ARISTOCRAT LEISURE LIMITED ANNUAL REPORT 2011

ARISTOCRAT LEISURE LIMITED ABN 44 002 818 368

CONTENTS

2011 Annual Report

This 2011 Aristocrat Leisure Limited Annual Report complies with reporting requirements and contains statutory financial statements.

This document is not a concise report prepared under section 314(2) of the *Corporations Act 2001* (Cth). The Aristocrat Group has not prepared a concise report for the 2011 financial year.

2011 Business Review

The 2011 Business Review contains reports from the Chairman and Managing Director on the Group's business and operational highlights.

The 2011 Business Review can be found on the Group's website: www.aristocratgaming.com.

2012 Annual General Meeting

The 2012 Annual General Meeting will be held at 10.00am on Wednesday, 2 May 2012 at The Mint, 10 Macquarie Street, Sydney NSW.

Details of the business of the meeting will be contained in the notice of Annual General Meeting, to be sent to shareholders separately.

Company Profile

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

Key Dates[1]

2012	
Record date for Final 2011 Dividend	8 March 2012
Payment date for Final 2011 Dividend	3 April 2012
2012 Annual General Meeting	2 May 2012
Interim Results Announcement (6 months ending 30 June 2012)	28 August 2012

1 Dates subject to change.

Directors' Report

for the 12 months ended 31 December 2011

The Directors present their report together with the financial statements of the Company and its subsidiaries (the Group) for the 12 months ended 31 December 2011. The information in this Report is current as at 27 February 2012 unless otherwise specified.

Directors' particulars, experience and special responsibilities

Current Directors

The Directors of the Company throughout the 12 months ended 31 December 2011 and up to the date of this Report are:

Director	Experience and other directorships	Special responsibilities
ID Blackburne BSc (Hons), MBA, PhD Age 65	Nominated December 2009. Appointed 17 September 2010. – Director, Teekay Corporation (listed on the NYSE) – Former Chairman, CSR Limited and Australian Nuclear Science and Technology Organisation – Former Director, Suncorp-Metway Limited and Symbion Health Limited – Former Managing Director, Caltex Australia Limited	Non-Executive Chairman Member of each Board committee Member, Nomination and Governance Committee (until 3 May 2011) Member, Innovation and Development Committee (until 3 May 2011)
JR Odell MBA Age 53	Nominated December 2008. Appointed May 2009. – Former Managing Director, Australia, Asia and Pacific, Foster's Group Limited – Former Executive, Allied Domecq in the UK and Asia Pacific – Former Managing Director, Lyons Tetley Australia	Managing Director and Chief Executive Officer
DCP Banks BBus (Mgt) Age 60	Nominated October 2010. Appointed 12 July 2011. – Former Group Chief Operating Officer of Galaxy Entertainment Group (Macau) – Former Chief Executive (Casinos Division) of Tabcorp Holdings Limited – Former Chief Executive Officer of Star City Holdings Limited – Former President, Australasian Casinos Association – Former Director, Australian Gaming Council	Member, Regulatory and Compliance Committee (from 12 July 2011) Member, Audit Committee (from 12 July 2011)
RA Davis BEc (Hons), M Philosophy Age 60	Nominated November 2004. Appointed June 2005. – Consulting Director Investment Banking, Rothschild Australia Limited – Director, Territory Insurance Office, Chartis Australia Limited, Trust Company Limited, Bank of Queensland, Charter Hall Office REIT, and Ardent Leisure Management Limited – Former Senior Executive, Citicorp and CitiGroup Inc in the United States and Japan – Former Group Managing Director, ANZ Banking Group Limited	Chair, Audit Committee Member, Human Resources and Remuneration Committee (from 3 May 2011) Chair, Nomination and Governance Committee (until 3 May 2011) Member, Innovation and Development Committee (until 3 May 2011)

Current Directors continued

Director	Experience and other directorships	Special responsibilities
RV Dubs BSc (Hons), Dr ès Sc, FAICD Age 59	Nominated December 2008. Appointed June 2009. – Chair, Space Industry Innovation Council – Former Deputy Vice-Chancellor (External Relations), University of Technology Sydney – Former VP Operations, Thales ATM SA (France) – Former Director, Structural Monitoring Systems Plc, Thales ATM Pty Limited, Thales ATM Inc (USA) and Thales ATM Navigation GmbH (Germany) – Former Chairman, Thales ATM spA (Italy)	Chair, Human Resources and Remuneration Committee (from 3 May 2011) Member, Regulatory and Compliance Committee Member, Audit Committee (3 May 2011 until 12 July 2011) Chair, Innovation and Development Committee (until 3 May 2011)
LG Flock BA Age 58	Nominated December 2010. Appointed 29 November 2011. – Former Executive Vice President, Worldwide Publishing and Studios, THQ – Former President and CEO, Sony Online Entertainment – Former President, Sony Computer Entertainment and Sony Interactive Studios America	Member, Human Resources and Remuneration Committee (from 29 November 2011) Member, Audit Committee (from 29 November 2011)
SW Morro BA, Business Administration Age 53	Nominated December 2009. Appointed 17 December 2010. – Former Chief Operating Officer and President, IGT Gaming Division	Chair, Regulatory and Compliance Committee Member, Human Resources and Remuneration Committee (from 3 May 2011)

Former Directors
The following Directors held office for part of the 12 months ended 31 December 2011:

Director	Experience and other directorships	Special responsibilities
WM Baker BA Age 72	Nominated August 1998. Appointed May 1999. Ceased office 4 January 2011.	Former Chair, Regulatory and Compliance Committee
SAM Pitkin LLB, LLM, FAICD Age 52	Nominated November 2004. Appointed June 2005. Ceased office 3 May 2011.	Former Chair, Human Resources and Remuneration Committee Former Member, Innovation and Development Committee Former Member, Nomination and Governance Committee Former Member, Audit Committee

Company Secretary

Mrs A Korsanos was appointed and Mr PJ McGlinchey ceased to be Company Secretary on 4 March 2011.

Principal activities

The principal activities of the Group during the 12 months under review were the design, development and distribution of gaming content, platforms and systems. The Company's objective is to be the leading global provider of gaming solutions. There were no significant changes in the nature of those activities during the 12 months ended 31 December 2011.

Dividends

Since the end of the year, the Directors have recommended the payment of a final dividend of 4 cents (2010: 1.5 cents) per fully paid ordinary share. Details of the dividends paid and declared during the 12 months ended 31 December 2011 are set out in Note 7 to the financial statements.

Review and results of operations

A review of the operations of the Group for the 12 months ended 31 December 2011 is set out in the Review of Operations which forms part of this Directors' Report. The reported result of the Group attributable to shareholders for the 12 months ended 31 December 2011 was $66.1 million after tax and minority interests.

Significant changes in the state of affairs

Except as outlined below and elsewhere in this Directors' Report, there were no significant changes in the state of affairs of the Group during the 12 months ended 31 December 2011.

Events after balance date

No material matters requiring disclosure in this Directors' Report have arisen subsequent to 31 December 2011. To the best of their knowledge, the Directors are not aware of any other matter or circumstance that has arisen since 31 December 2011 that has significantly affected or may significantly affect:

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

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

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

Likely developments and expected results

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

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

Directors' attendance at Board and committee meetings during 2011

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

Meetings attended/held

Director	Board	Audit Committee	Human Resources and Remuneration Committee	Regulatory and Compliance Committee	Nomination and Governance Committee[1]	Innovation and Development Committee[1]
ID Blackburne	11/11	5/5	5/5	5/6	1/1	1/1
JR Odell	11/11	–	–	–	–	–
WM Baker[2]	–	–	–	–	–	–
DCP Banks[3]	9/11	3/3	–	4/4	–	–
RA Davis[4]	11/11	5/5	3/3	–	1/1	–
RV Dubs[5]	11/11	1/1	5/5	6/6	–	1/1
LG Flock[6]	11/11	1/1	1/1	–	–	–
SAM Pitkin[7]	3/3	2/2	2/2	–	1/1	1/1
SW Morro[8]	11/11	–	3/3	6/6	–	–

1 The Nomination and Governance Committee and the Innovation and Development Committee were retired by the Board on 3 May 2011.

2 WM Baker ceased office 4 January 2011.

3 DCP Banks was nominated as a Director in October 2010 and appointed 12 July 2011. He attended nine Board meetings during 2011 (four as a voting member and five as a non-voting member in his capacity as Director (Elect)). DCP Banks was appointed as a member of the Regulatory and Compliance Committee and the Audit Committee on 12 July 2011.

4 RA Davis was appointed a member of the Human Resources and Remuneration Committee on 3 May 2011.

5 RV Dubs was appointed as Chair of the Human Resources and Remuneration Committee on 3 May 2011. RV Dubs was an interim member of the Audit Committee from 3 May 2011 until DCP Banks received all necessary regulatory pre-approvals (12 July 2011).

6 LG Flock was nominated as a Director in December 2010 and appointed 29 November 2011. He attended 11 Board meetings during 2011 (one as a voting member and 10 as a non-voting member in his capacity as Director (Elect)). LG Flock was appointed as a member of the Human Resources and Remuneration Committee and the Audit Committee on 29 November 2011.

7 SAM Pitkin ceased office 3 May 2011.

8 SW Morro was appointed a member of the Human Resources and Remuneration Committee on 3 May 2011.

Options over share capital

No options over Company shares were granted to executives or Directors during the year ended 31 December 2011. There were no unissued shares or interests in the Company subject to options at the date of this Directors' Report and no Company shares or interests issued pursuant to exercised options during or since 31 December 2011.

Indemnities and insurance premiums

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

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

In accordance with the Company's Constitution, the Company has entered into deeds of access, indemnity and insurance and deeds of indemnity for identity theft with each Director and nominated officers of the Company. No amount has been paid pursuant to those indemnities in the year ended 31 December 2011 or since that date to the date of this Directors' Report.

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

Environmental regulation

The Group's operations have a limited impact on the environment. The Group is subject to a number of environmental regulations in respect of its integration activities. The Company does not manufacture gaming machines, it only integrates (assembles) machines and systems in Australia, the USA, Macau, Japan, the UK, South Africa and New Zealand. The Company uses limited amounts of chemicals in its assembly process. The Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the 12 months ended 31 December 2011.

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

The Company is committed to not only complying with the various environmental laws to which its operations are subject, but also to achieving a high standard of environmental performance across all its operations. The Company is aware of, and continues to plan for, any new Australian regulatory requirements on climate change. It is the Company's view that climate change does not pose any significant risks to its operations in the short to medium term. Throughout the Group, new programs and initiatives have been introduced to ensure the Company is well prepared for new regulatory regimes and to reduce its carbon footprint.

Proceedings on behalf of the Company

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

Auditor

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

Non-audit services provided by auditor

The Company, with the prior approval of the Chair of the Audit Committee, may decide to employ PricewaterhouseCoopers, the Company's auditor, on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. The Company has a Charter of audit independence which specifies those non-audit services which cannot be performed by the Company auditor. The Charter also sets out the procedures which are required to be followed prior to the engagement of the Company's auditor for any non-audit related service.

Details of the amounts paid or payable to the Company's auditor, for audit and non-audit services provided during the year, are set out in Note 31 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Act. The Directors are satisfied that the provision of non-audit services by the auditor as set out in Note 31 to the financial statements did not compromise the auditor independence requirements of the Act for the following reasons:

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

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

Loans to Directors and executives

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

Remuneration Report

The Remuneration Report on pages 23 to 45 forms part of this Directors' Report.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) relating to the 'rounding off' of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report and the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Dr ID Blackburne
Chairman

27 February 2012

Review of Operations

for the full year ended 31 December 2011

Summary

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

A$ million	Constant currency[2,4] FY 2011	FY 2011	FY 2010	Variance vs FY 2010 Constant currency[2,4] %	Variance vs FY 2010 Reported %
Normalised results[1,4]					
Total segment revenue from ordinary activities	762.7	709.0	684.6	11.4	3.6
Earnings before interest, tax and D&D[3] costs	227.3	211.6	194.5	16.9	8.8
Earnings before interest and tax (EBIT)	119.7	110.8	84.7	41.3	30.8
Profit after tax	74.0	66.9	55.2	34.1	21.2
Profit after tax and non-controlling interest	73.2	66.1	54.6	34.1	21.1
Earnings per share (fully diluted)	13.6c	12.3c	10.3c	32.0	19.4
Total dividend per share	6.5c	6.5c	5.0c	30.0	30.0
Reported results					
Profit after tax and non-controlling interest	73.2	66.1	77.2	(5.2)	(14.4)
Balance sheet/cash flow					
Net working capital/revenue	17.1%	18.4%	19.1%	2.0pts	0.7pts
Operating cash flow[1]	119.1	108.2	73.6	61.8	47.0
Cash flow per share (fully diluted)[1]	22.2c	20.2c	13.9c	59.7	45.3
Closing net debt	232.8	232.0	285.8	18.5	18.8

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

2 Full year 2011 result adjusted for translational exchange rates using rates applying in 2010.

3 Design and Development (D&D).

4 The non-IFRS information presented in this document has not been audited in accordance with the Australian Auditing Standards.

The Group reported a profit after tax and non-controlling interest of $66.1 million, representing a 21.1% increase compared with the prior corresponding period's normalised result of $54.6 million. This result was in line with the top of the guidance range and was delivered fundamentally through stronger operational performance. In constant currency terms, the full year result increased 34.1% compared with the prior corresponding period. The increase in normalised profit after tax and non-controlling interest of $11.5 million is primarily attributed to an increase in operational performance of $27.1 million, offset by an increase in net interest charges of $9.2 million and unfavourable foreign exchange movements on foreign earnings of $7.1 million.

Reported fully diluted normalised earnings per share of 12.3 cents represent a 19.4% increase on the prior corresponding period (a 32.0% increase on a constant currency basis).

Operational performance across the Group (earnings before interest and tax) increased 30.8% in reported terms. In constant currency, the increase was 41.3%. This has been achieved through revitalising our product offer and improved game performance with new games, technology, systems and hardware being released in 2011 in all key markets and segments. Underlying operating performance across the global portfolio was significant despite overlapping the large Singapore casino openings in the prior corresponding period and the challenges experienced in Japan in the current year from the natural disaster, resulting in parts shortages and a very competitive market arising from a high concentration of game releases in the back half of the year. The turnaround in the Australian business performance was a key contributor to year on year growth and clearly demonstrates our product led strategy being effectively executed.

Operating cash flow of $108.2 million was $34.6 million higher than the prior corresponding period excluding abnormal items, predominantly due to higher earnings before interest, tax and depreciation (EBITDA). Free cash flow (excluding abnormals) of $55.4 million was $17.2 million higher after significant investment in gaming operations ($23.9 million above the prior corresponding period).

Net debt at 31 December 2011 decreased $53.8 million from the prior corresponding period as a result of strong free cash flow generation and the Group's commitment to reducing borrowings and gearing to more conservative levels through the management of costs, capital spend and working capital.

Operational performance by region is summarised below. Reference to profit/(loss) represents earnings before interest and tax, and before abnormal items, charges for D&D expenditure and corporate costs.

Americas: In local currency, revenue increased by 6.6% to US$343.0 million, and profit was down 5.3% to US$119.0 million.

Performance in North America continues to be constrained by challenging market and operator trading conditions. The total North American market was up slightly with both new openings and the replacement cycle improving. A higher proportion of rebuild sales adversely impacted average selling prices (ASP) and margins. Importantly, the business grew ship share above the gains achieved in 2010. The key driver of lower profit in the current year was the contribution from gaming operations, down on the prior corresponding period as the business continued to cycle out of legacy product and carried a lower average installed base over the period. Encouragingly, in North America, new game performance during the period increased average fee per day by 6.6% to US$41.06 and the gaming operations install base increased 9.9% since December 2010, providing a stronger base for growth. Systems revenue was 18.0% up on the prior corresponding period following 17 new installations completed during the reporting period.

In Latin America, revenue, in US$ terms, increased 21.3% due to a shift to new *Viridian*™ product from rebuild sales.

Australia and New Zealand: Revenue increased by 28.2% to $190.6 million, and profit increased 184.1% to $69.6 million.

In Australia, revenue increased by 27.2% to $175.0 million and profit increased 174.7% to $64.0 million. Performance improved significantly during this period. Revenues, average selling price on new units and margins all increased on the back of the *Viridian WS*™ launch in all Australian markets (excluding Western Australia (WA)) and an expanded games portfolio. Performance from key games releases, the *Legends* titles (including *5 Dragons*™ and *Queen of the Nile*™), *More Hearts*™ and *Phantom*™ in New South Wales (NSW) and Queensland (QLD), was very strong, with momentum in *Viridian WS*™ sales increasing throughout the second half as the library of available games grew. In New Zealand in constant currency terms, revenue increased by 43.2% to $15.9 million and profit increased 375.0% to $5.7 million, driven by a full year of sales of *Viridian WS*™ and the launch of key casino titles.

Rest of World (ROW): Revenue increased by 8.9%, in constant currency terms, to $202.5 million and profit increased 16.9% to $58.8 million.

Revenue in the International – Class III segment was up 22.2% to $135.0 million and profits up 34.2% to $62.0 million in constant currency terms. This was primarily driven by strong revenue growth in Asia Pacific and South Africa, offset by challenging market conditions in the European market. Overall Asia Pacific performance exceeded that of the prior corresponding period, also capturing a record share of a new casino opening in Macau. In Japan revenue decreased by 8.6% in local currency and this resulted in a Yen 443.3 million decline in profit to Yen 19.0 million versus Yen 462.3 million profits in the prior corresponding period driven by lower volumes. Trading conditions were extremely difficult during the year, with the March natural disaster restricting components in the second and third quarters, and an extremely competitive fourth quarter which saw a concentration of strong titles. A new cabinet was launched in the fourth quarter, but results were disappointing as the halls focused capital expenditure on the two biggest competitor titles of the year which were released in the same period. Aristocrat Lotteries Europe revenues decreased compared to the prior corresponding period, due to lower video lottery terminal (VLT) sales in the period.

Overall, at the half-way point in the Group's five year transformation program, operational progress is visible from the output of new product delivered to key markets:

1 **Americas**
- Ship share gains on the back of continued *Viridian WS*™ penetration and new and improved game content
- *Viridian Hybrid*™ approved and launched in the second half
- Significant growth in gaming operations install base (up 9.9%) and fee per day (FPD) (up US$2.53 or 6.6%) driven by the release of new product
- Continued growth in *OASIS*™ customer base, with 17 new installs during the year
- New systems modules approved and launched – nCompass, nRich, nVision
- Launch of nLive free to play US casino

2 **Australia and New Zealand**
- *Viridian WS*™ launched across all Australian and New Zealand jurisdictions
- Successful launch of the *Legends* titles
- Expansion into the mid-denomination segment (Silver and Gold series)
- Expanded game content and improved performance
- Significant growth in new unit average selling price and margins
- Ship share successfully reclaimed and stabilised in mid thirties
- *WS Slant*™ released in August 2011

3 **ROW and Japan**
- Record share secured at the Galaxy Macau casino opening
- Successful launch of the *Legends* titles in Asia Pacific (*5 Dragons Legends*™)
- Aristocrat Lotteries Europe expansion into the Italian VLT market progressing, with a total of 3,000 units secured
- Online content placed
- Global *Viridian WS*™ launch completed
- *WS Slant*™ released in the fourth quarter
- Stronger game performance in Japan, with *Pro Golfer Saru*™ achieving the best floor performance in the market on release, and the business's best performing game over the last three years
- Cost base reduced and new talent hired in Japan
- New Hybrid cabinet launched in the second half in Japan

Profit and loss

Analysis throughout this section refers to results reported on a normalised management basis prior to recognising transactions/adjustments taken during the respective reporting 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.

Summary profit and loss

A$ million	FY 2011	FY 2010	Variance %
Segment revenue			
Australia and New Zealand	190.6	148.7	28.2
Americas	330.9	349.9	(5.4)
Rest of World and Japan	187.5	186.0	0.8
Total segment revenue	**709.0**	**684.6**	**3.6**
Segment profit			
Australia and New Zealand	69.5	24.5	183.7
Americas	114.7	137.0	(16.3)
Rest of World and Japan	53.6	50.3	6.6
Total segment profit	**237.8**	**211.8**	**12.3**
Unallocated expenses			
Group D&D expense	(100.9)	(109.8)	8.1
Foreign exchange	(2.5)	0.6	516.7
Corporate	(23.6)	(17.3)	(36.4)
Share of losses – Elektronček	–	(0.6)	100.0
Total unallocated expenses	**(127.0)**	**(127.1)**	**0.1**
EBIT	**110.8**	**84.7**	**30.8**
Interest	(25.3)	(13.5)	87.4
Profit before tax	**85.5**	**71.2**	**20.1**
Income tax	(18.6)	(16.0)	16.3
Profit after tax	**66.9**	**55.2**	**21.2**
Non-controlling interest	(0.8)	(0.6)	33.3
Profit after tax after non-controlling interest	**66.1**	**54.6**	**21.1**

Key metrics

	% of revenue		Variance
	FY 2011	FY 2010	Pts
Segment profit margin			
Australia and New Zealand	36.5	16.5	20.0
Americas	34.7	39.2	(4.5)
Rest of World and Japan	28.6	27.0	1.6
Overall segment profit margin	**33.5**	**30.9**	**2.6**
Group D&D expense	14.2	16.0	(1.8)
Earnings before interest and tax	15.6	12.4	3.2
Profit after tax and non-controlling interest	9.3	8.0	1.3
Effective tax rate	21.7%	22.6%	(0.9)

Revenue
Segment revenue increased $78.1 million or 11.4% in constant currency (increased $24.4 million or 3.6% in reported currency), as a result of strong growth in sales from Australia and New Zealand, North America, Asia Pacific and South Africa. This was partially offset by lower sales volumes from Japan, in particular, due to lower than expected sales of *Kyojin no Hoshi V™* in the fourth quarter.

Earnings
Segment profit increased 20.8% in constant currency, $26.0 million (12.3%) in reported currency, compared with the prior corresponding period. The increase was driven by higher earnings from Australia, Asia Pacific, New Zealand and to a lesser extent from South Africa, partially offset by lower earnings in North America and Japan, and a slight decline in earnings from Latin America.

The Group's investment in D&D spend as a percentage of revenue was 14.2% compared to 16.0% of revenues in the prior corresponding period (14.1% on a constant currency basis). This decline has been influenced by the growth in revenues and the marginal decline in spend in the current year driven by the management of D&D spend in Japan and further cost efficiencies in Australia. Total reported spend declined $8.9 million or 8.1% compared to the prior corresponding period (2.0% on a constant currency basis). The Group continues to invest significantly in better games and new technology, with ongoing efficiencies reinvested in its core product development and capability. The D&D headcount has declined slightly compared to the prior corresponding period and is currently at 753 full-time equivalents (FTE) compared to 761 FTEs as at 31 December 2010. The business continues to drive efficiencies through the Indian Development Centre, which represents 28% of this headcount, up from 21% compared to the prior corresponding period.

Cost control remains a key focus for the Group, with further actions undertaken in the current period to reduce the Group's fixed cost base. Total net corporate costs increased $6.3 million, largely due to costs incurred in executing cost out initiatives and higher legal spend. The increased legal spend was a result of the Group defending its intellectual property (IP) rights which remains a key strategic initiative. IP licensing revenues are included in regional segment results. At the Group level, selling, marketing, general and administration cost (SMG&A) reduced 2.4% in reported currency (increased 2.7% in constant currency).

Net interest expense has increased significantly ($11.8 million or 87.4%), reflecting higher average net debt levels following the settlement of the convertible bond litigation late last year.

The effective tax rate on the reported result is 21.7%. This is marginally lower than the 22.6% recorded in the prior corresponding period on the normalised result and is mainly due to mix of earnings and a tax adjustment relating to prior years, predominantly relating to R&D concessional claims.

Abnormal items in the prior corresponding period
In 2011, there were no abnormal and one-off items that are not representative of the underlying operational performance of the Group.

$ million	FY 2011	FY 2010
Normalised profit after tax	**66.9**	**55.2**
Convertible bonds settlement	0.0	22.1
Profit on disposal of investment in Elektronček	0.0	12.7
Impairment of gaming operation assets	0.0	(8.1)
Restructuring costs	0.0	(4.1)
Reported profit after tax	**66.9**	**77.8**
Non-controlling interest	(0.8)	(0.6)
Reported profit after tax and non-controlling interest	**66.1**	**77.2**

The Group's reported result after tax in the prior corresponding period included an abnormal net profit after tax of $22.1 million arising from the release of the bonds settlement provision, $12.7 million arising from the disposal of its investment in Elektronček, an abnormal loss of $8.1 million arising from the write-down of *Viridian 19″* machines and $4.1 million of restructuring cost.

To assist users of the financial statements in understanding the Group's business results, Aristocrat discloses normalised profit (before and after tax). By disclosing normalised profit, users of this financial information are provided with a measure of profit that is indicative of the underlying operational performance of the Group. A reconciliation of the normalised profit to the reported profit in the statutory financial statements is presented above in order to provide transparency of the significant items (defined on Page 8) that have been excluded in determining the normalised profit result.

Balance sheet

The balance sheet can be summarised as follows:

$ million	31 Dec 2011	31 Dec 2010
Net working capital	130.2	130.7
Other current/non-current assets	98.2	73.9
Property, plant and equipment	109.3	100.1
Investments in other companies	1.4	1.5
Intangibles	109.3	114.0
Other current/non-current liabilities	(56.5)	(59.3)
Net tax balances	92.2	112.8
Funds employed	**484.1**	**473.7**
Net debt	(232.0)	(285.8)
Total equity	**252.1**	**187.9**

Significant balance sheet movements from 31 December 2010 are:

Net working capital: Net working capital decreased to 18.4% of annual revenue from 19.1% in the prior period, driven by improved inventory levels and trade payables, partially offset by an increase in trade receivables influenced by the timing of revenues:

- fourth quarter sales compression in North America into the month of December with higher sales year on year coupled with the growth of gaming operations towards the end of the second half;
- timing and higher sales in Asia Pacific;
- increased momentum behind the *Viridian WS*™ in Australia through the second half and timing of Victorian opportunities in the fourth quarter compared to a significantly lower performance period in the prior year; and
- the Japanese game release in November, installed in December, versus September in the prior corresponding period.

Other current/non-current assets: The $24.3 million increase primarily relates to increased revenues in Latin America, Lotteries Europe VLT unit sales into Italy and longer financing terms driven by market conditions in North America.

Property, plant and equipment: The $9.2 million increase represents net capital additions ($57.8 million), primarily relating to gaming operations units in North America offset by the depreciation charge for the year ($30.5 million) and transfers and disposals ($17.6 million).

Intangible assets: The $4.7 million decrease primarily reflects annual technology amortisation ($4.3 million).

Net tax balances: The $20.6 million decrease relates to $6.9 million decrease in current tax assets and $13.7 million decrease in deferred tax assets due to provision reductions (bond settlement).

Total equity: The change in total equity predominantly reflects net reported profit of $66.1 million for the period partially offset by movements in reserves.

Statement of cash flows

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

$ million	FY 2011	FY 2010
Net debt – opening balance	**(285.8)**	**(75.3)**
Normalised net cash inflow from operating activities	**108.2**	**73.6**
Cash effect of abnormal items	0.0	(236.1)
Net cash inflow from operating activities	**108.2**	**(162.5)**
Investing cash flows	(52.8)	(35.4)
Financing cash flows	(1.0)	(17.5)
Movement in net cash	**54.4**	**(215.4)**
Effect of exchange rate changes on net debt	(0.6)	4.9
Net debt – closing balance	**(232.0)**	**(285.8)**

Total net cash inflows of $54.4 million, $33.7 million higher than in the prior corresponding period, represent a 162.8% year on year improvement (excluding abnormal items). This has been delivered after significant investment in gaming operations and was predominantly driven by higher EBITDA of $25.6 million, favourable foreign exchange movements and higher net tax refunds. This was partially offset by increased interest payments and other movements in assets and liabilities.

Fully diluted operating cash flow per share increased from 13.9 cents to 20.2 cents (excluding abnormal items).

The abnormal cash impact of $236.1 million in the prior corresponding period related predominantly to the settlement of the convertible bonds damages.

The net cash outflow from investing activities primarily represents investment in property, plant and equipment, predominantly for gaming operations units in North America. This spend is representative of the capital being invested in the business to drive growth and increased by $23.9 million to $46.7 million during the period.

The net cash flow from financing activities relates to payments of dividends to a non-controlling interest.

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

Net debt at 31 December 2011 was $232.0 million, a decrease of $53.8 million from 31 December 2010. Gross debt during the period was reduced by $44.3 million.

The Company remains committed to prudently managing its borrowing and gearing levels, predominantly through the management of costs, capital spend and working capital.

Bank facilities

The Group had committed bank facilities of $450.0 million at 31 December 2011, of which $261.4 million was drawn compared to $298.7 million at 31 December 2010. Net debt levels at 31 December 2011 reduced $53.8 million from $285.8 million as at 31 December 2010. This reduction in drawn facilities primarily reflects operating cash flow generated by the business during the year.

The Group's facilities are summarised as follows:

Facility	Drawn as at 31 December 2011	Limit	Maturity date
3 year debt	A$261.4m	A$450.0m	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 are as follows:

Ratio	31 Dec 2011	30 June 2011	31 Dec 2010
EBITDA[1]/interest expense[2]	5.6X	4.7X	9.0X
Debt/EBITDA[1]	1.7X	2.7X	2.5X
Net debt/EBITDA[1]	1.5X	2.6X	2.3X

1 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.

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

Dividends

The Directors have authorised a final dividend in respect of the year ended 31 December 2011 of 4.0 cents per share ($21.7 million). The dividend will be unfranked and is expected to be declared and paid on 3 April 2012 to shareholders on the register at 5.00pm on 8 March 2012. 100% of the unfranked dividend will be paid out of conduit foreign income. The Dividend Reinvestment Plan (DRP) will operate 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 15 days commencing on 9 March 2012. 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 an 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. Based on the current mix of earnings and the impact of prior corresponding period abnormal items, the 2011 final dividend and dividends paid over the medium term are not expected to be fully franked.

Total dividends for 2011 are 6.5 cents per share, representing a payout ratio of 53% of normalised earnings, consistent with the Group's intention to maintain an annual earnings payout ratio of 50% to 70% over the medium term.

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 and the Yen in 2011 compared to the prior corresponding period. The impact of translating foreign currency (translational impact) decreased revenue by $53.7 million while decreasing reported profit after tax and non-controlling interest by $7.1 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 $91.9 million (compared to $91.6 million as at 31 December 2010).

Based on the Group's 2011 mix of profitability, the major exposure to translational foreign exchange results from the Group's US dollar profits. A US dollar one cent change in the US$:A$ exchange rate results in an estimated $1.0 million translational impact on the Group's annual reported profit after tax. This impact will vary as the magnitude and mix of overseas profits change.

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

A$:	31 Dec 2011	30 Jun 2011	31 Dec 2010	2011 Average[1]	2010 Average[1]
USD	1.0156	1.0739	1.0170	1.0393	0.9200
NZD	1.3145	1.2953	1.3256	1.3051	1.2785
JPY	78.73	86.33	82.82	82.65	80.12
EUR	0.7847	0.7405	0.7684	0.7443	0.6982
SEK	7.0127	6.7834	6.8456	6.7118	6.6128
ZAR	8.3074	7.2864	6.7339	7.5367	6.7155

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

Regional segment review

In this review, segment profit/(loss) represents earnings before interest and tax, and 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 2011 results restated using exchange rates applying in 2010.

Americas

US$ million	FY 2011	FY 2010	Variance	Variance %
Revenue				
North America	312.8	296.8	16.0	5.4
Latin America	30.2	24.9	5.3	21.3
Total	**343.0**	**321.7**	**21.3**	**6.6**
US$ million				
Profit				
North America	111.4	116.1	(4.7)	(4.0)
Latin America	7.6	9.5	(1.9)	(20.0)
Total	**119.0**	**125.6**	**(6.6)**	**(5.3)**
Margin	34.7%	39.0%	–	(4.3) pts

North America	FY 2011	FY 2010	Variance	Variance %
Volume				
– Platforms	8,267	7,662	605	7.9
– Conversions	7,565	7,114	451	6.3
Average US$ price/unit	14,410	15,054	(644)	(4.3)
Gaming operations units	6,229	5,670	559	9.9
Gaming operations US$/day	41.06	38.53	2.53	6.6

Latin America	FY 2011	FY 2010	Variance	Variance %
Volume				
– Platforms	2,549	2,346	203	8.7
– Conversions	180	223	(43)	(19.3)
Average US$ price/unit	10,695	8,776	1,919	21.9

Americas continued

North American revenue increased 5.4% while profits declined by 4.0%. Despite a slight increase in market demand in the year, profitability continued to be impacted by the difficult market and operator trading conditions. Overall profit margin declined 3.5 points to 35.6%, which was primarily driven by a smaller contribution from gaming operations to the overall result compared to the prior corresponding period as the business cycled out of legacy product and carried a lower average install base over the period.

Gaming operations performance was encouraging, as new games and products released during the period commanded improved fee per day in an intensely competitive market. Since December 2010, the gaming operations installed base grew by 9.9%, driven by the successful release of new game titles including *Tarzan*® and *Mission: Impossible*™ on the *Verve hd*™ cabinet, *Cashman Fever*™ on the *Viridian WS*™ cabinet and *Zorro*™ on the new *Viridian Hybrid*™ cabinet. These games contributed to the increase in the average fee per day which averaged US$41.06 for the year compared to the 2010 average of US$38.53. Released in the first quarter of 2011, *Tarzan*® had an installed base of more than 1,000 units by the end of the year and has been the strongest performing gaming operations title Aristocrat has released in many years.

A total of 8,267 units were sold in the period, a 7.9% increase compared to the prior corresponding period. The average selling price achieved during the period was US$14,410 per unit, which represented a 4.3% decline on the prior corresponding period. The decline in the average selling price was driven by a combination of product mix with a higher proportion of rebuilds sold in 2011 and promotional activity.

During the period, the business installed 17 *OASIS*™ Casino Management Systems into new sites, continuing to drive an increase in the total number of properties which use the *OASIS*™ Casino Management System in North America to 278 (net year on year increase of 12). Driven by the increase in new installations and sales of software upgrades, total systems revenues improved 18.0% to US$56.9 million.

Sales of software conversions increased 6.3% to 7,565 units, representing a combination of growth in *GEN7*™ conversions as the platform matures and enters its fourth year in the market, as well as Class II conversions.

While economic conditions and the replacement cycle are expected to remain unchanged in 2012, there is a substantial increase expected in the number of new openings/expansions, which should provide an overall increase in the market size. Despite an increase in competition, the Company will be aiming to retain and protect its overall share. With a strong portfolio of new gaming operations products, the business also expects to continue to grow its gaming operations installed base and average fee per day in 2012. Significant new participation products coming online in the second half include *Tarzan® The Adventures Return*™, *The Phantom*™, *JAWS Bounty Hunter*™, *Mission Impossible: Scarlett Rose*™, and *Zorro: The Legend Returns*™. The business also expects a strong year from its systems business, with more new installations planned and sales of recently completed system modules including nCompass.

In Latin America, platform sales volume was up 8.7% and average selling price increased by 21.9%, driven by an increase in new unit sales and a shift in rebuild sales from *MKVI*™ product to *Viridian*™ product. As a result, revenue improved 9.7% in reported currency terms or 19.8% in constant currency terms. The reduction in profitability is representative of customer mix where the business cash accounts for certain transactions. Profit adjusted for this accounting treatment increased 11.4% in constant currency terms.

Australia and New Zealand

A$ million	Constant currency FY 2011	Constant currency FY 2010	Variance	Variance %
Revenue				
Australia	175.0	137.6	37.4	27.2
New Zealand	15.9	11.1	4.8	43.2
Total	**190.9**	**148.7**	**42.2**	**28.4**

A$ million	Constant currency FY 2011	Constant currency FY 2010	Variance	Variance %
Profit				
Australia	64.0	23.3	40.7	174.7
New Zealand	5.7	1.2	4.5	375.0
Total	**69.7**	**24.5**	**45.2**	**184.5**
Margin	36.5%	16.5%	–	20.0 pts

Australia	FY 2011	FY 2010	Variance	Variance %
Volume				
– Platforms	5,220	3,737	1,483	39.7
– Conversions	5,887	6,480	(593)	(9.2)
Average A$ price/unit	16,729	16,722	7	0.0
Average A$ price/unit (excluding Victorian rebuild sales)	17,683	16,722	961	5.7

New Zealand	FY 2011	FY 2010	Variance	Variance %
Volume				
– Platforms	386	122	264	216.4
– Conversions	979	618	361	58.4
Average NZ$ price/unit	18,840	20,442	(1,602)	(7.8)

Australia and New Zealand continued

Australian revenue increased by 27.2% and profit increased by 174.7% due to higher unit sales which drove market share recovery on the back of the launch of *Viridian WS*™, a broader and stronger games portfolio, improved game performance, manufacturing efficiencies and focused cost management.

Market conditions in Australia remain competitive, with a large number of suppliers and stable market churn. Despite this, platform unit sales increased by 39.7%. During the period, the Aristocrat *Viridian WS*™ cabinet was launched across all major Australian jurisdictions.

In NSW/ACT, platform units were 1,161 units (or 51.0%) higher than in 2010, indicating the acceptance of the *Viridian WS*™ cabinet, along with improved game performance. Despite major floor refurbishments in key Victorian accounts over the course of 2010, new unit sales in Victoria (VIC) were only slightly below the prior corresponding period and reflect the strong performance of the *Viridian WS*™ cabinet and games portfolio. Total units sold into VIC saw unit shipments increase 49.0% year on year (25% increase excluding circa 500 rebuild unit sales). The QLD market remains a key area of focus; games delivery and quality will be a key to re-engaging the QLD market in 2012. Overall, the QLD units fell 12.0% year on year. QLD remains a key growth opportunity for Aristocrat in 2012.

Over the course of 2011, the business has increased games development of Australian specific titles in the key 1c segment, expanding titles available in the growing mid-denomination segments and leveraging the strength of our games library with the launch of the *Legends*™. The sales and games strategy has resulted in Australia stabilising and growing ship share in the current period.

In the key 1c segment, *Phantom*™ has been the cornerstone of the Australian market, with over 1,000 titles sold since launch in March 2011. Even with the high penetration of the title (*Phantom*™ represents circa 10% of sales for the entire NSW market in 2011), performance remained strong. Early performance of *Phantom*™ in both QLD and VIC is also encouraging.

The expansion into the mid-denomination segments has been well received by both the market and players, with more than 100 Silver and Gold titles sold across 2c, 5c, 10c and 20c denominations.

2011 also highlighted our ability to leverage our games library and brands, with the release of game titles such as *Queen of the Nile Legends*™ and *5 Dragons Legends*™, which have combined to sell in excess of 1,000 units since launch.

Over the course of 2011, Aristocrat has launched 86 *Viridian WS*™ titles across NSW, QLD, VIC, Tasmania (TAS), South Australia (SA) and the Northern Territory (NT).

Profit margin improved by 19.6 percentage points as a result of the higher volumes and improved game performance driving a 5.7% improvement in ASP (excluding VIC rebuild unit sales) coupled with continued cost control activities across fixed costs and the assembly operations. In addition profit margin improvements were driven by VIC game licencing opportunities monetised during the period. It is expected some further licensing opportunities will occur in 2012.

Whilst general market conditions are expected to remain challenging in future years, the Australian operation remains on track to deliver revenue and operational targets in line with the turn-around strategy.

Performance in New Zealand was strong, despite challenging market conditions, with revenue up 43.2% and profit of $5.7 million compared to $1.2 million in the prior corresponding period driven by a full year of *Viridian WS*™ sales in both class 4 and casino segments and the launch of key casino titles, including *Phantom*™, *More Hearts*™, *FaFaFa Hyperlink*™ and *Players Choice*™ titles to support the class 4 market over the course of 2011.

The New Zealand market is expected to remain challenging in the aftermath of the Christchurch earthquake. Customers remain highly cautious about capital spend.

Rest of World and Japan

A$ million	Constant currency FY 2011	Constant currency FY 2010	Variance	Variance %
Revenue				
International – Class III	135.0	110.5	24.5	22.2
Japan – Pachislot	44.5	48.5	(4.0)	(8.2)
Europe – Lotteries and Online	23.0	27.0	(4.0)	(14.8)
Total	**202.5**	**186.0**	**16.5**	**8.9**

A$ million	Constant currency FY 2011	Constant currency FY 2010	Variance	Variance %
Profit				
International – Class III	62.0	46.2	15.8	34.2
Japan – Pachislot	0.3	6.0	(5.7)	(95.0)
Europe – Lotteries and Online	(3.5)	(1.9)	(1.6)	84.2
Total	**58.8**	**50.3**	**8.5**	**16.9**
Margin	29.0%	27.0%	–	2.0 pts

	FY 2011	FY 2010	Variance	Variance %
Volume – Class III Platforms	6,065	4,771	1,294	27.1
Volume – Pachislots	11,413	14,277	(2,864)	(20.1)
Total VLTs in operation	6,153	4,105	2,048	49.9
Pachislot average ¥ price/unit	305,630	266,482	39,148	14.7

The Group experienced strong growth from the Rest of World (ROW) segment; revenue and profit increased by 8.9% and 16.9% respectively in constant currency.

Rest of World and Japan continued

International – Class III
Asia Pacific performed strongly, with revenues and profits up on the prior corresponding period by 20.9% and 51.6% respectively in constant currency terms. Despite fewer new casino openings compared to the prior corresponding period (which included revenues from the two large new casino openings in Singapore), overall volumes improved with expansions and product churn at a number of existing properties. Strong game performance was maintained. Floor share achieved at the launch of Galaxy Macau, on Cotai, was a record for any casino opening in Macau. The business continues to maintain 55% to 65% installed market share in Macau and the highest installed shares of any slot manufacturer in both Singapore casinos. *5 Dragons Legends*™ has in particular performed well in the region following its successful launch in Australia, with over 300 units sold in the fourth quarter. The launch of several strong performing titles on the new *Viridian WS*™ cabinet has extended the breadth of market leading product offerings. Aristocrat continued to build its presence in the region, with 45.5% of its revenues coming from outside Macau and Singapore versus 24.1% in the prior corresponding period.

In Europe, constant currency revenues declined 4.8% whilst profits decreased by 27.3% compared to the prior corresponding period. Revenues in the Spanish market increased by 52.5%, whilst the European Casino business saw a decline of 15.8%. This was primarily driven by tough market conditions. The overall casino market share remained flat year on year. In the Spanish market, our installed base and market share increased year on year. We have now installed over 1,000 machines and have six game titles released in eight regions of Spain. The most significant release for 2011 was the *Viridian WS*™ and *Widescreen Vii Slant*™ cabinet in the fourth quarter.

In South Africa, constant currency revenues and profits increased by 55.0% and 48.8% respectively compared to the prior corresponding period, driven by activity across both the casino market and the Limited Payout Market (LPM). Demand in both markets was driven by expansions as well as Aristocrat's release of the *Viridian WS*™ cabinet in the second half. Aristocrat's overall casino market share increased from 27.0% to 28.0% while LPM market share decreased from 75.0% to 71.0% due to increased competition.

Trading conditions across the Rest of World portfolio are expected to remain challenging into 2012. Benefits, however, are expected to come from continuing strong game performance in Asia Pacific, also supported by new openings in Macau and in the Philippines, as well as further penetration of *Legends*™. The outlook for 2012 in Europe remains cautious due to current global and economic conditions with the added impact of the Eurozone crisis and sovereign debt issues impacting business confidence. The Group will continue to build momentum from the newly launched *Viridian WS*™ cabinet in key European markets. We are also expecting to build further momentum in Spain and grow our market share through penetration into the bar market. The outlook for 2012 in South Africa remains cautious due to current global and local economic conditions, with no major casino expansions planned for 2012.

Japan – Pachislot
The pachislot market shipped an estimated 1 million units in 2011, an increase of circa 200,000 units on the prior corresponding period, predominantly influenced by the concentration of major title releases in the fourth quarter. Due to the impact of the earthquake and tsunami in March 2011, the business was restricted to releasing only three of its planned four titles in the period. Sales of *Kyojin no Hoshi V*™, launched on the new *Hybrid* cabinet, were also affected by the concentrated competition from mega titles released in the same period. Parts shortages prevented the release of Aristocrat's other major title *Black Lagoon*™, deferred into 2012 as well as restricted the *Pro Golfer Saru*™ volumes.

In local currency, 2011 revenue declined by 8.6% against the prior corresponding period, driven by a 20.1% decrease in unit volumes. The two games released in the first half (*Ganko Ittetsu*™ and *Pro Golfer Saru*™) were the last of the legacy *FUGA* cabinet. Performance by *Pro Golfer Saru*™ was very positive, the business's best performing game over the last three years; however, as referred to above, parts shortages resulting from the earthquake restricted its sales volumes. SMG&A and D&D costs were managed to partially offset the reduced revenue base.

The Japanese market is expected to continue to grow in 2012 as pachislot gains momentum with Aristocrat expecting a greater market share than in the prior corresponding period through the launch of games with stronger titles and better utilising the capabilities of the new *Hybrid* cabinet.

Europe – Lotteries and Online
Lotteries revenues decreased by 14.8% in constant currency, mainly driven by lower VLT sales. At the end of the year, 2,638 and 3,515 Aristocrat VLTs were installed on the Cogetech and Norsk Tipping systems respectively. Cogetech is the first concessionaire in the Italian VLT market to have nine games approved and live. Progress to date and early performance of the system and Aristocrat's games have been encouraging. The lotteries business will benefit from the continued rollout of VLTs into Italy with 3,000 terminals committed, the ongoing optimisation of the *TruServ*™ system and the continued improvement in game performance. The Group also continues to actively explore further value-adding opportunities for deploying its *TruServ*™ system solution and terminals in emerging VLT markets.

Aristocrat Online at 31 December 2011 had 29 titles live with eight licensed European internet gaming operators. The library of online versions of Aristocrat games was expanded during the reporting period and free-play slots were made available through the Apple iTunes Store, with more than 100,000 downloads laying the foundations for future growth.

Remuneration Report

for the 12 months ended 31 December 2011

Introduction

The Directors of Aristocrat Leisure Limited (Company) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Act) and Corporations Regulation 2M.3.03 for the Aristocrat Group (Group) for the year ended 31 December 2011. Whilst new laws concerning remuneration consultants and remuneration advice do not take effect until the Group's next reporting period, the Board has chosen to become an 'early adopter' and this Remuneration Report contains the relevant disclosures in section 2.

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

The Remuneration Report details the policy and principles that govern the remuneration of the Company's Non-Executive Directors and the Group's Senior Executives (as that term is defined below), the link between remuneration policy and principles and the Group's performance for the financial year, and the remuneration and service agreements of Senior Executives.

Contents

The Remuneration Report begins with an executive summary intended to provide a 'plain English' explanation for shareholders as to how the Group's remuneration framework works and key outcomes and events which occurred during the 2011 financial year.

This Remuneration Report is set out in the following sections:

Section 1 – Executive Summary

Section 2 – Human Resources and Remuneration Committee

Section 3 – Senior Executive remuneration policy and structure

Section 4 – Non-Executive Director remuneration

Section 5 – Link between remuneration and Group performance

Section 6 – Remuneration tables and data

Section 7 – Shareholdings

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

Table 1 Components of remuneration

Remuneration component		Participants		
		Senior Executives (excluding CEO and Managing Director)	CEO and Managing Director	Non-Executive Directors
Fixed	**Fixed remuneration**	☑ (page 29)	☑ (page 29)	
	Fees			☑ (page 36)
Short Term Incentive		☑ (page 29)	☑ (page 29)	
Long Term Incentive		☑ (page 32)	☑ (page 32)	
Post-employment	**Superannuation**	☑ (page 39)	☑ (page 39)	☑ (page 36)

Key definition

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

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

Section 1 Executive Summary

The Group aims to deliver sustainable, superior returns to its shareholders. The remuneration strategy adopted by the Group is a key driver in achieving these objectives and in attracting, motivating, rewarding and retaining senior management. As such, the Group has developed a remuneration framework that is aligned with the Group's business strategy, globally relevant, performance driven, competitive and transparent.

The Group's remuneration policies are also consistent with recently introduced legislation on executive remuneration (for example, the prohibition on hedging incentive remuneration) and the recommendations from the Corporations and Markets Advisory Committee (CAMAC) (for example, disclosure of 'actual' remuneration).

1.1 Remuneration initiatives

The Board and management are mindful of the challenging economic and business environment facing the Group and the extensive public debate on remuneration practices. As detailed in the 2010 Remuneration Report, the Group undertook a series of initiatives with respect to its remuneration practices throughout 2009 and 2010. Set out below are the further remuneration initiatives undertaken during the 2011 financial year:

- **Long Term Incentive (LTI) performance metrics** – Following a detailed review of the Group's LTI program, including an assessment of alternative performance measures and the Group's business fundamentals, the Board determined to apply the following performance metrics to 2011 performance share rights (PSR) grants:
  - total shareholder return relative to the return on the S&P/ASX 100 Index (30% weighting) (Relative TSR); and
  - earnings per share growth compared to a target set by the Board at the commencement of the performance period (70% weighting) (Relevant EPS).

  The Board considered these measures and their weightings appropriate to enhance the linkage of long-term shareholder wealth to long-term remuneration outcomes. Relative TSR rewards Senior Executives when the Company achieves above average shareholder returns relative to performance of companies in the S&P/ASX 100 Index while Relevant EPS rewards Senior Executives for profit growth in real terms.
- **Executive Short Term Incentive (STI) program clawback** – The Board has amended the Group's STI program rules to include clawback provisions which apply to awards from FY2011 onwards. Pursuant to the new provisions, in the event of a material misstatement of performance, or other factors deemed by the Board to be materially significant, the Board has the discretion to clawback STI payments from deferred amounts and (if necessary) future earnings of the CEO and Executive Leadership Team (ELT). The Board considers that the clawback provisions enhance the Group's remuneration governance framework by providing an additional control to ensure reward is aligned to performance and shareholder interests.
- **Reduction of total Short Term Incentive (STI) payments pool** – The Board considered it appropriate to halve the cash pool available for total Group STI payments for the 2011 financial year. This decision was made to provide incentives for participants to deliver an improvement in Group performance over the 2010 financial year result in line with guidance provided to the market in February 2011, while recognising that the 2011 financial year result continues to be below historical performance trends.
- **Performance Equity Plan (PEP)** – As a result of Company performance, the Board determined that the General Employee Share Plan (GESP) would not operate in 2011. As an alternative, the Company implemented the Performance Equity Plan (PEP). Under PEP, $1,000 worth of PSRs were offered only to Australian and United States-based employees who do not participate in any other incentive plan. PEP aims to motivate and retain participants as the offered PSRs will only vest if they remain employed by the Group in three years' time and maintain satisfactory performance.
- **Constitution amendment** – The right for a Non-Executive Director, or their firm, to act for the Company in a professional capacity and receive additional fees has been removed. The Board considered that such an appointment could pose a significant conflict for the Company and the Non-Executive Director.

1.2 Overview of Non-Executive Director remuneration

The key features of the Non-Executive Director remuneration framework are outlined below. Detail is provided in section 4 of this Remuneration Report.

- **Market comparisons** – From May 2011, the Board amended the fee structure so that Non-Executive Directors are paid a base fee (inclusive of superannuation and committee membership) for service to the Board. The Chair of each committee receives an additional fee for that service. Previously, Non-Executive Directors received an additional fee for each committee membership. This change corresponded with the reduction in the number of committees from five to three (further details can be found in the Corporate Governance Statement). Fees are not linked to the performance of the Group, in order to maintain the independence and impartiality of the Board. The fees are set with consideration to fees paid in companies of a similar size and complexity and the onerous probity requirements placed on Non-Executive Directors by regulators of the global jurisdictions in which the Group operates.

- **Fee pool** – Non-Executive Directors' fees are set by the Board within the maximum aggregate amount of A$1,750,000 approved by shareholders at the Annual General Meeting (AGM) in May 2004.
- **Other benefits** – Non-Executive Directors are entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties. The Group does not make sign-on payments to new Non-Executive Directors. No retirement allowances are payable to Non-Executive Directors.

1.3 Overview of Senior Executive remuneration approach and framework

The key features of the Group's Senior Executive remuneration framework are outlined below. Detail is provided in section 3 of this Remuneration Report.

- **Fixed/variable mix** – Total remuneration includes both a fixed component and an at-risk or performance related component (governing both short-term and long-term incentives). This is consistent with generally accepted Australian corporate practice. The Board views the at-risk component as an essential driver of a high performance culture and superior shareholder returns.
- **Market positioning** – Senior Executives receive a competitive base salary comprising cash salary, superannuation and other benefits which make up the 'fixed remuneration' component of their total remuneration package. Fixed remuneration is reviewed annually against the external market and compared to similar sized roles from a specifically identified peer group of companies based on market capitalisation and in similar circumstances to the Company (in terms of highly regulated operations and significant presence outside Australia) to ensure competitive positioning. Target performance should result in total remuneration at the market median. For superior performance, total remuneration will typically be between the market median and the 75th percentile.
- **Short Term Incentive (STI) program** – The 2011 STI program provides rewards for achievement of financial performance goals (the 'Business Score') and individual performance goals (the 'Individual Performance Score'). For regional participants, the Business Score is a combination of the 'Group Score' (Net Operating Profit After Tax (70%) and Average Funds Employed (30%)) and the 'Regional Score' (Local Contribution Profit (70%) and Local Average Funds Employed (30%)). For corporate participants, the Business Score is the Group Score.

  Participants are eligible to receive a proportion of their incentive target if the Business Score is above 85% of target and the participant's Individual Performance Score is at least 'Meets Most Requirements'. For participants to receive an incentive payment equivalent to 100% or more of their incentive target, a Business Score of at least 100% must be achieved and the participant's Individual Performance Score must be at least 'Meets All Requirements'.

  Fifty percent (50%) of any annual STI payment payable to Senior Executives will be satisfied by the grant of deferred share rights. Half will vest after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions.
- **Long Term Incentive (LTI) program** – The 2011 LTI program provides participants with grants of performance share rights (PSRs) that vest based on the Company's three year (i) total shareholder return relative to the return on the S&P/ASX 100 Index (in relation to 30% of the PSRs granted) and (ii) growth in fully diluted earnings per share from operating activities compared to targets set by the Board (in relation to 70% of the PSRs granted).

  As set out in section 1.1, the 2011 LTI performance metrics have been amended. Details of the 2011 LTI performance metrics were disclosed in the 2011 Notice of Annual General Meeting in relation to Resolution 4 (Approval for the Grant of Performance Share Rights to the Chief Executive Officer and Managing Director) which was approved by shareholders.

  Any PSRs which vest will be converted automatically into fully paid ordinary shares. Holders of PSRs are not entitled to dividends until the awards have vested and converted into shares.
- **Hedging prohibition** – The Group's share trading policy prohibits the use of Derivatives (as defined in the policy) in relation to unvested equity instruments, including PSRs and vested securities which are subject to disposal restrictions.

1.4 Summary of actual payments

The following table sets out the actual value of remuneration received by Senior Executives for the financial year, derived from the various components of their remuneration. This table differs from the more detailed remuneration disclosures proposed in Table 14 on page 39 due to the exclusion of deferred share rights granted in respect of incentives earned in the 2011 financial year and the amortised value of performance share rights (PSRs) that may vest in future financial years.

1.4 Summary of actual payments continued
Table 2 Summary of actual payments

	Total fixed remuneration	Short term incentive[1]	Long term incentive[2]	Other[3]	Total
JR Odell					
2011	**1,280,000**	**200,000**	**–**	**20,803**	**1,500,803**
2010	1,280,000	–	–	133,711	1,413,711
A Korsanos					
2011	**529,631**	**132,500**	**–**	**9,727**	**671,858**
2010	490,497	50,000	–	12,716	553,213
WP Jowett					
2011	**582,024**	**92,500**	**–**	**48,196**	**722,720**
2010	550,739	–	–	78,097	628,836
NR Khin					
2011	**533,951**	**67,634**	**–**	**135,959**	**737,544**
2010	584,563	40,305	–	156,728	781,596
TJ Croker					
2011	**527,728**	**62,500**	**–**	**8,296**	**598,524**
2010	520,000	–	–	31,307	551,307
Total current Senior Executives					
2011	**3,453,334**	**555,134**	**–**	**222,981**	**4,231,449**
2010	3,425,799	90,305	–	412,559	3,928,663

1 This figure includes the cash component of short-term incentives earned in the 2011 financial year, the value of deferred share rights from previous years that have vested in the 2011 financial year and any retention payments paid during the 2011 financial year. This figure excludes the value of deferred share rights granted in respect of incentives earned in the 2011 financial year that may vest in future financial years. Details of the Group's Short Term Incentive program are outlined in section 3.2.1 on page 29.

2 This figure represents the value of long-term incentives that have vested during the 2011 financial year and determined using the closing price of the Company's shares on the vesting date. This figure excludes the value of unvested performance share rights issued in respect of long-term incentives granted in the 2009, 2010 and 2011 financial years that may vest in future financial years. Details of the Group's Long Term Incentive program are outlined in section 3.2.2 on page 32.

3 This figure includes long-service leave accruals, non-monetary benefits and the value of (i) deferred share rights vested in 2011 under the General Employee Share Plan and (ii) contingent rights to shares granted to overseas employees in lieu of an allocation under GESP, determined using the closing price of the Company's shares on the vesting date.

Section 2 Human Resources and Remuneration Committee

Details of the composition and responsibilities of the Human Resources (HR) and Remuneration Committee are set out in the Corporate Governance Statement. These responsibilities include making recommendations to the Board on Non-Executive Director and executive remuneration pay, policy and structure.

In making recommendations to the Board, the HR and Remuneration Committee considers proposals from management and seeks advice from external advisers from time to time to assist in its deliberations. On 23 June 2011, the Board resolved to appoint Ernst & Young as the Company's 'Remuneration Consultant' for the purposes of the recently approved *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (the Executive Remuneration Legislation).

The appointment terms identified that all Remuneration Recommendations (as that term is defined in the Executive Remuneration Legislation)[1] be sent directly to the HR and Remuneration Committee through the Chair and prohibited the Remuneration Consultant from providing such Remuneration Recommendations directly to management. This is reinforced in the HR and Remuneration Committee Charter which can be found on the Group's website: www.aristocratgaming.com. The appointment terms also require the Remuneration Consultant to provide, with its Remuneration Recommendations, both a declaration of its independence from the key management personnel (KMPs) to whom the Remuneration Recommendations relate, and also confirmation to the committee that the conditions for contact and dialogue have been observed. In this way, the HR and Remuneration Committee and the Board are assured and satisfied that the Remuneration Consultant's Remuneration Recommendations are made free from undue influence from management generally and from KMP executives specifically.

The Company paid Ernst & Young nil fees in relation to Remuneration Recommendations between its appointment as Remuneration Consultant on 23 June 2011 and 31 December 2011.

Section 3 Senior Executive remuneration policy and structure

The following table lists all the Senior Executives referred to in this Remuneration Report.

Table 3 Senior Executives

CEO and Managing Director	
JR Odell	CEO and Managing Director
Executive KMP	
A Korsanos	Chief Financial Officer and Company Secretary
WP Jowett	Managing Director, Japan and Asia Pacific
NR Khin	President, Americas and EMEA (Europe, Middle East, Africa)
TJ Croker	Managing Director, Australia and New Zealand

For the purposes of section 300A(1)(c)(iii) and (iv) of the Corporations Act, the CEO and Managing Director and the Executive KMPs listed above comprised the five most highly remunerated Group executives for the financial year ended 31 December 2011.

3.1 Board policy on Senior Executive remuneration

Aristocrat's Senior Executive remuneration approach is designed to remunerate executives for increasing shareholder value and achieving financial targets and business strategies. It is also set to attract, motivate, retain and reward appropriately qualified and experienced executives. Accordingly, the Board considers it desirable for remuneration packages of Senior Executives to include both a fixed component and an at-risk or performance related component (governing both short-term and long-term incentives). This is consistent with generally accepted Australian corporate practice. The Board views the at-risk component as an essential driver of a high performance culture. The HR and Remuneration Committee has recommended, and the Board has adopted, a policy that remuneration will:

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

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

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

The Board also considers it important that key employees have ongoing share ownership in the Company through the award of performance share rights (PSRs).

Review of variable pay programs

A review of the Group's variable pay programs was completed in 2010 in order to further continue alignment of the Short Term Incentive (STI) and Long Term Incentive (LTI) programs with business goals and outcomes and sustainable superior shareholder returns.

The review identified a number of possible refinements both in the structure and measurement of the variable pay programs. These refinements were implemented during 2010 and 2011.

1 Under the Executive Remuneration Legislation, a Remuneration Recommendation is a recommendation about (i) how much remuneration should be and/or (ii) what elements the remuneration should have, for members of the Group's key management personnel (KMPs). It does not include the provision of market data, advice about the operation of the law or accounting principles or the provision of information of a general nature relevant to all employees of the Group.

3.2 Components of remuneration for Senior Executives

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

Table 4 Components of remuneration

Market competitive	Annual performance-based	Shareholder interest aligned
Reward for individual skills and capabilities	Reward for contribution to annual Group, Business Unit outcomes and achievement of personal objectives	Reward for long-term shareholder value creation

Total remuneration

Fixed remuneration
Between 40–60% of total target annual remuneration

- Comprising cash salary, superannuation and other benefits
- Positioned comparably to other companies of similar market capitalisation

Performance-based 'at-risk' remuneration
Between 40–60% of total target annual remuneration

Short Term Incentive program
Targets linked to annual performance at a:

- Group level
- Business unit level
- Individual level

Long Term Incentive program
Performance condition based on:

- Total shareholder return
- Earnings per share growth

Creation of high performance culture

The Group's remuneration policy requires that remuneration levels properly reflect the duties and responsibilities of Senior Executives. Typically, when Senior Executives meet target levels of performance, the combined elements of remuneration are designed to provide remuneration at the market median. For superior performance, the Group aims to remunerate Senior Executives in the range between the market median and the 75th percentile of their performance-based incentives, in comparison to benchmark companies. Factors such as the comparative size of the role and the individual's experience in the role are considered in setting remuneration levels relative to the policy.

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

The relative target proportions of Senior Executive remuneration that are 'at-risk' and those that are fixed are as follows:

Table 5 Details of remuneration: fixed and at-risk as a percentage of remuneration

Name	Fixed remuneration %	At-risk – STI %	At-risk – LTI[1] %	Total %
CEO and Managing Director				
JR Odell	40	20	40	**100**
Executive KMP				
A Korsanos	50	25	25	**100**
WP Jowett	50	25	25	**100**
NR Khin	50	25	25	**100**
TJ Croker	50	25	25	**100**

1 Represents the remuneration package value at grant assuming all performance conditions have been met.

For full details of Senior Executive remuneration for the 2011 financial year, refer to Table 14 on page 39.

Fixed remuneration

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

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

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

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

Senior Executives do not receive retirement benefits other than those disclosed in Table 10 on page 35.

3.2.1 Short Term Incentive (STI) program

What is the STI and who participates?

The STI program is an annual incentive program that, in respect of Senior Executives, may involve a cash and/or equity-based reward, payable subject to the satisfaction of performance conditions.

Participants in the STI include Senior Executives and other employees who hold positions that are identified as being able to directly influence the Group's performance.

What are the maximum and minimum amounts that Senior Executives can earn under the STI?

Senior Executives can earn between nil and 200% of that Senior Executive's target STI, subject to the satisfaction of pre-determined business and individual performance objectives.

As set out in Table 5 above, the target STI of a Senior Executive will vary from 20% to 25% of their total remuneration depending on the role and seniority of the individual.

No payment is made under the STI program if minimum performance across the Group (i.e. the 'Business Score', as defined below) does not meet the required threshold, being the achievement of a Business Score of 85% or greater. Special mitigating circumstances may be accepted, determined or approved on a case by case basis by the CEO, and subject to approval by the HR and Remuneration Committee and the Board. The Business Score is further explained below.

Equally, no payment is made unless individual performance objectives are achieved at a satisfactory level, signified by the Board approving an Individual Performance Rating of 'Meets Most Requirements' or better. The Individual Performance Rating is further explained below.

In combination, incentive opportunities increase with improved Business and Individual performance with higher range payments achievable when both the Business and the Individual have performed at a superior level. See STI matrix in Table 7 on page 30.

3.2 Components of remuneration for Senior Executives continued
3.2.1 Short Term Incentive (STI) program continued
What are the performance objectives for Senior Executives participating in the 2011 STI program?
The performance conditions for Senior Executives participating in the 2011 STI program are the 'Business Score' and the Senior Executive's 'Individual Performance Rating'. A matrix of these performance conditions determines the final incentive payable.

For regional participants, the Business Score is a combination of the Group Score and the Regional Score while for corporate participants the Business Score is the Group Score.

The Business Score is determined as set out in the table below:
Table 6 Business Score

Business Score	
The Business Score is a combination (average) of the Group Score and the Regional Score.	
Group Score (50%)	**Regional Score** (50%)
– Net Operating Profit After Tax (NOPAT)	– Local Contribution Profit (LCP)
– Average Funds Employed (AFE)	– Local Average Funds Employed (LAFE)

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

The final incentive payout is determined in accordance with the following matrix (the percentages are those of the participant's STI target):
Table 7 STI matrix

Business Score	**Individual Performance Rating**			
	Underperforms	**Meets Most Requirements**	**Meets all requirements**	**Exceeds requirements**
<85%	0%	0%	0%	0–50%[1]
85–99%	0%	40–60%	70–90%	100–120%
100–114%	0%	60–80%	100–120%	140–160%
115–129%	0%	80–100%	120–140%	160–180%
>=130%	0%	100–120%	140–160%	180–200%

1 Subject to Board discretion.

Therefore, participants are only eligible to receive a proportion of their incentive target if the Business Score meets 85% of target and the participant's Individual Performance Score is at least 'Meets Most Requirements'. For participants to receive an incentive payment equivalent to 100% of their incentive target, a Business Score of 100% must be achieved and the participant's Individual Performance Score must be at least 'Meets All Requirements'. In some circumstances, a participant may receive an incentive payment equivalent to 100% of their incentive target when the Business Score exceeds 85%; however, their Individual Performance Score must 'Exceed Requirements'.

As set out in section 5, the Board considered it appropriate to halve the cash pool available for total Group STI payments for the 2011 financial year.

What are the Individual Performance Ratings?
The following ratings summary is used to assess individual performance for all STI program participants:

Underperforms	Meets Most Requirements	Meets All Requirements	Exceeds Requirements
– is not meeting many of the inherent requirements of the job and/or delivering the expected results – is not exhibiting some or many of the corporate behaviours	– has achieved most, but not all of their stretch objectives – exhibiting some of, but not all of the corporate behaviours – (may be new to role and demonstrating strong potential)	– has achieved all of their stretch objectives – clearly and consistently demonstrates the corporate behaviours	– has achieved all of their stretch objectives at a superior level – role models the corporate behaviours
STI eligibility and rationale			
Not eligible for STI. Executive has underperformed.	Limited STI eligibility subject to business performance. Executive demonstrates threshold proficiency with expectation and potential for further improvement.	Target range STI eligibility subject to business performance. Executive demonstrates strong proficiency in all areas.	Expanded STI eligibility subject to business performance. Executive demonstrates exceptional proficiency in all areas.

Individual key performance objectives are determined for each Senior Executive to deliver the Group's short-term and long-term success, in line with the business plan. These cover areas including:

- safety, health and environment;
- product innovation and great game content;
- growth and new market development;
- product performance, compliance and customer service;
- value based leadership, behaviours and developing people;
- financial targets;
- operational improvements;
- productivity targets; and
- other personally attributable budget goals.

Why were these performance conditions chosen?
The Board considers these performance measures to be appropriate as they are aligned with the Group's objectives of delivering profitable sustainable growth and sustainable superior returns to shareholders. In addition, Senior Executives have a clear line of sight to the targets and are able to affect results through their actions.

Performance measures and conditions are reviewed annually and are subject to change as considered appropriate. Financial targets are established following Board review and approval of the annual plan for the following year.

Who assesses performance and when?
In respect of the CEO's performance, the Board assesses the CEO's performance against the performance conditions with the benefit of advice from the HR and Remuneration Committee.

In respect of the Senior Executives (other than the CEO), the CEO assesses the Senior Executive's performance against the performance conditions and makes recommendations to the HR and Remuneration Committee which advises the Board in relation to the CEO's recommendations and the review process.

The assessment is finalised after the completion of the audit of the accounts for the financial year.

The assessment process as set out above is consistent with current market practice.

Is the STI a cash award and when is it paid?
For Senior Executives participating in the 2011 STI program, the STI is delivered 50% in cash and 50% is deferred as an equity award.

Once the HR and Remuneration Committee recommends and the Board determines that the performance conditions have been met, the payment of cash and the grant of rights in the Company's shares (Share Rights) will also then be approved.

3.2 Components of remuneration for Senior Executives continued

3.2.1 Short Term Incentive (STI) program continued

Fifty percent (50%) of the STI will be made by cash payment within 14 days of the auditor's sign-off of the Group's annual accounts (the STI payment date).

The remaining 50% of the STI will be deferred and will be satisfied by the grant of Share Rights. Each Share Right is a right to one fully paid ordinary share in the Company.

Fifty percent (50%) of the Share Rights granted to the Senior Executive will vest after one year and the remaining 50% will vest after two years. There will be no additional performance conditions applicable to the vesting of the Share Rights to the Senior Executive, with the exception of the continued employment by theSenior Executive with the Group (see below for further information on forfeiture of Share Rights).

The Share Rights will be issued at the volume-weighted average price (VWAP) over the five trading days immediately prior and including the last day of the performance period.

Can the Share Rights be forfeited?

Unvested Share Rights will be forfeited if the Senior Executive leaves the Group's employment. The Board has discretion to determine otherwise for a 'Qualifying Reason' (such as death or redundancy) or any other reason.

Specific information relating to the percentage of the STI which was paid and the percentage that was forfeited for the Senior Executives is set out in Table 15 on page 40.

3.2.2 Long Term Incentive (LTI) program

This section summarises the terms of the 2011 LTI program (Series 18 and 19). As set out in section 1.1, the 2011 LTI metrics have been amended following a detailed review of the Group's LTI program, including an assessment of alternative performance measures and the Group's business fundamentals.

Details of the 2011 LTI performance metrics were also disclosed in the 2011 Notice of Annual General Meeting in relation to Resolution 4 (Approval for the Grant of Performance Share Rights to the Chief Executive Officer and Managing Director) which was approved by shareholders.

Details of the 2010 LTI metrics can be found on pages 30 to 33 of the Group's 2010 Annual Report.

What is the LTI?

The LTI program links reward with ongoing creation of shareholder value through the grant of equity instruments known as 'performance share rights' (PSRs). Each PSR granted will entitle the participant to one ordinary share in the Group, subject to satisfaction of performance conditions. The LTI program was first implemented in 2004.

Details of the grants made to Senior Executives during the 2011 financial year are set out in Table 16 on page 40.

Who participates in the LTI?

Participants in the LTI program include Senior Executives as well as any employee of the Group who is invited by the Board to participate. Following the most recent review of incentive arrangements across the Group, the Board determined that participation in the LTI program will be limited to the Executive Leadership Team (ELT) in 2011. Details of the ELT can be found on the Group's website: www.aristocratgaming.com.

What are the key terms of the PSRs?

PSRs are granted at no cost to the participant. Each PSR granted will entitle the participant to one ordinary share in the Company, subject to satisfaction of performance conditions set by the Board in respect of the grant.

If the relevant performance conditions are satisfied at the end of the performance period, then the PSRs will vest automatically and fully paid shares in the Company will be allocated to the participant at no cost.

PSRs granted under the plan are not transferable. Participating Senior Executives are prohibited from entering into hedging arrangements in respect of unvested PSRs.

Performance measures, the designated performance period and the quantity of the PSRs offered to each participant are determined by the Board on advice from the HR and Remuneration Committee. Further information in relation to the performance conditions and performance periods are set out below.

Why does the Board consider the LTI to be an appropriate incentive?

The LTI facilitates share ownership by the Senior Executives and other key employees and links a significant proportion of their potential remuneration with the key performance drivers which underpin sustainable and superior shareholder returns.

How is the number of PSRs determined?

The actual number of PSRs to be granted to a Senior Executive will be determined by dividing their 'LTI Entitlement' in current dollar terms by the Estimated Fair Value of the rights at the start of the performance period (being 1 January 2011).

In determining the 'LTI Entitlement', the Board will take into account the nature of the position, the context of the current market, the function and purpose of the long-term component and other relevant information provided by the Company's Remuneration Consultant.

The Estimated Fair Value is based on an accounting valuation performed by an independent third party. The Estimated Fair Value will not be equal to the market value of a share at the commencement of the performance period as PSRs are contingent rights to shares in the future. The Estimated Fair Value at the commencement of a performance period is influenced by the Company's share price, the volatility of the underlying shares, the risk-free rate of return, the expected dividend yield, the time to maturity and the likelihood that vesting conditions will be met.

What are the performance conditions for the PSRs?
Following a detailed review of the Group's LTI program, including an assessment of alternative performance measures and the Group's business fundamentals, the Board determined to apply the following performance metrics to 2011 PSR grants:

- total shareholder return relative to the return on the S&P/ASX 100 Index (Relative TSR) in relation to 30% of the PSRs granted; and
- earnings per share growth compared to a target set by the Board at the commencement of the performance period (Relevant EPS) in relation to 70% of the PSRs granted.

Series 18 and 19 PSRs were granted in 2011. The performance period for Series 18 and 19 is 1 January 2011 to 31 December 2013.

Table 16 on page 40 sets out further information on the PSRs granted to Senior Executives in 2011.

How is the number of vested PSRs determined?
Series A – Relative TSR performance condition (30% of total PSRs)
Relative TSR performance will be assessed over a three year period which will commence at the start of the financial year during which the PSRs are granted.

In order for any of the PSRs to vest pursuant to the Relative TSR performance condition, the Company's compound TSR (calculated by reference to share price appreciation plus dividends) must be equal to or greater than the compound TSR return of the S&P/ASX 100 Index over the performance period.

The link between the Company's TSR performance and the percentage of the PSRs which will vest pursuant to the Relative TSR performance condition is represented in the following table:

Table 8 TSR vesting percentages

Company TSR performance	% of vesting of PSRs
Less than the return on the S&P/ASX 100 Index	0%
Equal to the return on the S&P/ASX 100 Index	50%
Exceeding the return on the S&P/ASX 100 Index by up to 10% per year (compound)	Between 50% and 100%, increasing on a straight line basis
Exceeding the return on the S&P/ASX 100 Index by 10% or more per year (compound)	100%

Series B – Relevant EPS performance condition (70% of total PSRs)
The Relevant EPS performance condition is measured by comparing the Company's aggregate EPS (expressed as a cumulative dollar amount) over three years against the aggregate threshold (or minimum) EPS target and the maximum EPS target, as set by the Board at the beginning of the performance period. EPS is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations. The EPS targets set by the Board for the performance period will be disclosed in the Remuneration Report published in respect of the year in which PSR vesting is tested.

As the Relevant EPS component is determined as the aggregate EPS performance over a three year period, the extent of vesting of the EPS component of the LTI cannot be determined until the conclusion of the three year performance period.

The link between the Company's EPS performance and the percentage of the PSRs which will vest pursuant to the Relevant EPS performance condition is represented in the following table:

Table 9 EPS vesting percentages

Company's aggregate EPS performance	% of vesting of PSRs
Less than the aggregate threshold EPS target	0%
Equal to the aggregate threshold EPS target	50%
Greater than the aggregate threshold EPS target, up to the aggregate maximum EPS target	Between 50% and 100%, increasing on a straight line basis
Greater than the aggregate maximum EPS target	100%

3.2 Components of remuneration for Senior Executives continued

3.2.2 Long Term Incentive (LTI) program continued

Why were these performance conditions chosen?

The Board selected Relative TSR as a performance measure on the basis that it:

- ensures an alignment between comparative shareholder return and reward for the executive; and
- provides a relative, external, market-based performance measure against those companies with which the Company competes for capital and talent.

The Board selected Relevant EPS as a performance measure on the basis that it:

- is a relevant indicator of increases in shareholder value; and
- is a target that provides a suitable line of sight for executives.

The Board considered these measures appropriate to enhance the linkage of long-term shareholder wealth to long-term remuneration outcomes. Relative TSR rewards Senior Executives when the Company achieves above average shareholder returns relative to performance of companies on the S&P/ASX 100 Index, while Relevant EPS rewards Senior Executives for profit growth in real terms.

The Board's rationale for weighting the performance conditions 70% to EPS and 30% to TSR is as follows:

- relevant EPS is more reflective of true Group and executive performance in a three to five year turnaround.
- the inherent volatility of the gaming industry makes relative measures less indicative of underlying performance (the hurdle is either missed or exceeded by a significant degree).
- the ASX has only a limited number of gaming industry companies.
- as Aristocrat continues to increase its presence in global markets, it is increasingly relevant to look beyond ASX listed companies for meaningful performance comparisons. The Board will take these factors into consideration when setting EPS targets.
- the need to maintain relevance of the LTI program with US participants.

Who assesses performance and when?

Relative TSR and Relevant EPS results are calculated by the Remuneration Consultant, as soon as practicable after the end of the relevant performance period. The Remuneration Consultant's calculations are considered by the Board to determine vesting outcomes. This process is consistent with current market practice.

Is there any retesting of performance conditions?

The performance conditions are tested only at the end of the performance period. There is no retesting of performance conditions.

Are the shares granted upon vesting of PSRs subject to restrictions?

Shares allocated on vesting of the PSRs are subject to the terms of the Group's Share Trading Policy, and carry full dividend and voting rights upon allocation.

Are the shares issued or acquired on-market?

It is the current policy of the Group to acquire shares on-market to satisfy the vesting of PSRs. This practice ensures that existing shareholdings are not diluted as a consequence of either granting or vesting PSRs under the plan.

What happens if the Senior Executive ceases employment during the performance period?

If a participant in the LTI program ceases employment with the Group during the first 12 months of the performance period, regardless of whether it is because of a 'Qualifying Reason' (such as death or redundancy) or otherwise, then any PSRs in relation to that performance period will lapse.

If a participant ceases employment with the Group after the first 12 months of the performance period and the cessation is due to:

- a 'Qualifying Reason' (as defined in the LTI Plan Rules and includes the death, total and permanent disability or redundancy of the participant), the Board may determine in its absolute discretion that some or all of the PSRs in relation to that performance period may vest on a pro-rated basis;
- any other reason than because of a 'Qualifying Reason', any PSRs in relation to that performance period will lapse.

Where a participant acts fraudulently, dishonestly or is, in the Board's opinion, in breach of his or her obligations to the Group, then any unvested PSRs will lapse and any shares in the Group allocated but not yet withdrawn pursuant to the terms of the LTI Plan Rules will be forfeited.

3.3 Service agreements

The remuneration and other terms of employment for the Senior Executives are formalised in service agreements, which have no specified term. Each of these agreements provide for performance related bonuses under the STI program (the terms of which are described in section 3.2.1 on page 29), and participation, where eligible, in the Group's LTI program (the terms of which are described in section 3.2.2 on page 32). Any sign-on payments made in 2011 to Senior Executives prior to them agreeing to take office are disclosed in Table 14 on page 39. Other major provisions of the service agreements of the Senior Executives are set out in Table 10 on the following page.

Table 10 Service agreements

	Notice to be given by executive	Notice to be given by Group[1]	Termination payment	Post-employment restraint
CEO and Managing Director				
JR Odell	3 months	9 months	None	6 months
Executive KMP				
A Korsanos	3 months	3 months	6 months (fixed remuneration)	6 months
WP Jowett	3 months	3 months	9 months (fixed and target remuneration)	12 months
NR Khin	3 months	3 months	6 months (fixed and target remuneration)	12 months
TJ Croker	3 months	3 months	6 months (fixed remuneration)	6 months

1 Payments may be made in lieu of notice period.

The Group moved to standardise service agreements for Senior Executives from 2009 onwards and this explains variances in the terms for the Senior Executives who have been with the Group for an extended period of time. The contracts above include arrangements entered into prior to the amendments to the *Corporations Act 2001* (Cth) regarding termination payments, which came into effect on 24 November 2009. The new legislative provisions apply to key management personnel (KMP) contract variations after 24 November 2009 and to agreements with KMPs appointed after 24 November 2009. As such, pre-existing contracts are generally not subject to the new limits on termination payments.

3.4 Share trading policy

The Group's share trading policy in operation during 2011 prohibits the use of Derivatives (as defined in the policy) in relation to unvested equity instruments, including PSRs and vested securities which are subject to disposal restrictions. Derivatives may be used in relation to vested positions which are not subject to disposal restrictions, subject to compliance with the other provisions of the share trading policy.

Senior Executives are strictly prohibited from entering into a margin loan or similar funding arrangement to acquire the Company's securities and from using Company securities as security for a margin loan or similar funding arrangements.

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

Section 4 Non-Executive Director remuneration

Details of the Non-Executive Directors of the Company during the year ended 31 December 2011 are provided in the Directors' Report.

4.1 Board policy on Non-Executive Director remuneration

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

4.2 Components and details of Non-Executive Director remuneration

In May 2011, the Board amended the fee structure so that Non-Executive Directors would receive a fixed fee (inclusive of superannuation and committee memberships). The Chair of each committee would receive an additional fee for that service. Previously, as set out in Table 11 below, Non-Executive Directors received an additional fee for each committee membership. This change corresponded with the reduction in the number of committees from five to three (further details can be found in the Corporate Governance Statement). This change did not affect the Chairman's fee which has remained unchanged since July 2007.

Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of A$1,750,000 approved by shareholders at the Annual General Meeting (AGM) in May 2004.

Table 11 below shows the structure of fees payable to Non-Executive Directors during 2011.

Table 11 Non-Executive Director fees
January – April 2011

Board fees per annum	Committee fees		
A$155,000 for Non-Executive Director[1]		Chair	Member
A$365,000 for Chairman[2]	Audit	A$30,000	A$15,000
	HR and Remuneration	A$20,000	A$10,000
	Nomination and Governance[3]	A$15,500	A$7,750
	Innovation and Development[3]	A$20,000	A$10,000
	Regulatory and Compliance	A$25,000	A$12,500

1 Inclusive of statutory superannuation obligations made on behalf of Australian-based Non-Executive Directors.
2 Inclusive of statutory superannuation obligations and all committee service.
3 The Nomination and Governance Committee and the Innovation and Development Committee were disestablished in May 2011.

May – December 2011

Board fees per annum	Committee Chair fees
A$185,000 for Non-Executive Director[1]	Additional A$15,000 for Committee Chair[2]
A$365,000 for Chairman[2]	

1 Inclusive of statutory superannuation obligations made on behalf of Australian-based Non-Executive Directors and committee membership.
2 Inclusive of statutory superannuation obligations and all committee service.

Non-Executive Directors are entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.

The Group does not make sign-on payments to new Non-Executive Directors.

The Board resolved in May 2003 to remove retirement allowances for Non-Executive Directors appointed after that date. There are currently no Non-Executive Directors with any retirement allowances.

The remuneration details of Non-Executive Directors for the financial year are set out in Table 19 on page 43.

Section 5 Link between remuneration and Group performance

Over the past five financial years, the Board has set financial performance targets for management to align executive incentives to the achievement of those targets. When target performance is achieved, target executive rewards are earned. When above target performance is achieved, executives earn above target rewards pursuant to the Short Term Incentive (STI) program (see section 3.2.1 on page 29). Remuneration continues to be aligned to Group performance and value growth for shareholders.

STIs were not paid in 2009 or 2010 as the necessary performance hurdles were not met. 2011 Group and Business Unit performance against target is outlined in the table below.

Group/Regional Score	Performance measures	FY 2011 performance versus targets
Group	– Net Operating Profit After Tax – Average Funds Employed	– At target – At target
Australia/New Zealand	– Local Contribution Profit – Local Average Funds Employed	– Between threshold and target – At target
Japan/Asia Pacific	– Local Contribution Profit – Local Average Funds Employed	– Between target and stretch – Between target and stretch
Americas/EMEA	– Local Contribution Profit – Local Average Funds Employed	– Between threshold and target – At target

The Board considered it appropriate to halve the cash pool available for total Group STI payments for the 2011 financial year. This decision was made to provide incentives for executives to deliver an improvement in Group performance over the FY 2010 result in line with guidance provided to the market in February 2011, while recognising that the FY 2011 result continues to be below historical performance trends.

As set out below, the Performance Share Rights (PSRs) granted to participants between 2006 and 2009 as part of the Long Term Incentive (LTI) program did not vest as the necessary performance hurdles were not met.

Performance Period	1 Jan 2006 to 31 Dec 2008	1 Jan 2007 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2011[1]
Total shareholder return performance	Below median	Below median	Below median	Below median
Earnings per share performance	Below median	Below median	Below median	Below median
Implication for vesting	0% of award vested for the performance period ended 31 December 2008	0% of award vested for the performance period ended 31 December 2009	0% of award vested for the performance period ended 31 December 2010	0% of award vested for the performance period ended 31 December 2011

1 On 21 February 2012, the Board determined that the PSRs under Series 12A, 12B, 13A and 13B had not met the required performance conditions and therefore lapsed (see footnote 5 to Table 17).

The implementation of the new Deferred Equity Employee Plan (DEEP) program means that participants (below the Senior Executive level) have a significant percentage of their annual incentive opportunity deferred into share rights, with trading restrictions and forfeiture conditions applying for a further two years. DEEP operates as an extension to the STI program and is subject to identical performance conditions. Participants of DEEP are not eligible to participate in the LTI program.

5.1 Earnings

The Group's earnings for the five years to 31 December 2011 are summarised below.

Table 12 Group earnings

	2011[1] $m	2010[2] $m	2009[3] $m	2008[4] $m	2007 $m
Revenue	709.0	684.6	908.6	1,079.9	1,122.0
Earnings before interest and tax	110.8	84.7	169.9	212.9	332.3
Profit before tax	85.5	71.2	156.1	193.1	326.2
Profit after tax before non-controlling interest	66.9	55.2	116.9	141.0	247.9

1 No items were included in the statutory profit for the year that were not representative of the underlying performance of the Group.

2 Before the impact of the profit from the disposal of investment in jointly controlled entity, the abnormal gain from the convertible bonds litigation, restructuring costs and impairment of gaming operations assets, which are considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

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

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

5.2 Link between Senior Executive remuneration and shareholder return

The table below shows the Group's Total Shareholder Return (TSR), fully diluted earnings per share, dividends per share and the share price from 2007 to 2011. The table below also shows: the percentage value of actual short-term incentives paid verses maximum; and long-term incentives vesting, to Senior Executives (as defined in the relevant Remuneration Report) from 2007 to 2011.

Table 13 Shareholder return

	2011	2010[1]	2009[2]	2008[3]	2007
Share price as at 31 December (A$)	2.20	2.99	4.02	3.88	11.25
Total dividends paid (cps)	6.5	5.0	4.5	36.0	49.0
Capital returns (cps)	–	–	–	–	–
Share buy-back ($m)	–	–	–	68.6	52.4
Fully diluted earnings per share (cps)	12.3	10.3	23.0	30.5	52.8
Total shareholder return (%)	–24.2%	–24.4%	4.8%	–62.3%	–26.2%
Short-term incentives (% of maximum)[4]	27%	0%	0%	13%	51%
Long-term incentives (% vesting)[5]	0%	0%	0%	53%	100%

1 The earnings used in the fully diluted earnings per share calculation for 2010 are before the profit from the disposal of investment in jointly controlled entity, the abnormal gain from the convertible bonds litigation, restructuring costs and impairment of gaming operations assets, which are considered abnormal on the basis that they are non-recurring in nature and are not representative of the underlying operational performance of the Group.

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

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

4 As set out in section 3.2.1 on page 29, Senior Executives have the opportunity to achieve 200% of their annual incentive target. In 2011 incentive pool funding was reduced by 50% meaning that upon achieving Plan, incentives were on average 25% of the maximum opportunity.

5 Long term incentive vesting is based on Group performance measured against the relevant performance conditions across the three years ending 31 December of the financial year.

Section 6 Remuneration tables and data

6.1 Details of Senior Executive remuneration

Details of the 2011 and 2010 remuneration (as defined in AASB 124 Related Party Disclosures) paid to the Senior Executives are set in Table 14 on page 39.

The following table reflects the accounting value of remuneration attributable to Senior Executives for the financial year, derived from the various components of their remuneration. As required by the Accounting Standards, the table includes negative amounts for performance share rights which were forfeited during the year and the amortised value of performance share rights that may vest in future financial years. This table differs from Table 2 on page 26 which shows the actual (cash) value of remuneration received by Senior Executives for the financial year.

Table 14 Details of Senior Executive remuneration

		Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments[5]		Total	% of share-based remuneration
		Cash salary[1] $	Cash bonuses[2] $	Non-monetary benefits[3] $	Superannuation $	Termination $	Long service leave[4] $	STI PSRs[6] $	LTI PSRs[7] $	$	%
CEO and Managing Director											
JR Odell	**2011**	**1,233,333**	**200,000**	**–**	**46,667**	**–**	**20,803**	**83,333**	**679,747**	**2,263,883**	**30.0**
	2010	1,250,833	–	112,260	29,167	–	21,451	–	1,084,824	2,498,535	43.4
Executive KMP											
A Korsanos	**2011**	**514,144**	**132,500**	**–**	**15,487**	**–**	**9,727**	**34,375**	**197,242**	**903,475**	**21.8**
	2010	475,667	50,000	–	14,830	–	11,719	–	103,567	655,783	15.8
WP Jowett	**2011**	**534,418**	**92,500**	**25,563**	**47,606**	**–**	**22,633**	**38,542**	**144,126**	**905,388**	**15.9**
	2010	508,666	–	58,329	42,073	–	18,771	–	108,231	736,070	14.7
NR Khin	**2011**	**496,901**	**67,634**	**128,724**	**37,050**	**–**	**6,854**	**13,542**	**101,887**	**852,592**	**12.0**
	2010	514,347	40,305	149,866	70,216	–	6,862	–	167,375	948,971	17.6
TJ Croker	**2011**	**484,220**	**62,500**	**–**	**43,508**	**–**	**8,296**	**26,042**	**237,949**	**862,515**	**27.6**
	2010	477,064	–	22,367	42,936	–	7,943	–	103,440	653,750	15.8
2011 Total		**3,263,016**	**555,134**	**154,287**	**190,318**	**–**	**68,313**	**195,834**	**1,360,951**	**5,787,853**	**23.5**
2010 Total		3,226,577	90,305	342,822	199,222	–	66,746	–	1,567,437	5,493,109	28.5

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

2 Cash STI bonuses are determined after the end of each financial year upon completion of the audit of the financial statements. Amounts paid during 2011 include retention payments approved by the Board and the non-deferred cash bonus under the 2011 STI program. Table 15 on page 40 details the percentage of cash STI paid and forfeited for the year ended 31 December 2011.

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

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

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

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

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

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

6 Fifty percent (50%) of any annual STI payment payable to Senior Executives will be satisfied by the grant of deferred share rights. Half will vest after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions. The accounting expense for STI PSRs represents the expense attributable to the service period that has been completed. For the current year, this is one year of a total three year service period i.e. the 12 month performance period to 31 December 2011 and the further two year deferral period to 31 December 2013.

7 Remuneration in the form of PSRs includes negative amounts for PSRs forfeited during the year. The share-based payments expense includes the impact of PSRs that were granted in previous years that are being expensed for accounting purposes over the vesting period, as well as the PSRs that were granted in 2011.

6.1 Details of Senior Executive remuneration continued

The following table provides the percentage of Short Term Incentives (STI) paid and forfeited for the year ended 31 December 2011. The 2011 STI constitutes a 50% cash component and 50% Share Rights component in respect of Senior Executives.

The key terms of the 2011 STI program are set out in section 3.2.1 on page 29.

Table 15 Details of STI paid and forfeited

For the year to 31 December 2011	Actual STI cash payment $[1]	Actual cash STI payment as % of maximum cash STI	% of maximum cash STI payment forfeited
CEO and Managing Director			
JR Odell	200,000	61	39
Executive KMP			
A Korsanos	82,500	61	39
WP Jowett	92,500	63	37
NR Khin	32,001	26	74
TJ Croker	62,500	47	53

1 This column represents the cash component of the 2011 STI payment. Fifty percent (50%) of the annual STI award payable to Senior Executives is satisfied by the grant of deferred share rights.

The Performance Share Rights (PSRs) granted to Senior Executives during the year were as follows:

Table 16 Details of Long Term Incentive (LTI) PSRs granted to Senior Executives

	Series[1]	Number of PSRs granted[2,3]	Grant date[4]	Fair[5] value	Maximum value of grant[5]	Vested No.	Vested %	Forfeited No.	Forfeited %
CEO and Managing Director									
JR Odell	18A	306,000	3 May 2011	$1.58	$483,480	–	–	–	–
	18B	714,000	3 May 2011	$2.52	$1,799,280	–	–	–	–
Executive KMP									
A Korsanos	19A	55,295	1 January 2011	$1.58	$87,366	–	–	–	–
	19B	129,021	1 January 2011	$2.52	$325,133	–	–	–	–
WP Jowett	19A	60,092	1 January 2011	$1.58	$94,945	–	–	–	–
	19B	140,216	1 January 2011	$2.52	$353,344	–	–	–	–
NR Khin	19A	49,750	1 January 2011	$1.58	$78,605	–	–	–	–
	19B	116,084	1 January 2011	$2.52	$292,532	–	–	–	–
TJ Croker	19A	54,493	1 January 2011	$1.58	$86,099	–	–	–	–
	19B	127,151	1 January 2011	$2.52	$320,421	–	–	–	–
Total		**1,757,102**			**$3,921,205**				

1 Series A is the Relative Total Shareholder Return performance condition and Series B is the Relevant Earnings Per Share performance condition.

2 As the PSRs only vest on satisfaction of performance conditions, which are tested at the end of the performance period (1 January 2011 to 31 December 2013), none of the PSRs set out above have vested.

3 Series 18 and 19 will vest in 2014 (testing occurs after the performance period), subject to the satisfaction of performance conditions. Unvested PSRs will expire at that time if it has been determined that the performance conditions were not met.

4 Other than in respect of Series 18 (which were granted following receipt of shareholder approval at the 2011 Annual General Meeting), for the purposes of this table and the valuation to determine the number of PSRs to be granted, the grant date is the first day of the performance period rather than the date of the letter of offer.

5 The fair value of Series 18 and 19 PSRs was determined based on an accounting valuation performed by Deloitte. For the TSR performance condition, the valuation is calculated having regard to the likelihood that vesting conditions will be met. This value will not be equal to the market value of a share at the commencement of the performance period as a result of PSRs being contingent rights to shares in the future. The fair value of the PSR at the commencement of a performance period is influenced by the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield, time to maturity and the likelihood that vesting conditions will be met.

6 The maximum value of the grant is the fair value multiplied by the number of PSRs granted.

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

Table 17 Details of the movement in numbers of PSRs

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 January 2011	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 31 December 2011
CEO and Managing Director								
JR Odell	13A[5]	31 December 2011	$2.26	330,311	–	–	–	330,311
	13B[5]	31 December 2011	$3.53	330,311	–	–	–	330,311
	15A	31 December 2012	$2.00	224,786	–	–	–	224,786
	15B	31 December 2012	$3.97	224,786	–			224,786
	18A	31 December 2013	$1.58	–	306,000	–	–	306,000
	18B	31 December 2013	$2.52	–	714,000	–	–	714,000
Executive KMP								
A Korsanos[6]	10A[7]	31 December 2010	$5.01	9,980	–	–	(9,980)	–
	10B[7]	31 December 2010	$9.59	9,980	–	–	(9,980)	–
	12A[5]	31 December 2011	$1.93	26,856	–	–	–	26,856
	12B[5]	31 December 2011	$3.35	26,855	–	–	–	26,855
	17A	31 December 2012	$1.72	59,908	–	–	–	59,908
	17B	31 December 2012	$3.41	59,908	–	–	–	59,908
	19A	31 December 2013	$1.58	–	55,295	–	–	55,295
	19B	31 December 2013	$2.52	–	129,021	–	–	129,021
WP Jowett	10A[7]	31 December 2010	$5.01	28,197	–	–	(28,197)	–
	10B[7]	31 December 2010	$9.59	28,197	–	–	(28,197)	–
	12A[5]	31 December 2011	$1.93	73,349	–	–	–	73,349
	12B[5]	31 December 2011	$3.35	73,349	–	–	–	73,349
	17A	31 December 2012	$1.72	65,100	–	–	–	65,100
	17B	31 December 2012	$3.41	65,100	–	–	–	65,100
	19A	31 December 2013	$1.58	–	60,092	–	–	60,092
	19B	31 December 2013	$2.52	–	140,216	–	–	140,216
NR Khin	10A[7]	31 December 2010	$5.01	13,950	–	–	(13,950)	–
	10B[7]	31 December 2010	$9.59	13,950	–	–	(13,950)	–
	12A[5]	31 December 2011	$1.93	76,097	–	–	–	76,097
	12B[5]	31 December 2011	$3.35	76,096	–	–	–	76,096
	17A	31 December 2012	$1.72	57,507	–	–	–	57,507
	17B	31 December 2012	$3.41	57,507	–	–	–	57,507
	19A	31 December 2013	$1.58	–	49,750	–	–	49,750
	19B	31 December 2013	$2.52	–	116,084	–	–	116,084
TJ Croker	17A	31 December 2012	$1.72	59,908	–	–	–	59,908
	17B	31 December 2012	$3.41	59,908	–	–	–	59,908
	19A	31 December 2013	$1.58	–	54,493	–	–	54,493
	19B	31 December 2013	$2.52	–	127,151	–	–	127,151

Refer to footnotes on page 42.

6.1 Details of Senior Executive remuneration continued

Table 17 Details of the movement in numbers of PSRs continued

1 The value of the PSRs granted to Senior Executives during the year (including the aggregate value of PSRs granted) is set out in Table 16 on page 40. No Options were granted during the year to any Senior Executive.

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

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

4 As the PSRs only vest on satisfaction of performance conditions which are to be tested in future periods, the PSRs under Series 13A, 13B, 15A, 15B, 17A, 17B remain unvested.

5 On 21 February 2012, the Board determined that the PSRs under Series 12A, 12B, 13A and 13B had not met the required performance conditions and therefore lapsed.

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

7 On 23 February 2011, the Board determined that the PSRs under Series 10A and 10B had not met the required performance criteria and therefore lapsed. For the purposes of section 300A(1)(E)(iv) of the Act the closing share price on 23 February 2011 was $3.16.

The following sets out details of the movement in shares held under the General Employee Share Plan (GESP) during the year:

Table 18 Details of the movement in shares held under the GESP

	Balance as at 1 January 2011	Shares issued/ granted during the year[1]	Shares vested/ lapsed during the year[2]	Balance as at 31 December 2011
CEO and Managing Director				
JR Odell	–	–	–	–
Executive KMP				
A Korsanos	673	–	(157)	516
WP Jowett	673	–	(157)	516
NR Khin	–	–	–	–
TJ Croker	251	–	–	251

1 As set out in section 1.1, the Board determined that GESP would not operate in 2011. As an alternative, the Company implemented the Performance Equity Plan (PEP). Senior Executives are not entitled to participate in PEP.

2 As an overseas employee, NR Khin is granted contingent rights to shares in lieu of any allocation under GESP subject to continued employment for a period of three years. The value the contingent rights which vested during 2011 is determined using the closing price of the Company's shares on the vesting date. That amount is reflected in the 'Other' column in Table 2 on page 26.

6.2 Details of Non-Executive Director remuneration

Table 19 Details of Non-Executive Director remuneration

		Short-term benefits	Post-employment benefits	Share-based payments		
Name	Year	Cash salary and fees[1] $	Super-annuation[2] $	Retirement benefits[3] $	Options and PSRs $	Total $
ID Blackburne[4]	**2011**	**365,000**	**–**	**–**	**–**	**365,000**
	2010	172,500	–	–	–	172,500
RA Davis	**2011**	**188,013**	**15,487**	**–**	**–**	**203,500**
	2010	190,055	14,830	–	–	204,885
RV Dubs	**2011**	**182,722**	**16,445**	**–**	**–**	**199,167**
	2010	177,758	15,998	–	–	193,756
SW Morro[5]	**2011**	**191,113**	**2,415**	**–**	**–**	**193,528**
	2010	149,506	1,520	–	–	151,026
DCP Banks[6]	**2011**	**163,997**	**14,760**	**–**	**–**	**178,757**
	2010	18,413	1,657	–	–	20,070
LG Flock[7]	**2011**	**179,026**	**2,349**	**–**	**–**	**181,375**
	2010	–	–	–	–	–
Former Non-Executive Directors						
WM Baker[8]	**2011**	**32,722**	**–**	**–**	**–**	**32,722**
	2010	159,015	1,790	8,151	–	168,956
SAM Pitkin[9]	**2011**	**64,513**	**5,806**	**–**	**–**	**70,319**
	2010	194,231	17,481	–	–	211,712
Total	**2011**	**1,367,106**	**57,262**	**–**	**–**	**1,424,368**
	2010	1,061,478	53,276	8,151	–	1,122,905

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

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

3 Amounts provided for by the Group during the financial year in relation to the indexation of frozen retirement allowances, payable upon retirement from office. A resolution was passed at the Annual General Meeting in May 2004 to freeze the retirement allowances of certain 'eligible' directors. A director was considered to be an 'eligible' director if they were appointed as a Non-Executive Director before May 2003 and whose service agreement with the Group entitled them to a retirement allowance (Eligible Director). Following the retirement of WM Baker on 4 January 2011, there are no more Eligible Directors.

4 ID Blackburne was nominated to the Board on 13 November 2009, subject to regulatory approval. Regulatory approval was received on 17 September 2010. ID Blackburne was appointed Chairman on 1 December 2010. The amounts shown reflect both the consultant fees (see footnote 10) and Director/Chairman fees paid to ID Blackburne during 2010 and 2011.

5 SW Morro was nominated to the Board in December 2009, subject to regulatory approval. Regulatory approval was received on 17 December 2010. The amounts shown reflect both the consultant fees (see footnote 10) and Director fees paid to SW Morro during 2010 and 2011.

6 DCP Banks was nominated to the Board on 26 October 2010, subject to regulatory approval. Regulatory approval was received on 12 July 2011. The amounts shown reflect both the consultant fees (see footnote 10) and Director fees paid to DCP Banks during 2010 and 2011.

7 LG Flock was nominated to the Board on 17 December 2010 (effective 1 February 2011), subject to regulatory approval. Regulatory approval was received on 29 November 2011. The amounts shown reflect both the consultant fees (see footnote 10) and Director fees paid to LG Flock during 2011.

8 WM Baker ceased to be a director on 4 January 2011.

9 SAM Pitkin ceased to be a director on 3 May 2011.

10 Non-Executive Directors (elect) are individuals nominated to be directors of the Company, pending regulatory approval. Upon receipt of regulatory approval, the directors (elect) will be formally appointed as Directors of the Company. Until such time, the directors (elect) are consultants to the Group and in accordance with the requirements of the Company's Constitution, are not entitled to vote on any Board resolutions. The directors (elect) will be paid a consultant's fee that is equivalent to the fee that they would have otherwise been paid as a director.

Section 7 Shareholdings

Movement in shares

The number of shares (excluding those unvested under the General Employee Share Plan, Short Term Incentive program and the Long Term Incentive program) in the Company held during the year ended 31 December 2011 by each Non-Executive Director and Senior Executive, including their personally related entities, are set out below.

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

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

Table 20 Details of NED shareholdings

	Type	Balance as at 1 January 2011	Performance shares vested and GESP shares released	Other net changes during the year	Balance as at 31 December 2011[1]
Non-Executive Directors					
ID Blackburne	Beneficially held	30,000	–	(30,000)	–
	Non-beneficially held	–	–	80,000	80,000
RA Davis	Beneficially held	19,335	–	–	19,335
	Non-beneficially held	1,154	–	10,000	11,154
RV Dubs	Beneficially held	10,000	–	–	10,000
	Non-beneficially held	–	–	–	–
SW Morro	Beneficially held	–	–	–	–
	Non-beneficially held	20,000	–	–	20,000
DCP Banks	Beneficially held	–	–	10,000	10,000
	Non-beneficially held	–	–	–	–
LG Flock	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	–	–
Former Non-Executive Directors					
WM Baker	Beneficially held	4,700	–	–	4,700
	Non-beneficially held	–	–	–	–
SAM Pitkin	Beneficially held	2,196	–	–	2,196
	Non-beneficially held	14,600	–	–	14,600

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

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

Table 21 Details of Senior Executive shareholdings not held under an employee share plan

	Type	Balance as at 1 January 2011	Performance shares vested and GESP shares released	Other net changes during the year	Balance as at 31 December 2011[1]
CEO and Managing Director					
JR Odell	Beneficially held	–	–	–	–
	Non-beneficially held	64,457	–	–	64,457
Executive KMP					
A Korsanos	Beneficially held	2,308	157	–	2,465
	Non-beneficially held	–		–	–
WP Jowett	Beneficially held	143,944	157	(140,996)	3,105
	Non-beneficially held	125,300	–	140,996	266,296
NR Khin	Beneficially held	1,265	157	–	1,422
	Non-beneficially held	–	–	–	–
TJ Croker	Beneficially held	–	–	4	4
	Non-beneficially held	–	–	–	–

1 These balances exclude GESP shares identified in Table 18 on page 42, which are held under holding lock. These balances include fully paid ordinary shares which have been issued pursuant to the Company's Dividend Reinvestment Plan (DRP) – GESP shares held in the holding lock are eligible to participate in the DRP.

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Steve Humph

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
27 February 2012

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Corporate Governance Statement

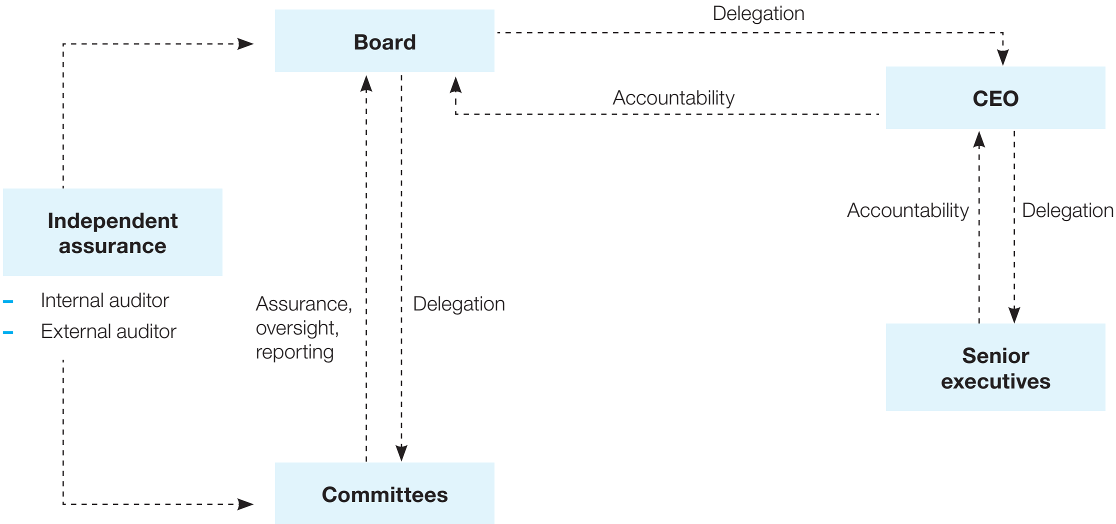
for the 12 months ended 31 December 2011

Effective corporate governance structures encourage companies to create value, through entrepreneurialism, innovation, development and exploration, and provide accountability and control systems commensurate with the risk involved – ASX Corporate Governance Principles and Recommendations

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

Set out below is a summary of the Group's corporate governance principles which were in place throughout the 2011 reporting period. For ease of reference, this statement has been prepared and presented in a format consistent with the ASX Principles and Recommendations.

Corporate governance framework



Principle 1 Lay solid foundations for management and oversight

Board roles and responsibilities

The business and corporate operations of the Aristocrat Leisure Limited group of companies is managed under direction of the Board of Directors on behalf of shareholders. The Board oversees the performance of management in seeking to deliver superior business and operational performance and long-term growth in shareholder value.

The Board has formalised its roles and responsibilities into a Board Charter, which is available on the Group's website. The Board Charter was reviewed and amended in August 2011 following careful and considered deliberation by the Board to ensure that it reflects current corporate governance principles and practices.

The primary responsibilities of the Board include the:

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

Board roles and responsibilities continued
Changes to the committee structure mean that the Board takes on the role of nominations and governance, which includes the following functions:

- determining the appropriate size and composition of the Board;
- determining the appropriate criteria (necessary and desirable skills and experience) for appointment of Directors;
- recommendations for the appointment, re-election and removal of Directors; and
- the evaluation of the Board's performance.

The conduct of the Board is also governed by the Constitution, which is available on the Group's website. Shareholders resolved to adopt an amended Constitution at the 2011 Annual General Meeting. The previous Constitution had been adopted by shareholders in April 2005 and amended in May 2006. Since that time there had been a number of significant developments in law, corporate governance principles and general corporate and commercial practice for ASX listed companies. The current Constitution reflects these developments.

Delegation to CEO
The broad separation of functions and responsibilities between management and the Board are set out in the Board Charter.

The Board gives direction and exercises judgement in setting the Group's objectives and overseeing their implementation. The Board has authorised the CEO to oversee the day-to-day business and operations, within the limits of specific authorities set out in the delegations approved by the Board. The CEO has, in turn, approved sub-delegations of authority that apply to management.

The CEO is accountable to the Board for the authority that is delegated by the Board. The Board monitors the decisions and actions of the CEO and the Group's progress on achieving the short, medium and long-term objectives as set by the Board.

The Board will regularly review the separation of functions and responsibilities between management and the Board to ensure that they are appropriate to meet the Group's needs and develop best practice standards, by reference to the ASX Principles and Recommendations and relevant law.

Appointment, induction and performance evaluation for senior executives
The CEO is responsible for appointment of the Group's senior executives. Details of the Group's senior executives can be found on the Group's website.

Upon appointment, senior executives including the CEO and the Chief Financial Officer (CFO) are provided with formal letters of appointment setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

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

The Board, based on recommendations from the Human Resources and Remuneration Committee, determines the CEO's Key Performance Objectives (KPOs) annually and reviews performance against these on an ongoing basis, with a formal evaluation being completed at the end of each year. The CEO, under the delegated authority of the Board, determines the KPOs of the senior executives and reviews their performance on an ongoing basis. The CEO formally reviews the performance of senior executives annually with the Human Resources and Remuneration Committee, which reports its findings to the Board for endorsement.

The performance evaluation of the senior executives (including the CEO) is undertaken in the first quarter of each year.

Principle 2 Structure the Board to add value

Board composition
As at 31 December 2011, the Board comprised six independent Non-Executive Directors and the CEO/Managing Director. Details, including the term of office, qualifications and experience and information on other directorships held by each member of the Board, can be found in the Directors' Report.

It is important that the Board has an appropriate mix of skills, experience, expertise and diversity (including geographical and gender diversity). The Board considers it important for the following skills and experience to be represented:

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

Board renewal and succession planning
Board succession planning is an important element of the governance process. The Board regularly evaluates and reviews its succession planning process to ensure the progressive and orderly renewal of Board membership.

As part of the Board's ongoing renewal program, two long-standing Non-Executive Directors (Mr Bill Baker and Ms Sally Pitkin) retired from the Board during 2011. These retirements, together with the appointments at the 2011 AGM of Mr David Banks and Mr Lewis (Kelly) Flock as independent Non-Executive Directors, serve to refresh the Board by bringing additional experience and new perspectives.

Chairman of the Board
The Chairman is elected by the Board and must be an independent Non-Executive Director.

The role of the Chairman is to lead the Board in the discharge of its duties and responsibilities, to agree the agendas for and chair meetings of the Board and of shareholders. The Chairman is responsible for the conduct of those meetings and for facilitating the effective contribution of all members of the Board to its processes.

The Chairman is also the major point of contact between the Board and the CEO.

Nomination and appointment of new Directors
Board succession planning is an important element of the governance process. The Board will regularly evaluate and review its succession planning process to ensure the progressive and orderly renewal of Board membership.

Where there is a need for a new appointment, the Board (with assistance where necessary from external consultants) will identify candidates with appropriate skills and experience to maintain the necessary mix of expertise on the Board.

A short list of potential candidates will be developed for detailed consideration and screening by the Board. Each Director will be given the opportunity to meet with the potential candidates.

Any decision on the nomination of a new Director will be made by the Board.

Before a candidate is nominated by the Board, they must confirm that they will have sufficient time to meet their obligations to the Company, in light of other commitments and that they expect to meet all gaming regulatory approval conditions.

Any Director nominated during the year is known as a Director (Elect) and will stand for election by shareholders at the subsequent AGM. Shareholders are asked to approve the appointment of the Director (Elect) subject to the receipt of all necessary regulatory pre-approvals. Until the receipt of all necessary regulatory pre-approvals a Director (Elect) may attend all meetings of the Company but will have no entitlement to vote on any resolutions proposed at any meeting of the Board or any committee.

Induction and Director development
New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities and the time commitment envisaged.

As part of a comprehensive induction program, new Directors are provided with a Director's Handbook. New Directors also meet with the Chairman and senior executives as part of the structured induction program. Where appropriate, the program also includes site visits to some of the Group's key jurisdictions.

The Board encourages all Directors to undertake the 'Company Directors Course' run by the Australian Institute of Company Directors. All Directors are expected to maintain the skills required to discharge their obligations to the Group and its shareholders.

Directors take part in a range of training and continuing education programs. Internal and external experts are engaged to conduct education sessions. As an example, during 2011 the Group's external remuneration consultants provided the Board with a comprehensive overview of the *Corporations Amendments (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth) (Executive Remuneration Act) and its implications for the Company's statutory reporting practices. Directors also receive regular business briefings at Board meetings. These briefings are intended to provide Directors with information on each area of the Group's business, in particular regarding performance, key issues, risks and strategies for growth.

Retirement and re-election
The Constitution requires that a Director may not hold office for a continuous period in excess of three years or past the third AGM following the Director's appointment, whichever is longer, without submitting for re-election.

Retiring Directors are eligible for re-election by shareholders. Board support for Directors retiring by rotation and seeking re-election is not automatic. A Non-Executive Director must take into account the views of the other Non-Executive Directors when making a decision to stand for re-election.

The Board also has a policy that a Director should serve no more than 12 years as a Director, commencing from the date of nomination.

Access to information and independent professional advice
Directors are encouraged to access senior executives to request relevant information in their role as a Non-Executive Director.

Directors are also entitled, with the approval of the Chairman, to seek independent professional advice at the Group's expense. Whenever practicable, the advice is commissioned in the joint names of the Director and the Group, and a copy of the advice should be made available to the entire Board.

Board meetings
During 2011, the Board held a total of 11 meetings. The number of meetings attended by each Director is tabled in the Directors' Report. Senior executives are regularly invited to attend and present at Board meetings. During the year, the Non-Executive Directors also held meetings without the presence of management.

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

During the year, the Board assesses whether the Non-Executive Directors are independent. In making such an assessment, consideration is given to whether the Director:
- is a substantial shareholder of the Group or an officer of a substantial shareholder of the Group;
- has been employed in an executive capacity in the last three years by a Group company;
- has been employed as a principal of a material professional adviser to the Group during the past three years;
- is a material supplier or customer of a Group company;
- has any material contractual relationship with the Group (other than as a Director); and
- is free from any interest, business or personal, which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Group.

Having considered these criteria, the Board was of the view that there were no factors affecting the independent status of any Non-Executive Director at 31 December 2011 or throughout the year.

Other directorships
Board policy requires Directors to devote sufficient time to the Group and to be available to attend to the affairs of the Group. This process is managed by the Chairman and other members consult with the Chairman before taking up additional appointments. The CEO should only accept appointment to the board of another listed company with the approval of the Board.

Performance evaluation for the Board, Board committees and individual Directors
The Board (with assistance where necessary or appropriate from external consultants) will regularly carry out a review of the performance of the Board, its committees, and each Non-Executive Director. The review assesses, amongst other things:
- the effectiveness of the Board and each committee in meeting the requirements of their Charters;
- whether the Board and each committee has members with the appropriate mix of skills and experience to properly perform their functions;
- the contribution made by each Director at meetings and in carrying out their responsibilities as Directors generally, including preparing for meetings; and
- whether the content, format and timeliness of agendas, papers and presentations provided to the Board and each committee are adequate for them to properly perform their functions.

The Board establishes the procedures and oversees the assessment program. The results and any action plans following the assessment are documented, together with specific performance goals that are agreed by the Board.

In addition, Directors are encouraged to raise any issues of concern regarding the performance of any other Director with the Chairman, or if the concern relates to the Chairman, with the Chair of the Audit Committee.

Role of the Company Secretary
The appointment of the Company Secretary is a matter for the Board. The Company Secretary provides advice to the Board as and when required. The Company Secretary is responsible for all communication with the Australian Securities Exchange (ASX) about listing rule matters and for the day-to-day operations of the Company Secretariat.

Except when the Directors need to meet privately, the Company Secretary attends all Board meetings.

Board committees
To assist it in fulfilling its responsibilities, the Board has three committees consisting of the Audit Committee, the Human Resources and Remuneration Committee and the Regulatory and Compliance Committee.

Each committee has a Charter which includes a more detailed description of its duties and responsibilities. In August 2011, the Board reviewed and amended each committee Charter. The committee Charters are available on the Group's website.

The Board may, at any time, address matters identified within a committee's Charter at the full Board level.

The Audit Committee and the Human Resources and Remuneration Committee each comprise at least three independent Non-Executive Directors. The Regulatory and Compliance Committee comprises at least two independent Non-Executive Directors and, as required by gaming regulators, one independent external member and one member of management who is primarily responsible for Group compliance. Each committee is chaired by an independent Non-Executive Director other than the Board Chairman.

The composition of each committee and number of committee meetings held in 2011 can be found in the Directors' Report.

Principle 3 Promote ethical and responsible decision-making

Diversity and equal employment opportunity

The Group recognises its legal and ethical obligations and is committed to promoting and achieving diversity across the Group. The Group employs more than 2,000 people around the world including in Australia, the United States, New Zealand, the United Kingdom, South Africa, Sweden, Japan, India, Argentina, Mexico, Hong Kong and Macau.

The Group aspires to a workforce profile which reflects as far as possible the talent available in the many areas in which its businesses are located. This requires the Group to achieve workforce diversity in all its forms, including gender, age, race and ethnicity, religion, and cultural background.

The Board has adopted a policy on diversity which sets out the overall aims of the Group on diversity and the responsibilities of the Board. The Diversity Policy can be found on the Group's website.

The Board is responsible for approving measurable objectives in accordance with the Diversity Policy and, with the assistance of the Human Resources and Remuneration Committee, for annually assessing those objectives, the progress against them, and for monitoring the proportion of women across the Group.

The following measurable objective was set by the Board for 2011:
Increase the number of women in the 'Leadership Group', comprising the Board, Senior Executive Roles[1] and Senior Management Roles[2].

The Board has identified a number of initiatives to support the achievement of this objective over the period 2011 to 2013, such as:

- Including 'the business case for diversity' in the leadership development program for all hiring managers, people managers and emerging talent to promote and operationalise the competitive advantage that diversity creates for our organisation.
- Launching a mentoring program for women involving members of the Board and Executive Leadership Team and targeting high potential women across the organisation.
- Instigating the Group's 'Women in Gaming' program, to identify emerging talent pools within the organisation and opening career paths for women into senior operational roles.
- Providing leadership development opportunities for the extended leadership team to build a pipeline of talent for senior executive roles.
- Evaluating and implementing an extended range of flexible work practices.

Progress in 2011 towards achieving this objective is set out in the table below.

The following information is provided about the proportion of women across the Group as at 31 December 2010 and 31 December 2011:

Category	31 December 2010	31 December 2011
Board	2 of 7 Non-Executive Directors (28%)	1 of 6 Non-Executive Directors (17%)
Senior Executive Roles	1 of 11 members (9%)	1 of 10 members (10%)
Across the Leadership Group[3]	33 of 206 members (16%)	37 of 196 members (19%)
Across the Group	26%	26%

1 Senior executive roles means the Group's Executive Leadership Team, the composition of which can be found on the Group's website.
2 Senior management roles include senior managers and senior specialists across the Group.
3 Leadership Group comprises the Board, Senior Executive Roles and Senior Management Roles.

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

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

The Code of Conduct is available on the Group's website.

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

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

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

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

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

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

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

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

Share Trading Policy
The Group's Share Trading Policy prohibits Non-Executive Directors and employees from dealing in Company securities if they are in possession of any price-sensitive information. In addition, the policy identifies certain 'blackout periods' during which Non-Executive Directors and designated senior executives are not allowed to deal in the Company's securities (unless exceptional circumstances apply, the person has no inside information, and special approval is obtained to sell (but not buy) Company securities). Non-Executive Directors and employees are reminded that procuring others to trade in Company securities when in possession of price-sensitive information is also a breach of the law and the policy.

The policy prohibits Non-Executive Directors and designated senior executives from entering into a margin loan or similar funding arrangement over the Company's securities.

The policy prohibits the hedging of unvested performance share rights and vested securities that are subject to disposal restrictions at all times, irrespective of trading windows. This is in line with the requirements of the Executive Remuneration Act, and is intended to prevent transactions which could have the effect of distorting the proper functioning of performance hurdles or reducing the intended alignment between management's and shareholders' interests.

The Share Trading Policy can be found on the Group's website.

Principle 4 Safeguard integrity in financial reporting

Audit Committee

The composition of the Audit Committee can be found in the Directors' Report. The committee comprises at least three independent Non-Executive Directors and is chaired by an independent Non-Executive Director.

All members of the committee are financially literate, and the committee possesses sufficient financial expertise and knowledge of the industry in which the Group operates.

Members of the Group's internal and external audit firms attend committee meetings by invitation, together with the internal risk and audit manager and relevant senior executives.

The committee advises the Board on all aspects of internal and external audit, the adequacy of accounting and risk management procedures, systems, controls and financial reporting. The Audit Committee Charter includes a more detailed description of the duties and responsibilities of the committee.

The committee is a direct link for providing the views of internal and external auditors to the Board, when necessary, independent of management influence. Time is allocated for detailed questioning of the material presented by each of the external and internal auditors.

Selection of auditor

The Audit Committee is responsible for overseeing the external auditor selection process. This process includes assessing each of the submissions received and making a formal recommendation to the Board on the appointment of the external auditor. The external audit service contract was last awarded in 2008.

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

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

Auditor independence

The Group's policy on audit independence restricts the types of non-audit services that can be provided by either the internal or the external auditors. In addition, any non-audit services which are to be provided by the internal or the external auditors need to be pre-approved by the Chair of the Audit Committee.

The Audit Committee reviews the independence of the auditors four times a year. The Group requires the senior external audit partner to rotate every five years.

The external auditor attends the AGM and is available to answer questions from shareholders on the:

- conduct of the audit;
- preparation and content of the auditor's report;
- accounting policies adopted by the Group in relation to the preparation of the financial report; and
- independence of the auditor in relation to the conduct of the audit.

Principle 5 Make timely and balanced disclosure

The Group understands and respects that timely disclosure of price-sensitive information is central to the efficient operation of the securities market.

The Group's Continuous Disclosure Policy was reviewed and amended in June 2011 following careful and considered deliberation by the Board to ensure that it reflects current best practice corporate governance principles and practices. The Continuous Disclosure Policy is available on the Group's website.

The Company Secretary/CFO, in conjunction with the CEO and the Manager, Company Secretariat/Corporate Counsel (the Management Disclosure Committee) has responsibility for reviewing proposed disclosures and making decisions in relation to what information can be or should be disclosed to the market. Each Group employee is required to inform the Company Secretary regarding any potentially price-sensitive information concerning the Group as soon as they become aware of it.

Where appropriate, the Board will be consulted on the most significant or material disclosures.

The Company Secretary is responsible for ensuring compliance with the Continuous Disclosure Policy.

Principle 6 Respect the rights of shareholders

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

The Group promotes effective communication with shareholders and encourages effective participation at general meetings to ensure a high level of accountability and discussion of the Group's strategy, goals and performance. Shareholders are invited to submit questions in advance on any shareholder matters that may be relevant to a general meeting.

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

The AGM is webcast each year and is available for viewing by live and archived webcast. The Group's most recent full year and half year results presentation webcasts are archived and can be accessed through the investor information link on the Group's website.

The Group's Shareholder Communication Policy is available on the Group's website.

Principle 7 Recognise and manage risk

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

Elements of the Group's risk management system include:

- a formal risk management policy, which is based on ISO3100 Risk Management and the ASX Principles and Recommendations;
- the review of material business risks, including significant changes in risk profiles, by the Risk Review Committee, the Audit Committee and the Board as appropriate;
- the establishment of an internal audit function, independent of the external auditor, which develops a risk-based internal audit plan and has direct access to the Board and management;
- a Group-wide regulatory compliance program covering licensure, environment, occupational health and safety and employment practices; and
- a confidential Tip-offs Anonymous program deployed worldwide.

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

Certification from the CEO and the CFO

The Board received a written certification on 27 February 2012 from both the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act (the integrity of financial statements) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

Principle 8 Remunerate fairly and responsibly

Human Resources and Remuneration Committee

The composition of the Human Resources and Remuneration Committee can be found in the Directors' Report. The committee comprises at least three independent Non-Executive Directors and is chaired by an independent Non-Executive Director.

Together with an overview of people issues, particularly talent management, succession and development planning for senior management and diversity, the committee advises the Board on remuneration policies and practices, evaluates the performance of the CEO against pre-agreed goals, and makes recommendations to the Board on remuneration of the CEO and the senior management team.

The Human Resources and Remuneration Committee Charter includes a more detailed description of the duties and responsibilities of the committee.

The committee regularly obtains and considers advice from the remuneration consultants which have been appointed by the Board.

Remuneration of Directors and senior executives

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

Nevada Regulatory Disclosure

The Nevada Gaming Commission has requested that the following be brought to the attention of shareholders.

Summary of the Nevada Gaming Regulations
The manufacture, sale and distribution of gaming devices and cashless wagering systems for use or play in Nevada and the operation of slot machine routes and inter-casino linked systems are subject to:

i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the 'Nevada Act'); and
ii) various local ordinances and regulations.

Gaming and manufacturing and distribution operations in Nevada are subject to the licensing and regulatory control of the Nevada Gaming Commission ('Nevada Commission'), the Nevada State Gaming Control Board ('Nevada Board') and various other county and city regulatory agencies, collectively referred to as the 'Nevada Gaming Authorities'.

Nevada Regulatory Disclosure
The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things:

i) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming, manufacturing or distributing activities at any time or in any capacity;
ii) the establishment and maintenance of responsible accounting practices and procedures;
iii) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
iv) the prevention of cheating and fraudulent practices; and
v) providing a source of state and local revenues through taxation and licensing fees.

Aristocrat Leisure Limited ('the Company') is registered with the Nevada Commission as a publicly traded corporation (a 'Registered Corporation') and has been found suitable to directly or indirectly own the stock of two subsidiaries (collectively, the 'Operating Subsidiaries'), one that has been licensed as a manufacturer and distributor, one that has been licensed as a manufacturer, distributor and operator of a slot machine route. A manufacturer's and distributor's license permits the manufacturing, sale and distribution of gaming devices and cashless wagering systems for use or play in Nevada or for distribution outside of Nevada. A license as an operator of a slot machine route permits the placement and operation of gaming devices upon the business premises of other licensees on a participation basis and also permits the operation of inter-casino linked systems consisting of gaming devices only.

If it were determined that the Nevada Act was violated by the Company or the Operating Subsidiaries, the registration of the Company and the licenses of the Operating Subsidiaries could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Company, the Operating Subsidiaries and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission.

Any beneficial owner of a Registered Corporation's voting securities (in the case of the Company its ordinary shares), regardless of the number of voting securities owned, may be required to file an application, be investigated, and have his suitability as a beneficial owner of the Registered Corporation's voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the state of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires a beneficial ownership of more than 5% of a Registered Corporation's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of a Registered Corporation's voting securities apply to the Nevada Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails the written notice requiring such filing.

Under certain circumstances, an 'institutional investor', as defined in the Nevada Act, which acquires the beneficial ownership of more than 10%, but not more than 25% of a Registered Corporation's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor that has been granted a waiver by the Nevada Commission may beneficially own more than 25%, but not more than 29%, of the voting securities of a Registered Corporation, only if such additional ownership results from a stock repurchase program conducted by Registered Corporation, and upon the condition that such institutional investor does not purchase or otherwise acquire any additional voting securities of the Registered Corporation that would result in an increase in the institutional investor's ownership percentage. Further, an institutional investor that is subject to NRS 463.643(4) as a result of its beneficial ownership of voting securities of a Registered

Corporation and that has not been granted a waiver by the Commission, may beneficially own more than 10%, but not more than 11%, of the voting securities of such Registered Corporation, only if such additional ownership results from a stock repurchase program conducted by the Registered Corporation, upon the condition that such institutional investor does not purchase or otherwise acquire any additional voting securities of the Registered Corporation that would result in an increase in the institutional investor's ownership percentage. Unless otherwise notified by the chairman, such an institutional investor is not required to apply to the commission for a finding of suitability, but shall be subject to reporting requirements as prescribed by the chairman.

The applicant is required to pay all costs of investigation incurred by the Nevada Gaming Authorities.

The Nevada Act provides that any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record holder (in the case of the Company a registered holder) if the record owner, after request, fails to identify the beneficial owner.

Any person found unsuitable and who holds, directly or indirectly, any of the voting securities of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offence under Nevada law. A Registered Corporation can be sanctioned, including the loss of its approvals if, after it receives notice that a person is unsuitable to be the holder of the voting securities of the Registered Corporation or to have any other relationship with the Registered Corporation, it:

i) pays that person any dividend or interest upon its voting securities;
ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
iii) pays remuneration in any form to that person for services rendered or otherwise; or
iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

The Nevada Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever;
ii) recognises any voting right by such unsuitable person in connection with such securities;
iii) pays the unsuitable person remuneration in any form; or
iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

A Registered Corporation may not make a public offering of its securities without the prior approval of the Nevada Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On June 21 2001, the Nevada Commission granted the Company prior approval to make public offerings for a period of two years subject to certain conditions ('Shelf Approval'). This approval has been extended and remains in place today. However, the Shelf Approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful. An application to renew the Shelf Approval (which can only be issued for a maximum term of three years) is being lodged with the Commission.

Other Regulatory requirements – Other Gaming Authorities throughout the world may require any person who acquires a beneficial ownership of more than 5% of a Registered Corporation's voting securities to report the acquisition to the Gaming Authority and in some cases, apply to the Gaming Authority for a finding of suitability within 30 days of acquiring more than 5% of the Registered Corporation's voting securities. The applicant is subject to the same rules as in Nevada in relation to an unsuitable finding. The applicant is required to pay all costs of investigation incurred by the Gaming Authorities.

A more complete summary of the Nevada Act is available on request from:
The Secretary, Aristocrat Leisure Limited
Building A, Pinnacle Office Park, 85 Epping Road
North Ryde NSW 2113 Australia
Telephone: +612 9013 6000 Fax: +612 9013 6274

Five Year Summary

12 months ended 31 December: $'000 (except where indicated)	2011	2010	2009	2008	2007
Profit and loss items					
Revenue[1]	**709,013**	684,578	908,648	1,079,902	1,121,969
EBITDA[2]	**147,949**	121,670	212,733	253,171	368,693
Depreciation and amortisation	**(37,184)**	(36,911)	(42,814)	(40,231)	(36,435)
EBIT[2]	**110,765**	84,759	169,919	212,940	332,258
Net interest revenue/(expense)	**(25,308)**	(13,525)	(13,909)	(19,826)	(6,027)
Profit before income tax expense[2]	**85,457**	71,234	156,010	193,114	326,231
Income tax expense	**(18,558)**	(16,107)	(39,070)	(52,179)	(78,295)
Profit after income tax expense[2]	**66,899**	55,127	116,940	140,935	247,936
Non-controlling interests	**(759)**	(557)	(539)	(720)	(764)
Net profit attributable to members of Aristocrat Leisure Limited	**66,140**	54,570	116,401	140,215	247,172
Abnormal items after tax	**–**	22,624	(274,239)	(39,008)	–
Reported net profit/(loss) attributable to members of Aristocrat Leisure Limited	**66,140**	77,194	(157,838)	101,207	247,172
Total dividend paid – parent entity only	**21,422**	18,668	78,587	266,146	182,827
Balance sheet items					
Contributed equity	**209,043**	187,625	185,320	(67,298)	1,291
Reserves	**(119,032)**	(117,827)	(92,013)	(28,762)	(101,635)
Retained earnings	**164,863**	120,083	61,498	288,505	420,470
Non-controlling interest	**(2,730)**	(2,009)	(944)	(16)	675
Total equity	**252,144**	187,872	153,861	192,429	320,801
Cash and cash equivalents	**29,354**	19,840	59,045	106,243	80,618
Other current assets	**335,801**	311,122	336,650	435,220	354,334
Property, plant and equipment	**109,267**	100,141	120,459	150,776	103,004
Intangible assets	**109,306**	113,980	118,547	154,420	128,212
Other non-current assets	**177,760**	163,826	173,407	169,712	159,730
Total assets	**761,488**	708,909	808,108	1,016,371	825,898
Current payables and other liabilities	**191,543**	155,991	195,128	258,294	203,243
Current borrowings	**–**	7,000	7,245	150,000	45,000
Current tax liabilities and provisions	**13,621**	15,053	283,449	30,617	74,283
Non-current borrowings	**261,392**	298,662	127,104	332,644	147,459
Non-current provisions	**16,096**	18,044	18,632	25,121	18,008
Other non-current liabilities	**26,692**	26,287	22,689	27,266	17,104
Total liabilities	**509,344**	521,037	654,247	823,942	505,097
Net assets	**252,144**	187,872	153,861	192,429	320,801

1 Revenue as per segment information.

2 Before the impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group. The non-IFRS information presented above has not been audited in accordance with the Australian Auditing Standards.

3 Current and non-current borrowings net of cash and cash equivalents.

12 months ended 31 December: $'000 (except where indicated)		2011	2010	2009	2008	2007
Other information						
Employees at year end	Number	**2,111**	2,181	2,038	2,128	2,219
Return on Aristocrat shareholders' equity [2]	%	**26.2**	29.0	75.7	72.9	77.1
Basic earnings per share [2]	Cents	**12.3**	10.3	23.0	30.5	53.0
Net tangible assets per share	$	**0.26**	0.14	0.07	0.08	0.41
Total dividends per share – ordinary	Cents	**6.5**	5.0	4.5	36.0	49.0
Dividend payout ratio [2]	%	**53**	49	20	118	93
Issued shares at year end	'000	**543,181**	533,984	533,379	455,330	464,296
Net (cash)/debt [3]	$'000	**232,038**	285,822	75,304	376,401	111,841
Net cash (debt)/equity	%	**(92.0)**	(152.1)	(48.9)	(195.6)	(34.9)

1 Revenue as per segment information.

2 Before the impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group. The non-IFRS information presented above has not been audited in accordance with the Australian Auditing Standards.

3 Current and non-current borrowings net of cash and cash equivalents.

Financial Statements

for the year ended 31 December 2011

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.

The financial statements were authorised for issue by the directors on 27 February 2012. 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.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	Notes	Consolidated 2011 $'000	2010 $'000
Revenue	5	**704,302**	680,510
Cost of revenue		**(319,367)**	(315,517)
Gross profit		**384,935**	364,993
Other income	5	**8,728**	24,533
Design and development costs		**(100,874)**	(109,814)
Sales and marketing costs		**(71,362)**	(76,705)
General and administration costs		**(107,712)**	(79,259)
Restructuring costs		**–**	(6,093)
Finance costs		**(28,258)**	(15,838)
Share of net losses of jointly controlled entity	27	**–**	(616)
Profit before income tax		**85,457**	101,201
Income tax expense	6	**(18,558)**	(23,450)
Profit for the year		**66,899**	77,751
Other comprehensive income			
Exchange differences on translation of foreign operations	21(a)(i)	**(296)**	(28,515)
Changes in fair value of interest rate hedge	21(a)(iv)	**(2,164)**	–
Other comprehensive income, net of tax		**(2,460)**	(28,515)
Total comprehensive income for the year		**64,439**	49,236
Profit is attributable to:			
Owners of Aristocrat Leisure Limited		**66,140**	77,194
Non-controlling interest	22	**759**	557
		66,899	77,751
Total comprehensive income is attributable to:			
Owners of Aristocrat Leisure Limited		**63,680**	48,679
Non-controlling interest	22	**759**	557
		64,439	49,236

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

	Notes	Cents	Cents
Basic earnings per share	33	**12.3**	14.5
Diluted earnings per share	33	**12.3**	14.5

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

Consolidated statement of financial position

as at 31 December 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**29,354**	19,840
Trade and other receivables	9	**241,659**	203,459
Inventories	10	**81,603**	85,952
Financial assets	11	**5,014**	5,864
Other assets	12	**6,120**	7,536
Current tax assets		**1,405**	8,311
Total current assets		**365,155**	330,962
Non-current assets			
Trade and other receivables	9	**78,203**	50,087
Financial assets	11	**8,725**	9,221
Property, plant and equipment	13	**109,267**	100,141
Deferred tax assets	14	**90,832**	104,518
Intangible assets	15	**109,306**	113,980
Total non-current assets		**396,333**	377,947
Total assets		**761,488**	708,909
LIABILITIES			
Current liabilities			
Trade and other payables	16	**156,698**	125,711
Borrowings	17	**–**	7,000
Provisions	18	**13,621**	15,053
Other liabilities	19	**34,845**	30,280
Total current liabilities		**205,164**	178,044
Non-current liabilities			
Trade and other payables	16	**98**	115
Borrowings	17	**261,392**	298,662
Provisions	18	**16,096**	18,044
Other liabilities	19	**26,594**	26,172
Total non-current liabilities		**304,180**	342,993
Total liabilities		**509,344**	521,037
Net assets		**252,144**	187,872
Equity			
Contributed equity	20	**209,043**	187,625
Reserves	21(a)	**(119,032)**	(117,827)
Retained earnings	21(b)	**164,863**	120,083
Capital and reserves attributed to owners		**254,874**	189,881
Non-controlling interest	22	**(2,730)**	(2,009)
Total equity		**252,144**	187,872

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 2011

	Notes	Attributable to owners of Aristocrat Leisure Limited					
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2010		185,320	(92,013)	61,498	154,805	(944)	153,861
Profit for the year		–	–	77,194	77,194	557	77,751
Other comprehensive income		–	(28,515)	–	(28,515)	–	(28,515)
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	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**
Profit for the year		–	–	66,140	66,140	759	66,899
Other comprehensive income		–	(2,460)	–	(2,460)	–	(2,460)
Total comprehensive income for the year		**–**	**(2,460)**	**66,140**	**63,680**	**759**	**64,439**
Transactions with owners in their capacity as owners:							
Shares issued under dividend reinvestment plan	20	**6,728**	**–**	**–**	**6,728**	**–**	**6,728**
Shares issued under dividend underwriting	20	**14,690**	**–**	**–**	**14,690**	**–**	**14,690**
Net movement in share-based payments reserve	21(a)(ii)	**–**	**(820)**	**–**	**(820)**	**–**	**(820)**
Issues from the Trust to satisfy vested shares	21(a)(iii)	**–**	**2,075**	**–**	**2,075**	**–**	**2,075**
Dividends provided for and paid	7	**–**	**–**	**(21,360)**	**(21,360)**	**–**	**(21,360)**
Dividends paid to non-controlling shareholder	22	**–**	**–**	**–**	**–**	**(1,020)**	**(1,020)**
Net movement in reserves attributable to non-controlling interest	22	**–**	**–**	**–**	**–**	**(460)**	**(460)**
		21,418	**1,255**	**(21,360)**	**1,313**	**(1,480)**	**(167)**
Balance at 31 December 2011		**209,043**	**(119,032)**	**164,863**	**254,874**	**(2,730)**	**252,144**

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 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**684,126**	781,064
Payments to suppliers and employees (inclusive of goods and services tax)		**(565,657)**	(694,305)
		118,469	86,759
Other income		**730**	1,406
Interest received		**6,862**	6,263
Interest paid		**(24,468)**	(13,977)
Income taxes refunded/(paid)		**6,607**	(13,521)
Convertible bond damages settlement		**–**	(229,450)
Net cash inflow/(outflow) from operating activities	34	**108,200**	(162,520)
Cash flows from investing activities			
Payments for property, plant and equipment		**(56,510)**	(37,954)
Payments for intangibles	15	**(1,872)**	(15,091)
Loan repayments from non-controlling shareholder		**646**	1,044
Proceeds from sale of property, plant and equipment		**4,937**	751
Proceeds from sale of jointly controlled entity		**–**	15,804
Net cash outflow from investing activities		**(52,799)**	(35,446)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)	20	**14,690**	–
Repayments of borrowings		**(252,761)**	(126,772)
Proceeds from borrowings		**208,270**	307,205
Dividends paid to company shareholders	7	**(14,632)**	(16,304)
Dividends paid to non-controlling shareholder	22	**(1,020)**	(1,590)
Net cash (outflow)/inflow from financing activities		**(45,453)**	162,539
Net increase/(decrease) in cash and cash equivalents		**9,948**	(35,427)
Cash and cash equivalents at the beginning of the year		**19,840**	59,045
Effects of exchange rate changes on cash and cash equivalents		**(434)**	(3,778)
Cash and cash equivalents at the end of year	8	**29,354**	19,840

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

Notes to the financial statements

for the year ended 31 December 2011

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 certain classes of 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.

(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 2011 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.

(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.

Note 1. Summary of significant accounting policies continued

(b) Principles of consolidation continued

(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 determined 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.

(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 in other comprehensive income.

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 recognised in other comprehensive income. When a foreign operation is sold or borrowings forming part of a net investment are 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.

Note 1. Summary of significant accounting policies continued

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, settlement discounts and duties and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Revenue from the sale of goods and licences

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.

Licence income

Licence income is recognised in accordance with the substance of the agreement, at the time when all obligations in relation to the contract have been met. Where there is an ongoing obligation, the revenue is deferred and recognised when the obligations are met.

(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 liabilities.

(iii) Interest income

Interest income is recognised using the effective interest method.

Note 1. Summary of significant accounting policies continued

(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 regulations are 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 Company 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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.

(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.

Note 1. Summary of significant accounting policies continued

(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.

(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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Note 1. Summary of significant accounting policies continued

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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. Significant financial difficulties of the debtor and the probability that the debtor will default on payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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.

(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 if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(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 and other 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.

Note 1. Summary of significant accounting policies continued

(o) Investments and other financial assets continued

(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.

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 other comprehensive income.

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 a particular risk associated with the cash flows of recognised assets and liabilities and 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.

Note 1. Summary of significant accounting policies continued

(p) Derivatives and hedging activities continued

(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 reserves in equity. 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 reclassified 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). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

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 profit or loss 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.

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.

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.

Note 1. Summary of significant accounting policies continued

(r) Property, plant and equipment continued

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 profit or loss.

(s) Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 1(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but 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. A cash generating unit is the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. 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 3 to 10 years.

(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 3 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 the 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 profit or loss as incurred.

Note 1. Summary of significant accounting policies continued

(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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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 profit or loss 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 probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(i) Progressive jackpot liabilities

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

(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) Short-term obligations

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) Other long-term benefit obligations

The liability for long service leave and annual leave not expected to be settled within 12 months 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.

Note 1. Summary of significant accounting policies continued

(x) Employee benefits – payable continued

(iii) Retirement benefit obligations

The Group pays contributions to 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 Performance Share Plan, Deferred Equity Employee Plan and the General Employee Share Plan.

The fair value of rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon the exercise of options or rights, the balance of the share-based payments reserve relating to those 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.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses based on criteria that takes into account the profit attributable to the Company's shareholders. The Group recognises a liability where contractually obliged or where there is past practice that has created a constructive obligation. Where bonus plans are settled by way of the issue of shares in the Company, the expense is accounted for as part of the share based payments expense.

(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. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in contributed equity as a deduction, net of tax, from the proceeds.

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, excluding treasury shares.

(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 are accounted for at cost in the financial statements of Aristocrat Leisure Limited.

(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.

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.

Note 1. Summary of significant accounting policies continued

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013*). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale assets since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012). In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 January 2013.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013). In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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 ageing 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 and floating rate debt is reviewed on a regular basis. The Group had predominantly floating rate Australian dollar and US dollar denominated borrowings during 2011. The Group had interest rate swaps in place at 31 December 2011 amounting to $100,000,000 in order to reduce exposure to changes in floating interest rates.

The weighted average interest rate on the Group's borrowings at 31 December 2011 was 4.4% (2010: 4.9%)

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.

Note 2. Financial risk management continued

(a) Market risk 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, and are shown on a pre-tax basis:

Group sensitivity

2011	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	**29,354**	**(282)**	**282**	**(211)**	**173**	**–**	**–**
Receivables	**315,804**	**–**	**–**	**3,188**	**(2,609)**	**–**	**–**
Loans – other	**4,058**	**(41)**	**41**	**451**	**(369)**	**–**	**–**
Financial assets:							
Equity securities available-for-sale, non-current	**1,391**	**–**	**–**	**–**	**–**	**(139)**	**139**
Debt securities held-to-maturity	**12,348**	**(123)**	**123**	**–**	**–**	**–**	**–**
Financial liabilities							
Payables	**156,796**	**–**	**–**	**(615)**	**503**	**–**	**–**
Borrowings	**261,392**	**2,613**	**(2,613)**	**–**	**–**	**–**	**–**
Progressive jackpot liabilities	**10,268**	**103**	**(103)**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**2,270**	**(2,270)**	**2,813**	**(2,302)**	**(139)**	**139**

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

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 flows.

Financing arrangements

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

	Consolidated 2011 $'000	2010 $'000
Floating Rate		
– Expiring within one year (bank loans and bank overdrafts)	**33,973**	26,791
– Expiring beyond one year (bank loans)	**188,608**	201,338
	222,581	228,129

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. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Note 2. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of financial liabilities Group – at 31 December 2011	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives							
Trade payables	**66,274**	**–**	**–**	**–**	**–**	**66,274**	**66,274**
Other payables	**88,260**	**–**	**98**	**–**	**–**	**88,358**	**88,358**
Borrowings (excluding finance leases)	**–**	**–**	**261,392**	**–**	**–**	**261,392**	**261,392**
Borrowings – interest payments	**5,750**	**5,750**	**5,750**	**–**	**–**	**17,250**	**–**
Progressive jackpot liabilities	**310**	**2,622**	**2,469**	**2,941**	**1,926**	**10,268**	**10,268**
Total non-derivatives	**160,594**	**8,372**	**269,709**	**2,941**	**1,926**	**443,542**	**426,292**
Derivatives							
Net settled (interest rate swaps)	**–**	**–**	**2,164**	**–**	**–**	**2,164**	**2,164**
Gross settled (forward foreign exchange contracts – cash flow hedges)							
– (inflow)	**(1,653)**	**–**	**(2,268)**	**–**	**–**	**(3,921)**	**(669)**
– outflow	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	(1,653)	**–**	**(2,268)**	**–**	**–**	**(3,921)**	**(669)**

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
Borrowings – interest payments	7,317	7,317	14,634	7,317	–	36,585	–
Progressive jackpot liabilities	317	3,707	2,456	2,334	2,812	11,626	11,626
Total non-derivatives	140,345	11,024	17,205	308,313	2,812	479,699	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)

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.

AASB 7 Financial Instruments: Disclosures 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 2011 and 31 December 2010.

Group as at 31 December 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	**–**	**669**	**–**	**669**
Equity securities available-for-sale, non-current	**1,391**	**–**	**–**	**1,391**
Total assets	**1,391**	**669**	**–**	**2,060**
Liabilities				
Interest rate swaps	**–**	**2,164**	**–**	**2,164**
Total liabilities	**–**	**2,164**	**–**	**2,164**

Group as at 31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	564	–	564
Financial assets available-for-sale, current	4,624	–	–	4,624
Financial assets available-for-sale, non-current	1,391	–	–	1,391
Other investments	–	114	–	114
Total assets	6,015	678	–	6,693
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 trade receivables and trade payables 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 may have a financial impact on the Group and 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 intangibles and income taxes.

(i) Estimated recoverable amount of goodwill and intangible assets
The Group tests annually whether goodwill and other intangible assets that are not amortised have 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.

(ii) Income taxes
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Note 4. Segment information

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

2011	Americas $'000	Australia and NZ $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue					
Revenue from external customers	**330,892**	**185,895**	**43,336**	**144,179**	**704,302**
Other segment revenue	**–**	**4,711**	**–**	**–**	**4,711**
Segment revenue	**330,892**	**190,606**	**43,336**	**144,179**	**709,013**
Result					
Segment result	**114,673**	**69,542**	**615**	**52,978**	**237,808**
Interest revenue not allocated to segments					**2,950**
Interest expense					**(28,258)**
Design and development costs					**(100,874)**
Other					**(26,169)**
Profit before tax					**85,457**
Income tax expense					**(18,558)**
Net profit after tax					**66,899**
Other segment information					
Depreciation and amortisation expense	**18,378**	**11,770**	**1,646**	**5,390**	**37,184**

Note 4. Segment information continued

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

2010	Americas $'000	Australia and NZ $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue					
Revenue from external customers	349,871	144,684	48,489	137,466	680,510
Other segment revenue	–	4,068	–	–	4,068
Segment revenue	349,871	148,752	48,489	137,466	684,578
Result					
Segment result	137,041	24,482	5,991	44,309	211,823
Interest revenue not allocated to segments					2,313
Interest expense					(15,838)
Design and development costs					(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
Other segment information					
Depreciation and amortisation expense	17,990	12,770	756	5,395	36,911

(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:

- The Americas
- Australia and New Zealand
- Japan
- Rest of World

Segment result is measured on the basis of segment profit before tax, and before internal 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.

Prior year comparatives have been restated to align with the segments presented in the current year financial statements.

(i) Segment results

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.

(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.

Note 5. Profit for the year

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
(a) Revenue			
Sale of goods and licences	1(e)(i)	**491,698**	461,670
Gaming operations and services	1(e)(ii)	**212,604**	218,840
		704,302	680,510
(b) Other income			
Interest		**7,661**	6,381
Foreign exchange gains	5(d)	**240**	714
Gain on disposal of property, plant and equipment	5(e)	**97**	548
Gain on disposal of investment in jointly controlled entity		**–**	12,727
Sundry income		**730**	4,163
Total other income		**8,728**	24,533
(c) Expenses			
(i) Depreciation and amortisation			
Depreciation and amortisation of property, plant and equipment			
– Buildings		**519**	541
– Leasehold improvements		**2,646**	2,970
– Plant and equipment		**27,383**	26,958
Total depreciation and amortisation of property, plant and equipment	13	**30,548**	30,469
Amortisation of intangible assets			
– Computer technology		**5,994**	6,442
– Development costs		**642**	–
Total amortisation of intangible assets	15	**6,636**	6,442
Total depreciation and amortisation		**37,184**	36,911
(ii) Employee benefits expense			
Salaries and wages		**177,362**	183,421
Superannuation costs		**7,445**	7,872
Post-employment benefits other than superannuation		**2,322**	3,461
Share-based payments expense	29(d)	**785**	3,604
Employee benefits expense		**187,914**	198,358

Note 5. Profit for the year continued

	Consolidated 2011 $'000	Consolidated 2010 $'000
(c) Expenses (continued)		
(iii) Lease payments		
Rental expense relating to operating leases		
– Minimum lease payments	**17,336**	16,547
(iv) Other significant items		
– Write down of inventories to net realisable value	**5,552**	5,764
– Restructuring costs	**–**	6,093
– Impairment of gaming operations assets	**–**	12,506
– Convertible Bonds litigation expense/(write-back)	**–**	(35,839)
– Legal costs	**9,994**	7,517
(d) Net foreign exchange (loss)/gain		
Foreign exchange gain	**240**	714
Foreign exchange loss	**(2,814)**	(4,046)
Net foreign exchange loss	**(2,574)**	(3,332)
(e) Net (loss)/gain on disposal of property, plant and equipment		
Gain on disposal of property, plant and equipment	**97**	548
Loss on disposal of property, plant and equipment	**(565)**	(726)
Net loss on disposal of property, plant and equipment	**(468)**	(178)

Note 6. Income tax expense

	Consolidated 2011 $'000	Consolidated 2010 $'000
Major components of income tax expense are:		
(a) Income tax expense		
Current income tax	**5,029**	(33,562)
Deferred income tax	**19,336**	52,076
Adjustments in respect of current income tax of previous years	**(5,807)**	4,936
Income tax expense	**18,558**	23,450
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax asset	**15,571**	52,690
Increase/(decrease) in deferred tax liabilities	**3,765**	(614)
Deferred income tax expense included in income tax expense	**19,336**	52,076
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**85,457**	101,201
Tax at the Australian tax rate of 30% (2010: 30%)	**25,637**	30,360
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Design and development	**(3,113)**	(3,102)
Gain on disposal of investment not taxable	**–**	(3,818)
Tax losses not previously recognised	**(364)**	(1,387)
Overseas exempt income and non-creditable taxes	**(3,684)**	(3,710)
Legal and entertainment costs	**763**	776
Other non-deductible expenses	**4,435**	4,344
	23,674	23,463
Difference in overseas tax rates	**652**	(439)
Difference in exchange rates on overseas tax rates	**(12)**	(947)
Tax losses not recognised	**–**	6
Adjustment in respect of previous years income tax:		
Current income tax	**(5,807)**	4,936
Deferred income tax	**51**	(3,569)
Income tax expense	**18,558**	23,450
Average effective tax rate	**21.72%**	23.17%
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly (debited) or credited to equity		
Current income tax – debited directly to equity	**(250)**	(134)
Net deferred tax – credited/(debited) directly to equity	**681**	(786)
Aggregate current and deferred tax arising in the reporting period directly credited or (debited) to equity	**431**	(920)

Note 6. Income tax expense continued

	Consolidated 2011 $'000	Consolidated 2010 $'000
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	**12,641**	13,836
Unused gross capital tax losses for which no deferred tax asset has been recognised	**53,450**	46,484
	66,091	60,320
Potential tax benefit	**19,847**	18,024

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
(e) Unrecognised temporary differences		
Deferred tax assets on general temporary differences	**139**	133
	139	133

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 2011 $'000	Consolidated 2010 $'000
Ordinary shares		
Final dividends paid during the year		
– 2010 – 1.5 cents, unfranked, per fully paid share paid on 28 March 2011	**7,986**	–
Interim dividends paid during the year		
– 2010 – 3.5 cents, unfranked, per fully paid share paid on 30 September 2010	**–**	18,609
– 2011 – 2.5 cents, unfranked, per fully paid share paid on 30 September 2011	**13,374**	–
Total dividends paid and provided during the year	**21,360**	18,609
Dividends paid were satisfied as follows:		
Paid in cash	**14,690**	16,363
Dividend received by Aristocrat Employee Equity Plan Trust	**(58)**	(59)
Paid through the Dividend Reinvestment Plan	**6,728**	2,305
	21,360	18,609

Dividends not recognised at year end
Since the end of the year, the Directors have recommended the payment of a final dividend of 4.0 cents (2010: 1.5 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend expected to be paid on 3 April 2012 out of retained earnings at 31 December 2011, but not recognised as a liability at the end of the year is $21,727,000.

	Consolidated 2011 $'000	Consolidated 2010 $'000
Franked dividends		
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2010: 30%)	**–**	2,248

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.

Note 8. Cash and cash equivalents

	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash at bank and in hand	**29,354**	19,840

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

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 cash and cash equivalents mentioned above.

Note 9. Trade and other receivables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Trade receivables	**229,090**	182,824
Provision for impairment of receivables	**(7,603)**	(5,085)
	221,487	177,739
Other receivables	**18,621**	22,977
Loans to non-controlling shareholders	**1,551**	2,743
	241,659	203,459

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Non-current		
Trade receivables	**70,847**	42,954
Other receivables	**4,849**	4,509
Loans to non-controlling shareholders	**2,507**	2,624
	78,203	50,087

(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
2011 Consolidated	**229,090**	**216,103**	**5,101**	**2,175**	**1,558**	**4,153**
2010 Consolidated	182,824	163,526	14,574	3,361	544	819

As of 31 December 2011, trade receivables of $648,800 (2010: $875,919) were past due and considered impaired and trade receivables of $12,338,337 (2010: $18,422,935) were past due but not impaired. The ageing of past due and not impaired amounts is as follows:

	Total $'000	Current $'000	0–30 days $'000	31–60 days $'000	61–90 days $'000	91+ days $'000
2011 Consolidated	**12,338**	**–**	**5,101**	**2,163**	**1,540**	**3,534**
2010 Consolidated	18,423	–	14,574	3,352	497	–

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 2011 $'000	Consolidated 2010 $'000
Movements in the provision for impairment of receivables is as follows:		
At 1 January	**(5,085)**	(6,178)
Provision for impairment recognised during the year	**(3,229)**	(528)
Transfer to non-current receivables	**–**	225
Foreign currency exchange differences	**(7)**	782
Provisions no longer required	**718**	614
At 31 December	**(7,603)**	(5,085)

Note 9. Trade and other receivables continued

(a) Trade receivables – current continued

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 (2010: $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 non-controlling shareholders

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.

(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	
	2011 $'000	2010 $'000
US dollars	**140,646**	100,995
Australian dollars	**109,547**	91,090
Other[1]	**69,669**	61,461
	319,862	253,546
Current receivables	**241,659**	203,459
Non-current receivables	**78,203**	50,087
	319,862	253,546

1 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	
	2011 $'000	2010 $'000
Trade receivables[1] with guarantees	**9,424**	5,929
Trade receivables[1] without guarantees	**282,910**	214,764
	292,334	220,693

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

Note 9. Trade and other receivables continued

(k) Leasing arrangements

Included in trade receivables are receivables from gaming machines that have been sold under finance lease arrangements. The lease payments receivable under these contracts are as follows:

	Consolidated 2011 $'000	2010 $'000
Minimum lease payments under finance leases are receivable as follows:		
Within one year	**6,545**	422
Later than one year but not later than five years	**8,769**	162
Gross investment in leases	**15,314**	584
Unearned finance income:		
Within one year	**612**	1
Later than one year but not later than five years	**902**	23
	1,514	24
The present value of minimum lease payments is as follows:		
Within one year	**5,933**	421
Later than one year but not later than five years	**7,867**	139
	13,800	560
Lease receivables are classified as follows:		
Current	**5,933**	421
Non-current	**7,867**	139
	13,800	560

Note 10. Inventories

	Consolidated 2011 $'000	2010 $'000
Current		
Raw materials and stores – at cost	**66,591**	79,998
Provision for obsolescence	**(22,967)**	(29,083)
	43,624	50,915
Work in progress – at cost	**1,829**	6,072
Finished goods – at cost	**36,570**	27,324
Provision for obsolescence	**(2,499)**	(2,053)
	34,071	25,271
Contract work in progress	**569**	1,199
Inventory in transit – at cost	**1,510**	2,495
	81,603	85,952

Inventory expense

Inventories recognised as an expense during the year ended 31 December 2011 amounted to $192,146,000 (2010: $179,999,000).

Note 11. Financial assets

	Notes	Consolidated 2011 $'000	2010 $'000
Current			
Available-for-sale equity securities	11(a)	**–**	4,624
Debt securities held-to-maturity		**5,014**	1,240
		5,014	5,864
Non-current			
Debt securities held-to-maturity		**7,334**	7,716
Available-for-sale equity securities	11(a)	**1,391**	1,391
Other investments		**–**	114
		8,725	9,221

(a) Available-for-sale equity securities

Balance at the beginning of the year	**6,015**	7,585
Disposals	**–**	(838)
Transfers to debt securities held-to-maturity	**(4,630)**	–
Foreign exchange differences	**6**	(732)
Balance at the end of the year	**1,391**	6,015

(b) 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.

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

(c) 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.

Note 12. Other assets

	Notes	Consolidated 2011 $'000	2010 $'000
Intellectual property rights	1(n)	**6,120**	7,536
		6,120	7,536

Note 13. Property, plant and equipment

	Consolidated 2011 $'000	Consolidated 2010 $'000
Land and buildings		
Land and buildings – at deemed cost	**12,939**	13,128
Leasehold improvements – at cost	**32,238**	31,909
Accumulated amortisation	**(13,844)**	(11,402)
	18,394	20,507
Total land and buildings	**31,333**	33,635
Plant and equipment		
Plant and equipment owned – at cost	**171,331**	166,667
Accumulated depreciation	**(93,397)**	(100,161)
Total plant and equipment	**77,934**	66,506
	109,267	100,141

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 2010	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**
Additions	**262**	**203**	**57,374**	**57,839**
Disposals	**–**	**–**	**(5,405)**	**(5,405)**
Transfers	**62**	**320**	**(12,591)**	**(12,209)**
Depreciation and amortisation	**(519)**	**(2,646)**	**(27,383)**	**(30,548)**
Foreign currency exchange differences	**6**	**10**	**(567)**	**(551)**
Carrying amount at 31 December 2011	**12,939**	**18,394**	**77,934**	**109,267**

Note 14. Deferred tax assets

	Consolidated 2011 $'000	Consolidated 2010 $'000
The balance comprises temporary differences attributable to:		
Accruals and other provisions	**4,354**	7,993
Impairment of receivables	**56**	701
Convertible Bonds litigation provision	**26,401**	35,272
Deferred revenue	**778**	2,184
Employee benefits	**7,583**	9,107
Plant, equipment and intangible assets	**6,967**	(4,839)
Prepayments	**(39)**	(988)
Provision for stock obsolescence	**4,052**	8,147
Share-based equity	**(1,822)**	(1,886)
Overseas tax obligations	**–**	1,004
Unrealised foreign exchange losses	**2,255**	1,841
Tax losses	**43,774**	40,625
Other	**3,362**	8,403
Gross deferred tax assets	**97,721**	107,564
Deferred tax liabilities in relation to overseas subsidiaries (not offset above)	**(6,889)**	(3,046)
Net deferred tax assets	**90,832**	104,518
Movements		
Opening balance at 1 January	**104,518**	116,548
Charged to the statement of comprehensive income	**(19,336)**	(52,076)
Charged to equity (share-based equity and foreign currency exchange differences)	**681**	(786)
Tax losses recognised	**5,085**	40,565
Foreign exchange currency movements	**(116)**	267
Closing balance at 31 December	**90,832**	104,518

Note 15. Intangible assets

	Consolidated 2011 $'000	Consolidated 2010 $'000
Goodwill	**79,774**	79,793
Licences	**6,153**	5,850
Accumulated amortisation	**(31)**	(31)
	6,122	5,819
Development costs	**4,496**	4,496
Accumulated amortisation	**(642)**	–
	3,854	4,496
Computer technology	**69,081**	67,430
Accumulated amortisation	**(49,525)**	(43,558)
	19,556	23,872
Total	**109,306**	113,980

	Goodwill $'000	Licences $'000	Development costs $'000	Computer technology $'000	Total $'000
Consolidated					
Carrying amount at 1 January 2010	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
Additions	**–**	**–**	**–**	**1,872**	**1,872**
Disposals	**–**	**–**	**–**	**(9)**	**(9)**
Amortisation charge	**–**	**–**	**(642)**	**(5,994)**	**(6,636)**
Foreign currency exchange movements	**(19)**	**303**	**–**	**(185)**	**99**
Carrying amount at 31 December 2011	**79,774**	**6,122**	**3,854**	**19,556**	**109,306**

(a) Impairment tests

Goodwill and other intangibles are 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) Controlled entities

	2011 $'000	2010 $'000
Americas	**51,307**	51,236
Rest of World – South Africa	**547**	675
Rest of World – ACE Interactive	**27,920**	27,882
	79,774	79,793

The Japan CGU contains a licence which is tested for impairment on the basis that it has an indefinite life, and is therefore not amortised.

In the financial years ended 31 December 2010 and 2011, 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 valuing the Group's CGUs that contain intangible assets. The following inputs and assumptions have been adopted:

1. Financial budgets and strategic plans, approved by the Board, to 2014 for the Americas and ACE Interactive, management projections for 2015 to 2016 for North America, management projections from 2015 to 2021 for ACE Interactive, and management projections from 2012 to 2016 for Japan.
2. A pre-tax annual discount rate of:

	2011	2010
Americas	**13.9%**	13.3%
Japan	**19.0%**	n/a
Rest of World – ACE Interactive	**19.4%**	12.0%

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

	2011	2010
Americas	**3.0%**	3.0%
Japan	**0.0%**	n/a
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.

On the basis of materiality, a high level review of the goodwill relating to South Africa was performed. Based on expected results, it was not considered necessary to perform a detailed review of the impairment of the related goodwill balance.

(c) Impact of possible changes in key assumptions

With regard to the assessment of the value-in-use of the CGUs, management does not believe that a reasonably possible change in any one of the key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amounts.

Note 16. Trade and other payables

	Consolidated 2011 $'000	2010 $'000
Current		
Trade payables	**66,274**	51,090
Other payables	**90,424**	74,621
	156,698	125,711
Non-current		
Other payables	**98**	115
	98	115

(a) Foreign currency risk
The carrying amounts of the Group's payables are denominated in the following currencies:

US dollars	**63,789**	59,101
Australian dollars	**48,810**	40,970
Other*	**44,197**	25,755
	156,796	125,826

* 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.

Note 17. Borrowings

	Consolidated 2011 $'000	2010 $'000
Current		
Secured		
Bank loans	–	7,000
	–	7,000
Non-current		
Secured		
Bank loans	**261,392**	298,662
	261,392	298,662

Note 17. Borrowings continued

	Notes	Consolidated 2011 $'000	2010 $'000
(a) Financing arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Credit standby arrangements			
Total facilities			
– Bank overdrafts	(i)	**6,969**	6,967
– Bank loans	(ii)	**450,000**	500,000
– Other	(iii)	**29,052**	28,111
		486,021	535,078
Used at reporting date			
– Bank overdrafts		**2,048**	1,287
– Bank loans		**261,392**	298,662
– Other		**–**	7,000
		263,440	306,949
Unused at reporting date			
– Bank overdrafts		**4,921**	5,680
– Bank loans		**188,608**	201,338
– Other		**29,052**	21,111
		222,581	228,129

(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 – $420,000,000 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.

(iii) 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 2011, 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 2011 on the net fair value of the Group's existing foreign exchange hedge contracts:

		Maturity profile		
	Weighted average exchange rate	1 year or less $'000	1 to 7 year(s) $'000	Net fair value gain/(loss)[2] $'000
AUD/ZAR[1]	6.9648	1,653	2,268	669
Total		1,653	2,268	669

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

2 Refer to Note 1(d)(ii). The net fair value of the derivatives above is included in receivables.

(c) Net fair value of financial assets and liabilities

(i) On-statement of financial position

The fair value of current borrowings approximates the carrying amount. The fair value of non-current borrowings also approximates 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 17(a)(ii)).

(ii) Off-statement of financial position

At 31 December 2011, 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 2011 $'000	2010 $'000
US dollars	**78,771**	78,662
Australian dollars	**175,000**	227,000
Japanese yen	**7,621**	–
	261,392	305,662

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

Note 18. Provisions

	Notes	Consolidated 2011 $'000	2010 $'000
Current			
Employee benefits	1(x)	**8,932**	8,325
Make good allowances	1(w)	**430**	430
Progressive jackpot liabilities	1(w)	**2,932**	3,910
Warranties	1(w)	**491**	2,388
Other		**836**	–
		13,621	15,053
Non-current			
Employee benefits	1(x)	**5,902**	7,736
Make good allowances	1(w)	**2,858**	2,592
Progressive jackpot liabilities	1(w)	**7,336**	7,716
		16,096	18,044

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	Other $'000	Total $'000
Consolidated – current and non-current					
Carrying amount at 1 January 2011	**3,022**	**11,626**	**2,388**	**–**	**17,036**
Payments	**–**	**(5,716)**	**(181)**	**–**	**(5,897)**
Additional provisions recognised	**258**	**4,733**	**1,219**	**836**	**7,046**
Reversal of provisions recognised	**–**	**(392)**	**(2,887)**	**–**	**(3,279)**
Foreign currency exchange differences	**8**	**17**	**(48)**	**–**	**(23)**
Carrying amount at 31 December 2011	**3,288**	**10,268**	**491**	**836**	**14,883**

Note 19. Other liabilities

	Consolidated 2011 $'000	2010 $'000
Current		
Deferred revenue	**34,845**	30,280
Non-current		
Unsecured		
Deferred revenue	**11,613**	7,737
Other	**14,981**	18,435
	26,594	26,172

Note 20. Contributed equity

	Notes	Consolidated 2011 Shares	Consolidated 2010 Shares	Consolidated 2011 $'000	Consolidated 2010 $'000
Ordinary shares, fully paid		**543,181,024**	533,983,910	**209,043**	187,625
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	**533,983,910**	533,379,348	**187,625**	185,320
Shares issued under dividend underwriting		**6,280,470**	–	**14,690**	–
Shares issued under dividend reinvestment plan		**2,916,644**	604,562	**6,728**	2,305
Ordinary shares at the end of the financial year		**543,181,024**	533,983,910	**209,043**	187,625

(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.

There is no current on-market buy back.

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

	2011	2010
Gearing ratio (gross debt/bank EBITDA[1])	**1.7x**	2.5x
Interest coverage ratio (bank EBITDA[1]/interest expense[2])	**5.6x**	9.0x

1 Bank EBITDA = EBITDA + Interest Received.

2 Interest expense shown above includes ongoing finance fees relating to bank debt facility arrangements, such as line fees. The ratios for the 2011 and 2010 years have been calculated on this basis.

Note 21. Reserves and retained earnings

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
(a) Reserves			
Foreign currency translation reserve	(i)	**(91,874)**	(91,578)
Share-based payments reserves	(ii),(iii)	**(24,994)**	(26,249)
Interest rate hedge reserve	(iv)	**(2,164)**	–
		(119,032)	(117,827)

(i) Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency exchange differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in foreign operations. Refer to Note 1(d)(iii).

	2011	2010
Foreign currency translation reserve at the beginning of the financial year	**(91,578)**	(63,063)
Net exchange differences on translation of foreign controlled entities, net investment in foreign operations	**(296)**	(28,515)
Foreign currency translation reserve at the end of the financial year	**(91,874)**	(91,578)

Note 21. Reserves and retained earnings continued

(a) Reserves continued

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
(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.			
Share-based payments reserve at the beginning of the financial year		**(4,735)**	(4,388)
Share-based payments expense		**785**	3,604
Issues from the Trust to satisfy vested shares		**(2,075)**	(3,048)
Share-based tax and other adjustments		**470**	(903)
Net movement in share-based payments reserve		**(820)**	(347)
Share-based payments reserve at the end of the financial year		**(5,555)**	(4,735)

(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		**(21,514)**	(24,562)
Issues from the Trust to satisfy vested shares		**2,075**	3,048
Share-based payments trust reserve at the end of the financial year*		**(19,439)**	(21,514)

* Represents 1,519,481 shares (2010: 1,675,249).

Total share-based payments reserves at the beginning of the financial year		**(26,249)**	(28,950)
Net movement in share-based payments reserves		**1,255**	2,701
Total share-based payments reserve at the end of the financial year		**(24,994)**	(26,249)

(iv) Interest rate hedge reserve			
The interest rate hedge reserve is used to record gains or losses on interest rate hedges that are recognised in other comprehensive income.			
Interest rate hedge reserve at the beginning of the year		**–**	–
Movement in fair value of interest rate hedges		**(2,164)**	–
Interest rate hedge reserve at the end of the financial year		**(2,164)**	–

(b) Retained earnings

Retained earnings at the beginning of the financial year		**120,083**	61,498
Net profit attributable to owners of Aristocrat Leisure Limited		**66,140**	77,194
Dividends paid or provided for	7	**(21,360)**	(18,609)
Retained earnings at the end of the financial year		**164,863**	120,083

Note 22. Non-controlling interest

	Consolidated 2011 $'000	Consolidated 2010 $'000
Non-controlling interest in controlled entity comprises:		
Retained earnings/(losses) – 1 January	**(1,920)**	(887)
Profit after income tax expense	**759**	557
Dividends paid	**(1,020)**	(1,590)
Retained earnings/(losses)	**(2,181)**	(1,920)
Reserves	**(549)**	(89)
	(2,730)	(2,009)

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 2011 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. 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. Based on the information currently available, the Directors consider that current claims are unlikely to have a material adverse effect on the Group;

(iv) 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; and

(v) 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.

Note 25. Commitments

	Consolidated 2011 $'000	2010 $'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	**16,028**	14,553
Later than one year but not later than five years	**45,086**	40,936
Later than five years	**36,502**	38,244
Commitments not recognised in the financial statements	**97,616**	93,733

Note 26. Subsidiaries

	Notes	Country of incorporation	Equity holding 2011 %	2010 %
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

Note 26. Subsidiaries continued

	Notes	Country of incorporation	Equity holding 2011 %	2010 %
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 Lotteries Italia S.r.L.	(b)	Italy	**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 C.A.	(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**	100
Aristocrat Technologies India Private Ltd	(b)	India	**100**	100
Aristocrat Technologies Hong Kong Limited	(b)	Hong Kong	**100**	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 2011 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 is 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 disposed of its investment in a jointly controlled entity, Elektrončok d.d. In accordance with the contract, the Group ceased to have exposure to the profits or losses made by Elektrončok 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

	2011 $'000	2010 $'000
Revenue	–	7,700
Expenses	–	(8,385)
Loss before income tax expense	–	(685)
Income tax credit	–	69
Net (losses) – accounted for using the equity method	–	(616)

(b) Interest in jointly controlled entity

	2011 $'000	2010 $'000
Carrying amount at the beginning of the year	–	4,634
Share of jointly controlled entity's net loss after tax	–	(616)
Carrying amount of investment sold	–	(4,387)
Movement in foreign currency exchange translation reserves	–	369
Carrying amount at the end of the year	–	–

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

	2011 $'000	2010 $'000
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:

Investment in jointly controlled entity	–	4,387

Note 28. Employee benefits

	Notes	Consolidated 2011 $'000	2010 $'000
Employee benefits and related on-cost liabilities			
Included in payables – current		**20,209**	13,512
Provision for employee benefits – current	18	**8,932**	8,325
Provision for employee benefits – non-current	18	**5,902**	7,736
Aggregate employee benefits and related on-cost liabilities		**35,043**	29,573

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 2011, 91 employees (2010: 118) were entitled to 6,187,271 (2010: 5,773,387) 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 2011 and 31 December 2010 are as follows:

Performance Share Right series	Performance period start date	Performance period expiry date	Performance condition[1]	Accounting valuation date	Accounting valuation[2] $
Issued 2011					
Series 18A	1 January 2011	31 December 2013	TSR	4 May 2011	1.58
Series 18B	1 January 2011	31 December 2013	EPSG	4 May 2011	2.52
Series 19A	1 January 2011	31 December 2013	TSR	4 May 2011	1.58
Series 19B	1 January 2011	31 December 2013	EPSG	4 May 2011	2.52
Series 19A[3]	1 January 2011	31 December 2013	TSR	1 August 2011	1.18
Series 19B[3]	1 January 2011	31 December 2013	EPSG	1 August 2011	2.34
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[4]	18 January 2010	18 January 2011	Refer below	28 April 2010	3.97
Series 16B[4]	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

1 TSR – Total Shareholder Return; EPSG – Earnings Per Share Growth.

2 In accordance with accounting standards, the accounting valuation, as independently determined by Deloitte Touche Tohmatsu ('Deloitte'), of a Performance Share Right with a market vesting condition (for example, TSR) incorporates the likelihood that the vesting condition will be met. Whereas, the accounting valuation, as independently determined by Deloitte, of a Performance Share Right with a non-market vesting condition (for example, EPSG) does not take into account the likelihood that the vesting condition will be met. Accordingly, the accounting value of a Performance Share Right with a TSR vesting condition is lower than that with an EPSG vesting condition.

3 For one executive for Series 19A and Series 19B, Performance Share Rights were granted following the commencement of employment.

4 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 2011 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:
2011: series 18A – $2.69; series 19A – $2.69 and $2.48
2010: series 15A – $4.30 and series 17A – $3.56

(e) price volatility of the Company's shares:
2011: series 18A – 49.90%; series 19A – 49.90% and 47.34%
2010: series 15A – 50.06% and series 17A – 47.59%

(f) dividend yield:
2011: series 18A and 19A – 2.5%
2010: series 15A – 3% and series 17A – 2%

(g) risk-free interest rate:
2011: series 18A – 5.45%, series 19A – 5.45% and 4.90%
2010: series 15A – 5.08% and series 17A – 5.31%

(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 2011 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:
2011: series 18B – $2.69; series 19B – $2.69 and $2.48
2010: series 15B – $4.30 and series 17B – $3.56

(e) price volatility of the Company's shares:
2011: series 18B – 49.90%; series 19B – 49.90% and 47.34%
2010: series 15B – 50.06% and series 17B – 47.59%

(f) dividend yield:
2011: series 18B and 19B – 2.5%
2010: series 15B – 3% and series 17B – 2%

(g) risk-free interest rate:
2011: series 18B – 5.45%; series 19B – 5.45% and 4.90%
2010: series 15B – 5.08% and series 17B – 5.31%

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 – 2011

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 5C	17 October 2005	31 December 2010	9,432	–	–	9,432	–
Series 5D	17 October 2005	31 December 2010	9,432	–	–	9,432	–
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]	1 January 2009	31 December 2011	1,329,297	–	–	309,560	1,019,737
Series 12B[1]	1 January 2009	31 December 2011	1,329,297	–	–	309,560	1,019,737
Series 13A[1]	21 April 2009	31 December 2011	330,311	–	–	–	330,311
Series 13B[1]	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	464,608	–	–	88,249	376,359
Series 17B	1 January 2010	31 December 2012	464,608	–	–	88,249	376,359
Series 18A	3 May 2011	31 December 2013	–	306,000	–	–	306,000
Series 18B	3 May 2011	31 December 2013	–	714,000	–	–	714,000
Series 19A	1 January 2011	31 December 2013	–	362,939	–	–	362,939
Series 19B	1 January 2011	31 December 2013	–	846,859	–	–	846,859
			5,773,387	**2,229,798**	**80,994**	**1,734,920**	**6,187,271**

1 On 27 February 2012, the Board determined that the PSRs under Series 12A, 12B, 13A and 13B had not met the required performance criteria and therefore lapsed.

Note 29. Share-based payments continued

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

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[1]	17 October 2005	31 December 2010	9,432	–	–	–	9,432
Series 5D[1]	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]	1 January 2008	31 December 2010	460,219	–	–	–	460,219
Series 10B[1]	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**

1 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.

(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 Division 83A of the Australian Income Tax Assessment Act.

During the year, the Company issued nil shares (2010: 234,936) to nil employees (2010: 936) in Australia under this plan. In 2011 for certain employees in Australia, a contingent allocation of an equivalent number of shares were granted (130,168 shares to 307 employees) in lieu of a share allocation under the General Employee Share Plan, subject to their continued employment for a period of three years. 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 (82,680 shares to 195 employees; 2010: 212,597 shares to 847 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.

Note 29. Share-based payments continued

(b) General Employee Share Plan continued

	Weighted average market price $	Consolidated 2011 Number	Consolidated 2010 Number
Shares issued under the Plan to participating employees on:			
30 June 2010[1]	3.97	–	234,936

1 Issued from the Aristocrat Employee Equity Plan Trust.

(c) Deferred equity employee plan

Certain eligible employees are offered incentives of being granted share rights that are based on individual and company performance, subject to continued employment. Should the performance criteria be met an amount of share rights are granted.

(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 2011 $'000	Consolidated 2010 $'000
Share rights issued under Performance Share Plan	**(203)**	1,971
Shares issued under General Employee Share Plan	**383**	1,633
Expense under Deferred Equity Employee Plan	**605**	–
	785	3,604

Note 30. Key management personnel disclosures

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 2011 $	Consolidated 2010 $
Short-term employee benefits	**5,339,543**	5,102,832
Post-employment benefits	**247,580**	288,915
Long-term benefits	**68,313**	66,746
Termination benefits	**–**	–
Share-based payments	**1,556,785**	1,567,437
	7,212,221	7,025,930

Detailed remuneration disclosures are provided in the remuneration report.

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 together with terms and conditions of the rights can be found in the Remuneration Report.

Note 30. Key management personnel disclosures continued

Holdings of rights

The numbers of rights over ordinary shares in the Company held during the year by key management personnel are set out below:

Name	Balance at start of year	Granted	Lapsed	Balance at end of year	Vested	Unvested
2011						
JR Odell	1,110,194	1,020,000	–	2,130,194	–	2,130,194
A Korsanos	193,487	184,316	(19,960)	357,843	–	357,843
WP Jowett	333,292	200,308	(56,394)	477,206	–	477,206
NR Khin	295,107	165,834	(27,900)	433,041	–	433,041
TJ Croker	119,816	181,644	–	301,460	–	301,460

Name	Balance at start of year	Granted	Lapsed	Balance at end of year	Vested	Unvested
2010						
JR Odell	660,622	449,572	–	1,110,194	–	1,110,194
A Korsanos	73,671	119,816	–	193,487	–	193,487
WP Jowett	236,674	130,200	(33,582)	333,292	–	333,292
NR Khin	202,557	115,014	(22,464)	295,107	–	295,107
TJ Croker	–	119,816	–	119,816	–	119,816

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.

Loans to key management personnel

No KMP held any loans with the Company during the financial year.

Other transactions with key management personnel

There were no other transactions with Directors and other KMP during the year ended 31 December 2011.

Note 30. Key management personnel disclosures continued

Share holdings

The numbers of shares in the Company held during the year by Directors and other key management personnel, including their personally related parties are set out below. There were no shares granted as compensation.

Name	Balance at start of year	Changes during the year	Balance at end of year
2011			
Non-Executive Directors			
ID Blackburne	30,000	50,000	80,000
RA Davis	20,489	10,000	30,489
RV Dubs	10,000	–	10,000
SW Morro	20,000	–	20,000
DCP Banks	–	10,000	10,000
LG Flock	–	–	–
Former Non-Executive Directors			
WM Baker	4,700	–	4,700
SAM Pitkin	16,796	–	16,796
Other key management personnel			
JR Odell	64,457	–	64,457
A Korsanos	2,308	157	2,465
WP Jowett	269,244	157	269,401
NR Khin	1,265	157	1,422
TJ Croker	–	4	4

Name	Balance at start of year	Changes during the year	Balance at end of year
2010			
Non-Executive Directors			
ID Blackburne	5,000	25,000	30,000
WM Baker	4,700	–	4,700
RA Davis	20,301	188	20,489
RV Dubs	–	10,000	10,000
SAM Pitkin	16,796	–	16,796
SW Morro	–	20,000	20,000
Former Non-Executive Directors			
DJ Simpson	120,150	1,007	121,157
P Morris	51,926	–	51,926
Other key management personnel			
JR Odell	64,457	–	64,457
A Korsanos	2,308	–	2,308
WP Jowett	402,361	(133,117)	269,244
NR Khin	1,196	69	1,265

Note 31. Remuneration of auditors

During the year, the following fees were paid to the auditor of the parent entity and its related practices:

	Consolidated 2011 $	2010 $
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*	**471,644**	413,010
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**703,816**	516,566
Total remuneration for audit services	**1,175,460**	929,576
Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm	**–**	29,528
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**68,348**	58,038
Total remuneration for other assurance services	**68,348**	87,566
Total remuneration for assurance services	**1,243,808**	1,017,142
Tax and advisory services		
Fees paid to PricewaterhouseCoopers Australian firm	**17,000**	83,500
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**56,444**	3,289
Total remuneration for advisory services	**73,444**	86,789

Note 32. Related parties

(a) Other transactions with key management personnel

Refer to Note 30 for disclosures relating to key management personnel.

(b) Transactions with related parties

The following transactions occurred with related parties:

	2011 $	2010 $
Net amount receivable from non-controlling interest as at reporting date		
Current		
Receivable from related entity – interest	**1,139,250**	1,494,965
Receivable from related entity – loan	**411,692**	1,248,169
Non-current		
Receivable from related entity – loan	**2,507,213**	2,624,323

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.

(c) Subsidiaries

Interests in subsidiaries are set out in Note 26.

Note 33. Earnings per share

	Consolidated 2011 Cents	Consolidated 2010 Cents
Basic earnings per share	**12.3**	14.5
Diluted earnings per share	**12.3**	14.5

	Consolidated 2011 Number	Consolidated 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**535,999,670**	531,726,425
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**535,999,670**	531,726,425
Effect of Performance Share Rights	**896,744**	1,377,151
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**536,896,414**	533,103,576

	Consolidated 2011 $'000	Consolidated 2010 $'000
Reconciliation of earnings used in calculating diluted earnings per share		
Net profit attributable to members of Aristocrat Leisure Limited	**66,140**	77,194
Earnings used in calculating diluted earnings per share	**66,140**	77,194

Information concerning the classification of securities

(a) 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 related to Performance Share Rights are 45,061 (2010: nil) Performance Share Rights that had lapsed during the year.

(b) 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.

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Profit for the year	**66,899**	77,751
Depreciation and amortisation	**37,184**	36,911
Equity-settled share-based payments	**785**	3,604
Non-cash interest income	**(324)**	(720)
Net loss on sale of property, plant and equipment	**468**	178
Share of net losses of jointly controlled entity	**–**	616
Net gain on sale of jointly controlled entity	**–**	(12,727)
Impairment of assets and investments	**114**	12,506
Convertible Bonds litigation	**–**	(38,138)
Net foreign currency exchange differences	**551**	(8,851)
Change in operating assets and liabilities:		
– Decrease/(increase) in receivables and deferred revenue	**(59,184)**	41,195
– (Increase)/decrease in inventories	**16,564**	(12,198)
– Decrease/(increase) in other operating assets	**2,648**	(334)
– Decrease in tax balances	**21,023**	4,815
– Increase/(decrease) in payables	**24,852**	(36,282)
– Decrease in other provisions	**(3,380)**	(230,846)
Net cash inflow/(outflows) from operating activities	**108,200**	(162,520)

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.

Note 35. Deed of cross guarantee continued

Set out below is a consolidated statement of comprehensive income of the Closed Group:

	2011 $'000	2010 $'000
Revenue	**288,121**	264,176
Other income	**55,558**	6,505
Cost of revenue and other expenses	**(79,266)**	(51,808)
Employee benefits expense	**(114,093)**	(117,419)
Finance cost	**(27,444)**	(15,313)
Depreciation and amortisation expense	**(10,104)**	(11,440)
Profit before income tax	**112,772**	74,701
Income tax expense	**(11,497)**	(20,775)
Profit for the year	**101,275**	53,926
Other comprehensive income		
Changes in fair value of interest rate hedge	**(2,164)**	–
Other comprehensive income, net of tax	**(2,164)**	–
Total comprehensive income for the year	**99,111**	53,926

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

	2011 $'000	2010 $'000
Retained earnings at the beginning of the financial year	**(29,669)**	(64,927)
Profit for the year	**101,275**	53,926
Dividends paid	**(21,432)**	(18,668)
Retained earnings at the end of the financial year	**50,174**	(29,669)

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

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**4,513**	2,286
Trade and other receivables	**97,379**	69,668
Inventories	**12,262**	15,601
Other financial assets	**–**	–
Tax assets	**515**	3,591
Total current assets	**114,669**	91,146
Non-current assets		
Investments	**282,805**	246,613
Property, plant and equipment	**27,183**	38,312
Deferred tax assets	**86,565**	92,851
Intangible assets	**7,509**	8,885
Total non-current assets	**404,062**	386,661
Total assets	**518,731**	477,807

Note 35. Deed of cross guarantee continued

	2011 $'000	2010 $'000
Current liabilities		
Trade and other payables	**57,953**	47,276
Borrowings	**–**	7,000
Provisions	**9,593**	10,167
Other liabilities	**11,682**	9,938
Total current liabilities	**79,228**	74,381
Non-current liabilities		
Trade and other payables	**18,225**	37,374
Borrowings	**175,000**	220,000
Provisions	**4,098**	5,148
Other liabilities	**6,360**	7,737
Total non-current liabilities	**203,683**	270,259
Total liabilities	**282,911**	344,640
Net assets	**235,820**	133,167
Equity		
Contributed equity	**209,043**	185,576
Reserves	**(23,397)**	(22,740)
Retained earnings	**50,174**	(29,669)
Total equity	**235,820**	133,167

Note 36. Parent entity financial information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $'000	2010 $'000
Statement of financial position		
Current assets	**12,299**	91
Total assets	**140,037**	98,906
Current liabilities	**3,479**	3,478
Total liabilities	**3,479**	3,478
Shareholders' equity		
Contributed equity	**209,043**	187,625
Reserves	**59,601**	58,816
Retained earnings	**(132,085)**	(151,014)
	136,559	95,427
Profit for the year after tax	**40,350**	46,770
Total comprehensive income after tax	**40,350**	46,770

(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

for the year ended 31 December 2011

In the directors' opinion:

(a) the financial statements and notes set out on pages 59 to 118 are in accordance with the *Corporations Act 2001* including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance, for the financial year ended on that date; 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; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 35 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 35.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given declarations by the Chief Executive Officer and Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

ID Blackburne
Chairman

Sydney
27 February 2012

Independent Auditor's Report

Independent auditor's report to the members of Aristocrat Leisure Limited

Report on the financial report

We have audited the accompanying financial report of Aristocrat Leisure Limited (the company), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aristocrat Leisure Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent Auditor's Report continued

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Aristocrat Leisure Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included on pages 23 to 45 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aristocrat Leisure Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steve Humph

Stephen Humphries
Partner

Sydney
27 February 2012

Shareholder Information

Distribution of equity securities as at 27 February 2012

Size of holding	Holders of Performance Share Rights[1]	Shareholders	Number of shares[2]	% of issued capital
1–1,000	1,081	6,200	2,607,852	0.480
1,001–5,000	0	4,533	10,923,330	2.011
5,001–10,000	19	919	6,555,748	1.207
10,001–100,000	75	569	12,484,421	2.298
100,001 and over	11	80	510,609,673	94.004
Total	**1,186**	**12,301**	**543,181,024**	**100.000**
Less than a marketable parcel of $500.00	0	1,905	146,066	0.027

1 All share rights are allocated under the Company's incentive programs to take up ordinary shares in the capital of the Company. These share rights are subject to the rules of the relevant program and are unquoted and non-transferable.

2 Fully paid ordinary shares (excludes unvested performance share rights that have not been converted into shares).

Substantial shareholders 27 February 2012

As at 27 February 2012, the following shareholders were registered by the Company as a substantial shareholder, having notified the Company of a relevant interest in accordance with Section 671B of the *Corporations Act 2001* (Cth), in the voting shares below:

Name of shareholder	Number of ordinary shares held	% of issued capital	Date of notice
Sumitomo Mitsui Trust Holdings, Inc.	37,658,050	6.93%	20/02/2012
Lazard Asset Management Pacific Co.	41,448,947	7.63%	18/01/2012
IOOF Holdings Limited	35,211,067	6.48%	28/11/2011
Commonwealth Bank of Australia	34,022,205	6.34%	28/06/2011
Maple-Brown Abbott Limited	40,126,516	8.81%	01/12/2008

Twenty largest ordinary shareholders as at 27 February 2012

Name of shareholder	Number of ordinary shares held	% issued capital
National Nominees Limited	122,720,360	22.593
J P Morgan Nominees Australia Limited	96,621,962	17.788
HSBC Custody Nominees (Australia) Limited	57,274,081	10.544
Citicorp Nominees Pty Limited	46,506,164	8.562
Cogent Nominees Pty Limited	33,936,490	6.248
Writeman Pty Limited	31,994,622	5.890
Thunderbirds Are Go Pty Limited	24,166,608	4.449
Serioso Pty Limited	21,509,564	3.960
Maaku Pty Limited	15,104,872	2.781
RBC Dexia Investor Services Australia Nominees Pty Limited	11,661,860	2.147
Arminella Pty Limited	10,655,500	1.962
ECA 1 Pty Limited	8,757,359	1.612
UBS Wealth Management Australia Nominees Pty Limited	6,328,792	1.165
Bond Street Custodians Limited	3,845,713	0.708
AMP Life Limited	3,257,547	0.600
Suncorp Custodian Services Pty Limited	3,186,736	0.587
Australian Reward Investment Alliance	2,497,004	0.460
ARGO Investments Limited	2,241,000	0.413
Australian Executor Trustees Limited	1,519,481	0.280
Invia Custodian Pty Limited	916,565	0.169

Voting Rights

At meetings of shareholders, each shareholder may vote in person or by proxy, attorney or (if the shareholder is a body corporate) corporate representative. On a show of hands, every person present who is a shareholder or a representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy or attorney has one vote for each fully paid ordinary share. Performance share right holders have no voting rights.

Regulatory Considerations affecting shareholders

Aristocrat Leisure Limited and its subsidiaries could be subject to disciplinary action by gaming authorities in some jurisdictions if, after receiving notice that a person is unsuitable to be a shareholder, that person continues to be a shareholder. Because of the importance of licensing to the Company and its subsidiaries, the Constitution contains provisions that may require shareholders to provide information and also gives the Company powers to divest or require divestiture of shares, suspend voting rights and withhold payments of certain amounts to shareholders or other persons who may be unsuitable.

Shareholder enquiries

You can access information about Aristocrat Leisure Limited and your holdings via the internet. Aristocrat's website, www.aristocratgaming.com, has the latest information on Company announcements, presentations and reports. Shareholders may also communicate with the Company via its website. In addition, there is a link to the Australian Securities Exchange to provide current share prices. The share registry manages all your shareholding details. Visit www.boardroomlimited.com.au and access a wide variety of holding information, make changes to your holding record and download forms. You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your InvestorServe PIN.

Dividends

Electronic Funds Transfer

In 2007, the Company introduced a mandatory direct payment of dividends program for shareholders resident in Australia who were requested to complete and submit a *Direct Credit of Dividends Form* (available from the Company's website) and return it to the Company's share registrar. Shareholders who have not completed and returned this form will receive a notice from the Company's share registrar advising that:

(i) the relevant dividend amount is being held as direct credit instructions have not been received;

(ii) the relevant dividend will be credited to the nominated bank account as soon as possible on receipt of direct credit instructions; and

(iii) no interest is payable on the dividend being withheld.

Such notices are sent to shareholders who have not completed and submitted a *Direct Credit of Dividends Form* on the payment date of the relevant dividend.

Dividend Cheques

Dividend cheques (shareholders resident outside Australia) should be banked as soon as conveniently possible.

Dividend Reinvestment Plan

The Directors consider whether the Company's Dividend Reinvestment Plan (DRP) should operate each time a dividend is declared.

The DRP Rules and the *'Dividend Reinvestment Plan Application or Variation Form'* are available from the Company's share registrar, Boardroom Limited on +61 2 9290 9682 or email enquiries@boardroomlimited.com.au.

Shareholders should note that: (i) Shareholders who elect to participate in the DRP and who do not revoke their elections will automatically participate on the next occasion the DRP is activated; (ii) the fact that the DRP operated in respect of any dividend does not necessarily mean that the DRP will operate in respect of any further dividends (a separate decision is made for each dividend); and (iii) when the DRP does operate, the DRP rules provide that the number of shares that DRP participants will receive will not be determinable on the Record Date determined by the Board.

Corporate Directory

Directors

ID Blackburne
Non-Executive Chairman

JR Odell
Chief Executive Officer and Managing Director

DCP Banks
Non-Executive Director

RA Davis
Non-Executive Director

RV Dubs
Non-Executive Director

LG Flock
Non-Executive Director

SW Morro
Non-Executive Director

Company Secretary

A Korsanos

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Stock exchange listing

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Ordinary shares are listed on the Australian Securities Exchange
CODE: ALL

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