-controlling interest by $11.45 million when compared with rates prevailing in the respective months in the prior year.

In addition, the net effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was a favourable $91.6 million (compared to a favourable $63.1 million as at 31 December 2009), as the Australian dollar at 31 December 2010 was stronger than at 31 December 2009.

Based on the Group's 2010 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 US$:A$ exchange rate results in an estimated $1.1 million translational impact on the Group's reported profit after tax. This impact will vary as the magnitude of overseas profits change.

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

A$:	31 Dec 2010	30 Jun 2010	31 Dec 2009	2010 Average*	2009 Average*
USD	1.0170	0.8523	0.8969	0.9200	0.8880
NZD	1.3256	1.2308	1.2354	1.2785	1.2660
JPY	82.82	75.46	82.82	80.12	80.96
EUR	0.7684	0.6979	0.6241	0.6982	0.6779
SEK	6.8456	6.6185	6.3788	6.6128	6.5943
ZAR	6.7339	6.5059	6.6070	6.7155	6.7086

*Average monthly exchange rates only. No weighting applied.

Regional segment review

In this review, segment profit/(loss) is before abnormal items, charges for D&D expenditure and corporate costs. The total amount of these items, excluding abnormal items, is disclosed in the Group's statement of comprehensive income. Constant currency amounts refer to 2010 results restated using exchange rates applying in 2009.

Note that with effect from this reporting period, supply chain margins, that previously had been treated as unallocated, have now been allocated to the individual segment whose activity generated the margin so as to better reflect the underlying profitability of individual segments.

North America

US$ million	FY 2010	FY 2009	Variance	Variance %
Revenue	296.8	322.4	(25.6)	(7.9)%
Profit	116.1	124.9	(8.8)	(7.0)%
Margin %	39.1%	38.7%	-	0.4 pts
A$ million	**FY 2010**	**FY 2009**	**Variance**	**Variance %**
Revenue	323.1	405.6	(82.5)	(20.3)%
Profit	126.7	156.2	(29.5)	(18.9)%
Margin %	39.2%	38.5%	-	0.7 pts
Volume				
- Platforms	7,662	8,262	(600)	(7.3)%
- Conversions	7,114	7,723	(609)	(7.9)%
Average US$ price/unit	15,054	14,675	379	2.6%

	FY 2010	FY 2009	Variance	Variance %
Gaming operations units	5,670	6,409	(739)	(11.5)%
Gaming operations US$/day	38.53	42.12	(3.59)	(8.5)%

The North American gaming market remained challenging during the period, with no improvement in economic conditions. The overall market is estimated to have declined by approximately 12% compared to the prior corresponding period, with fewer new casino openings or expansions. There has been no significant improvement in the replacement cycle.

In local currency, revenue declined US$25.6 million (7.9%) and profit declined US$8.8 million (7.0%) compared to the prior corresponding period. Overall margin improved modestly, driven by higher ASP, although this was partially offset by the impact of lower sales volumes combined with a flat fixed cost base.

Despite the decline in the market, the Group realised continued improvement in ship share of outright unit sales, influenced by the release of its widescreen offerings, during the reporting period. Reflecting the smaller market size, units sold in the period declined 7.3% to 7,662 compared to a larger estimated decline in the market of approximately 12.0%. Overall profit contribution to the Group from unit sales improved marginally compared to the prior corresponding period despite the lower volume of unit sales representing improved margins driven by the release of the new *Viridian WS*™ and *Viridian Slant Vii*™ products during the reporting period. Sales of software conversions decreased 7.9% to 7,114 reflecting fewer MKVI game titles released to market as customers transition to the new *Gen7*™ platform and the Group reduces support for its MKVI platform.

The ASP achieved during the period was US$15,054 per unit, representing a 2.6% improvement over the prior corresponding period. This improvement was predominantly driven by the release of the new *Viridian WS* and *Viridian Slant Vii* products. The ASP for these new products for the period, was above the overall business ASP, however, this was partially offset by customer mix. The *Viridian WS* and *Viridian Slant Vii* have become well established across the North American marketplace, with over 5,000 installations at the period end.

The Group's gaming operations installed base declined 11.5% (739 units) during the year, from 6,409 at 31 December 2009 to 5,670 at 31 December 2010. This decline was largely driven by the aging profile of the Group's installed base and withdrawals that occurred prior to the release of planned new product. Most of the churn in the installed base during the period represented products existing at the beginning of the period which declined by 1,969 units, or 31% of the opening installed base. The release of the new *VERVE hd* cabinet and new games such as *Godard's Rockin' Olives*™, *Big Top Jackpot*, *Reel Tall Tales* and *Kentucky Derby*™ helped to mitigate the decline with a combined total of more than 850 units installed at the end of the period. Despite the increase in new games to support the gaming operations installed base, due to the timing of regulatory approval of the new games pipeline in the later part of the fourth quarter (except *Kentucky Derby*™) the installed base unit numbers were not maintained. The gaming operations installed base is expected to be restored as a result of the games released late in the fourth quarter of 2010 and a continuation of product scheduled for release through the course of the 2011 reporting period. This recovery will be led by new games developed for the *VERVE hd* cabinet such as *Godard's Rockin' Olives*™ , released in 2010 and performing well above the overall average FPD, followed by *Tarzan*™ and *Mission Impossible*™ scheduled for release in 2011.

The gaming operations average FPD declined from US$42 in 2009 to US$39 in 2010. The decline in FPD was influenced by the continued aging of the install base in the absence of new product releases through the period as well as the continued trend of lower operator revenues. Despite the reduced FPD, gaming operation margins were held steady. The FPD will benefit from the Group's release and installation of its new product pipeline through the replacement of lower FPD earning aged product. An improvement in operator revenues will also have an influence on FPD performance. In addition to the gaming operations installed base, there were a total of 1,875 standard game leases, earning an average US$20 per day, compared to 2,335 earning US$18 per day as at 31 December 2009. Similar to the gaming operations installed base, the standard game leases installed base decline was largely driven by an aging profile. Of the 2,335 units in the opening installed base, 945 units, or 40% were removed during the year. This decline was partially offset by the release of *Viridian WS*™ and *Viridian Slant Vii*™*,* with approximately 350 units in the field on standard leases at the end of the period.

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$48.2 million, down 20.7% on last year's result, with gross margin of US$29.9 million, down 9.1% on the prior period. The number of properties which use the *OASIS 360* Casino Management System in North America grew by nine new sites; however, due to a number of property closures, the total number of sites only grew by a net of two and now stands at 266 compared to 264 at the end of the prior corresponding period. During the year, the Group remained focused on a number of key systems development projects which are scheduled for completion in 2011, including *OASIS 360 nCompass, nVision* and *OmniView*. These projects are aimed at providing enhanced functionality to existing customers and realising sales into the current customer base, removing the level of reliance on new casino openings and expansions.

The 2011 outlook for improved industry and customer operating conditions will depend on the rate at which macro economic conditions and general consumer confidence improve. The Group expects marginal improvement in the replacement cycle to be more than offset by fewer new and expansion units, resulting in an overall market that is slightly down on 2010, excluding any new jurisdictional openings. The Group will focus on restoring and growing its gaming operations base on the strength of new product releases. Major jurisdictional expansion and new casino openings are expected from 2012 onwards.

Australia

A$ million	FY 2010	FY 2009	Variance	Variance %
Revenue	137.6	207.8	(70.2)	(33.8)%
Profit	23.3	73.4	(50.1)	(68.3)%
Margin %	16.9%	35.3%	-	(18.4) pts
Volume				
- Platforms	3,737	5,292	(1,555)	(29.4)%
- Conversions	8,949	11,636	(2,687)	(23.1)%
Average A$ price/unit	15,848	17,214	(1,366)	(7.9)%

Market conditions remained difficult in 2010, as indicated with NSW showing a 10% decline and QLD a 16% in units shipped compared to the prior corresponding period. The Group's performance was impacted by weak product performance of games released in late 2009 and early 2010 in the NSW and QLD markets, as the lack of an Aristocrat widescreen offering and insufficient product to meet emerging demand for mid-denomination games.

Revenue declined 33.8% and profit declined 68.3% compared to the prior corresponding period, driven by lower unit sales and conversions. Profit margin declined year on year by 18.4 percentage points. Excluding licence fees received in the prior year and not repeated in 2010, the year on year decline in profit margin was approximately 10 percentage points and was driven by product mix (lower conversions), lower average pricing and the size of the fixed cost base of the business relative to the significantly lower revenue base.

Platform unit sales reduced by 1,555 units or 29.4%, with less volume into the NSW and QLD markets, offset by an improvement in unit sales into the Victorian (VIC)/Tasmanian (TAS) market. The key factors causing the decline in sales into the NSW and QLD markets were game performance, insufficient product into QLD and the lack of a widescreen cabinet offering. The 3-year licence model continued to be offered in NSW and QLD, accounting for 28.8% of NSW and QLD platform sales in the period.

Game conversions were down 23.1% compared to the prior corresponding period, 3.1% when adjusted for the impact of the *Indian Dreaming*™ revocation in 2009. This reduction (excluding *Indian Dreaming*™*)* was driven by weak game performance in NSW, the lack of product in QLD and lower conversions in VIC. *Viridian*™ *Gen7*™ penetration across the market has not been significant enough to support the level of conversions the business has historically realised on MKVI cabinets.

As noted above, the lack of a widescreen cabinet and legacy games performance led to an increase in discounting in order to remain competitive in the market place resulting in a year on year decline in the ASP of 7.9%. Positively, however, new games showcased at Australian Gaming Expo (AGE) 2010 such as the *FA FA FA* link, *Players Choice Class Act* and *Rose Tattoo*™ have had solid sales and are performing well above floor average in the later part of the year.

In 2011, the Group expects improved performance in NSW and QLD supported by an improved product portfolio and more games. The Group has accelerated the launch of its widescreen cabinet into NSW and QLD in early 2011, with other states to follow over the balance of the year. This is the widescreen product that has been highly successful for the Group in North America and drove share gains there, tailored to Australian market requirements. The Group will launch a significantly improved games portfolio across all markets and segments, utilising its dedicated Australian games studio, with the games pipeline focusing on games quality in the core low denomination segments, introduction of a new mid-denomination category and increasing stand alone progressive category games, as well as expanding its MKVI games offering. Further, over 2011 the Group will continue to execute its strategy to build a world class business model for Australia with cost structures that are consistent with business needs and scalable operations to allow for rapid movements in the market place to position the Group well for when market and economic conditions improve.

The Group is also well prepared for the impact of any gaming reform and is actively participating with the industry and government to achieve an outcome that will lead to a sustainable vibrant Australian gaming industry.

Japan

¥ million	**FY 2010**	**FY 2009**	**Variance**	**Variance %**
Revenue	3,850.5	8,493.5	(4,643.0)	(54.7)%
Profit	462.3	1,511.3	(1,049.0)	(69.4)%
Margin %	12.0%	17.8%	-	(5.8) pts

A$ million	**FY 2010**	**FY 2009**	**Variance**	**Variance %**
Revenue	48.5	106.1	(57.6)	(54.3)%
Profit	6.0	17.7	(11.7)	(66.1)%
Margin %	12.4%	16.7%	-	(4.3) pts
Volume - Games	14,277	29,760	(15,483)	(52.0)%
Average ¥ price/unit	266,482	283,187	(16,705)	(5.9)%

The pachislot market shipped an estimated 850,000 units in 2010, an increase of 200,000 units (30% increase) on the prior corresponding period, as hall operators shifted from pachinko to pachislot games. Despite the increased shipments, the financial situation of hall operators has remained tight. It is estimated that the number of hall operators declined 1.2% to 12,500 halls during 2010 and the number of installed pachislot units declined 2.8% to 1.3 million units over the period. Volumes of the top three games sold each quarter reached 54% in 2010, an increase from 42% in 2009, with the improved demand in the market captured by a more concentrated number of suppliers. There has also been a shift to more entertaining games reliant on well recognised licensed characters included in strong LCD graphic displays.

In local currency, 2010 revenue declined by 54.7% against the prior corresponding period, driven by a 52% decline in unit volumes, reflecting a lack of key competitive titles and technology. The decline in revenues contributed to a 69.4% decline in profit, given the relatively fixed cost base of the business. Four games (*Kaiden Maru*, *Kyofu Shinbun 2™*, *Mach GoGoGo 3™* and *Mina™*) were marketed during 2010 with *Mach GoGoGo 3™* the only key licensed game released. *Mach GoGoGo 3™* did not perform to the level of previous releases (8,358 units sold) as a result of the intensely competitive market conditions that existed prior to and following the APEC (Asia Pacific Economic Cooperation) closure period in October and November. *Mina™* was the first game released under the Spiky brand following the acquisition earlier in the year and was distributed under new arrangements with one of Japan's largest distribution agents. *Mina™* units sold totalled 2,996 and were also impacted by the intensely competitive market conditions that existed prior to and following the APEC closure period.

The Group expects the Japanese pachislot market, which saw strong growth in 2010 to maintain this demand. However, 2011 is expected to remain very competitive, with hall operators' focus continuing to be on major titles. Two key games are planned for release in 2011, compared to one in 2010, both in the second half, and will incorporate a host of new features, leveraging technology improvements, as well as releasing a new cabinet and platform. One of these licences is an existing popular licence and the other is a new licensed character. The Group has refreshed its focus on investment in game design and development for quality games, as well as acquiring strong licensed titles. The Group has also commenced restructuring the Japanese operations to better position itself for market conditions in the foreseeable future, achieving more focus on the core design and development of licensed games while outsourcing non-core functions and significantly reducing its overall cost base.

Rest of World

Rest of World				
A$ million	Constant Currency			
Revenue	FY 2010	FY 2009	Variance	Variance %
Other International	127.9	100.4	27.5	27.4%
Latin America	30.1	23.8	6.3	26.5%
New Zealand	11.4	28.8	(17.4)	(60.4)%
ACE	29.7	36.1	(6.4)	(17.7)%
TOTAL	**199.1**	**189.1**	**10.0**	**5.3%**

A$ million	Constant Currency			
Profit	FY 2010	FY 2009	Variance	Variance %
Other International	54.0	34.6	19.4	56.1%
Latin America	11.5	11.5	0.0	0.0%
New Zealand	1.3	13.1	(11.8)	(90.1)%
ACE	(2.5)	(2.6)	0.1	(3.8)%
TOTAL	**64.3**	**56.6**	**7.7**	**13.6%**
Margin %	32.3%	29.9%	-	2.4 pts

A$ million	FY 2010	FY 2009	Variance	Variance %
Revenue	175.4	189.1	(13.7)	(7.2)%
Profit	55.8	56.6	(0.8)	(1.4)%
Margin %	31.8%	29.9%	-	1.9 pts
Volume - Platforms	7,239	6,123	1,116	18.2%

The Group experienced strong growth from the Rest of World segment, with revenues and profits increasing by 5.3% and 13.6% respectively in constant currency, and margin improving 2.4 percentage points in subdued economic and market conditions. This was largely driven by increased platform volumes of 18.2% on the back of strong performances in Asia Pacific, Europe and Latin America offset by declines in New Zealand and South Africa.

As noted at the half year, Asia Pacific continued to be the strongest performing region, with full year revenues and profits growing markedly over the prior corresponding period with growth of 63.4% and 58.2% respectively in local currency terms. This was driven by strong sales to the two new Singapore casinos, Resorts World Sentosa and Marina Bay Sands, where the Group achieved the highest floor shares of any individual supplier. In the Macau market, the Group has continued to build on its market share on the back of strong performance of its *FaFaFa* and *Yellow Dragon* hyperlinks.

In Europe, revenues increased by 7.9% and profits by over 500% in constant currency terms compared to the prior corresponding period driven by growth from Spain and the German Street market, where the Group provides content to two of the major suppliers of gaming machines in that market. The improved profit result and margins were primarily driven by the higher margin content supply contracts, as well as benefits driven from cost management activities conducted in late 2009 resulting in a reduction of fixed cost structures.

In South Africa, constant currency revenues and profits declined by 13.5% and 20.2% respectively compared to the prior corresponding period, reflecting depressed domestic economic conditions and restricted capital budgets of operators.

Market shares within Other International markets were generally more favourable. In the Asia Pacific region, the Group was successful in achieving the highest installed shares in both the two new Singapore casinos, building on its 55% to 60% Macau market share. Modest increases were realised in Europe on the back of good performance in Spain, and in South

Africa the Group improved on its 26% casino market share, however, increased competition and a drive by operators to increase variety on floors resulted in LPM market share declining to 76%.

In Latin America, sales grew strongly in the second half, driving an overall increase in constant currency revenue of 26.5% over the prior corresponding period. Profitability in constant currency was unchanged from the prior year due to an increase in the number and mix of lower margin used units and higher SMG&A costs, driven by costs associated with establishing a presence in Mexico. Revenue growth came primarily from the Group's operations in Mexico City that were opened in the first half. The Group expects a greater contribution in 2011 from the Latin American region, stemming mainly from its operations in Mexico.

As previously reported, performance in New Zealand was expected to be down markedly as that market cycled the mandatory introduction of random interrupt player information displays (PIDs) which drove intensive capital spend in 2009. As a result, revenue and profits declined 60.4% and 90.1% respectively in local currency compared to the prior corresponding period. The Group introduced its *Viridian WS* to the market late in the period and has received strong customer acceptance, which is expected to carry into 2011.

ACE revenues declined by 17.7% in constant currency, driven by reduced hardware sales partially offset by higher software related sales, including sales of *TruServ* system upgrades and related services under the Norsk Tipping contract. No further terminals were delivered under that contract this period compared to the 3,640 in the prior corresponding period. Game performance is continuing to improve following the release of *Dolphin Treasure* Despite the decline in revenue, the year on year profit result was flat due to an increase in higher margin product and services. The ACE business extended its presence in Europe when it secured its second multi year contract with Italian gaming company, Cogetech, to supply its *TruServ* server based gaming system, and over 2,200 terminals, games and associated services. ACE received approval for its system from the Italian regulator AAMS in September 2010 and went live with five games in October 2010. At the end of the reporting period 465 Aristocrat terminals were live on the system. The Group is pleased with progress to date and early performance of the system and Aristocrat's games has been encouraging. The Group continues to actively explore further value-adding opportunities for deploying its *TruServ* system solution and terminals in emerging video lottery terminal (VLT) markets and is investing in business development and further improvements to its VLT offer.

Trading conditions across the Rest of World portfolio are expected to remain challenging into 2011, however, benefits are expected to come from the Group's continuing strong game performance in Asia Pacific, further opportunities in the Mexican market, building on traction gained in New Zealand to date from the *Viridian WS*, building further momentum in Spain and from content supply to the German Street market, and increasing benefits as the roll out of terminals into the Italian VLT market progresses.

Aristocrat

Aristocrat Leisure Limited ABN 44 002 818 368
financial statements for the year ended 31 December 2010

These financial statements cover the consolidated entity consisting of Aristocrat Leisure Limited 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, which is not part of these financial statements.

These financial statements make reference to the Directors' Report and Remuneration Report which will be contained within the 2010 Annual Report.

PwC has audited these financial statements and has issued an unqualified audit report which will be available as part of the 2010 Annual Report.

The financial statements were authorised for issue by the directors on 24 February 2011. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, the Group 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 in the investor information section of the Company's website: www.aristocratgaming.com.

Financial statements

for the year ended 31 December 2010

Consolidated statement of comprehensive income

for the year ended 31 December 2010

		Consolidated	
		2010	2009
	Notes	**$'000**	$'000
Revenue	5	**680,510**	908,648
Cost of revenue		**(315,517)**	(413,567)
Gross profit		**364,993**	495,081
Other income	5	**24,533**	17,224
Design and development costs		**(109,814)**	(113,449)
Sales and marketing costs		**(76,705)**	(99,679)
General and administration costs		**(79,259)**	(470,143)
Restructuring costs		**(6,093)**	(17,757)
Finance costs		**(15,838)**	(17,413)
Share of net losses of jointly controlled entity	27	**(616)**	(1,745)
Profit/(loss) before income tax		**101,201**	(207,881)
Income tax (expense)/income	6	**(23,450)**	50,582
Profit/(loss) for the year		**77,751**	(157,299)
Other comprehensive income			
Exchange differences on translation of foreign operations	21(a) (i)	**(28,515)**	(65,594)
Other comprehensive income, net of tax		**(28,515)**	(65,594)
Total comprehensive income for the year		**49,236**	(222,893)
Profit/(loss) is attributable to:			
Owners of Aristocrat Leisure Limited		**77,194**	(157,838)
Non-controlling interest	22	**557**	539
		77,751	(157,299)
Total comprehensive income is attributable to:			
Owners of Aristocrat Leisure Limited		**48,679**	(223,432)
Non-controlling interest	22	**557**	539
		49,236	(222,893)
Earnings per share for profit attributable to the owners of the Company			
		Cents	Cents
Basic earnings per share	33	**14.5**	(31.3)
Diluted earnings per share	33	**14.5**	(31.3)

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

Non-statutory measure:

Normalised profit (as explained in Note 1) is presented below to assist users of the financial statements to understand Aristocrat's business results and reconciles with reported results as follows:

	Before Tax		After Tax	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Normalised profit (before non-controlling interest)	**71,234**	156,078	**55,127**	116,940
Significant items of income/(expense):				
Disposal of investment in jointly controlled entity	**12,727**	-	**12,727**	-
Property sales	**-**	8,827	**-**	8,827
Impairment of multi-terminal gaming businesses	**-**	(83,127)	**-**	(79,907)
Convertible Bond litigation	**35,839**	(267,588)	**22,088**	(187,312)
Restructuring costs	**(6,093)**	(17,757)	**(4,062)**	(12,591)
Legal settlement	**-**	(4,314)	**-**	(3,256)
Impairment of gaming operations assets	**(12,506)**	-	**(8,129)**	-
Reported profit/(loss)	**101,201**	(207,881)	**77,751**	(157,299)

Consolidated statement of financial position

as at 31 December 2010

	Notes	Consolidated 2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**19,840**	59,045
Trade and other receivables	9	**203,459**	253,347
Inventories	10	**85,952**	66,093
Financial assets	11	**5,864**	7,600
Other assets	12	**7,536**	8,515
Current tax assets		**8,311**	1,095
Total current assets		**330,962**	395,695
Non-current assets			
Trade and other receivables	9	**50,087**	41,179
Financial assets	11	**9,221**	15,680
Property, plant and equipment	13	**100,141**	120,459
Deferred tax assets	14	**104,518**	116,548
Intangible assets	15	**113,980**	118,547
Total non-current assets		**377,947**	412,413
Total assets		**708,909**	808,108
LIABILITIES			
Current liabilities			
Trade and other payables	16	**125,711**	162,835
Borrowings	17	**7,000**	7,245
Provisions	18	**15,053**	283,449
Other liabilities	19	**30,280**	32,293
Total current liabilities		**178,044**	485,822
Non-current liabilities			
Trade and other payables	16	**115**	159
Borrowings	17	**298,662**	127,104
Provisions	18	**18,044**	18,632
Other liabilities	19	**26,172**	22,530
Total non-current liabilities		**342,993**	168,425
Total liabilities		**521,037**	654,247
Net assets		**187,872**	153,861
Equity			
Contributed equity	20	**187,625**	185,320
Reserves	21(a)	**(117,827)**	(92,013)
Retained earnings	21(b)	**120,083**	61,498
Capital and reserves attributed to owners		**189,881**	154,805
Non-controlling interest	22	**(2,009)**	(944)
Total equity		**187,872**	153,861

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

Consolidated statement of changes in equity

for the year ended 31 December 2010

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to owners of Aristocrat Leisure Limited					
Balance at 1 January 2009		**(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 owners in their capacity as owners:							
Shares issued under dividend reinvestment plan (excluding transaction costs)	20	14,577	-	-	14,577	-	14,577
Contributions of equity, net of transaction costs and tax	20	238,041	-	-	238,041	-	238,041
Net movement in share-based payments reserve	21(a)(ii)	-	(2,028)	-	(2,028)	-	(2,028)
Issues from the Trust to satisfy vested shares	21(a)(iii)	-	4,371	-	4,371	-	4,371
Dividends provided for and paid	7	-	-	(69,169)	(69,169)	-	(69,169)
Dividends paid to non-controlling shareholder	22	-	-	-	-	(1,485)	(1,485)
Net movement in reserves attributable to non-controlling interest	22	-	-	-	-	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**
Total comprehensive income for the year		**-**	**(28,515)**	**77,194**	**48,679**	**557**	**49,236**
Transactions with owners in their capacity as owners:							
Shares issued under dividend reinvestment plan (excluding transaction costs)	20	**2,305**	**-**	**-**	**2,305**	**-**	**2,305**
Net movement in share-based payments reserve	21(a)(ii)	**-**	**(347)**	**-**	**(347)**	**-**	**(347)**
Issues from the Trust to satisfy vested shares	21(a)(iii)	**-**	**3,048**	**-**	**3,048**	**-**	**3,048**
Dividends provided for and paid	7	**-**	**-**	**(18,609)**	**(18,609)**	**-**	**(18,609)**
Dividends paid to non-controlling shareholder	22	**-**	**-**	**-**	**-**	**(1,590)**	**(1,590)**
Net movement in reserves attributable to non-controlling interest	22	**-**	**-**	**-**	**-**	**(32)**	**(32)**
		2,305	**2,701**	**(18,609)**	**(13,603)**	**(1,622)**	**(15,225)**
Balance at 31 December 2010		**187,625**	**(117,827)**	**120,083**	**189,881**	**(2,009)**	**187,872**

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

Consolidated statement of cash flows

for the year ended 31 December 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		781,064	1,021,371
Payments to suppliers and employees (inclusive of goods and services tax)		(694,305)	(855,584)
		86,759	165,787
Other income		1,406	2,069
Interest received		6,263	3,595
Interest paid		(13,977)	(17,086)
Income taxes paid		(13,521)	(12,924)
Convertible bond damages settlement		(229,450)	-
Net cash (outflow)/inflow from operating activities	34	(162,520)	141,441
Cash flows from investing activities			
Payments for property, plant and equipment		(37,954)	(60,095)
Payments for intangibles	15	(15,091)	(3,210)
Loan repayments from related party		1,044	1,297
Proceeds from sale of property, plant and equipment		751	22,044
Proceeds from sale of jointly controlled entity		15,804	-
Net cash outflow from investing activities		(35,446)	(39,964)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)	20	-	236,627
Repayments of borrowings		(126,772)	(323,707)
Proceeds from borrowings		307,205	18,111
Dividends paid to company shareholders	7	(16,304)	(63,741)
Dividends paid to non-controlling shareholder	22	(1,590)	(1,485)
Net cash inflow/(outflow) from financing activities		162,539	(134,195)
Net decrease in cash and cash equivalents		(35,427)	(32,718)
Cash and cash equivalents at the beginning of the year		59,045	106,243
Effects of exchange rate changes on cash and cash equivalents		(3,778)	(14,480)
Cash and cash equivalents at the end of year	8	19,840	59,045

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001.

(i) Compliance with IFRS

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(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 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.

(v) Significant items and normalised profit

To assist users of the financial statements in understanding the Group's business results, Aristocrat discloses normalised profit (before and after tax) as a footnote to its statement of comprehensive income.

Normalised profit (before and after tax) is statutory profit (before and after tax), excluding the impact of significant items. Significant items are items of income or expense which are, either individually or in aggregate, material to Aristocrat and:
- outside the ordinary course of business; or
- part of the ordinary activities of the business but unusual due to their size and nature.

(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 2010 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 or the consolidated entity.

Subsidiaries are all 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 acquisition method of accounting is used to account for the business combinations by the Group. Refer to Note 1(i).

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity respectively.

Note 1. Summary of significant accounting policies *continued*

(b) Principles of consolidation *continued*

(ii) Jointly controlled entities

The investment in a jointly controlled entity was accounted for in the consolidated financial statements using the equity method until the date of disposal. Under the equity method, the share of the profits or losses of the jointly controlled entity are recognised in the statement of comprehensive income, and the share of movements in reserves is recognised in reserves in the statement of financial position.

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 21(a)(ii) and (iii).

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments 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.

(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 profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

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.

Notes to the financial statements

for the year ended 31 December 2010

Note 1. Summary of significant accounting policies *continued*

(d) Foreign currency translation *continued*

(iii) Group companies

The results and financial position of all the Group entities (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 reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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.

(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.

Notes to the financial statements

for the year ended 31 December 2010

Note 1. Summary of significant accounting policies *continued*

(e) Revenue recognition *continued*

(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 reporting date in respect of future periods are treated as revenue in advance and are included in current liabilities.

(iii) Interest income

Interest income is recognised using the effective interest method.

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities, current income tax of prior years, unused tax losses and unused tax credits.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, respectively.

Note 1. Summary of significant accounting policies *continued*

(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 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 not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss 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 profit or loss 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 is depreciated over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, shares issued or liabilities incurred or assumed by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs for business combinations from 1 January 2010 are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Notes to the financial statements
for the year ended 31 December 2010

Note 1. Summary of significant accounting policies *continued*

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For cash flow statement 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.

(l) Trade receivables

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

Collectability of trade receivables 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 the receivables.

The amount of the impairment loss is recognised in the profit or loss 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 profit or loss.

(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.

Note 1. Summary of significant accounting policies *continued*

(o) 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 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.

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 profit or loss. 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 profit or loss 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 when the Group’s right to receive payments is established.

Note 1. Summary of significant accounting policies *continued*

(o) Investments and other 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.

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

Impairment

The Group assesses at each reporting 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 reclassified from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss.

(p) 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').

Where hedge accounting is adopted, 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 other comprehensive income and accumulated 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 to profit or loss 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(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.

(q) Fair value estimation

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

Note 1. Summary of significant accounting policies *continued*

(q) Fair value estimation *continued*

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 reporting 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.

(r) 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 profit or loss 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	25 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.

(s) 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 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 15.

(ii) Computer technology

Computer technology has a finite useful life and is carried at cost less accumulated amortisation and impairment 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*

(s) Intangible assets *continued*

(iii) Trademarks and licences

Trademarks and licences that have a finite useful life 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. Licences which have an indefinite life are not amortised, and are tested for impairment at each reporting date.

(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 reporting date, 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.

(t) 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(x).

(u) 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.

(v) 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 as incurred.

(w) 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.

Note 1. Summary of significant accounting policies *continued*

(w) Provisions *continued*

(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.

(ii) Warranties

Provision is made for the estimated liability on all products still under warranty at reporting 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 reporting 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.

(x) 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 reporting date 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 Long Term Performance Option Plan, the Performance Share Plan and the General Employee Share Plan.

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.

Note 1. Summary of significant accounting policies *continued*

(x) Employee benefits - payable *continued*

(iv) Share-based payments (continued)

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 21(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.

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 reporting date, 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 payables. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

(y) 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.

(z) 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 reporting date.

Note 1. Summary of significant accounting policies *continued*

(aa) 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.

(ab) 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.

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.

(ac) Rounding of amounts

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

(ad) Parent entity financial information

The financial information for the parent entity, Aristocrat Leisure Limited, disclosed in Note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Aristocrat Leisure Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Aristocrat Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aristocrat Leisure Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aristocrat Leisure Limited 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Aristocrat Leisure Limited for any current tax payable assumed and are compensated by Aristocrat Leisure Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aristocrat Leisure Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Note 1. Summary of significant accounting policies *continued*

(ad) Parent entity information *continued*

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

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.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available for sale financial assets. The Group has not yet decided when to adopt AASB 9.

The AASB has issued Interpretation 19 to clarify the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 January 2010) and the Group has not entered into any debt for equity swaps since that date.

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Aristocrat Leisure Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the revised reporting framework will have no impact on the financial statements of the entity.

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 co-operation 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.

(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 and US dollar denominated borrowings during 2010. There were no interest rate swaps in place at the end of the period (2009: nil).

The weighted average interest rate on the Group's borrowings at 31 December 2010 was 4.9% (2009: 0.8%).

Refer to Note 17 for further details of the Group's borrowings.

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 16(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 profit or loss 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).

(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.

Notes to the financial statements

for the year ended 31 December 2010

Note 2. Financial risk management *continued*

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group'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

2010	Carrying amount $'000	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% Equity $'000	Price risk +10% Equity $'000
Financial assets							
Cash and cash equivalents	19,840	(181)	181	(123)	150	-	-
Receivables	248,179	-	-	(1,223)	1,001	-	-
Loans - other	5,367	(54)	54	597	(488)	-	-
Financial assets:							
Equity securities available-for-sale, current	4,624	(46)	46	-	-	-	-
Equity securities available-for-sale, non-current	1,391	-	-	-	-	(139)	139
Debt securities held-to-maturity	8,956	(90)	90	-	-	-	-
Financial liabilities							
Payables	125,826	-	-	115	(188)	-	-
Borrowings	305,662	3,056	(3,056)	-	-	-	-
Progressive jackpot liabilities	11,626	116	(116)	-	-	-	-
Total increase/(decrease)		**2,801**	**(2,801)**	**(634)**	**475**	**(139)**	**139**

2009	Carrying amount $'000	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% Equity $'000	Price risk +10% Equity $'000
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*

(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 of the undrawn borrowing facilities below) on the basis of expected cash flow.

Financing arrangements
The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2010	2009
	$'000	$'000
Floating Rate		
- Expiring within one year (bank loans and bank overdrafts)	**26,791**	262,245
- Expiring beyond one year (bank loans)	**201,338**	458,016
	228,129	720,261

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 financial liabilities into relevant maturity grouping as follows:
(a) based on their contractual maturities:
(i) all non-derivative financial liabilities, and
(ii) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

(b) based on the remaining period to the expected settlement date:
(i) 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.

Notes to the financial statements

for the year ended 31 December 2010

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
Group - at 31 December 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Trade payables	51,090	-	-	-	-	51,090	51,090
Other payables	74,621	-	115	-	-	74,736	74,736
Borrowings (excluding finance leases)	7,000	-	-	298,662	-	305,662	305,662
Progressive jackpot liabilities	317	3,707	2,456	2,334	2,812	11,626	11,626
Total non-derivatives	133,028	3,707	2,571	300,996	2,812	443,114	443,114
Derivatives							
Gross settled (forward foreign exchange contracts - cash flow hedges)							
- (inflow)	(9,536)	-	(1,653)	(2,268)	-	(13,457)	(564)
- outflow	1,893	-	-	-	-	1,893	-
	(7,643)	-	(1,653)	(2,268)	-	(11,564)	(564)
Group - at 31 December 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Trade payables	56,406	-	-	-	-	56,406	56,406
Other payables	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	188
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	437,924	4,109	130,141	3,908	2,866	578,948	578,948
Derivatives							
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*

(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 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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) 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
(c) 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 2010.

Group as at 31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	564	-	564
Equity securities available-for-sale, current	4,624	-	-	4,624
Equity securities available-for-sale, non-current	1,391	-	-	1,391
Debt securities held-to-maturity	8,956	-	-	8,956
Other investments	-	114	-	114
Total assets	14,971	678	-	15,649
Liabilities	-	-	-	-
Total liabilities	-	-	-	-

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
Other investments	-	134	-	134
Total assets	18,512	1,457	-	19,969
Liabilities	-	-	-	-
Total liabilities	-	-	-	-

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 recoverable amount of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(s). 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 15 for details of these assumptions and the potential impact of changes to the assumptions.

Notes to the financial statements

for the year ended 31 December 2010

Note 4. Segment information

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

2010	North America $'000	Australia $'000	Japan $'000	Rest of world $'000	Consolidated $'000
Revenue					
Revenue from external customers	**323,107**	**133,553**	**48,489**	**175,361**	**680,510**
Other segment revenue	**-**	**4,068**	**-**	**-**	**4,068**
Segment revenue	**323,107**	**137,621**	**48,489**	**175,361**	**684,578**
Result					
Segment result	**126,741**	**23,294**	**5,991**	**55,797**	**211,823**
Interest revenue not allocated to segments					**2,313**
Interest expense					**(15,838)**
Design and development expenditure					**(109,814)**
Gain on disposal of investment in jointly controlled entity					**12,727**
Convertible Bonds litigation					**35,839**
Other					**(35,849)**
Profit before tax					**101,201**
Income tax expense					**(23,450)**
Net profit after tax					**77,751**

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
Segment revenue					908,648
Result					
Segment result	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)
Impairment of multi-terminal gaming businesses					(83,127)
Other					(33,740)
Loss before tax					(207,881)
Income tax benefit					50,582
Net loss after tax					(157,299)

Notes to the financial statements

for the year ended 31 December 2010

Note 4. Segment information *continued*

(b) Notes to the segment information

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

- North America
- Australia
- Japan
- Rest of world

Segment result is measured on the basis of segment profit before tax, charges for licence fees and advanced pricing agreements, impairment of intangibles, other transfer pricing charges (excluding unallocated head office expenses) and other non-trading assets.

Segment revenues and expenses 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 country in which the customer is located.

(i) Segment revenue

Segment revenues, expenses and results exclude transfers between segments. 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 result as they are allocated and charged out to each of the segments.

Notes to the financial statements

for the year ended 31 December 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Note 5. Profit/(loss) for the year			
(a) Revenue			
Sale of goods	1(e)(i)	**461,670**	651,197
Gaming operations and services	1(e)(ii)	**218,840**	257,451
		680,510	908,648
(b) Other income			
Interest		**6,381**	3,504
Foreign exchange gains	5(d)	**714**	2,572
Gain on disposal of property, plant and equipment	5(e)	**548**	9,079
Gain on disposal of investment in jointly controlled entity		**12,727**	-
Other income		**4,163**	2,069
Total other income		**24,533**	17,224
(c) Expenses			
(i) Depreciation and amortisation			
Depreciation and amortisation of property, plant and equipment			
- Buildings		**541**	649
- Leasehold improvements		**2,970**	3,369
- Plant and equipment		**26,958**	32,899
Total depreciation and amortisation of property, plant and equipment	13	**30,469**	36,917
Amortisation of intangible assets			
- Computer technology		**6,442**	5,897
Total amortisation of intangible assets	15	**6,442**	5,897
Total depreciation and amortisation		**36,911**	42,814
(ii) Employee benefits expense			
Salaries and wages		**183,421**	198,344
Superannuation costs		**7,872**	8,472
Post-employment benefits other than superannuation		**3,461**	11,993
Share-based payments expense	29(d)	**3,604**	522
Employee benefits expense		**198,358**	219,331

Notes to the financial statements
for the year ended 31 December 2010

	Consolidated 2010 $'000	2009 $'000
Note 5. Profit/(loss) for the year *continued*		
(c) Expenses (continued)		
(iii) Lease payments		
Rental expense relating to operating leases		
- Minimum lease payments	**16,547**	18,336
Total rental expense relating to operating leases	**16,547**	18,336
(iv) Other significant items		
- Write down of inventories to net realisable value	**5,764**	15,308
- Restructuring costs	**6,093**	17,757
- Impairment of multi-terminal gaming businesses	**-**	83,127
- Impairment of gaming operations assets	**12,506**	-
- Convertible Bonds litigation expense/(write-back)	**(35,839)**	267,588
- Legal costs	**7,517**	22,840
(d) Net foreign exchange (loss)/gain		
Foreign exchange gain	**714**	2,572
Foreign exchange loss	**(4,046)**	(276)
Net foreign exchange (loss)/gain	**(3,332)**	2,296
(e) Net (loss)/gain on disposal of property, plant and equipment		
Gain on disposal of property, plant and equipment	**548**	9,079
Loss on disposal of property, plant and equipment	**(726)**	(425)
Net (loss)/gain on disposal of property, plant and equipment	**(178)**	8,654

Note 6. Income tax expense

Major components of income tax expense/(income) are:

(a) Income tax expense/(income)

	Consolidated 2010 $'000	2009 $'000
Current income tax	**(33,562)**	20,064
Deferred income tax	**52,076**	(67,628)
Adjustments in respect of current income tax of previous years	**4,936**	(3,018)
Income tax expense/(income)	**23,450**	(50,582)
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax asset	**52,690**	(66,912)
Decrease in deferred tax liabilities	**(614)**	(716)
Deferred income tax expense included in income tax expense	**52,076**	(67,628)

(b) Reconciliation of income tax expense/(income) to prima facie tax payable

	Consolidated 2010 $'000	2009 $'000
Profit/(loss) before income tax expense/(income)	**101,201**	(207,881)
Tax at the Australian tax rate of 30% (2009: 30%)	**30,360**	(62,364)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Design and development	**(3,102)**	(3,789)
Gain on disposal of investment not taxable	**(3,818)**	-
Sale of land and buildings not taxable	**-**	(2,750)
Tax losses not previously recognised	**(1,387)**	(154)
Overseas exempt income and non-creditable taxes	**(3,710)**	(2,977)
Impairment of available-for-sale equity securities	**-**	538
Impairment of investments	**-**	20,997
Legal and entertainment costs	**776**	1,144
Other non-deductible expenses	**4,344**	191
	23,463	(49,164)
Difference in overseas tax rates	**(439)**	2,813
Difference in exchange rates on overseas tax rates	**(947)**	852
Tax losses not recognised	**6**	45
Adjustments in respect of previous years income tax:		
Current income tax	**4,936**	(3,018)
Deferred income tax	**(3,569)**	(2,110)
Income tax expense/(income)	**23,450**	(50,582)
Average effective tax rate	**23.17%**	24.33%

(c) Amounts recognised directly in equity

	Consolidated 2010 $'000	2009 $'000
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	**(134)**	(111)
Net deferred tax - credited/(debited) directly to equity	**(786)**	3,148
Aggregate current and deferred tax arising in the reporting period directly credited to equity	**(920)**	3,037

Note 6. Income tax expense *continued*

(d) Revenue and capital tax losses

	Consolidated 2010 $'000	2009 $'000
Unused gross tax losses for which no deferred tax asset has been recognised	13,836	19,341
Unused gross capital tax losses for which no deferred tax asset has been recognised	46,484	40,920
	60,320	60,261
Potential tax benefit	18,024	17,601

Unused revenue losses were incurred by Aristocrat Leisure Limited's overseas subsidiaries. All unused capital tax losses were incurred by Australian entities.

(e) Unrecognised temporary differences

	Consolidated 2010 $'000	2009 $'000
Deferred tax assets on general temporary differences	133	162
	133	162

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 Aristocrat Leisure Limited'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

Aristocrat Leisure Limited 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 Aristocrat Leisure Limited for any current tax payable assumed and are compensated by Aristocrat Leisure Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aristocrat Leisure Limited 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.

Note 7. Dividends

	Consolidated 2010 $'000	2009 $'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
Interim dividends paid during the year		
- 2010 - 3.5 cents, unfranked, per fully paid share paid on 30 September 2010	18,609	-
- 2009 - 4.5 cents, 100% franked on tax paid at 30%, per fully paid share paid on 29 September 2009	-	23,860
Total dividends paid and provided during the year	18,609	69,169
Dividends paid were satisfied as follows:		
Paid in cash	16,363	64,010
Dividend received by Aristocrat Employee Equity Plan Trust	(59)	(269)
Paid through the Dividend Reinvestment Plan	2,305	14,577
	18,609	78,318

Dividends not recognised at year end

Since the end of the year, the Directors have recommended the payment of a final dividend of 1.5 cents (2009: nil cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend that is expected to be paid on 28 March 2011, but not recognised as a liability at the end of the year is $8,010,000.

Franked dividends

	Consolidated 2010 $'000	2009 $'000
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2009: 30%)	2,248	6,912

The above amounts represent the balance of the franking account of the parent entity 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.

Notes to the financial statements

for the year ended 31 December 2010

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 8. Cash and cash equivalents		
Cash at bank and in hand	19,840	56,045
Short-term deposits	-	3,000
	19,840	59,045

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. There were no short-term deposits at year end. These deposits bear a floating interest rate. In 2009 the interest rate was 3.85% per annum.

Risk exposure

The Group'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 and other receivables

	2010 $'000	2009 $'000
Current		
Trade receivables	182,824	232,622
Provision for impairment of receivables	(5,085)	(6,178)
	177,739	226,444
Other receivables	22,977	23,877
Loans to related parties - secured	2,743	3,026
	203,459	253,347

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

	2010 $'000	2009 $'000
Non-current		
Trade receivables	42,954	35,629
Other receivables	4,509	2,875
Loans to related parties - secured	2,624	2,675
	50,087	41,179

(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
2010 Consolidated	182,824	163,526	14,574	3,361	544	819
2009 Consolidated	232,622	212,959	15,002	1,559	1,115	1,987

As of 31 December 2010, trade receivables of $875,919 (2009: $1,569,998) were past due and considered impaired and trade receivables of $18,422,935 (2009: $18,093,265) were past due but not impaired.

An assessment of whether trade receivables are likely to be collected is performed at each reporting period, based on the meeting of payment terms, past credit history and negotiations with customers.

	Consolidated 2010 $'000	2009 $'000

Note 9. Trade and other receivables *continued*

(a) Trade receivables - current *continued*

Movements in the provision for impairment of receivables is as follows:	2010 $'000	2009 $'000
At 1 January	**(6,178)**	(7,969)
Charge for the year	**(528)**	(92)
Transfer to non-current receivables	**225**	16
Foreign currency exchange differences	**782**	1,726
Provisions no longer required	**614**	141
At 31 December	**(5,085)**	(6,178)

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 impairment of receivables has been carried forward against the non-current receivables (2009: $nil). 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 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 32). 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 one percent. The annual repayments are funded from the dividend payment by the African operations to the non-controlling 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 and other receivables *continued*

(i) Interest rate and foreign currency risk

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

	Consolidated	
	2010	2009
	$'000	$'000
US dollars	**100,995**	114,591
Australian dollars	**91,090**	89,390
Other*	**61,461**	90,545
	253,546	294,526
Current receivables	**203,459**	253,347
Non-current receivables	**50,087**	41,179
	253,546	294,526

* Other refers to a basket of currencies (Japanese Yen, Euro, South African Rand, New Zealand Dollars, 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	
	2010	2009
	$'000	$'000
Trade receivables* with guarantees	**5,929**	11,838
Trade receivables* without guarantees	**214,764**	250,235
	220,693	262,073

* Includes current and non-current trade receivables, net of provision for impairment of receivables.

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 10. Inventories			
Current			
Raw materials and stores - at cost		**79,998**	76,779
Provision for obsolescence		**(29,083)**	(38,805)
		50,915	37,974
Work in progress - at cost		**6,072**	1,452
Finished goods - at cost		**27,324**	28,195
Provision for obsolescence		**(2,053)**	(5,991)
		25,271	22,204
Contract work in progress		**1,199**	290
Inventory in transit - at cost		**2,495**	4,173
		85,952	66,093

Inventory expense
Inventories recognised as an expense during the year ended 31 December 2010 amounted to $179,999,000 (2009: $274,506,000).

Note 11. Financial assets

	Notes	2010 $'000	2009 $'000
Current			
Available-for-sale equity securities	11(a)	**4,624**	6,194
Debt securities held-to-maturity		**1,240**	1,406
		5,864	7,600
Non-current			
Debt securities held-to-maturity		**7,716**	9,521
Available-for-sale equity securities	11(a)	**1,391**	1,391
Other investments		**114**	134
Investment in jointly controlled entity	27(b)	**-**	4,634
		9,221	15,680

(a) Available-for-sale equity securities

	2010 $'000	2009 $'000
Balance at the beginning of the year	**7,585**	13,194
Disposals	**(838)**	(3,660)
Foreign exchange differences	**(732)**	(1,949)
Balance at the end of the year	**6,015**	7,585

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

(b) Investment in jointly controlled entity
The investment in a jointly controlled entity was accounted for in the financial statements using the equity method of accounting up to the date of disposal on 29 June 2010. Refer to Note 27.

Note 11. Financial assets *continued*

(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.

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.

		Consolidated	
		2010	2009
	Notes	**$'000**	$'000
Note 12. Other assets			
Intellectual property rights	1(n)	**7,536**	8,412
Other current assets		**-**	103
		7,536	8,515

Note 13. Property, plant and equipment

	Consolidated 2010 $'000	Consolidated 2009 $'000
Land and buildings		
Land and buildings - at deemed cost	**13,128**	14,846
Leasehold improvements - at cost	**31,909**	41,889
Accumulated amortisation	**(11,402)**	(9,451)
	20,507	32,438
Total land and buildings	**33,635**	47,284
Plant and equipment		
Plant and equipment owned - at cost	**166,667**	176,425
Accumulated depreciation	**(100,161)**	(103,250)
Total plant and equipment	**66,506**	73,175
	100,141	120,459

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 improvements $'000	Plant and equipment $'000	Total $'000
Consolidated				
Carrying amount at 1 January 2009	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 movements	(2,190)	(857)	(17,095)	(20,142)
Carrying amount at 31 December 2009	14,846	32,438	73,175	120,459
Additions	**450**	**1,107**	**29,285**	**30,842**
Disposals	**-**	**(8)**	**(1,044)**	**(1,052)**
Impairment	**-**	**-**	**(12,506)**	**(12,506)**
Transfers	**59**	**(9,739)**	**9,680**	**-**
Depreciation and amortisation	**(541)**	**(2,970)**	**(26,958)**	**(30,469)**
Foreign currency exchange differences	**(1,686)**	**(321)**	**(5,126)**	**(7,133)**
Carrying amount at 31 December 2010	**13,128**	**20,507**	**66,506**	**100,141**

Impairment of plant and equipment

A review of the recoverable amount of gaming operations assets resulted in an impairment loss of $12,506,000. The impairment was recognised following a review of plant and equipment and the increase in the level of churn in the install base of Viridian 19" machines.

Notes to the financial statements

for the year ended 31 December 2010

	Notes	Consolidated 2010 $'000	2009 $'000

Note 14. Deferred tax assets

The balance comprises temporary differences attributable to:

	Notes	2010 $'000	2009 $'000
Accruals and other provisions		**7,993**	9,064
Provision for impairment losses on trade receivables		**701**	1,193
Convertible Bonds litigation provision		**35,272**	80,874
Deferred revenue		**2,184**	2,307
Employee benefits		**9,107**	9,533
Plant, equipment and intangible assets		**(4,839)**	(4,553)
Prepayments		**(988)**	(551)
Provision for stock obsolescence		**8,147**	11,639
Share-based equity		**(1,886)**	(1,957)
Overseas tax obligations		**1,004**	1,824
Unrealised foreign exchange losses		**1,841**	1,901
Tax losses		**40,625**	3,370
Other		**8,403**	5,986
Gross deferred tax assets		**107,564**	120,630
Intangible assets (not offset above)		**(3,046)**	(4,082)
Net deferred tax assets		**104,518**	116,548
Movements			
Opening balance at 1 January		**116,548**	49,054
Charged to the statement of comprehensive income	6(a)	**(52,076)**	67,628
Charged to equity (share-based equity and foreign currency exchange differences)		**(786)**	3,148
Tax losses recognised		**40,565**	-
Foreign exchange currency movements		**267**	(3,282)
Closing balance at 31 December		**104,518**	116,548

The deferred tax asset attributable to tax losses does not exceed taxable amounts that arise from the reversal of existing assessable temporary differences.

Based on current forecasts, the tax losses are expected to be recoverable and have been recognised in the deferred tax assets recognised.

	Consolidated 2010 $'000	Consolidated 2009 $'000

Note 15. Intangible assets

	2010 $'000	2009 $'000
Goodwill	79,793	90,400
Licences	5,850	35
Accumulated amortisation	(31)	(35)
	5,819	-
Development costs	4,496	-
Accumulated amortisation	-	-
	4,496	-
Computer technology	67,430	67,058
Accumulated amortisation	(43,558)	(38,911)
	23,872	28,147
Total	113,980	118,547

	Goodwill $'000	Licences $'000	Development costs $'000	Computer technology $'000	Total $'000
Consolidated					
Carrying amount at 1 January 2009	116,843	-	-	37,577	154,420
Additions	-	-	-	3,210	3,210
Amortisation charge	-	-	-	(5,897)	(5,897)
Foreign currency exchange movements	(26,443)	-	-	(6,743)	(33,186)
Carrying amount at 31 December 2009	90,400	-	-	28,147	118,547
Additions	-	5,819	4,496	4,776	15,091
Disposals	-	-	-	(59)	(59)
Amortisation charge	-	-	-	(6,442)	(6,442)
Foreign currency exchange movements	(10,607)	-	-	(2,550)	(13,157)
Carrying amount at 31 December 2010	79,793	5,819	4,496	23,872	113,980

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ('CGUs') which are identified as the geographical business units within each segment.

A summary of the goodwill allocation by CGU is presented below:

(i) Wholly-owned controlled entities

	2010 $'000	2009 $'000
North America	51,236	58,097
Rest of World - South Africa	675	688
Rest of World - ACE Interactive	27,882	31,615
	79,793	90,400

(ii) Jointly controlled entity

	2010 $'000	2009 $'000
Rest of World - Elektrončék	-	4,634
	-	4,634

In the financial years ended 31 December 2009 and 2010, the recoverable amount of all the Group's CGUs were determined based upon a value-in-use calculation.

Note 15. 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 2013 for North America, South Africa and ACE Interactive. Management projections from 2014 to 2015 for North America and South Africa, and mangement projections from 2014 to 2019 for ACE Interactive.

2. A pre-tax annual discount rate of:

	2010	2009
North America	**13.3%**	13.4%
Rest of World - South Africa	**19.3%**	20.4%
Rest of World - ACE Interactive	**12.0%**	12.1%

3. A terminal growth rate, which does not exceed the long-term average growth rate for the gaming industry in the regions:

	2010	2009
North America	**3.0%**	3.0%
Rest of World - South Africa	**3.0%**	3.0%
Rest of World - ACE Interactive	**5.0%**	5.0%

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 do 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 Impairment of Assets.

No impairment charge was recognised against the value of these investments in the current year.

	Consolidated	
	2010	2009
	$'000	$'000

Note 16. Trade and other payables

Current		
Trade payables	**51,090**	56,406
Other payables	**74,621**	106,429
	125,711	162,835
Non-current		
Other payables	**115**	159
	115	159

(a) Foreign currency risk

The carrying amounts of the Group's payables are denominated in the following currencies:

US dollars	**59,101**	61,918
Australian dollars	**40,970**	49,110
Other*	**25,755**	51,966
	125,826	162,994

* Other refers to a basket of currencies (Japanese Yen, Euro, South African Rand, New Zealand Dollars, Swedish Krona).

(b) Fair value

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

	Notes	Consolidated 2010 $'000	2009 $'000
Note 17. Borrowings			
Current			
Secured			
Bank loans		7,000	7,245
		7,000	7,245
Non-current			
Secured			
Bank loans		298,662	127,104
		298,662	127,104

(a) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Notes	2010 $'000	2009 $'000
Credit standby arrangements			
Total facilities			
- Bank overdrafts	(i)	6,967	7,230
- Bank loans	(ii)	500,000	805,120
- Letter of credit	(iii)	-	111,495
- Other	(iv)	28,111	36,223
		535,078	960,068
Used at reporting date			
- Bank overdrafts		1,287	-
- Bank loans		298,662	127,104
- Letter of credit		-	-
- Other		7,000	7,245
		306,949	134,349
Unused at reporting date			
- Bank overdrafts		5,680	7,230
- Bank loans		201,338	678,016
- Letter of credit		-	111,495
- Other		21,111	28,978
		228,129	825,719

(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 B - $470,000,000 tranche maturing 23 June 2013.
- Facility C - $30,000,000 tranche maturing 23 June 2013.

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 reporting date.

Borrowings are at a floating rate. The borrowings are drawn under Facility B. The Facility A tranche amounting to $197,440,000 maturing 5 February 2011 was cancelled at the Group's request on 22 October 2010.

(iii) The letter of credit facility was cancelled by the Group during the year.

(iv) Other facilities relate to:

- JPY 1.5bn Uncommitted Borrowing facility with Mizuho Bank Ltd (Japan) which is subject to annual review.
  As at 31 December 2010, there were no drawings made under this facility.
- Uncommitted money market borrowing line with Westpac Banking Corporation.

Note 17. 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 2010 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)** $'000
AUD/USD	0.9256	7,232	-	580
AUD/ZAR	6.8853	413	3,920	(13)
AUD/SEK	6.8775	1,890	-	(45)
SEK/AUD	6.8680	(1,892)	-	42
Total		7,643	3,920	564

*The foreign base amounts are converted at the prevailing period end exchange rate to AUD equivalents.

** 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 also equals the carrying value given that the USD borrowing is a floating rate and is drawn from the three year tranche (Facility B) of the Syndicated Facility (per Note 17a(ii)).

(ii) Off-statement of financial position

At 31 December 2010, there were no off-statement of financial position financial assets or liabilities, other than those potential liabilities which may arise from certain contingencies disclosed in Note 24.

(d) Foreign currency risk

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Consolidated 2010 $'000	Consolidated 2009 $'000
US Dollars	**78,662**	127,104
Australian Dollars	**227,000**	-
Japanese Yen	**-**	7,245
	305,662	134,349

For an analysis of the sensitivity of borrowings to interest rate and foreign exchange risk, refer to Note 2.

	Notes	Consolidated 2010 $'000	2009 $'000
Note 18. Provisions			
Current			
Employee benefits	1(x)	**8,325**	8,330
Convertible Bonds litigation		**-**	267,588
Make good allowances	1(w)	**430**	537
Progressive jackpot liabilities	1(w)	**3,910**	4,467
Warranties	1(w)	**2,388**	2,527
		15,053	283,449
Non-current			
Employee benefits	1(x)	**7,736**	6,763
Make good allowances	1(w)	**2,592**	2,348
Progressive jackpot liabilities	1(w)	**7,716**	9,521
		18,044	18,632

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 2010	2,885	13,988	2,527	267,588	286,988
Payments	(7)	-	(255)	(229,450)	(229,712)
Additional provisions recognised	302	-	1,711	-	2,013
Reversal of provisions recognised	(99)	(709)	(1,567)	(39,825)	(42,200)
Foreign currency exchange differences	(59)	(1,653)	(28)	1,687	(53)
Carrying amount at 31 December 2010	3,022	11,626	2,388	-	17,036

Note 19. Other liabilities

	Consolidated 2010 $'000	2009 $'000
Current		
Deferred revenue	**30,280**	32,293
Non-current		
Unsecured		
Deferred revenue	**7,737**	5,315
Other	**18,435**	17,215
	26,172	22,530

	Notes	2010 Shares	Consolidated 2009 Shares	2010 $'000	Consolidated 2009 $'000
Note 20. Contributed equity					
Ordinary shares, fully paid		**533,983,910**	533,379,348	**187,625**	185,320
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	**533,379,348**	455,329,650	**185,320**	(67,298)
Shares issued under dividend reinvestment plan (excluding transaction costs)		**604,562**	3,790,348	**2,305**	14,577
Shares issued under capital raising (excluding transaction costs)		**-**	74,259,350	**-**	241,340
Less:					
Transaction costs arising on share issue		**-**	-	**-**	(4,713)
Tax credit recognised directly in equity		**-**	-	**-**	1,414
Ordinary shares at the end of the financial year		**533,983,910**	533,379,348	**187,625**	185,320

(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) Capital management

The Group'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 credit rating. The Group holds a credit rating of 'BB plus' (S&P).

The Group manages its capital through interest and debt coverage ratios as follows:

	2010	2009
Gearing ratio (gross debt/bank EBITDA*)	**2.5x**	0.7x
Interest coverage ratio (bank EBITDA*/interest expense)	**9.0x**	12.6x

* Bank EBITDA = EBITDA + Interest Received

** Interest expense shown above includes ongoing finance fees relating to bank debt facility arrangements, such as line fees. The ratios for the 2010 and 2009 years have been calculated on this basis.

	Notes	Consolidated 2010 $'000	2009 $'000

Note 21. Reserves and retained earnings

(a) Reserves

	Notes	2010 $'000	2009 $'000
Foreign currency translation reserve	(i)	**(91,578)**	(63,063)
Share-based payments reserves	(ii),(iii)	**(26,249)**	(28,950)
		(117,827)	(92,013)

(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 1d(iii).

	2010 $'000	2009 $'000
Foreign currency translation reserve at the beginning of the financial year	**(63,063)**	2,531
Net exchange differences on translation of foreign controlled entities, net investment in foreign operations	**(28,515)**	(65,594)
Foreign currency translation reserve at the end of the financial year	**(91,578)**	(63,063)

(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.

	2010 $'000	2009 $'000
Share-based payments reserve at the beginning of the financial year	**(4,388)**	(2,360)
Share-based payments expense	**3,604**	522
Issues from the Trust to satisfy vested shares	**(3,048)**	(4,371)
Share-based tax adjustment	**(903)**	1,821
Net movement in share-based payments reserve	**(347)**	(2,028)
Share-based payments reserve at the end of the financial year	**(4,735)**	(4,388)

		Consolidated	
	Notes	**2010**	2009
		$'000	$'000

Note 21. 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.

Share-based payments trust reserve at the beginning of the financial year		**(24,562)**	(28,933)
Issues from the Trust to satisfy vested shares		**3,048**	4,371
Share-based payments trust reserve at the end of the financial year*		**(21,514)**	(24,562)

* Represents 1,675,249 shares (2009: 1,945,306)

Total share-based payments reserves at the beginning of the financial year		**(28,950)**	(31,293)
Net movement in share-based payments reserves		**2,701**	2,343
Total share-based payments reserve at the end of the financial year		**(26,249)**	(28,950)

(b) Retained earnings

Retained earnings at the beginning of the financial year		**61,498**	288,505
Net profit/(loss) attributable to owners of Aristocrat Leisure Limited		**77,194**	(157,838)
Dividends paid or provided for	7	**(18,609)**	(69,169)
Retained earnings at the end of the financial year		**120,083**	61,498

	Consolidated	
	2010	2009
	$'000	$'000

Note 22. Non-controlling interest

Non-controlling interest in controlled entity comprises:		
Retained earnings - 1 January	**(887)**	59
Profit/(loss) after income tax expense	**557**	539
Dividends paid	**(1,590)**	(1,485)
Retained earnings	**(1,920)**	(887)
Reserves	**(89)**	(57)
	(2,009)	(944)

Note 23. Events occurring after reporting date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial reporting periods.

Note 24. Contingent liabilities

The Group and parent entity have contingent liabilities at 31 December 2010 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 Group;

(ii) controlled entities within the Group are and become parties to various legal actions in the ordinary course of business and 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) controlled entities within the Group are and become parties to various legal actions concerning intellectual property claims considered typical to the industry in which the business operates. Intellectual property claims can include challenges to the Group's patents on various products or processes and/or assertions of infringement of third party patents.

Most intellectual property claims involve highly complex issues. Often, these issues are subject to substantial uncertainties and therefore the probability of damages, if any, being sustained and an estimate of the amount of damages is difficult to ascertain.

With respect to the legal proceedings described in (iv) and (v) below, estimates of the possible damage or range of damages, if any, are unknown at this stage.

However, although there can be no assurance regarding the outcome of any of the legal proceedings referred to in (iv) and (v) below, based on the information currently available for each situation, the Directors do not currently expect them to have a material adverse effect on the Group;

(iv) In August 2010, Minkus Electronic Display Systems commenced patent infringement proceedings against Aristocrat Technologies Inc. and Aristocrat Leisure Limited in the Delaware Federal District Court claiming that certain aspects of the Group’s Oasis 360 System infringes one of Minkus’ patents. Aristocrat is one of 37 defendants being sued by Minkus in this action. Aristocrat intends to defend these allegations;

(v) In November 2010, International Game Technology (NYSE: IGT) commenced patent infringement proceedings against Aristocrat Technologies Inc. and Aristocrat Leisure Limited in the US District Court (San Francisco, California). IGT alleged that Aristocrat is infringing two IGT patents covering a secure boot sequence that is relevant to gaming machine controllers. Aristocrat intends to defend these allegations;

(vi) under the terms of existing Senior Executive service contracts, termination benefits may be required to be paid by the Group. The amounts (if any) depend upon the specific circumstances of the case and the relevant terms of those contracts;

Note 24. Contingent liabilities *continued*

(vii) Aristocrat Leisure Limited, Aristocrat International Pty Ltd, Aristocrat Technologies Australia Pty Ltd, 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 35;

(viii) under the terms of severance agreements with a former Executive Director, who left the Group 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 $101,632 (2009: $54,963); and

(ix) 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 25. Commitments

	Consolidated	
	2010	2009
	$'000	$'000
Capital commitments		
Capital equipment and other commitments contracted at the reporting date but not recognised as liabilities, payable within one year	**-**	-
Lease commitments		
Non-cancellable operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**14,553**	14,247
Later than one year but not later than five years	**40,936**	42,037
Later than five years	**38,244**	45,811
Commitments not recognised in the financial statements	**93,733**	102,095

Note 26. Subsidiaries

	Notes	Country of incorporation	Equity holding 2010 %	Equity holding 2009 %
Ultimate parent entity				
Aristocrat Leisure Limited		Australia	**-**	-
Controlled entities				
Aristocrat Technical Services Pty Ltd	(c)	Australia	**100**	100
Aristocrat Properties Pty Ltd	(c)	Australia	**100**	100
Aristocrat (Holdings) Pty Ltd	(a)	Australia	**100**	100
Aristocrat Technologies Australia Pty Ltd	(a)	Australia	**100**	100
ASSPA Pty Ltd	(c)	Australia	**100**	100
Aristocrat Technology Gaming Systems Pty Limited	(c)	Australia	**100**	100
Aristocrat International Pty Ltd	(a)	Australia	**100**	100
Aristocrat Leisure Cyprus Limited	(b)	Cyprus	**100**	100
ACEI AB	(b)	Sweden	**100**	100
Aristocrat Gaming LLC	(b)	Russia	**100**	100
Aristocrat (Argentina) Pty Limited	(b)	Australia	**100**	100
AI(Puerto Rico) Pty Limited	(b)	Australia	**100**	100
Aristocrat (Latin America) Pty Ltd	(b)	Australia	**100**	100
Aristocrat Technologies Mexico, S.A. DE C.V.	(b)	Mexico	**100**	100
Aristocrat Service Mexico, S.A. DE C.V.	(b)	Mexico	**100**	100
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. Ltd	(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 Ltd	(c)	Australia	**100**	100
Aristocrat Technologies Canada, Inc.	(c)	Canada	**100**	100
Aristocrat CA	(c)	Venezuela	**100**	100
Aristocrat Research & Development (Africa) Pty Ltd	(b)	South Africa	**100**	100
Aristocrat Africa (Pty) Ltd	(b)	South Africa	**72**	72
Aristocrat Technologies Africa (Pty) Ltd	(b)	South Africa	**72**	72
KK Aristocrat Technologies	(b) & (c)	Japan	**100**	100
Aristocrat Hanbai KK	(b) & (c)	Japan	**100**	100
KK Spiky	(b) & (c)	Japan	**100**	-
Aristocrat Technologies India Private Ltd	(b)	India	**100**	100
Aristocrat Technologies Hong Kong Limited	(b)	Hong Kong	**100**	-
Other controlled entities				
Aristocrat Employee Equity Plan Trust	(d)	Australia	**100**	100
Aristocrat Funding GP	(b)	USA	**100**	100

(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.

(b) Controlled entities audited by other PricewaterhouseCoopers firms.

(c) Controlled entities for which statutory audits are not required at 31 December 2010 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 incidental to ownership of the special purpose entity.

Note 27. Investment in jointly controlled entity

On 29 June 2010, the Group signed a contract to dispose of its investment in a jointly controlled entity, Elektrončck d.d. In accordance with the contract, the Group ceased to have exposure to the profits or losses made by Elektrončck d.d from that date.

Financial information relating to the jointly controlled entity for the period to the date of disposal is set out below.

(a) Group's share of results of jointly controlled entity

	2010 $'000	2009 $'000
Revenue	7,700	19,340
Expenses	(8,385)	(21,343)
Loss before income tax expense	(685)	(2,003)
Income tax credit	69	258
Net (losses) - accounted for using the equity method	(616)	(1,745)

(b) Interest in jointly controlled entity

	2010	2009
Carrying amount at the beginning of the year	4,634	86,411
Share of jointly controlled entity's net loss after tax	(616)	(1,745)
Carrying amount of investment sold	(4,387)	-
Movement in foreign currency exchange translation reserves	369	(16,617)
Impairment of investment	-	(63,415)
Carrying amount at the end of the year	-	4,634

Share of jointly controlled entity's assets and liabilities:

	2010	2009
Current assets	-	13,169
Non-current assets	-	15,003
	-	28,172
Current liabilities	-	(11,346)
Non-current liabilities	-	(5,086)
	-	(16,432)
Net assets	-	11,740

(c) Gain on disposal of investment in jointly controlled entity

	2010	2009
Consideration at date of sale	17,195	-
Carrying amount of investment sold	(4,387)	-
Selling costs	(81)	-
Gain on sale before income tax	12,727	-
Income tax expense	-	-
Gain on sale after income tax	12,727	-

The carrying amount of the investment sold at the date of sale was:

	2010	2009
Investment in jointly controlled entity	4,387	-

	Notes	Consolidated 2010 $'000	2009 $'000
Note 28. Employee benefits			
Employee benefits and related on-cost liabilities			
Included in payables - current		**13,512**	17,403
Provision for employee benefits - current	18	**8,325**	8,330
Provision for employee benefits - non-current	18	**7,736**	6,763
Aggregate employee benefits and related on-cost liabilities		**29,573**	32,496

Note 29. Share-based payments

The Remuneration Report, presented in the Directors' Report, also provides detailed disclosure on share-based payments.

(a) Performance Share Plan ('PSP')

The 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 2010, 118 employees (2009: 164) were entitled to 5,773,387 (2009: 5,034,242) 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 2010 and 31 December 2009 are as follows:

Performance Share Right series	Performance period start date	Performance period expiry date	Performance condition*	Accounting valuation date	Accounting valuation**
Issued 2010					
Series 15A***	1 January 2010	31 December 2012	TSR	28 April 2010	2.00
Series 15B***	1 January 2010	31 December 2012	EPSG	28 April 2010	3.97
Series 16A****	18 January 2010	18 January 2011	Refer below	28 April 2010	3.97
Series 16B****	18 January 2010	18 January 2011	Refer below	28 April 2010	3.97
Series 17A	1 January 2010	31 December 2012	TSR	1 January 2010	1.72
Series 17B	1 January 2010	31 December 2012	EPSG	1 January 2010	3.41
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***	1 January 2009	31 December 2011	TSR	21 April 2009	2.26
Series 13B***	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

** TSR - Total Shareholder Return; EPSG - Earnings Per Share Growth*

***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.*

****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.*

***** Series 16A and 16B Performance Share Rights are conditional on the meeting of personal performance targets in the employment contract of Victor Blanco.*

Note 29. Share-based payments *continued*

(a) Performance Share Plan ('PSP') *continued*

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.

(i) Total Shareholder Return ('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 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.

The model inputs for share rights granted during the year ended 31 December 2010 included:
(a) share rights are granted for no consideration and have a three year life;
(b) exercise price: zero consideration;
(c) the grant date and expiry dates: refer to tables below;
(d) share price at grant date:
   2010: series 15A - $4.30 and series 17A - $3.56
   2009: series 12A - $3.88 and series 13A - $3.98; and
(e) price volatility of the Company's shares:
   2010: series 15A - 50.06% and series 17A - 47.59%
   2009: series 12A - 43.66% and series 13A - 45.78%.
(f) dividend yield:
   2010: series 15A - 3% and series 17A - 2%
   2009: series 12A - 5.00% and series 13A - 4.50%; and
(g) risk-free interest rate:
   2010: series 15A - 5.08% and series 17A - 5.31%
   2009: series 12A - 3.36% and series 13A - 3.34%.

(ii) Earnings Per Share Growth ('EPSG') 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.

The model inputs for share rights granted during the year ended 31 December 2010 included:
(a) share rights are granted for no consideration and have a three year life;
(b) exercise price: zero consideration;
(c) the grant date and expiry dates: refer to tables below;
(d) share price at grant date:
   2010: series 15B - $4.30 and series 17B - $3.56
   2009: series 12B - $3.88 and series 13B - $3.98.
(e) price volatility of the Company's shares:
   2010: series 15B - 50.06% and series 17B - 47.59%
   2009: series 12B - 43.66% and series 13B - 45.78%.
(f) dividend yield:
   2010: series 15B - 3% and series 17B - 2%
   2009: series 12B - 5.00% and series 13B - 4.50%.
(g) risk-free interest rate:
   2010: series 15B - 5.08% and series 17B - 5.31%
   2009: series 12B - 3.36% and series 13B - 3.34%.

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 29. Share-based payments *continued*

(a) Performance Share Plan ('PSP') *continued*

Performance Share Rights are detailed in the tables below:

Consolidated - 2010

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
PSP							
Series 5A	17 October 2005	31 December 2010	9,433	-	-	9,433	-
Series 5B	17 October 2005	31 December 2010	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 8A	1 January 2007	31 December 2009	246,582	-	-	246,582	-
Series 8B	1 January 2007	31 December 2009	246,582	-	-	246,582	-
Series 10A*	1 January 2008	31 December 2010	460,219	-	-	-	460,219
Series 10B*	1 January 2008	31 December 2010	460,219	-	-	-	460,219
Series 12A	1 January 2009	31 December 2011	1,448,190	-	-	118,893	1,329,297
Series 12B	1 January 2009	31 December 2011	1,448,191	-	-	118,894	1,329,297
Series 13A	21 April 2009	31 December 2011	330,311	-	-	-	330,311
Series 13B	21 April 2009	31 December 2011	330,311	-	-	-	330,311
Series 14	30 June 2009	31 December 2010	25,907	-	-	-	25,907
Series 15A	28 April 2010	31 December 2012	-	224,786	-	-	224,786
Series 15B	28 April 2010	31 December 2012	-	224,786	-	-	224,786
Series 16A	28 April 2010	18 January 2011	-	55,087	-	-	55,087
Series 16B	28 April 2010	18 January 2012	-	55,087	-	-	55,087
Series 17A	1 January 2010	31 December 2012	-	508,387	-	43,779	464,608
Series 17B	1 January 2010	31 December 2012	-	508,387	-	43,779	464,608
			5,034,242	**1,576,520**	**-**	**837,375**	**5,773,387**

* On 24 February 2011, the Board determined that the PSRs under Series 5C, 5D, 10A and 10B had not met the required performance criteria and therefore lapsed.

Consolidated - 2009

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
PSP							
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 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 January 2007	31 December 2009	329,582	-	-	83,000	246,582
Series 8B	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**

* On 23 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 29. 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* .

During the year, the Company issued 234,936 shares (2009: 266,060) to 936 employees (2009: 1,004) 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 (212,597 shares to 847 employees; 2009: 206,965 shares to 781 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 Stock Exchange during the five days immediately before the date of the offer.

	Weighted average market price $	Consolidated 2010 Number	2009 Number
Shares issued under the Plan to participating employees on:			
30 June 2010*	3.97	**234,936**	-
30 June 2009*	3.77	**-**	266,060
		234,936	266,060

* 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 date 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.

(d) 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 2010 $'000	2009 $'000
Share rights issued under Performance Share Plan	**1,971**	(1,370)
Shares issued under General Employee Share Plan	**1,633**	1,823
Options issued under Employee Share Option Plan	**-**	69
	3,604	522

Note 30. Key management personnel disclosures

Remuneration

Key management personnel compensation

Key management personnel 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	
	2010	2009
	$	$
Short-term employee benefits	**5,102,832**	5,461,497
Post-employment benefits	**288,915**	390,479
Long-term benefits	**66,746**	156,180
Termination benefits	**-**	1,298,620
Share-based payments	**1,567,437**	175,109
	7,025,930	7,481,885

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 ('GESP') provided as remuneration

The numbers of shares held under the General Employee Share Plan 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 General Employee Share Plan and the Performance Share Plan) 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 32 for details of other transactions with KMP.

Note 31. Remuneration of auditors

	Consolidated 2010 $	Consolidated 2009 $
During the year, the following fees were paid to the auditor of the parent entity and its related practices:		
Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**413,010**	409,266
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**516,566**	650,621
Total remuneration for audit services	**929,576**	1,059,887
Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm	**29,528**	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**58,038**	101,251
Total remuneration for other assurance services	**87,566**	101,251
Total remuneration for assurance services	**1,017,142**	1,161,138
Advisory services		
Fees paid to PricewaterhouseCoopers Australian firm	**83,500**	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**3,289**	9,238
Total remuneration for advisory services	**86,789**	9,238

Note 32. Related parties

(a) Other transactions with key management personnel

There were no transactions with Directors and other KMP during the year ended 31 December 2010.

(b) Transactions with related parties

The following transactions occurred with related parties:

	2010 $	2009 $
Net amount receivable from non-controlling interest as at reporting date		
Current		
Receivable from related entity - interest	1,494,965	1,332,081
Receivable from related entity - loan	1,248,169	1,693,854
Non-current		
Receivable from related entity - loan	2,624,323	2,674,729

On 31 May 2006, Aristocrat International Pty Ltd, a wholly-owned entity, advanced to Yabohle Investments (Pty) Limited, the non-controlling 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 33. Earnings per share

	Consolidated 2010 Cents	Consolidated 2009 Cents
Basic earnings per share	**14.5**	(31.3)
Diluted earnings per share	**14.5**	(31.3)

	Consolidated 2010 Number	Consolidated 2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**531,726,425**	504,628,236
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**531,726,425**	504,628,236
Effect of Performance Share Rights	**1,377,151**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share*	**533,103,576**	504,628,236

* In 2009 Performance Share Rights are excluded from the calculation of diluted earnings per share as they were anti-dilutive as at 31 December 2009.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Reconciliation of earnings used in calculating diluted earnings per share		
Net profit/(loss) attributable to members of Aristocrat Leisure Limited	**77,194**	(157,838)
Earnings used in calculating diluted earnings per share	**77,194**	(157,838)

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 2010 are set out in Note 29.

Included within the weighted average number of potential ordinary shares related to options, there were nil (2009: nil) options that had lapsed during the year and nil (2009: nil) 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 29.

Included within the weighted average number of potential ordinary shares are Performance Share Rights, none of which relate to the rights that lapsed during the year (2009:nil).

Note 33. Earnings per share (continued)

(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 34. Reconciliation of profit for the year after income tax to net cash flow from operating activities

	Consolidated	
	2010	2009
	$'000	$'000
Profit/(loss) for the year	**77,751**	(157,299)
Depreciation and amortisation	**36,911**	42,814
Equity-settled share-based payments	**3,604**	522
Non-cash interest expense	**(720)**	(769)
Net loss/(gain) on sale of property, plant and equipment	**178**	(8,654)
Share of net losses of jointly controlled entity	**616**	1,745
Net gain on sale of jointly controlled entity	**(12,727)**	-
Revaluation of available-for-sale equity securities	**-**	155
Impairment of assets and investments	**12,506**	83,127
Convertible Bonds litigation	**(38,138)**	267,588
Net foreign currency exchange differences	**(8,851)**	(28,634)
Change in operating assets and liabilities:		
- Decrease/(increase) in receivables and deferred revenue	**41,195**	16,605
- (Increase)/decrease in inventories	**(12,198)**	52,549
- Increase in other operating assets	**(334)**	13,276
- Increase/(decrease) in tax balances	**4,815**	(55,443)
- Decrease in payables	**(36,282)**	(73,958)
- Decrease in other provisions	**(230,846)**	(12,183)
Net cash (outflows)/inflow from operating activities	**(162,520)**	141,441

Note 35. 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:

	2010 $'000	2009 $'000
Revenue	**264,176**	302,527
Other income	**6,505**	6,272
Cost of revenue and other expenses	**(51,808)**	(345,460)
Employee benefits expense	**(117,419)**	(130,583)
Finance cost	**(15,313)**	(14,877)
Depreciation and amortisation expense	**(11,440)**	(11,513)
Profit/(loss) before income tax	**74,701**	(193,634)
Income tax (expense)/benefit	**(20,775)**	54,987
Profit/(loss) for the year	**53,926**	(138,647)

Set out below is a summary of movements in consolidated retained earnings of the Closed Group:

	2010 $'000	2009 $'000
Retained earnings at the beginning of the financial year	**(64,927)**	146,200
(Loss)/profit for the year	**53,926**	(138,647)
Dividends paid	**(18,668)**	(72,480)
Retained earnings at the end of the financial year	**(29,669)**	(64,927)

Note 35. Deed of cross guarantee (continued)

Set out below is a consolidated statement of financial position of the Closed Group:

	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	2,286	12,866
Trade and other receivables	69,668	63,806
Inventories	15,601	22,334
Other financial assets	-	103
Tax assets	3,591	3,155
Total current assets	91,146	102,264
Non-current assets		
Financial assets	246,613	221,631
Property, plant and equipment	38,312	43,166
Deferred tax assets	92,851	105,629
Intangible assets	8,885	3,141
Total non-current assets	386,661	373,567
Total assets	477,807	475,831
Current liabilities		
Trade and other payables	47,276	55,082
Borrowings	7,000	-
Provisions	10,167	278,324
Other liabilities	9,938	13,388
Total current liabilities	74,381	346,794
Non-current liabilities		
Payables	37,374	23,254
Interest bearing liabilities	220,000	-
Provisions	5,148	4,466
Other liabilities	7,737	5,314
Total non-current liabilities	270,259	33,034
Total liabilities	344,640	379,828
Net assets	133,167	96,003
Equity		
Contributed equity	185,576	185,471
Reserves	(22,740)	(24,541)
Retained earnings	(29,669)	(64,927)
Total equity	133,167	96,003

Notes to the financial statements

for the year ended 31 December 2010

Note 36. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $'000	2009 $'000
Statement of financial position		
Current assets	**91**	24,311
Total assets	**98,906**	332,516
Current liabilities	**3,478**	271,067
Total liabilities	**3,478**	271,067
Shareholders' equity		
Contributed equity	**187,625**	185,320
Reserves	**58,816**	55,244
Retained earnings	**(151,014)**	(179,115)
	95,427	61,449
Profit/(loss) for the year after tax	**46,770**	(124,823)
Total comprehensive income after tax	**46,770**	(124,823)

(b) Guarantees entered into by the parent entity

Cross guarantees given by the parent entity are set out in Note 35.

(c) Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are set out in Note 24.

Directors' declaration in relation to financial statements and audit

PricewaterhouseCoopers has audited the 2010 Financial Statements and has issued an unqualified audit report. A copy of their report will be available with the 2010 Annual Financial Report (contained within the 2010 Annual Report).

This declaration is made in accordance with a resolution of the directors.

Dr ID Blackburne
Chairman
24 February 2011