

Aristocrat Leisure Limited

ABN 44 002 818 368

Annual report - 31 December 2002

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Aristocrat Leisure Limited
Statements of financial performance
For the year ended 31 December 2002

	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenues from sale of goods	2	884,231	698,309	-	-
Cost of sales		<u>(434,927)</u>	<u>(365,446)</u>	-	-
Gross profit		449,304	332,863	-	-
Revenue from services	2	85,239	68,501	-	-
Other revenues from ordinary activities	2	6,992	11,223	67,794	77,617
Research and development costs		(65,029)	(54,946)	-	-
Sales, marketing and distribution costs		(221,669)	(132,248)	-	-
General and administration costs		(114,675)	(87,388)	(11,334)	-
Borrowing costs	4	<u>(19,919)</u>	<u>(10,172)</u>	<u>(13,169)</u>	<u>(8,089)</u>
Profit from ordinary activities before income tax expense		120,243	127,833	43,291	69,528
Income tax expense	5	<u>(40,148)</u>	<u>(41,580)</u>	<u>2,809</u>	<u>(1,747)</u>
Profit from ordinary activities after income tax expense		80,095	86,253	46,100	67,781
Net (profit)/loss attributable to outside equity interest		<u>108</u>	<u>(241)</u>	-	-
Net profit attributable to members of Aristocrat Leisure Limited	26(b)	<u>80,203</u>	<u>86,012</u>	<u>46,100</u>	<u>67,781</u>
Net increase (decrease) in asset revaluation reserve	26(a)	-	287	-	-
Net increase (decrease) in foreign currency translation reserve	26(a)	<u>8,531</u>	<u>132</u>	-	-
Total revenue, expenses and valuation adjustments attributable to members of Aristocrat Leisure Limited recognised directly in equity		<u>8,531</u>	<u>419</u>	-	-
Total changes in equity other than those resulting from transactions with owners as owners		<u>88,734</u>	<u>86,431</u>	<u>46,100</u>	<u>67,781</u>
		Cents	Cents		
Basic earnings per share	38	17.7	19.6		
Diluted earnings per share	38	17.6	19.1		

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

Aristocrat Leisure Limited
Statements of financial position
As at 31 December 2002

	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current assets					
Cash assets	7,32	70,291	15,024	71	-
Receivables	8,32	338,648	302,059	1,770	1,770
Inventories	9	206,064	141,630	-	-
Other financial assets	10,32	29,503	6,223	-	-
Total current assets		644,506	464,936	1,841	1,770
Non-current assets					
Receivables	11,32	79,137	58,448	516,910	543,528
Inventories	12	1,108	2,112	-	-
Other financial assets	13,32	19,040	21,029	405	405
Property, plant and equipment	14	135,010	120,043	-	-
Deferred tax assets	15	37,145	49,000	2,586	-
Intangible assets	16	254,601	254,453	-	-
Total non-current assets		526,041	505,085	519,901	543,933
Total assets		1,170,547	970,021	521,742	545,703
Current liabilities					
Payables	17,32	295,106	171,856	959	1,081
Interest bearing liabilities	18,32	8,856	49,537	-	-
Current tax liabilities	19	9,240	42,973	452	787
Provisions	20	50,271	56,447	29,700	33,843
Total current liabilities		363,473	320,813	31,111	35,711
Non-current liabilities					
Interest bearing liabilities	21,32	353,522	256,144	230,292	254,005
Deferred tax liabilities	24	-	693	-	693
Provisions	22	5,340	4,345	-	-
Other	23,32	50,151	37,415	-	-
Total non-current liabilities		409,013	298,597	230,292	254,698
Total liabilities		772,486	619,410	261,403	290,409
Net assets		398,061	350,611	260,339	255,294
Equity					
Parent entity interest					
Contributed equity	25	246,020	232,344	246,020	232,344
Reserves	26(a)	8,834	303	-	-
Retained profits	26(b)	143,207	117,735	14,319	22,950
Total parent entity interest		398,061	350,382	260,339	255,294
Outside equity interest in controlled entities	27	-	229	-	-
Total equity		398,061	350,611	260,339	255,294

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

Aristocrat Leisure Limited
Statements of cash flows
For the year ended 31 December 2002

	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		1,046,719	728,326	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(889,950)	(712,912)	-	-
		156,769	15,414	-	-
Interest received		2,951	4,509	15,768	10,897
Sundry income		1,929	1,884	-	-
Interest and other costs of finance paid		(19,919)	(9,138)	(13,169)	(7,007)
Income taxes paid		(62,719)	(45,295)	(805)	-
Net cash inflow (outflow) from operating activities	39	79,011	(32,626)	1,794	3,890
Cash flows from investing activities					
Payments for purchase of controlled entities	31	(16,528)	(353,354)	-	-
Payments for property, plant and equipment		(41,733)	(35,415)	-	-
Payments for patents and trademarks		(495)	-	-	-
Payment for outside equity interest		(121)	-	-	-
Loans to related parties		(2,604)	-	43,475	(417,444)
Proceeds from sale of property, plant and equipment		2,077	1,618	-	-
Repayment of balances by controlled entities		-	-	-	49,775
Net cash inflow (outflow) from investing activities		(59,404)	(387,151)	43,475	(367,669)
Cash flows from financing activities					
Proceeds from issues of shares		4,793	162,957	4,793	162,957
Repayment of borrowings		(40,000)	-	-	-
Proceeds from borrowings		123,485	298,451	-	254,005
Share issue transaction costs		(240)	(3,287)	(240)	(3,287)
Repayment of lease liabilities		(3,075)	(2,986)	-	-
Dividends paid	6	(49,751)	(49,965)	(49,751)	(49,965)
Net cash inflow (outflow) from financing activities		35,212	405,170	(45,198)	363,710
Net increase (decrease) in cash held		54,819	(14,607)	71	(69)
Cash at the beginning of the financial year		15,024	31,388	-	69
Effects of exchange rate changes on cash		448	(1,757)	-	-
Cash at the end of the financial year	7	70,291	15,024	71	-
Financing arrangements	21				
Non-cash financing and investing activities	30				

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

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Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Where necessary, comparative figures have been adjusted to enhance comparability.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Aristocrat Leisure Limited ('company' or 'parent entity') as at 31 December 2002 and the results of all controlled entities for the year then ended. Aristocrat Leisure Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is based on the operating results before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit and taxable income, are brought to account either as provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the liability will become payable or the benefit will be received. Future income tax benefits relating to timing differences are not brought to account as an asset unless realisation of the benefit is assured beyond reasonable doubt.

A future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale.

Note 1. Summary of significant accounting policies (continued)

In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur as designated, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

In these circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur as designated, any previously deferred gains and losses are recognised in the statement of financial performance on the date of termination.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

(iii) Foreign controlled entity

Foreign subsidiaries, which meet the relevant criteria per AASB 1012: "Foreign Currency Translation", are treated as self-sustaining. Their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while revenue and expenses are translated at the average of rates ruling during the financial period. Exchange differences arising on translation, are taken directly to the foreign currency translation reserve.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(o).

Note 1. Summary of significant accounting policies (continued)

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

(e) Revenue recognition

(i) Platform / machine sales

Amounts disclosed as revenue are net of returns and trade allowances. Revenue is recognised when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(ii) Value added customer agreements

Revenue arising from value added customer agreements (VACA) 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 software, 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.

(iii) 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.

(iv) Service revenue

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

(v) Revenue in advance

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

(f) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Receivables

The collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when doubt as to collection exists.

(h) 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.

Note 1. Summary of significant accounting policies (continued)

(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 consolidated entity's contract operations. Where a loss is indicated on completion, the work in progress is reduced to the level of recoverability less progress billings.

(i) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise, the decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(j) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, unless they are reversing a previous decrement of that class of asset charged to the statement of financial performance, in which case the increment is credited to the statement of financial performance.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will eventuate.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(k) Other financial assets - Investment securities

The consolidated entity maintains restricted investment securities, which consist principally of US Government securities in order to meet its obligations in Nevada and Native American jurisdictions in respect of progressive jackpots. These are investments which the consolidated entity has the ability and intent to hold until maturity. These investments are recorded at amortised cost, which approximates market value. Dividend and interest income are recognised in the period earned.

Note 1. Summary of significant accounting policies (continued)

(l) Depreciation of property, plant and equipment

Generally, depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Category	Useful life
Buildings	40 years
Leasehold improvements	9-10 years
Plant and equipment	2-11 years

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(m) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at reporting date are being amortised over periods up to 10 years.

(n) Leased non-current assets

Assets acquired under finance leases (including hire purchase agreements) are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at balance date are being amortised over periods ranging from 2 to 11 years.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(o) Intangible assets and expenditure carried forward

(i) Goodwill

On acquisition of some, or all, of the assets in another entity or, in the case of an investment in a controlled entity, on acquisition of some, or all, of the equity of that controlled entity, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over the period during which benefits are expected to arise being 10 to 20 years.

(ii) Copyrights, patents, trademarks and licensing rights

Significant costs associated with copyrights, patents, trademarks and licensing rights are deferred and amortised on a straight line basis over the periods of their expected benefit, which vary from 3 to 5 years.

(p) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days.

Note 1. Summary of significant accounting policies (continued)

(q) Progressive jackpot liability

In certain jurisdictions in the United States, the Consolidated Entity is liable for progressive jackpots, which are paid as an initial amount followed by either an annuity paid out over 19 or 20 years after winning or 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 the winning combination may be hit before the Company has fully accrued the base component amount at which time any unaccrued portion is expensed.

(r) Employee entitlements

(i) Wages and salaries, annual leave and superannuation contributions

Liabilities for wages and salaries, annual leave and superannuation contributions are recognised, and are measured as the amount unpaid at balance date at current pay rates in respect of employee's services up to that date.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the Aristocrat Executive Share Option Plan (AESOP), Employee Share Option Plan (ESOP) and the General Employee Share Plan (GESP). Information relating to those schemes is set out in note 33.

No accounting entries are made in relation to the Aristocrat Executive Share Option Plan (AESOP) or the ESOP until options are exercised, at which time the amounts receivable from employees are recognised in the Statements of financial position as share capital.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges, and
- hire purchase charges.

Note 1. Summary of significant accounting policies (continued)

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after tax income 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.

Change in basis of determining earnings per share

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax attributable to members of the company. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 Earnings per Share, issued in June 2002.

(u) 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Aristocrat Leisure Limited
Notes to the financial statements
31 December 2002
(continued)

Note 2. Revenue

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from operating activities				
Sale of goods	884,231	698,309	-	-
Services	<u>85,239</u>	<u>68,501</u>	-	-
	<u>969,470</u>	<u>766,810</u>	-	-
Revenue from outside the operating activities				
Interest	2,986	4,509	15,768	10,897
Dividends	-	-	50,000	61,496
Foreign currency translation gains	-	3,212	-	3,016
Sale of property, plant and equipment	2,077	1,618	-	-
Other revenue	<u>1,929</u>	<u>1,884</u>	<u>2,026</u>	<u>2,208</u>
	<u>6,992</u>	<u>11,223</u>	<u>67,794</u>	<u>77,617</u>
Revenue from ordinary activities	<u>976,462</u>	<u>778,033</u>	<u>67,794</u>	<u>77,617</u>

Aristocrat Leisure Limited
Notes to the financial statements
31 December 2002
(continued)

Note 3. Segment information

Primary reporting - geographical segments

	Australia \$'000	North America \$'000	South America \$'000	Japan \$'000	New Zealand \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
2002								
Sales to external customers	358,980	293,528	38,369	180,790	51,315	46,488	-	969,470
Intersegment sales	<u>129,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,688)</u>	<u>-</u>
Total sales revenue	488,668	293,528	38,369	180,790	51,315	46,488	(129,688)	969,470
Other revenue (excluding interest)	<u>4,735</u>	<u>587</u>	<u>-</u>	<u>555</u>	<u>97</u>	<u>58</u>	<u>(2,026)</u>	<u>4,006</u>
Total segment revenue (excluding interest)	<u>493,403</u>	<u>294,115</u>	<u>38,369</u>	<u>181,345</u>	<u>51,412</u>	<u>46,546</u>	<u>(131,714)</u>	<u>973,476</u>
Interest income								<u>2,986</u>
Total consolidated revenue								<u>976,462</u>
Segment result	<u>72,433</u>	<u>34,150</u>	<u>7,548</u>	<u>13,554</u>	<u>1,582</u>	<u>9,774</u>	<u>(1,865)</u>	<u>137,176</u>
Net interest								<u>(16,933)</u>
Profit from ordinary activities before income tax expense								<u>120,243</u>
Income tax expense								<u>(40,148)</u>
Profit from ordinary activities after income tax expense								<u>80,095</u>
Outside equity interest in operating profit after income tax								<u>108</u>
Net profit								<u>80,203</u>
Segment assets	<u>722,375</u>	<u>317,717</u>	<u>39,640</u>	<u>116,477</u>	<u>11,258</u>	<u>17,095</u>	<u>(91,160)</u>	<u>1,133,402</u>
Unallocated assets								<u>37,145</u>
Total assets								<u>1,170,547</u>
Segment liabilities	<u>121,718</u>	<u>117,809</u>	<u>31,875</u>	<u>92,390</u>	<u>5,511</u>	<u>2,515</u>	<u>(649)</u>	<u>371,169</u>
Unallocated liabilities								<u>401,317</u>
Total liabilities								<u>772,486</u>
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	<u>14,480</u>	<u>27,907</u>	<u>-</u>	<u>1,328</u>	<u>748</u>	<u>288</u>	<u>-</u>	<u>44,751</u>
Depreciation and amortisation expense	<u>15,670</u>	<u>19,690</u>	<u>-</u>	<u>731</u>	<u>537</u>	<u>228</u>	<u>-</u>	<u>36,856</u>
Other non-cash expenses	<u>419</u>	<u>4,902</u>	<u>-</u>	<u>2,154</u>	<u>90</u>	<u>(360)</u>	<u>-</u>	<u>7,205</u>
Segment contribution profit	<u>116,478</u>	<u>46,245</u>	<u>9,200</u>	<u>26,726</u>	<u>20,077</u>	<u>12,927</u>	<u>(94,477)</u>	<u>137,176</u>

Note 3. Segment information (continued)

Primary reporting - geographical segments (continued)

	Australia \$'000	North America \$'000	South America \$'000	Japan \$'000	New Zealand \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
2001								
Sales to external customers	348,385	162,427	38,783	136,087	51,570	29,558	-	766,810
Intersegment sales	<u>69,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,656)</u>	<u>-</u>
Total sales revenue	418,041	162,427	38,783	136,087	51,570	29,558	(69,656)	766,810
Other revenue (excluding interest)	<u>7,369</u>	<u>540</u>	<u>-</u>	<u>146</u>	<u>812</u>	<u>54</u>	<u>(2,207)</u>	<u>6,714</u>
Total segment revenue (excluding interest)	<u>425,410</u>	<u>162,967</u>	<u>38,783</u>	<u>136,233</u>	<u>52,382</u>	<u>29,612</u>	<u>(71,863)</u>	<u>773,524</u>
Interest income								<u>4,509</u>
Total consolidated revenue								<u>778,033</u>
Segment result	<u>84,388</u>	<u>29,744</u>	<u>422</u>	<u>15,645</u>	<u>1,829</u>	<u>6,092</u>	<u>(4,624)</u>	<u>133,496</u>
Net interest								<u>(5,663)</u>
Profit from ordinary activities before income tax expense								<u>127,833</u>
Income tax expense								<u>(41,580)</u>
Profit from ordinary activities after income tax expense								<u>86,253</u>
Outside equity interest in operating profit after income tax								<u>(241)</u>
Net profit								<u>86,012</u>
Segment assets	<u>732,071</u>	<u>127,824</u>	<u>20,227</u>	<u>47,276</u>	<u>8,654</u>	<u>8,716</u>	<u>(23,747)</u>	<u>921,021</u>
Unallocated assets								<u>49,000</u>
Total assets								<u>970,021</u>
Segment liabilities	<u>99,510</u>	<u>57,620</u>	<u>19,822</u>	<u>26,979</u>	<u>4,535</u>	<u>1,426</u>	<u>(1,047)</u>	<u>208,845</u>
Unallocated liabilities								<u>410,565</u>
Total liabilities								<u>619,410</u>
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	<u>26,821</u>	<u>317,028</u>	<u>-</u>	<u>572</u>	<u>639</u>	<u>394</u>	<u>-</u>	<u>345,454</u>
Depreciation and amortisation expense	<u>13,772</u>	<u>11,285</u>	<u>-</u>	<u>256</u>	<u>511</u>	<u>251</u>	<u>-</u>	<u>26,075</u>
Other non-cash expenses	<u>(614)</u>	<u>6,601</u>	<u>-</u>	<u>1,084</u>	<u>22</u>	<u>(594)</u>	<u>534</u>	<u>7,033</u>
Segment contribution profit	<u>121,023</u>	<u>45,110</u>	<u>12,780</u>	<u>22,372</u>	<u>21,411</u>	<u>6,106</u>	<u>(95,306)</u>	<u>133,496</u>

Note 3. Segment information (continued)

Secondary segments - business segments

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

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which has been applied for the first time in the year ended 31 December 2002. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

Gross margins are measured as revenues less cost of goods sold, being labour and related oncosts as well as direct material costs, as a percentage of revenues.

(c) Segment contribution profit

For each of the regions, segment contribution profit represents segment result less licence fees, R&D expenditure, international service recharges and advanced pricing agreements. The total amount of these items are included in the unallocated category.

(d) Head office expenses

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

Note 4. Profit from ordinary activities

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Foreign exchange gains and losses				
Net foreign exchange gains/(losses)	<u>(1,354)</u>	<u>3,212</u>	<u>(10,442)</u>	<u>3,016</u>
Expenses				
Depreciation				
Buildings	1,341	50	-	-
Plant and equipment	<u>20,086</u>	<u>17,701</u>	-	-
Total depreciation	<u>21,427</u>	<u>17,751</u>	-	-
Amortisation				
Leasehold improvements	1,034	491	-	-
Goodwill	13,798	7,208	-	-
Copyright, patents, trademarks and licencing rights	<u>597</u>	<u>625</u>	-	-
Total amortisation	<u>15,429</u>	<u>8,324</u>	-	-
Other charges against assets				
Bad and doubtful debts - trade debtors	811	274	-	-
Provisions - inventories	<u>2,382</u>	<u>2,354</u>	-	-
Borrowing costs				
Borrowing costs	19,919	10,172	13,169	8,089
Net loss on disposal of property, plant and equipment	78	315	-	-
Other provisions				
Employee entitlements	<u>9,892</u>	<u>7,998</u>	-	-
Total other provisions	<u>9,892</u>	<u>7,998</u>	-	-
Rental expense relating to operating leases				
Minimum lease payments	<u>14,222</u>	<u>13,043</u>	-	-
Total rental expense relating to operating leases	<u>14,222</u>	<u>13,043</u>	-	-

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Note 5. Income tax

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<u>120,243</u>	<u>127,833</u>	<u>43,291</u>	<u>69,528</u>
Income tax calculated @ applicable Australian tax rates	36,072	40,111	12,987	20,840
Tax effect of permanent differences				
Non-deductible amortisation	4,515	2,583	-	-
Rebateable dividends	-	-	(15,000)	(18,449)
Effect of higher rates of tax on overseas income	3,400	2,832	-	-
Other items	887	(139)	(612)	(644)
Research and development claim	<u>(3,430)</u>	<u>(1,645)</u>	<u>-</u>	<u>-</u>
Income tax adjusted for permanent differences	41,444	43,742	(2,625)	1,747
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate	-	2,091	-	-
Tax losses not previously recognised	(434)	(2,680)	-	-
Under (over) provision in prior year	<u>(862)</u>	<u>(1,573)</u>	<u>(184)</u>	<u>-</u>
Income tax expense	<u>40,148</u>	<u>41,580</u>	<u>(2,809)</u>	<u>1,747</u>

Tax consolidations

The first two tranches of the tax consolidation legislation became substantially enacted on 21 October 2002 when the New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002 was passed by the senate. Aristocrat intends to adopt the legislation in the next financial year.

The financial effect of the legislation has not been recognised in this financial report in accordance with UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. Initial estimates indicate the impact is not likely to be material.

Note 6. Dividends

	Parent entity	
	2002 \$'000	2001 \$'000
Ordinary shares		
Interim dividend of 5.5 cents (2001 - 4.5 cents) paid:		
Franked @ 30%	25,031	20,543
Final dividend of 6.5 cents (2001 - 7.5 cents):		
Franked @ 30%	<u>29,700</u>	<u>33,843</u>
Total dividends provided for or paid	<u>54,731</u>	<u>54,386</u>

Franked dividends

The dividends proposed as at 31 December 2002 will be fully franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2002.

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Note 6. Dividends (continued)

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Franking credits available for subsequent financial years	<u>37,680</u>	<u>80,064</u>	<u>6,191</u>	<u>12,138</u>

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

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

The balances of the franking account disclosed above are based on a tax rate of 30% (2001: 30%).

Note 7. Current assets - Cash assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash at bank and on hand	<u>70,291</u>	<u>15,024</u>	<u>71</u>	<u>-</u>

Note 8. Current assets - Receivables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors	342,667	302,132	-	-
Less: Provision for doubtful debts	<u>14,237</u>	<u>10,188</u>	-	-
	328,430	291,944	-	-
Deferred expenditure	1,192	1,468	1,770	1,770
Other debtors and prepayments	<u>9,026</u>	<u>8,647</u>	-	-
	<u>338,648</u>	<u>302,059</u>	<u>1,770</u>	<u>1,770</u>

* Refer to note 11 for the non-current portions of these receivables.

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Note 9. Current assets - Inventories

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Raw materials and stores - at cost	147,607	132,553	-	-
Less: Provision for obsolescence	<u>12,664</u>	<u>40,078</u>	-	-
	<u>134,943</u>	<u>92,475</u>	-	-
Work in progress	4,604	3,472	-	-
Finished goods - at cost	66,222	55,567	-	-
Less: Provision for obsolescence	<u>3,814</u>	<u>12,419</u>	-	-
	<u>62,408</u>	<u>43,148</u>	-	-
Contract work in progress	313	(583)	-	-
Inventories in transit - at cost	<u>3,796</u>	<u>3,118</u>	-	-
	<u>206,064</u>	<u>141,630</u>	-	-
Aggregate carrying amount of inventories				
Current - as above	206,064	141,630	-	-
Non-current (note 12)	<u>1,108</u>	<u>2,112</u>	-	-
	<u>207,172</u>	<u>143,742</u>	-	-

Note 10. Current assets - Other financial assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Investment securities (note 1(k))	4,775	6,223	-	-
Intellectual property rights	<u>24,728</u>	-	-	-
	<u>29,503</u>	<u>6,223</u>	-	-

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors *	69,868	51,893	-	-
Loan to a director	2,639	-	2,639	-
Receivable from other controlled entities	-	-	509,951	537,437
Deferred expenditure *	4,200	5,821	4,320	6,091
Other debtors and prepayments *	<u>2,430</u>	<u>734</u>	-	-
	<u>79,137</u>	<u>58,448</u>	<u>516,910</u>	<u>543,528</u>

* Refer to note 8 for the current portions of these receivables.

Further information relating to loans to directors is set out in note 37.

Note 12. Non-current assets - Inventories

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Raw materials and stores - at cost	2,008	3,012	-	-
Less: Provision for obsolescence	<u>900</u>	<u>900</u>	-	-
	<u>1,108</u>	<u>2,112</u>	<u>-</u>	<u>-</u>

Note 13. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other financial assets				
Investment securities (note 1(k))	<u>19,040</u>	<u>21,029</u>	-	-
Shares in unlisted controlled entities at 1994 Directors' valuation				
Aristocrat Technologies Australia Pty Ltd	<u>-</u>	<u>-</u>	<u>405</u>	<u>405</u>
	<u>19,040</u>	<u>21,029</u>	<u>405</u>	<u>405</u>

Note 14. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Land and buildings				
Land and buildings				
At cost	29,222	21,431	-	-
At independent valuation 2001	36,972	36,972	-	-
Less: Accumulated depreciation	<u>5,679</u>	<u>3,081</u>	-	-
	<u>60,515</u>	<u>55,322</u>	<u>-</u>	<u>-</u>
Leasehold improvements				
At cost	12,338	9,537	-	-
Less: Accumulated amortisation	<u>2,681</u>	<u>2,705</u>	-	-
	<u>9,657</u>	<u>6,832</u>	<u>-</u>	<u>-</u>
Total land and buildings	<u>70,172</u>	<u>62,154</u>	<u>-</u>	<u>-</u>

Note 14. Non-current assets - Property, plant & equipment (continued)

Plant and equipment

Plant and equipment - owned

At cost	146,683	123,341	-	-
Less: Accumulated depreciation	<u>86,047</u>	<u>74,483</u>	-	-
	<u>60,636</u>	<u>48,858</u>	-	-

Plant and equipment under finance lease

At cost	5,639	14,818	-	-
Less: Accumulated depreciation	<u>1,437</u>	<u>5,787</u>	-	-
	<u>4,202</u>	<u>9,031</u>	-	-

Total plant and equipment

	<u>64,838</u>	<u>57,889</u>	-	-
	<u>135,010</u>	<u>120,043</u>	-	-

Valuations of land and buildings

The basis of valuation of land and buildings is open market value based on existing use method. The 30 June 2001 valuations were carried out by certified practising valuers Mr R. Horton (Fellow of the Australian Property Institute) and Mr P Strickland (Associate of the Australian Property Institute) and property valuer Mr M. Grainger (Graduate of the Australian Property Institute) of International Valuation Consultants Pty Ltd.

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	Leased plant and equipment \$'000	Total \$'000
Consolidated					
Carrying amount at 1 January 2002	55,322	6,832	48,858	9,031	120,043
Additions	8,403	3,906	27,370	2,054	41,733
Disposals	-	(56)	(1,069)	(1,030)	(2,155)
Additions through acquisition of entity (note 31)	-	52	1,061	-	1,113
Depreciation/amortisation expense (note 4)	(1,341)	(1,034)	(18,253)	(1,833)	(22,461)
Foreign currency exchange differences	(1,869)	(43)	(1,351)	-	(3,263)
Transfers *	-	-	4,020	(4,020)	-
Carrying amount at 31 December 2002	<u>60,515</u>	<u>9,657</u>	<u>60,636</u>	<u>4,202</u>	<u>135,010</u>

* Transfers represent items of plant and equipment acquired under lease agreements that have been retained at the end of the lease period and then moved to owned plant and equipment.

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Note 15. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Future income tax benefit	<u>37,145</u>	<u>49,000</u>	<u>2,586</u>	<u>-</u>

Note 16. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Goodwill	286,039	271,980	-	-
Less: Accumulated amortisation	<u>33,422</u>	<u>19,614</u>	<u>-</u>	<u>-</u>
	<u>252,617</u>	<u>252,366</u>	<u>-</u>	<u>-</u>
Copyrights, patents, trademarks and licensing rights	2,998	3,543	-	-
Less: Accumulated amortisation	<u>1,014</u>	<u>1,456</u>	<u>-</u>	<u>-</u>
	<u>1,984</u>	<u>2,087</u>	<u>-</u>	<u>-</u>
	<u>254,601</u>	<u>254,453</u>	<u>-</u>	<u>-</u>

Note 17. Current liabilities - Payables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade creditors	234,307	120,221	-	-
Progressive jackpot liabilities (note 1(q))	4,116	2,540	-	-
Deferred revenue	54,367	44,126	-	-
Other creditors	<u>2,316</u>	<u>4,969</u>	<u>959</u>	<u>1,081</u>
	<u>295,106</u>	<u>171,856</u>	<u>959</u>	<u>1,081</u>

Note 18. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
Hire purchase liabilities (note 29)	<u>2,927</u>	<u>5,091</u>	<u>-</u>	<u>-</u>
Unsecured				
Bills payable	<u>5,929</u>	<u>44,446</u>	<u>-</u>	<u>-</u>
	<u>8,856</u>	<u>49,537</u>	<u>-</u>	<u>-</u>

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Note 19. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for taxation	<u>9,240</u>	<u>42,973</u>	<u>452</u>	<u>787</u>

Note 20. Current liabilities - Provisions

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Dividends	29,700	33,843	29,700	33,843
Employee entitlements (note 33)	19,159	22,360	-	-
Other	<u>1,412</u>	<u>244</u>	<u>-</u>	<u>-</u>
	<u>50,271</u>	<u>56,447</u>	<u>29,700</u>	<u>33,843</u>

Note 21. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
Hire purchase liabilities (note 29)	<u>1,228</u>	<u>2,139</u>	<u>-</u>	<u>-</u>
Unsecured				
Convertible subordinated bonds	230,292	254,005	230,292	254,005
Bills payable	<u>122,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unsecured non-current interest bearing liabilities	<u>352,294</u>	<u>254,005</u>	<u>230,292</u>	<u>254,005</u>
Total non-current interest bearing liabilities	<u>353,522</u>	<u>256,144</u>	<u>230,292</u>	<u>254,005</u>

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured liabilities				
Total secured liabilities (current and non-current) are:				
Hire purchase liabilities	<u>4,155</u>	<u>7,230</u>	<u>-</u>	<u>-</u>
Total secured liabilities	<u>4,155</u>	<u>7,230</u>	<u>-</u>	<u>-</u>

Note 21. Non-current liabilities - Interest bearing liabilities (continued)

Convertible subordinated bonds

The parent entity issued US\$130 million of 5% convertible subordinated bonds on 31 May 2001 and 23 June 2001. The bonds mature between 31 May 2006 and 23 June 2006 and are convertible at any time between 29 August 2001 and 16 May 2006 into fully paid ordinary shares in the Company at a conversion price of A\$8.00 (subject to adjustments) - a premium of 26% over the share price of the Company's ordinary shares on 31 May 2001. The bonds are redeemable by the Company at any time after 31 May 2001 in certain circumstances set out in the Offering Memorandum. The bonds are presented in the statement of financial position as follows:

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Face value of bonds issued	<u>230,292</u>	<u>254,005</u>	<u>230,292</u>	<u>254,005</u>
Non-current liability	<u>230,292</u>	<u>254,005</u>	<u>230,292</u>	<u>254,005</u>

Financing arrangements

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

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

Credit standby arrangements

Total facilities				
Bank overdrafts	5,000	5,000	-	-
Bank loans and bills payable	302,059	77,232	-	-
Other facilities	<u>19,750</u>	<u>19,000</u>	-	-
	<u>326,809</u>	<u>101,232</u>	<u>-</u>	<u>-</u>
Used at balance date				
Bank loans and bills payable	127,931	44,446	-	-
Other facilities	<u>4,155</u>	<u>9,369</u>	-	-
	<u>132,086</u>	<u>53,815</u>	<u>-</u>	<u>-</u>
Unused at balance date				
Bank overdrafts	5,000	5,000	-	-
Bank loans and bills payable	174,128	32,786	-	-
Other facilities	<u>15,595</u>	<u>9,631</u>	-	-
	<u>194,723</u>	<u>47,417</u>	<u>-</u>	<u>-</u>

The weighted average interest rates are shown in note 32.

Aristocrat Leisure Limited
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Note 22. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Employee entitlements (note 33)	<u>5,340</u>	<u>4,345</u>	<u>-</u>	<u>-</u>

Note 23. Non-current liabilities - Other

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unsecured				
Deferred revenue	25,996	9,343	-	-
Other	5,386	3,650	-	-
Progressive jackpot liabilities (note 1(q))	<u>18,769</u>	<u>24,422</u>	<u>-</u>	<u>-</u>
	<u>50,151</u>	<u>37,415</u>	<u>-</u>	<u>-</u>

Note 24. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for deferred income tax	<u>-</u>	<u>693</u>	<u>-</u>	<u>693</u>

Note 25. Contributed equity

	Parent entity		Parent entity	
	2002	2001	2002	2001
	Shares	Shares	\$'000	\$'000
Ordinary shares, fully paid	<u>456,270,939</u>	<u>451,237,204</u>	<u>246,020</u>	<u>232,344</u>

Movements in ordinary share capital

		Parent entity		Parent entity	
		2002	2001	2002	2001
		Shares	Shares	\$'000	\$'000
Ordinary shares at the beginning of the financial year	(a)	451,237,204	422,614,577	232,344	72,674
Shares issued	(b)	-	25,000,000	-	158,750
Transaction costs arising on share issue	(b)	-	-	(240)	(3,287)
Aristocrat employee option plan share issues	(c)	2,890,660	3,283,801	4,793	4,207
General employee share plan issues	(d)	337,976	338,826	-	-
Dividend reinvestment plan	(e)	<u>1,805,099</u>	<u>-</u>	<u>9,123</u>	<u>-</u>
Ordinary shares at the end of the financial year		<u>456,270,939</u>	<u>451,237,204</u>	<u>246,020</u>	<u>232,344</u>

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Shares issued

25,000,000 ordinary shares in the Company were placed at \$6.35 per share on 31 May 2001. The shares rank equally in all respects with the existing issued shares of the Company.

(c) Share options

Information relating to option plans, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 33.

(d) General employee share plan

Information concerning the GESB is set out in note 33.

(e) Dividend reinvestment plan

At the May 2002 AGM, shareholders adopted the Aristocrat Dividend Reinvestment Plan. The Plan allows shareholders to reinvest their dividends in new shares issued by the Company. The issue price for such shares is between 95% and 100% (as determined by the Directors) of the weighted average market price of the shares over the five business days up to and including the dividend record date. The Directors determine at the time of the declaration of each dividend whether the Plan will apply to that dividend.

Note 26. Reserves and retained profits

	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(a) Reserves					
Asset revaluation reserve		725	725	-	-
Foreign currency translation reserve		8,002	(529)	-	-
Capital profits reserve		107	107	-	-
		<u>8,834</u>	<u>303</u>	<u>-</u>	<u>-</u>
Movements:					
Asset revaluation reserve					
Opening balance		725	438	-	-
Increment on revaluation of freehold land and buildings during the year	14	-	287	-	-
Closing balance		<u>725</u>	<u>725</u>	<u>-</u>	<u>-</u>
Foreign currency translation reserve					
Opening balance		(529)	(661)	-	-
Net exchange differences on translation of foreign controlled entities		8,531	132	-	-
Closing balance		<u>8,002</u>	<u>(529)</u>	<u>-</u>	<u>-</u>
	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(b) Retained profits					
Retained profits at the beginning of the financial year		117,735	86,109	22,950	9,555
Net profit attributable to members of Aristocrat Leisure Limited		80,203	86,012	46,100	67,781
Dividends provided for or paid	6	<u>(54,731)</u>	<u>(54,386)</u>	<u>(54,731)</u>	<u>(54,386)</u>
		<u>143,207</u>	<u>117,735</u>	<u>14,319</u>	<u>22,950</u>

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(j). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of self sustaining foreign controlled entities, are taken to the foreign currency translation reserve, as described in accounting policy note 1(c)(iii).

(iii) Capital profits reserve

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the capital profits reserve.

Note 27. Outside equity interests in controlled entities

	Consolidated	
	2002	2001
	\$'000	\$'000
Interest in:		
Share capital	-	126
Retained profits	-	103
	<u> </u>	<u> </u>
	-	229
	<u> </u>	<u> </u>

Note 28. Contingent liabilities

(a) Parent entity

A contingent liability exists in relation to a guarantee given by the parent entity in respect of loans, advances, hire purchase and leasing facilities extended to a controlled entity, Aristocrat Technologies Australia Pty Ltd.

The parent entity had a contingent liability of \$392,786 (2001: \$392,786) in respect of discounting and guarantee facilities.

(b) Consolidated entity

- (i) Under the terms of severance agreements with a former executive director, 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 \$10,000 (2001: \$10,000).
- (ii) Several other controlled entities within the consolidated entity are parties to civil actions. Based on legal advice, the directors are of the opinion that no material loss will arise.
- (iii) The consolidated entity had a contingent liability at 31 December 2002 of \$392,786 (2001: \$392,786) in respect of guarantee facility provided by Commonwealth Bank of Australia.
- (iv) Under the terms of currently held service contracts, termination benefits may be required to be paid by the parent entity or a controlled entity to a Director and senior executives, at the option of the individual parties to the agreements depending on individual circumstances. The amounts, which may be paid, depend upon the specific circumstances in which termination occurs.
- (v) Aristocrat Leisure Limited, Aristocrat International Pty Ltd and Aristocrat Technologies Australia Pty Ltd are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities and Investments Commission as discussed in note 40.

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Note 29. Commitments for expenditure

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital commitments				
Capital and other commitments contracted for at the balance date but not recognised as liabilities, payable:				
Within one year	<u>1,525</u>	<u>2,500</u>	-	-
	<u>1,525</u>	<u>2,500</u>	-	-
Lease commitments				
<i>Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	10,664	8,139	-	-
Later than one year but not later than 5 years	26,922	15,639	-	-
Later than 5 years	<u>22,009</u>	<u>3,842</u>	-	-
Commitments not recognised in the financial statements	<u>59,595</u>	<u>27,620</u>	-	-
<i>Hire purchase liabilities</i>				
Commitments in relation to hire purchase are payable as follows:				
Within one year	3,312	5,449	-	-
Later than one year but not later than 5 years	<u>1,255</u>	<u>2,290</u>	-	-
Minimum lease payments	4,567	7,739	-	-
Less: Future finance charges	<u>412</u>	<u>509</u>	-	-
Recognised as a liability	<u>4,155</u>	<u>7,230</u>	-	-
Total lease liabilities	<u>4,155</u>	<u>7,230</u>	-	-
Representing hire purchase liabilities:				
Current (note 18)	2,927	5,091	-	-
Non-current (note 21)	<u>1,228</u>	<u>2,139</u>	-	-
	<u>4,155</u>	<u>7,230</u>	-	-

Note 30. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Acquisition of plant and equipment and motor vehicles by means of finance leases and hire purchase agreements	<u>2,054</u>	<u>3,560</u>	-	-

Note 31. Investments in controlled entities

Name of entity	Country of incorporation	Equity holding	
		2002 %	2001 %
Ultimate parent entity			
Aristocrat Leisure Limited	Australia	-	-
Controlled entities			
Aristocrat Technologies Australia Pty Ltd **	Australia	100	100
Aristocrat Leisure Industries Superannuation Pty Ltd***	Australia	100	100
ASSPA Pty Ltd***	Australia	100	100
Aristocrat Technical Services Pty Ltd***	Australia	100	100
Aristocrat Properties Pty Ltd***	Australia	100	100
Aristocrat Technology Gaming Systems Pty Limited***	Australia	100	100
Aristocrat International Pty Ltd**	Australia	100	100
Aristocrat Technologies Europe (Holdings) Limited *	UK	100	100
Aristocrat Technologies Europe Limited*	UK	100	100
Aristocrat Holdings GB Limited (in liquidation)*	UK	100	100
Aristocrat Automatics Limited (in liquidation)*	UK	100	100
ASSPA (UK) Limited*	UK	100	100
Aristocrat (UK) Limited*	UK	100	100
Aristocrat (Russia) (in liquidation)***	Russia	100	100
Aristocrat Technologies NZ Ltd*	New Zealand	100	100
Aristocrat Africa Holdings (Pty) Ltd*	South Africa	100	100
Aristocrat Technologies Africa (Pty) Ltd*	South Africa	100	100
Aristocrat Group Inc*	USA	100	100
Aristocrat (Latin America) Inc*	USA	100	100
Aristocrat Technologies, Inc.*	USA	100	100
Casino Data Systems*	USA	100	100
CDS Signs, Inc.*	USA	100	100
CDS Services Company*	USA	100	100
CDS Gaming Systems, Inc.*	USA	100	100
Turbopower Software Company*	USA	100	100
Hanson Distributing, Inc.*	USA	100	-
Aristocrat CA***	Venezuela	100	100
Aristocrat Technologies KK ***	Japan	100	100
Aristocrat Hanbai KK***	Japan	100	60

* Controlled entities audited by other PricewaterhouseCoopers firms.

** These controlled entities have been granted relief from the necessity to prepare accounts in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information, refer to note 40.

*** Controlled entities for which statutory audits are not required at 31 December 2002 under relevant local legislation.

Note 31. Investments in controlled entities (continued)

Acquisition of controlled entity

Hanson Distributing, Inc. a company incorporated in the USA, was acquired on 8 Aug 2002 and the operating results of the entity from that date have been included in the consolidated operating profit. The entity distributes gaming machines and software.

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired:	
Plant and equipment	1,113
Trade debtors	9,751
Inventories	12,383
Cash	26
Other assets	256
Trade creditors	(19,102)
Provision for restructuring, including employee retrenchment payments	<u>(1,715)</u>
	<u>2,712</u>
Goodwill on consolidation	<u>13,842</u>
Cash consideration	<u>16,554</u>
	Consolidated
	2002
	\$'000
Outflow of cash to acquire controlled entities:	
Cash consideration	16,554
Less: Balances acquired	
Cash	<u>26</u>
Net outflow of cash	<u>16,528</u>

Note 32. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts. Trade receivables includes \$88.1million due from four South American customers.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

Note 32. Financial instruments (continued)

2002	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	Non interest bearing \$'000	
Financial assets							
Cash and deposits	7	2.06	70,291	-	-	-	70,291
Loan to director	11	3.00	-	-	2,639	-	2,639
Receivables	8,11		-	-	-	398,298	398,298
Other financial assets - investments	10,13	0.67	-	4,775	19,040	-	23,815
			<u>70,291</u>	<u>4,775</u>	<u>21,679</u>	<u>398,298</u>	<u>495,043</u>
Financial liabilities							
Deferred revenue	17,23		-	-	-	80,363	80,363
Payables	17,23		-	-	-	242,009	242,009
Hire purchase liabilities	18,21	6.83	-	2,927	1,228	-	4,155
Loans - other	21	5.00	-	-	230,292	-	230,292
Bills payable	18,21	3.71	-	5,929	122,002	-	127,931
Other liabilities	17,23	4.47	-	4,116	18,769	-	22,885
			<u>-</u>	<u>12,972</u>	<u>372,291</u>	<u>322,372</u>	<u>707,635</u>
Net financial assets (liabilities)			<u>70,291</u>	<u>(8,197)</u>	<u>(350,612)</u>	<u>75,926</u>	<u>(212,592)</u>

2001	Notes	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	Non interest bearing \$'000	
Financial assets							
Cash and deposits	7	0.15 - 4.15	15,024	-	-	-	15,024
Receivables	8,11		-	-	-	343,837	343,837
Other financial assets - investments	10,13	2.10	-	6,223	21,029	-	27,252
			<u>15,024</u>	<u>6,223</u>	<u>21,029</u>	<u>343,837</u>	<u>386,113</u>
Financial liabilities							
Deferred revenue	17,23		-	-	-	53,469	53,469
Payables	17,23		-	-	-	128,840	128,840
Hire purchase liabilities	18,21	6.22	-	5,091	2,139	-	7,230
Loans - other	21	5.00	-	-	254,005	-	254,005
Bills payable	18	3.54	-	44,446	-	-	44,446
Other liabilities	17,23	4.74	-	2,540	24,422	-	26,962
			<u>-</u>	<u>52,077</u>	<u>280,566</u>	<u>182,309</u>	<u>514,952</u>
Net financial assets (liabilities)			<u>15,024</u>	<u>(45,854)</u>	<u>(259,537)</u>	<u>161,528</u>	<u>(128,839)</u>

(c) Forward exchange contracts

A member of the consolidated entity purchases inventory items designated in US dollars. To protect against adverse exchange rate movements, forward exchange contracts to purchase US dollars are used. At balance date three forward contracts to buy USD 633,000 and sell ZAR at an average rate of ZAR 9.57: USD 1.00 with a maturity of less than three months were in place. As these contracts are hedging future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

Note 32. Financial instruments (continued)

(d) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off-balance sheet

At 31 December 2002, there were no off-balance sheet financial assets or liabilities.

Note 33. Employee entitlements

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Employee entitlement liabilities				
Provision for employee entitlements				
Accrued wages and salaries	11,087	10,747	-	-
Current (note 20)	19,159	22,360	-	-
Non-current (note 22)	<u>5,340</u>	<u>4,345</u>	-	-
Aggregate employee entitlement liability	<u>35,586</u>	<u>37,452</u>	-	-
		Number		Number
Employee numbers				
Number of employees at the end of the financial year	<u>2,408</u>	<u>2,302</u>	-	-

Aristocrat Executive Share Option Plan (AESOP)

The AESOP was established on 3 June 1996. It applied as part of an executive remuneration scheme until it was replaced by the Employee Share Option Plan, details of which are given below.

Each option is convertible into one ordinary share in Aristocrat Leisure Limited, at any time prior to 12 August 2003. The remaining options are fully vested at 12 February 2003.

As at 31 December 2002, 1 executive (2001: 14) was entitled to 66,666 (2001: 1,577,326) options under this plan.

Employee Share Option Plan (ESOP)

The ESOP was established to issue options over ordinary shares in the parent entity to employees of the group. Options are exercisable, subject to company performance hurdles, under the terms of each option series. Options are divided into either two equal tranches which must be held for at least 12 and 24 months respectively or they are divided into four equal tranches that must be held for at least 18, 30, 42 and 54 months respectively. The options cannot be transferred, have no voting or dividend rights, and they are not quoted on the Australian Stock Exchange.

As at 31 December 2002, 166 employees (2001:159) were entitled to 13,256,336 (2001: 11,599,336) options under this plan.

Options are detailed in the table below:

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Note 33. Employee entitlements (continued)

Option series	Note	Grant date	Expiry date	Exercise price \$	Options at start of year	Add: new issues	Less: options exercised	Less: options cancelled	Options at end of year
AESOP									
Series 03	(a)	07 Jul 97	09 Jul 02	0.6400	20,000	-	20,000	-	-
Series 04	(a)	15 Jan 98	15 Jan 03	0.7300	1,423,994	-	1,423,994	-	-
Series 05	(a)	12 Aug 98	12 Aug 03	0.9000	<u>133,332</u>	-	<u>66,666</u>	-	<u>66,666</u>
					1,577,326	-	1,510,660	-	66,666
ESOP									
Series 07	(b)	15 Dec 98	15 Dec 03	1.3525	800,000	-	290,000	-	510,000
Series 08	(b)	08 Jan 99	08 Jan 04	1.7750	1,222,000	-	385,000	30,000	807,000
Series 10	(b)	25 Aug 99	25 Aug 04	2.7975	150,000	-	50,000	-	100,000
Series 11	(b)	06 Sep 99	06 Sep 04	3.3725	660,000	-	180,000	-	480,000
Series 12	(b)	03 Apr 00	03 Apr 05	3.9125	2,923,336	-	475,000	130,000	2,318,336
Series 13	(b)	14 Jul 00	14 Jul 05	5.4128	400,000	-	-	-	400,000
Series 14A	(b)	01 Aug 00	01 Aug 05	5.7605	800,000	-	-	-	800,000
Series 14B	(c)	01 Aug 00	01 Aug 05	5.7605	298,000	-	-	45,000	253,000
Series 15	(b)	28 Aug 00	28 Aug 05	5.7091	186,000	-	-	146,000	40,000
Series 16A	(b)	04 Sep 00	04 Sep 05	6.0289	200,000	-	-	-	200,000
Series 16B	(c)	04 Sep 00	04 Sep 05	6.0289	23,000	-	-	-	23,000
Series 17A	(b)	01 Nov 00	01 Nov 05	6.0105	200,000	-	-	-	200,000
Series 17B	(c)	01 Nov 00	01 Nov 05	6.0105	894,000	-	-	212,000	682,000
Series 18	(b)	19 Feb 01	19 Feb 06	5.6224	580,000	-	-	-	580,000
Series 19	(b)	01 Mar 01	01 Mar 06	6.3262	33,000	-	-	-	33,000
Series 20	(b)	02 Jul 01	02 Jul 06	6.9814	800,000	-	-	-	800,000
Series 21	(b)	20 Jul 01	20 Jul 06	6.5403	1,245,000	-	-	395,000	850,000
Series 22	(b)	13 Aug 01	13 Aug 06	6.7820	50,000	-	-	-	50,000
Series 23	(b)	24 Sep 01	24 Sep 06	5.4754	100,000	-	-	-	100,000
Series 24	(b)	25 Oct 01	25 Oct 06	6.3515	20,000	-	-	-	20,000
Series 25	(b)	18 Dec 01	18 Dec 06	6.3028	15,000	-	-	5,000	10,000
Series 26	(b)	07 Mar 02	07 Mar 07	5.9531	-	2,990,000	-	20,000	2,970,000
Series 27	(b)	02 Jul 02	02 Jul 07	5.4102	-	<u>1,030,000</u>	-	-	<u>1,030,000</u>
					<u>11,599,336</u>	<u>4,020,000</u>	<u>1,380,000</u>	<u>983,000</u>	<u>13,256,336</u>
					<u>13,176,662</u>	<u>4,020,000</u>	<u>2,890,660</u>	<u>983,000</u>	<u>13,323,002</u>

Notes

- (a) Options are exercisable in 3 equal tranches at intervals of 36 months, 48 months and 54 months after the grant date.
- (b) Options are exercisable in 4 equal tranches at intervals of 18 months, 30 months, 42 months and 54 months after the grant date.
- (c) Options are exercisable in 2 equal tranches at intervals of 12 months and 24 months after the grant date.

	Parent entity
	2002
	2001
	\$/Share
	\$/Share

Market price of shares under option at balance date

	<u>4.68</u>	<u>6.60</u>
--	-------------	-------------

Note 33. Employee entitlements (continued)

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	<u>4,793,277</u>	<u>4,206,747</u>	<u>4,793,277</u>	<u>4,206,747</u>
Market value of shares issued to employees on the exercise of options as at their issue date	<u>16,314,801</u>	<u>21,299,933</u>	<u>16,314,801</u>	<u>21,299,933</u>

General Employee Share Plan (GESP)

The GESP was adopted by shareholders at the November 1998 AGM. The GESP is designed to provide employees with qualifying Aristocrat shares under the provisions of Section 139CD of the Australian Income Tax Assessment Act. The Directors determine each year whether offers of qualifying shares will be made. Such offers are limited to a maximum of A\$1,000 of Aristocrat fully paid ordinary shares per employee for no cash consideration and are made to all permanent full-time and part-time employees of the consolidated entity. The first offer was made only to employees based in Australia in 1999. The GESP was subsequently extended to all permanent full-time and part-time employees of the consolidated entity globally. The offers have certain tax advantages to Australian-based employees and, where possible, to overseas employees.

Aristocrat Staff Superannuation Fund

During the 12 months ended 31 December 2002, the controlled entities contributed a minimum of 8% for the six months to 30 June 2002 and a minimum of 9% since that date (2001 - 8%) of employees' base salary to Aristocrat Staff Superannuation Fund (ASSF), a participating fund in ING Corporate Superannuation, on behalf of Australian based employees. Australian employees who are not members of ASSF are entitled to join an industry-based fund.

Note 34. Remuneration of directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	4,669,155	2,653,968	4,669,155	2,653,968

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

\$	\$	2002	2001
40,000	-	49,999	-
70,000	-	79,999	1
90,000	-	99,999	2
110,000	-	119,999	2
120,000	-	129,999	-
200,000	-	209,999	2
220,000	-	229,999	-
410,000	-	419,999	1
750,000	-	759,999	-
1,650,000	-	1,659,999	1
3,270,000	-	3,279,999	-

Options are granted to Executive Directors under AESOP and ESOP, details of which are set out in note 33. Details of options granted to Directors during the 12 months ended 31 December 2002 are also set out in note 37.

Directors' remuneration excludes insurance premiums paid by controlled entities in respect of Directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual Directors and officers. Information relating to the insurance contracts is set out in the Directors' Report.

Note 35. Remuneration of executives

	Executive officers of the consolidated entity		Executive officers of the parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including Directors) whose remuneration was at least \$100,000:				
Executive officers of the parent entity	4,024,206	2,072,232	4,024,206	2,072,232
Executive officers of other entities in the consolidated entity	<u>4,123,752</u>	<u>3,241,049</u>	<u>-</u>	<u>-</u>
	<u>8,147,958</u>	<u>5,313,281</u>	<u>4,024,206</u>	<u>2,072,232</u>

A summary of the numbers of options granted to and exercised by Australian based executive officers (with income of at least \$100,000) during the period ended 31 December 2002 is set out below. The terms and conditions relating to the options are set out in note 33.

	Granted	Exercised	Outstanding
Australian based executive officers of the parent entity	900,000	266,666	3,150,000
Australian based executive officers of other entities in the consolidated entity	<u>250,000</u>	<u>703,332</u>	<u>1,426,666</u>
	<u>1,150,000</u>	<u>969,998</u>	<u>4,576,666</u>

The numbers of Australian based executive officers (including Directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

			Executive officers of the consolidated entity		Executive officers of the parent entity	
	\$	\$	2002	2001	2002	2001
100,000	-	109,999	1	-	-	-
230,000	-	239,999	-	1	-	-
280,000	-	289,999	-	1	-	-
290,000	-	299,999	1	-	-	-
300,000	-	309,999	-	1	-	-
310,000	-	319,999	-	1	-	-
320,000	-	329,999	1	-	-	-
350,000	-	359,999	1	1	-	-
380,000	-	389,999	-	1	-	-
400,000	-	409,999	1	1	-	-
410,000	-	419,999	-	1	-	1
420,000	-	429,000	1	-	-	-
430,000	-	439,999	1	-	-	-
470,000	-	479,999	-	2	-	-
480,000	-	489,999	1	-	-	-
580,000	-	589,000	1	-	-	-
710,000	-	719,999	1	-	-	-
750,000	-	759,999	1	-	1	-
1,650,000	-	1,659,999	-	1	-	1
3,270,000	-	3,279,999	1	-	1	-

Note 36. Remuneration of auditors

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
During the year, the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers - Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	<u>346,750</u>	<u>361,500</u>	-	-
Total audit and other assurance services	346,750	361,500	-	-
Employee services	123,160	128,747	-	-
Legal and compliance	45,694	51,759	-	-
Due diligence	-	<u>245,000</u>	-	-
Total remuneration	<u>515,604</u>	<u>787,006</u>	-	-
Related practices of PricewaterhouseCoopers Australian firm (including overseas PricewaterhouseCoopers firms)				
Audit or review of financial reports of the entity or any entity in the consolidated entity	<u>364,975</u>	<u>244,500</u>	-	-
Total audit and other assurance services	364,975	244,500	-	-
Legal and compliance	54,273	30,346	-	-
Due diligence	-	225,000	-	-
Benchmarking review	<u>126,751</u>	-	-	-
Total remuneration	<u>545,999</u>	<u>499,846</u>	-	-

Audit fees for the parent entity were paid by a subsidiary entity.

Note 37. Related parties

Directors

The names of persons who were Directors of the parent entity at any time during the financial year are as follows: JP Ducker; DH Randall; SM Cohn; WM Baker; P Draney; JH Pascoe and AW Steelman. All of these persons were Directors during 2001 except for JH Pascoe who was appointed in December 2001. SM Cohn retired from the parent entity on 31 December 2002 and from relevant controlled entities on 1 January 2003.

Remuneration and retirement benefits

Information on remuneration and retirement benefits of Directors is disclosed in note 34.

Loans to directors and director-related entities

Loans to directors of entities in the consolidated entity and their director-related entities comprise:-

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Secured loans	<u>2,604,427</u>	<u>-</u>	<u>2,604,427</u>	<u>-</u>
Loans advanced:				
Secured loan to DH Randall	<u>2,604,427</u>	<u>-</u>	<u>2,604,427</u>	<u>-</u>
Loan repayments received:				
Secured loan to DH Randall	-	-	-	-
Interest revenue on loans to directors of entities in the consolidated entity included in the determination of profit from ordinary activities before income tax	34,464	-	34,464	-

The secured loan is interest only and repayable on sale of the residence or on the departure of DH Randall from the company. The interest rate is 3% per annum in line with US rates. The loan is secured by a first mortgage on freehold property located in Las Vegas, Nevada, USA.

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Aristocrat Leisure Limited acquired or disposed of by directors of the company and consolidated entity or their director-related entities from the company:

	Parent entity	
	2002 Number	2001 Number
Acquisitions		
Ordinary shares acquired by on-market transactions	10,000	-
Options granted under the Employee Share Option Plan	800,000	800,000
Ordinary shares acquired under the Dividend Reinvestment Plan	4,242	-
Disposals		
Ordinary shares	53,000	-
Options exercised under the Employee Share Option Plan	266,666	266,666

Information on directors and director-related entities concerning shares or share options is disclosed in note 33.

Aggregate numbers of shares and share options of Aristocrat Leisure Limited held directly, indirectly or beneficially by

Aristocrat Leisure Limited
Notes to the financial statements
31 December 2002
(continued)

Note 37. Related parties (continued)

directors of the company or the consolidated entity or their director-related entities at balance date:

	2002	2001
	Number	Number
Ordinary shares	998,586	770,678
Options over ordinary shares	2,400,000	1,866,666

Other transactions with directors and director-related entities

A Director, Mr JP Ducker, is a director of Edelman Public Relations Limited (Edelman). Edelman was paid \$320,137 (2001 - \$349,618), and \$100,457 (2001: Nil) is payable for services to the Company on normal commercial terms and conditions.

A Director, Mr P Draney is a director of Aspect Computing Pty Ltd (Aspect). Aspect was paid \$nil (2001 - \$17,459) for the provision of services to the Company on normal terms and conditions.

A Director, Mr J Pascoe is a consultant to Phillips Fox. Phillips Fox was paid \$17,809 (2001 - \$9,610) for the provision of services to the Company on normal terms and conditions.

During the year, a domestic residence was purchased in Sydney (\$4,053,666) for the use of visiting Directors and Executives.

Wholly-owned group

The wholly-owned group consists of the parent entity and its wholly-owned controlled entities set out in note 31.

All transactions between entities within the wholly-owned group during the period ended 31 December 2002 and 31 December 2001 have been eliminated on consolidation.

Note 38. Earnings per share

	Consolidated	
	2002	2001
	Cents	Cents
Basic earnings per share	17.7	19.6
Diluted earnings per share	17.6	19.1

	Consolidated	
	2002	2001
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	453,664,849	439,599,861
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	455,636,987	453,740,249

Information concerning the classification of securities

(a) Options

Options granted to employees under AESOP and 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 relating to the options are set out in note 33.

(b) Convertible subordinated bonds

Convertible subordinated bonds are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The bonds have not been included in the determination of basic earnings per share. Details relating to the bonds are set out in note 21.

Note 39. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit from ordinary activities after income tax	80,203	86,012	46,100	67,781
Depreciation and amortisation	36,856	26,075	-	-
Dividends	-	-	(50,000)	(61,496)
Other Income	-	-	(2,026)	-
Net loss/(gain) on sale of non-current assets	78	315	-	-
Net foreign exchange differences	(10,172)	1,889	9,685	-
Change in operating assets and liabilities:				
Decrease (increase) in trade debtors	(19,891)	(142,586)	-	-
Decrease (increase) in inventories	(51,047)	(46,903)	-	-
Decrease (increase) in tax balances	(22,571)	(15,082)	(3,614)	1,480
Decrease (increase) in other operating assets	(21,682)	27,301	1,771	(7,861)
Increase (decrease) in trade creditors and bills payable	94,984	40,386	(122)	1,081
Increase (decrease) in other operating liabilities	(2,611)	(40,852)	-	2,905
Increase (decrease) in other provisions	(5,136)	30,819	-	-
Net cash inflow from operating activities	<u>79,011</u>	<u>(32,626)</u>	<u>1,794</u>	<u>3,890</u>

Note 40. Deed of cross guarantee

Aristocrat Leisure Limited, Aristocrat International Pty Ltd and Aristocrat Technologies Australia Pty Ltd are parties to a deed of cross guarantee that has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each of the above-named companies guarantees the debts of the other named companies. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/321, 01/1087 and 02/248) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Aristocrat Leisure Limited, they also represent the 'Extended Closed Group'

Set out below is a consolidated statement of financial performance of the 'Closed Group'.

	2002 \$'000	2001 \$'000
Total revenue	522,645	443,936
Cost of goods sold	(229,729)	(219,798)
Research and development	(64,289)	(35,726)
Sales, marketing and distribution	(95,967)	(68,909)
General and administration	(53,645)	(17,100)
Borrowing costs expense	(17,943)	(10,105)
Profit from ordinary activities before income tax expense	<u>61,072</u>	<u>92,298</u>
Income tax expense	(15,288)	(31,746)
Profit from ordinary activities after income tax expense/net profit	<u>45,784</u>	<u>60,552</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>45,784</u>	<u>60,552</u>

Aristocrat Leisure Limited
Notes to the financial statements
31 December 2002
(continued)

Note 40. Deed of cross guarantee (continued)

Set out below is a summary of movements in consolidated retained profits of the 'Closed Group'.

	2002 \$'000	2001 \$'000
Retained profits at the beginning of the financial year	57,928	51,762
Profit from ordinary activities after income tax expense/net profit	45,784	60,552
Dividends provided for or paid	<u>(54,731)</u>	<u>(54,386)</u>
Retained profits at the end of the financial year	<u>48,981</u>	<u>57,928</u>

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

	2002 \$'000	2001 \$'000
Current assets		
Cash assets	11,168	6,300
Receivables	69,485	109,967
Inventories	<u>64,911</u>	<u>53,367</u>
Total current assets	<u>145,564</u>	<u>169,634</u>
Non-current assets		
Receivables	410,844	455,850
Inventories	1,108	2,112
Other financial assets	82,194	17,176
Property, plant and equipment	78,320	79,341
Deferred tax assets	15,100	17,738
Intangible assets	<u>3,431</u>	<u>5,052</u>
Total non-current assets	<u>590,997</u>	<u>577,269</u>
Total assets	<u>736,561</u>	<u>746,903</u>
Current liabilities		
Payables	92,525	67,738
Interest bearing liabilities	2,905	44,372
Current tax liabilities	(4,584)	22,844
Provisions	<u>48,087</u>	<u>51,332</u>
Total current liabilities	<u>138,933</u>	<u>186,286</u>
Non-current liabilities		
Interest bearing liabilities	291,516	256,114
Deferred tax liabilities	-	693
Provisions	4,783	4,151
Other	<u>5,866</u>	<u>10,454</u>
Total non-current liabilities	<u>302,165</u>	<u>271,412</u>
Total liabilities	<u>441,098</u>	<u>457,698</u>
Net assets	<u>295,463</u>	<u>289,205</u>
Equity		
Contributed equity	246,020	232,344
Reserves	462	(1,067)
Retained profits	<u>48,981</u>	<u>57,928</u>
Total equity	<u>295,463</u>	<u>289,205</u>

Aristocrat Leisure Limited
Directors' declaration
31 December 2002

The directors declare that the financial statements and notes set out on pages 1 to 43:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40.

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



John P Ducker
Director
Sydney
18 February 2003

Independent audit report to the members of Aristocrat Leisure Limited

Audit opinion

In our opinion, the financial report, set out on pages 1 to 44:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Aristocrat Leisure Limited and the Aristocrat Group (defined below) as at 31 December 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 31 December 2002 is the responsibility of the directors of Aristocrat Leisure Limited. It includes the financial statements for Aristocrat Leisure Limited (the Company) and for the Aristocrat Group (the Group), which incorporates Aristocrat Leisure Limited and the entities it controlled during the year ended 31 December 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in Note 36 to the financial statements. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers



DS Wiadrowski
Partner

Sydney
18 February 2003