



Aristocrat Leisure Limited

Annual Report 2012

Contents

2012 Annual Report

This 2012 Aristocrat Leisure Limited Annual Report for the transitional financial year to 30 September 2012 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. The Aristocrat Group has not prepared a concise report for the 2012 financial year.

2012 Business Review

The 2012 Business Review contains reports from the Chairman and Managing Director on the Group's business and operational highlights.

The 2012 Business Review will be available on the Group's website: www.aristocratgaming.com in January 2013.

2013 Annual General Meeting

The 2013 Annual General Meeting will be held at 10.00am on Wednesday, 20 February 2013 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.

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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 Dates¹

2012	
Record date for Final 2012 Dividend	7 December 2012
Payment date for Final 2012 Dividend	21 December 2012
2013	
2013 Annual General Meeting	20 February 2013
Interim Results Announcement (6 months ending 31 March 2013)	29 May 2013
Full Year Results Announcement (12 months ending 30 September 2013)	27 November 2013

¹ Dates subject to change.

Directors' Report

For the 9 months ended 30 September 2012

The Directors present their report together with the financial statements of the Company and its subsidiaries (the Group) for the 9 month financial period ended 30 September 2012 (the September 2012 Transitional Financial Year). The information in this report is current as at 27 November 2012 unless otherwise specified.

This Directors' Report has been prepared in accordance with the requirements of Division 1 of part 2M.3 of the *Corporations Act 2001* (Cth) (Corporations Act).

Review and results of operations

A review of the operations of the Group for the September 2012 Transitional Financial Year is set out in the Review of Operations which forms part of this Directors' Report.

Financial results

The reported result of the Group attributable to shareholders for the September 2012 Transitional Financial Year was \$45.50 million after tax and minority interests compared to \$66.14 million for the 12 month period ended 31 December 2011.

Further details regarding the financial results of the Group are set out in the Review of Operations and financial statements.

Dividends

Since the end of the September 2012 Transitional Financial Year, the Directors have recommended the payment of a final dividend of 2 cents (2011: 4 cents) per fully paid ordinary share. Details of the dividends paid and declared during the September 2012 Transitional Financial Year are set out in Note 7 to the financial statements.

Remuneration Report

Details of the remuneration policies in respect of the Group's Key Management Personnel are detailed in the Remuneration Report which forms part of this Directors' Report.

Sustainability

A Sustainability Report is contained within the 2012 Business Review and integrates a wider range of non-financial management issues as the Group moves to improve its sustainable reporting standards.

Directors' particulars, experience and special responsibilities

Current Directors

The Directors of the Company throughout the September 2012 Transitional Financial Year and up to the date of this report are:

Director	Experience and other directorships	Special responsibilities
ID Blackburne BSc (Hons), MBA, PhD Age 66	Nominated December 2009. Appointed 17 September 2010. <ul style="list-style-type: none">– Director, Teekay Corporation (listed on the NYSE) (since 2000)– 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
JR Odell MBA Age 54	Nominated December 2008. Appointed May 2009. <ul style="list-style-type: none">– 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

Directors' Report

Current Directors continued

Director	Experience and other directorships	Special responsibilities
DGP Banks BBus (Mgt) Age 60	Nominated October 2010. Appointed 12 July 2011. <ul style="list-style-type: none"> - 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 Member, Audit Committee
RA Davis BEc (Hons), M Philosophy Age 61	Nominated November 2004. Appointed June 2005. <ul style="list-style-type: none"> - Consulting Director Investment Banking, Rothschild Australia Limited - Director, Argo Investments Limited (since 2012), Trust Company Limited (since 2006), Bank of Queensland Limited (since 2008) and Ardent Leisure Management Limited (since 2008) - 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
RV Dubs BSc (Hons), Dr ès Sc, FAICD Age 60	Nominated December 2008. Appointed June 2009. <ul style="list-style-type: none"> - Chair, Space Industry Innovation Council (since 2009) - 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 Member, Regulatory and Compliance Committee
LG Flock BA Age 59	Nominated December 2010. Appointed 29 November 2011. <ul style="list-style-type: none"> - 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 Member, Audit Committee
SW Morro BA, Business Administration Age 54	Nominated December 2009. Appointed 17 December 2010. <ul style="list-style-type: none"> - Former Chief Operating Officer and President, IGT Gaming Division 	Chair, Regulatory and Compliance Committee Member, Human Resources and Remuneration Committee

Directors' Report

Directors' attendance at Board and committee meetings during the September 2012 Transitional Financial Year

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
ID Blackburne	10/10	3/3	3/3	2/3
JR Odell	10/10			
DCP Banks	10/10	3/3		3/3
RA Davis	10/10	3/3	3/3	
RV Dubs	9/10		3/3	3/3
LG Flock	10/10	3/3	3/3	
SW Morro	10/10		3/3	3/3

Company Secretary

Mrs A Korsanos was Company Secretary during the September 2012 Transitional Financial Year.

Principal activities

The principal activities of the Group during the September 2012 Transitional Financial Year 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 September 2012 Transitional Financial Year.

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 September 2012 Transitional Financial Year.

Events after balance date

Other than those matters set out in Note 23 to the financial statements, no material matters requiring disclosure in this Directors' Report have arisen since the end of the September 2012 Transitional Financial Year. To the best of their knowledge, the Directors are not aware of any other matter or circumstance that has arisen since the end of the September 2012 Transitional Financial Year that has significantly affected or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- 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.

Options over share capital

No options over Company shares were granted to executives or Directors during the September 2012 Transitional Financial Year. 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 the end of the September 2012 Transitional Financial Year.

Directors' Report

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 during the September 2012 Transitional Financial Year 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 September 2012 Transitional Financial Year.

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 nor has any application been made in respect of the Company under section 237 of the Corporations Act.

Auditor

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

Non-audit services provided by the 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 September 2012 Transitional Financial Year, are set out in Note 30 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 as set out in Note 30 to the financial statements is compatible with the general standard of independence for auditors imposed by the Corporations 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.

Directors' Report

Loans to Directors and executives

No Director or executive held any loans with the Company during the September 2012 Transitional Financial Year.

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 November 2012

Review of Operations

for the 9 months to 30 September 2012

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

A\$ million				Variance vs 9 months to 30 Sept 2011	
	Constant currency ¹ 9 months to 30 Sept 2012	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Constant currency ¹ %	Reported %
Reported results²					
Total segment revenue from ordinary activities	584.2	586.2	451.9	29.3	29.7
Earnings before interest, tax and depreciation (EBITDA)	93.9	95.5	65.0	44.5	46.9
Earnings before interest and tax (EBIT)	65.4	67.1	38.2	71.2	75.7
Profit after tax	45.1	46.5	20.3	122.2	129.1
Profit after tax and non-controlling interest	44.1	45.5	19.9	121.6	128.6
Earnings per share (fully diluted)	8.0c	8.3c	3.7c	116.2	124.3
Total dividend per share ³	6.0c	6.0c	2.5c	140.0	140.0
Balance sheet/cash flow					
Net working capital/revenue	17.8%	16.5%	21.9%	(4.1) pts	(5.4) pts
Operating cash flow	86.4	87.9	30.0	188.0	193.0
Cash flow per share (fully diluted)	15.8c	16.0c	5.6c	182.1	185.7
Closing net debt	197.2	191.8	300.7	(34.4)	(36.2)

1 Results for 9 months to 30 September 2012 adjusted for translational exchange rates using rates applying in 2011.

2 The information presented in this document has not been audited in accordance with the Australian Auditing Standards.

3 September 2011 comparative is the half-year interim dividend, declared during that period.

Review of Operations

Group performance summary

The Group's performance for the reporting period was ahead of the prior corresponding period and ahead of guidance. Growth was delivered across revenue, earnings before interest and tax (EBIT), profit after tax and operating cash flow, resulting in a significant reduction of debt levels.

The Group reported profit after tax and non-controlling interest of \$45.5 million, which represents a 128.6% increase (121.6% in constant currency) compared to \$19.9 million in the prior corresponding period. This was predominantly delivered through improved operational performance with EBIT growth of 75.7% (71.2% in constant currency). Group revenue increased 29.7% (29.3% in constant currency) with all key regions delivering growth. North American operations delivered

an improvement across all key business segments, demonstrated through higher unit sales, increased gaming operations delivery and larger systems installations. The momentum in the Australian business continued, clearly demonstrating the effective execution of the Group's product-led strategy. Japan delivered two successful game releases in the current reporting period and the Asia Pacific business grew significantly, supported by a product portfolio tailored to the markets in the region.

The Group result was delivered through stronger operational performance. Higher income tax expense more than offset favourable foreign exchange benefits and reduced interest expense driven by the Group's focus to reduce debt and improve gearing. This is reconciled in the table below:

A\$ million	9 months to 30 September ¹
Profit after tax and non-controlling interest – 2011	19.9
EBIT improvement	26.9 ↑
Interest reduction	5.1 ↓
Income tax movement	(7.8) ↑
Foreign exchange movements	1.4 ↑
Profit after tax and non-controlling interest – 2012	45.5

¹ The information presented in this document has not been audited in accordance with the Australian Auditing Standards.

Reported fully diluted earnings per share of 8.3 cents represent a 124.3% increase (116.2% in constant currency) on the prior corresponding period.

Operating cash flow of \$87.9 million was \$57.9 million higher than the prior corresponding period and free cash flow of \$57.7 million was \$68.6 million higher. Improved cash flows were predominantly driven by higher earnings before interest, tax, depreciation and amortisation (EBITDA) (\$30.5 million higher than the prior corresponding period), favourable working capital movements (\$23.5 million) and reduced cost of investment in gaming operations driven by product mix.

The Group's commitment to reducing borrowings and gearing to more conservative levels through the management of costs, capital spend and working capital is represented in the continued reduction in net debt. Net debt at 30 September 2012 decreased \$108.9 million from the prior corresponding period and \$40.2 million compared to 31 December 2011 as a result of strong free cash flow generation.

Review of Operations

Regional performance summary

Operational improvement continues as is evidenced from the following key deliveries across the Group's core segments during this reporting period:

1 Americas

- Maintained ship share on the back of continued *Viridian WS™* penetration and new and improved game content
- Continued growth in gaming operations install base (up 11.8%) and fee per day (FPD) (up 6.5%) driven by the continued release of new product
- Continued growth in *OASIS™* customer base, with seven new installs during the reporting period including the largest new casino opening this period

2 Australia and New Zealand

- Continued increase in Australian ship share
- Improved games performance, ship share and unit sales in all key Australian markets
- Australia unit growth well ahead of the overall market growth
- Excluding the Victorian rebuild market, Australia achieved unit growth of 22.8%
- Launch of the *Cash Express Link* (two titles, *First Class* and *Get on Board*)
- *Big Red Legends* launched in August into the high denomination segment
- Five *Legends* titles launched since 2011

3 Rest of World and Japan

- Maintained number one market share position in Class III markets across Asia Pacific region
- Continued roll-out of the new hybrid cabinet in Japan and realised market share gains off the back of two new licensed game releases
- Aristocrat Lotteries Europe expansion into the Italian VLT market progressed, with a total of 2,377 units installed
- New *Hybrid Stepper* cabinet launched in unregulated markets in Europe (to be launched in South Africa and regulated Europe from early fiscal 2013)
- Spain bar market game and cabinet to be launched in the first quarter of fiscal 2013
- Global *Viridian WS™* launch completed
- *WS Slant™* launch completed

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

Americas: In local currency, North American revenue increased by 23.0% to US\$254.1 million, and profit was up 18.3% to US\$80.9 million. Latin America revenue decreased by 1.0% to US\$19.3 million, and profit was down 31.7% to US\$2.8 million.

North American unit sales increased 18.9% over the prior corresponding period and ship share was maintained. The gaming operations install base increase of 11.8% coupled with growth in FPD of 6.5% to US\$42.93 was a key driver of higher profit in the current period. This is representative of the continued momentum in growing the install base and the shift to newer product and resultant improved product performance. Systems revenue was 70.9% up on the prior corresponding period, driven by a mix of larger installs, including the largest single casino opening this period, Maryland Live!, and an increase in systems hardware sales following the release of the new *nCompass* product at the end of 2011.

In Latin America, revenue in USD terms decreased 1.0% due to a decrease in unit sales volumes.

Australia and New Zealand: Australian revenue and profit increased 16.7% to A\$132.2 million and 7.0% to A\$45.9 million respectively. In constant currency, New Zealand revenue decreased by 10.8% to A\$9.9 million, and profit decreased 42.9% to A\$1.6 million.

Australian trade activity was significantly ahead of the prior corresponding period with 48.5% unit growth. Both the New South Wales and Queensland markets increased units by 9.2% and 44.8% respectively over the prior corresponding period. Victoria was dominated by Aristocrat supplying a mix of new and rebuild product across both the current and the prior corresponding period. The rebuild offering exceeded expectations, and importantly Aristocrat has now shipped almost 1,200 new Widescreen cabinets into the Victorian market since launching in May 2011.

Rest of World (ROW) and Japan: Revenue increased by 63.0%, in constant currency terms, to A\$180.9 million and profit increased 140.9% to A\$50.1 million.

Revenue in the International – Class III segment was up 8.5% to A\$82.0 million and profits up 23.8% to A\$34.9 million in constant currency terms. This was primarily driven by strong growth in Asia Pacific offset by challenging market conditions in the European and South African markets.

In Japan, revenue increased by 370% in local currency and this resulted in a Yen 2,161.4 million increase in profit to Yen 1,763.2 million versus a Yen 398.2 million loss in the prior corresponding period, driven by higher sales volumes for *Black Lagoon™* and *Kurrogane no Linebarrels™*. Both games have performed well in the market, generating improved brand awareness.

Aristocrat Lotteries and Online revenues decreased compared to the prior corresponding period, due to no new video lottery terminal (VLT) sales in the current period. VLT installations increased, however, to 6,282 this period (18.8% up on prior corresponding period) with operators activating units purchased in prior periods.

Review of Operations

Profit and loss

Results in the current period and prior corresponding period are as reported and do not include any transactions or adjustments considered abnormal.

Summary profit and loss

A\$ million	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance %
Segment revenue			
Australia and New Zealand	142.2	124.4	14.3
Americas	264.6	216.5	22.2
Rest of World and Japan	179.4	111.0	61.6
Total segment revenue	586.2	451.9	29.7
Segment profit			
Australia and New Zealand	47.6	45.7	4.2
Americas	81.2	69.4	17.0
Rest of World and Japan	49.5	20.8	138.0
Total segment profit	178.3	135.9	31.2
Unallocated expenses			
Group D&D expense	(93.2)	(83.7)	11.4
Foreign exchange	(3.1)	(0.2)	1,450.0
Corporate	(14.9)	(13.8)	8.0
Total unallocated expenses	(111.2)	(97.7)	13.8
EBIT	67.1	38.2	75.7
Interest	(13.9)	(19.0)	(26.8)
Profit before tax	53.2	19.2	177.1
Income tax	(6.7)	1.1	(709.1)
Profit after tax	46.5	20.3	129.1
Non-controlling interest	(1.0)	(0.4)	150.0
Profit after tax and non-controlling interest	45.5	19.9	128.6
Key metrics			
	% of revenue		Variance
Segment profit margin	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Pts
Australia and New Zealand	33.5	36.7	(3.2)
Americas	30.7	32.1	(1.4)
Rest of World and Japan	27.6	18.7	8.9
Overall segment profit margin	30.4	30.1	0.3
Group D&D expense	15.9	18.5	(2.6)
Earnings before interest and tax	11.4	8.5	2.9
Profit after tax and non-controlling interest	7.8	4.4	3.4
Effective tax rate	12.5	(5.7)	18.2

Review of Operations

Revenue

Segment revenue increased \$134.3 million or 29.7% in reported currency (29.3% in constant currency) as a result of strong growth in sales from Japan, North America, Asia Pacific and Australia. This was partially offset by lower sales volumes across Europe, South Africa and European Lotteries.

Earnings

Segment profit increased \$42.4 million in reported currency, 31.2% compared with the prior corresponding period (30.8% in constant currency).

Consistent with revenue delivery, the increase was driven by higher earnings from North America, Asia Pacific, Australia and Japan, partially offset by lower earnings from European Lotteries, Latin America, New Zealand and Europe.

The Group continues to invest significantly in better games and new technology, with ongoing efficiencies reinvested in core product development and capability. This capability has been further enhanced with recent exclusive arrangements made with key game designers joining Aristocrat. The Group's investment in D&D spend, as a percentage of revenue, was 15.9% (16.1% on a constant currency basis) compared to 18.5% of revenues in the prior corresponding period. Total reported spend increased \$9.5 million or 11.4% (12.3% in constant currency), which was driven by increased third party spend, personnel costs, Japan and business development investment. The D&D headcount is currently at 745 full-time equivalents (FTE) compared to 747 FTEs as at 30 September 2011. The business continues to drive efficiencies through the Indian Development Centre, which represents 32.1% of this headcount, up from 26.6% 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. Group selling, marketing, general and administration costs (SMG&A) were in line with the prior year excluding Japan agents' commissions and employee incentive accruals recognised in line with the Group's performance and delivery. Net corporate costs also reduced before the impact of employee incentive accruals.

The downward trend in net interest expense was maintained. Net interest expense has decreased (\$5.1 million or 26.8%), reflecting lower average net debt levels during the period.

The effective tax rate (ETR) for the reporting period is 12.5%, which is higher than the prior corresponding period. The increase in ETR is mainly driven by increased earnings and a reduction in the R&D tax benefit. Without the prior year adjustment, the effective tax rate would be 23.5%.

Balance sheet and cash flows

The balance sheet can be summarised as follows:

Balance sheet

A\$ million	30 Sept 2012	31 Dec 2011	30 Sept 2011
Net working capital	139.3	130.2	145.9
Other current/non-current assets	85.6	99.6	81.7
Property, plant and equipment	102.6	109.3	114.7
Intangibles	104.6	109.3	114.0
Other current/non-current liabilities	(52.2)	(56.5)	(51.9)
Net tax balances	88.5	92.2	110.0
Funds employed	468.4	484.1	514.4
Net debt	(191.8)	(232.0)	(300.7)
Total equity	276.6	252.1	213.7

Significant balance sheet movements from 31 December 2011 are:

Net working capital: Net working capital decreased to 16.5% of annual revenue from 18.4%, driven by improved inventory levels and trade payables, partially offset by an increase in trade receivables influenced by the increase in and timing of trade activity, specifically:

- higher sales in North America; and
- the sale of the second Japanese game which was sold through June to August.

Review of Operations

Other current/non-current assets: The \$14.0 million decrease primarily relates to a decrease in non-current trade debtors in the Americas and European Lotteries due to decreased revenues from VLT unit sales into Italy.

Property, plant and equipment: The \$6.7 million decrease predominantly represents net capital additions (\$26.9 million), primarily relating to gaming operations units in North America, offset by the depreciation charge for the reporting period (\$23.5 million).

Intangible assets: The \$4.7 million decrease primarily reflects technology amortisation (\$5.0 million) and decrease in goodwill due to foreign currency exchange movements (\$2.7 million) offset by additions to trademarks and licences (\$2.6 million).

Other current/non-current liabilities: The \$4.3 million decrease primarily relates to a decrease in non-current creditors and progressive jackpot liabilities in the Americas.

Net tax balances: The \$3.7 million decrease relates to a decrease in deferred tax assets primarily due to a decrease in provisions and utilisation of carried forward losses.

Total equity: The change in total equity predominantly reflects net reported profit of \$45.5 million for the period 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:

A\$ million	9 months to 30 Sept 2012	9 months to 30 Sept 2011
Net debt – opening balance (31 December)	(232.0)	(285.8)
Net cash inflow from operating activities	87.9	30.0
Investing cash flows	(30.2)	(40.9)
Financing cash flows	(19.5)	(1.0)
Movement in net cash	38.2	(11.9)
Effect of exchange rate changes on net debt	2.0	(3.0)
Net debt – closing balance (30 September)	(191.8)	(300.7)

Total net cash inflows of \$38.2 million were \$50.1 million higher than in the prior corresponding period. This has been predominantly driven by higher EBITDA of \$30.5 million supported by a favourable movement in working capital and reduced capital spend, partially offset by an increase in financing cash flows. The free cash conversion rate was 127%.

Fully diluted operating cash flow per share increased from 5.6 cents to 16.0 cents.

The net cash outflow from investing activities primarily represents investments in property, plant and equipment, predominantly for gaming operations units in North America. This spend is representative of the capital being invested in this segment to drive growth as we replenish and grow our footprint with new product.

The net cash flow from financing activities relates to payments of dividends.

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

Net debt at 30 September 2012 was \$191.8 million, a decrease of \$108.9 million from 30 September 2011 and a decrease of \$40.2 million from 31 December 2011. Gross debt was reduced by \$117.3 million from 30 September 2011 and \$46.9 million from 31 December 2011.

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

Review of Operations

Bank facilities

The Group had committed bank facilities of \$375.0 million at 30 September 2012, of which \$214.5 million was drawn compared to \$331.8 million at 30 September 2011. Net debt levels at 30 September 2012 reduced by \$40.2 million over the reporting period from \$232.0 million as at 31 December 2011 to \$191.8 million as at 30 September 2012. This reduction in debt levels primarily reflects the positive free cash flow generated by the business.

The Group's facilities are summarised as follows:

Facility	Drawn as at 30 September 2012	Limit	Maturity date
3 year debt	A\$214.5m	A\$375.0m	October 2015

In June 2012, the Group refinanced its \$450 million term facility with a new \$375 million facility maturing October 2015. The overall reduction on the facility limit is a reflection of the Group's strong generation of free cash flows, with steady repayment of borrowings, which peaked in September 2010 following the settlement of damages from the Convertible Bond litigation.

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 have continued to strengthen and are as follows:

Ratio	30 September 2012	31 December 2011	30 September 2011
EBITDA ¹ /interest expense ²	8.6X	5.6X	4.7X
Debt/EBITDA ¹	1.2X	1.7X	2.6X
Net debt/EBITDA ¹	1.1X	1.5X	2.4X

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 9 months ended 30 September 2012 of 2.0 cents per share (\$11.0 million). The dividend will be unfranked and is expected to be declared and paid on 21 December 2012 to shareholders on the register at 5.00pm on 7 December 2012. 100% of the unfranked dividend will be paid out of conduit foreign income. The Dividend Reinvestment Plan (DRP) will be activated in respect of this dividend (for shareholders resident in Australia and New Zealand). 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 five days commencing on 10 December 2012 with shares acquired on-market to satisfy obligations under the plan. No discount will apply in determining the DRP issue price, with the number of ordinary shares DRP participants will receive being rounded to the nearest share.

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, the 2012 final dividend and dividends paid over the medium term are not expected to be fully franked.

Total dividends for the 2012 financial year of 6.0 cents represent a payout ratio of 73% of normalised earnings, which is marginally above the high end of the Group's stated intention to maintain an annual earnings payout ratio of 50% to 70% over the medium term.

Review of Operations

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, weaker against the US dollar and the Yen in 2012 compared to the prior corresponding period. The impact of translating foreign currency (translational impact) increased revenue by \$2.0 million while increasing reported profit after tax and non-controlling interest by \$1.4 million when compared with rates prevailing in the respective months in the prior year.

In addition, the cumulative effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was \$97.6 million (compared to \$91.9 million as at 31 December 2011 and \$82.8 million as at 30 September 2011).

Based on the Group's 2012 mix of profitability, the major exposure to translational foreign exchange results from the Group's US dollar profits. A US dollar 1 cent change in the US\$:A\$ exchange rate results in an estimated \$1.0 million translational impact on the Group's annual reported profit after tax. This impact will vary as the magnitude and mix of overseas profits changes.

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

A\$:	30-Sep-12	30-Jun-12	31-Dec-11	30-Sep-11	9 months to	9 months to
					30 Sept 2012	30 Sept 2011
					Average ¹	Average ¹
USD	1.0464	1.0191	1.0156	0.9781	1.0391	1.0466
NZD	1.2533	1.2771	1.3145	1.2757	1.2801	1.3049
JPY	81.05	80.89	78.73	74.88	82.09	83.79
EUR	0.8093	0.8092	0.7847	0.7213	0.8068	0.7387
SEK	6.8247	7.0987	7.0127	6.6835	7.0172	6.6559
ZAR	8.6093	8.4409	8.3074	7.7964	8.3542	7.3202

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

Review of Operations

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 is disclosed in the Group's statement of comprehensive income. Constant currency amounts refer to 2012 results restated using exchange rates applying in 2011.

Americas

US\$ million	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Revenue				
North America	254.1	206.6	47.5	23.0
Latin America	19.3	19.5	(0.2)	(1.0)
Total	273.4	226.1	47.3	20.9

US\$ million	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Profit				
North America	80.9	68.4	12.5	18.3
Latin America	2.8	4.1	(1.3)	(31.7)
Total	83.7	72.5	11.2	15.4
Margin	30.6%	32.1%	–	(1.5) pts

North America	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Volume				
– Platforms	5,895	4,956	939	18.9
– Conversions	5,036	5,423	(387)	(7.1)
Average US\$ price/unit	14,423	14,415	8	0.1
Average US\$ price/unit (excluding rebuilds into secondary market)	14,848	14,415	433	3.0
Gaming operations units	6,757	6,046	711	11.8
Gaming operations US\$/day	42.93	40.31	2.62	6.5

Latin America	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Volume				
– Platforms	1,429	1,539	(110)	(7.1)
– Conversions	289	155	134	86.5
Average US\$ price/unit	10,344	10,929	(585)	(5.4)

Review of Operations

In local currency, North American revenue increased 23.0% and profits increased by 18.3%.

Gaming operations performance was strengthened through new games and products and the business continued to gain share in an intensely competitive market. Since 30 September 2011, the gaming operations install base has grown by 11.8%, driven by the successful release of new game titles including *Outback Jack*[™] and *Tarzan® & Jane* on the *Verve hd*[™] cabinet, *JAWS Bounty Hunter*[™] and *The Mummy*[™] on the *Viridian WS*[™] cabinet, *Superman*[™] on the new *Viridian Hybrid*[™] cabinet and the launch of Aristocrat's first community game *Crazy Taxi*[™]. These games contributed to the continued increase in the average fee per day which averaged US\$42.93 in the reporting period, compared to US\$40.31 (an increase of 6.5%) in the prior corresponding period.

A total of 5,895 units were sold in the period, an 18.9% increase compared to the prior corresponding period. Market demand increased in the period largely as a result of new openings.

Overall average selling price achieved during the period was US\$14,423, which was flat with the prior corresponding period. Excluding sales into secondary markets, average selling price grew 3.0% to US\$14,848.

During the period, the business installed seven *OAS/S*[™] Casino Management Systems into new sites, continuing to drive an increase in the total number of properties which use the *OAS/S*[™] Casino Management System in North America, now at 282 (net year on year increase of nine). The number of new installations was down on the prior corresponding period (seven compared to 11), however, the average size of the current period installations was much larger and included the largest single casino opening, Maryland Live! Driven by these larger installations, total systems revenues increased 70.9%.

Overall profit margin declined 1.3 points to 31.8%, predominantly due to a higher mix of rebuild unit sales and a higher contribution of systems installations and systems hardware sales.

While economic conditions and the replacement cycle are expected to remain unchanged, with a strong portfolio of games to support unit sales and a healthy pipeline of new gaming operations products, the business is targeting continued growth in its gaming operations install base and average fee per day. Significant new participation products in the pipeline include *Sherlock Holmes*[™], *Cash Express Gold Class*[™], and *Superman*[™]. The business also expects to sustain the strength of its systems business, with more new installations planned and continued sales of new system modules.

In Latin America, platform sales volume was down 7.1%, while average selling price decreased by 5.4%. The lower volume was driven by a decrease in rebuild unit sales, partially offset by an increase in new unit sales. The lower average selling price was due to rebuild mix. As a result of the lower volume and lower average selling price, revenue declined 1.0% in local currency terms. Reported profit reduced 31.7% due to a higher mix of customers for which profit is recognised on a cash basis. On an accruals basis, profit decreased 5.5%.

Review of Operations

Australia and New Zealand

A\$ million	Constant currency 9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Revenue				
Australia	132.2	113.3	18.9	16.7
New Zealand	9.9	11.1	(1.2)	(10.8)
Total	142.1	124.4	17.7	14.2

A\$ million	Constant currency 9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Profit				
Australia	45.9	42.9	3.0	7.0
New Zealand	1.6	2.8	(1.2)	(42.9)
Total	47.5	45.7	1.8	3.9
Margin	33.4%	36.7%	–	(3.3) pts

Australia	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Volume				
– Platforms	4,741	3,193	1,548	48.5
– Conversions	4,765	4,225	540	12.8
Average A\$ price/unit	15,102	17,564	(2,462)	(14.0)
Average A\$ price/unit (excluding Victorian rebuild sales)	16,784	17,861	(1,077)	(6.0)

New Zealand	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Volume				
– Platforms	265	240	25	10.4
– Conversions	326	768	(442)	(57.6)
Average NZ\$ price/unit	20,398	19,269	1,129	5.9

Review of Operations

Under competitive market conditions, revenue in Australia increased 16.7% and profit increased by 7.0%. New Zealand revenue decreased by 10.8% and profit decreased by 42.9% in constant currency.

The increase in Australian revenue and EBIT has been driven by an increase in *Viridian WS™* units, supported by a library of strong content and continued improvements in game performance. Overall unit growth was 48.5% over the prior corresponding period, when adjusted for the sales of rebuild product in Victoria, unit growth was 22.8%. In New South Wales and Australian Capital Territory, platform units were 9.2% higher than in the prior corresponding period and in Queensland, platform units increased 44.8%.

The Group also supported Victorian venues as they secured gaming floors in preparation for deregulation. Victorian units grew close to 300% over the corresponding reporting period, inclusive of rebuild units. Demand has now subsided as Victoria has transitioned to a deregulated market. Over the transition period, the Group has been able to protect existing floor share whilst realising additional licensing and rebuild unit sales.

In Australia, average selling price was 14% below the prior corresponding period due to the increase of rebuilds in the sales mix with 31% of platforms sold being rebuilds, compared to 9% in the prior corresponding period. Excluding the Victorian rebuild sales, average selling price decreased 6%, which has been primarily driven by game mix. The selling price on new *Viridian WS™* cabinets has held flat to the prior year.

Game conversions are improving on the back of game performance across the Mk6 and *Viridian 19"* products. The longer term success within the conversion segment reflects Aristocrat's ability to produce high quality, performing product to support the Group's existing floor share and to continue to gain ship share and floor share with the *Viridian WS™* cabinet.

The New Zealand result was impacted by a limited games portfolio and game delays in the Class IV market. Recovery in New Zealand will focus on developing a games portfolio of quality, high performing games supporting the entire New Zealand install base.

Overall profit margin declined by 3.3 percentage points due to significant rebuild volumes and regional mix in Australia and lower conversion activity in New Zealand. Cost control activities across the sales, marketing, manufacturing and assembly operations partially offset the overall impact.

Given strong market churn and sustained competition, the Group will continue to drive performance focusing on supporting customers through maintaining a regular release of high quality games tailored for the Australian and New Zealand markets.

Review of Operations

Rest of World and Japan

A\$ million	Constant currency 9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Revenue				
International – Class III	82.0	75.6	6.4	8.5
Japan – Pachislot	90.7	19.3	71.4	369.9
Lotteries and Online	8.2	16.1	(7.9)	(49.1)
Total	180.9	111.0	69.9	63.0

A\$ million	Constant currency 9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Profit				
International – Class III	34.9	28.2	6.7	23.8
Japan – Pachislot	20.6	(4.8)	25.4	529.2
Lotteries and Online	(5.4)	(2.6)	(2.8)	(107.7)
Total	50.1	20.8	29.3	140.9
Margin	27.7%	18.7%	–	9.0 pts

A\$ million	9 months to 30 Sept 2012	9 months to 30 Sept 2011	Variance	Variance %
Volume – Class III Platforms	3,639	3,843	(204)	(5.3)
Volume – Pachislots	23,145	5,725	17,420	304.3
Total VLTs in operation	6,282	5,286	996	18.8
Pachislot average ¥ price/unit	331,688	282,286	49,402	17.5

The Group experienced strong growth from the Rest of World (ROW) segment; revenue and profit increased by 63.0% and 140.9% respectively in constant currency.

Review of Operations

International – Class III

Revenue in constant currency terms increased 8.5% and profit increased 23.8%, driven by growth in Asia Pacific and offset by challenging conditions in Europe and South Africa.

Asia Pacific continues to perform strongly due to the quality of the product portfolio, tailored to the markets of the region, focusing on regionally relevant products. Revenues were 19.5% and profits 27.9% above the prior corresponding period, with average selling price maintained across the market.

Product churn across the region, driven by the combination of a tailored product portfolio and regulatory change, resulted in increased conversion revenues.

Trading conditions are expected to remain strong throughout 2012 and 2013, with new openings in the Philippines and Vietnam. Product churn will be driven by a product portfolio tailored to the markets of the Asia Pacific region.

In Europe, constant currency revenues declined 8.7% whilst profits decreased by 4.0% compared to the prior corresponding period. Continued challenging economic conditions across Europe impacted results with customers reducing capital budgets. The *Hybrid Stepper* was launched in France in July and is expected to roll out across the region during 2013. Commercialisation and entry into the European street market continues with expected Spanish Bar Market units to be shipped into Spain in the first quarter of fiscal 2013.

In South Africa, trading conditions were extremely difficult during the reporting period due to caution over economic conditions. Constant currency revenues decreased 4.2%, however, profits increased by 14.3% compared to the prior corresponding period. This was driven by a 5% increase in average selling price and reduction in sales and marketing expenses. Casino market share has been maintained largely due to the release of the *Viridian WST*[™] in late 2011.

Japan – Pachislot

The Pachislot market shipped an estimated 823,000 units in the reporting period, an increase of circa 21.0% on the prior corresponding period, which was impacted by the March 2011 earthquake and tsunami. In local currency, revenue increased by 370% or Yen 6,059.4 million against the prior corresponding period, driven by a 304% increase in unit volumes. Total sales of the two games released in the period (*Black Lagoon*[™] and *Kurrogane no Linebarrels*[™]) achieved over 8,600 and 14,400 units respectively. *Black Lagoon*[™] was the third best performing game released into the Pachislot market this period (measured by medal in). Average selling price was 17.5% up on the prior corresponding period, mainly due to product mix, with all units shipped being new (versus 66.6% in the prior corresponding period). The Group continues to target a two to three game per annum distribution strategy for this market.

Lotteries and Online

Lotteries and Online revenues decreased by 49.1% in constant currency, mainly driven by lower VLT sales which were completed in 2011. At the end of September, 2,377 and 3,905 Aristocrat VLTs were installed on the Cogetech and Norsk Tipping systems respectively. Performance remains encouraging in the Multix and Belago networks of Norsk Tipping. Cogetech was the first concessionaire in the Italian VLT market to have 15 games approved and go live; an additional five games are being developed and after approval are expected to be added to the network during 2013 fiscal year. The lotteries business is expected to benefit from the ongoing optimisation of the *TruServ*[™] system through continued improvement in game performance as new games are approved and released. To reflect the fact that under the current contracts the majority of VLT terminals have now been installed, the business was rebased late in the reporting period. In the meantime the Group continues to actively explore further value-adding opportunities for deploying its *TruServ*[™] system solution and terminals in emerging VLT markets.

As of 30 September 2012, Aristocrat Online had 60 games live on regulated online casino sites for real money gaming and 11 games live on a play-for-fun site. Games on Bet365, MeccaBingo and MoneyGaming continue to perform well, with *Choy Sun Doa*[™], *Lucky 88*[™] and *More Chilli*[™] being our top three performing titles. To date, collectively, we have over 20 classic titles available via four online platforms for continuous deployment onto top tier online operators.

In North America, during the reporting period we launched our fully branded virtual casino (nLive) with initial user account management linkage to Oasis 360 (nLiveLink) in a free play environment – preparing our Oasis 360 customers for fully legalised online gaming.

Aristocrat Online will continue to expand its content distribution network in Europe (as well as other regulated online jurisdictions) and we plan to increase the number of game titles on top tier online platforms and operators, as well as grow our award-winning nLive solution in North America.

Review of Operations

Pro forma financials for the 12 months to 30 September 2012

As disclosed on 2 May 2012, Aristocrat has changed its financial year-end from 31 December to 30 September. This year, being the transitional reporting period, the Group is reporting a nine month period ended 30 September 2012.

In the table below, results for the 12 months ended 30 September 2012 are provided as well as the comparative period which was disclosed in the Group's ASX announcement on 28 August 2012. This table is provided to enable meaningful data comparisons on a like for like basis for the new financial year reporting period.

A\$ million	Constant currency ¹ 12 months to 30 Sept 2012	12 months to 30 Sept 2012	12 months to 30 Sept 2011	Variance vs 12 months to 30 Sept 2011		12 months to 31 Dec 2011
				Constant currency ¹ %	Reported %	
Reported results²						
Total segment revenue from ordinary activities	841.3	843.3	672.5	25.1	25.4	709.0
Earnings before interest, tax and depreciation (EBITDA)	176.3	177.9	126.9	38.9	40.2	211.6
Earnings before interest and tax (EBIT)	138.0	139.7	91.0	51.6	53.5	110.8
Profit after tax	91.7	93.1	54.8	67.3	69.9	66.9
Profit after tax and non-controlling interest	90.3	91.7	54.2	66.6	69.2	66.1
Earnings per share (fully diluted)	16.5c	16.7c	10.0c	65.0	67.0	12.3c
Balance sheet/cash flow						
Net working capital/revenue	17.8%	16.5%	21.9%	(4.1) pts	(5.4) pts	18.4%
Operating cash flow	163.9	165.4	40.7	302.7	306.4	108.2
Cash flow per share (fully diluted)	29.9c	30.2c	7.5c	298.7	302.7	20.2c
Closing net debt	197.2	191.8	300.7	(34.4)	(36.2)	232.0

1 Results for 12 months to 30 September 2012 adjusted for translational exchange rates using rates applying in 2011.

2 The information presented in this document has not been audited in accordance with the Australian Auditing Standards.

Review of Operations

For the 12 month period to 30 September 2012, the Group recorded a profit after tax and non-controlling interest of \$91.7 million, which represents a 69.2% increase (66.6% in constant currency) compared to \$54.2 million in the prior corresponding period. This is ahead of the \$85.0 million to \$90.0 million guidance range advised to the market on 28 August 2012. This was predominantly delivered through improved operational performance with EBIT growth of 53.5% (51.6% in constant currency). Group revenue increased 25.4% (25.1% in constant currency) with all key regions delivering growth.

Stronger operational performance drove the improved results with EBIT up 51.6% in constant currency compared to the prior corresponding period. Higher income tax expense as a result of a higher effective tax rate (ETR 22.1% versus 11.6%), driven by improved earnings, more than offset minor favourable foreign exchange benefits and reduced interest expense driven by the Group's focus to reduce debt and improve gearing. This supports the quality of earnings in the current period.

A\$ million	12 months to 30 September ¹
Profit after tax and non-controlling interest – 2011	54.2
EBIT improvement	46.5 ↑
Interest reduction	8.8 ↓
Income tax movement	(19.2) ↑
Foreign exchange movements	1.4 ↑
Profit after tax and non-controlling interest – 2012	91.7

¹ The information presented in this document has not been audited in accordance with the Australian Auditing Standards.

Review of Operations

Summary profit and loss

Results in the current period and prior corresponding period are as reported and do not include any transactions or adjustments considered abnormal.

A\$ million	12 months to 30 Sept 2012	12 months to 30 Sept 2011	Variance %
Segment revenue			
Australia and New Zealand	208.4	169.9	22.7
Americas	379.0	305.9	23.9
Rest of World and Japan	255.9	196.7	30.1
Total segment revenue	843.3	672.5	25.4
Segment profit			
Australia and New Zealand	83.0	65.3	27.1
Americas	128.9	106.1	21.5
Rest of World and Japan	79.6	47.7	67.0
Total segment profit	291.5	219.1	33.0
Unallocated expenses			
Group D&D expense	(117.8)	(110.0)	7.1
Foreign exchange	(5.5)	(0.1)	5,400.0
Corporate	(28.5)	(18.0)	58.5
Total unallocated expenses	(151.8)	(128.1)	18.5
EBIT	139.7	91.0	53.5
Interest	(20.2)	(29.0)	(30.3)
Profit before tax	119.5	62.0	92.7
Income tax	(26.4)	(7.2)	266.7
Profit after tax	93.1	54.8	69.9
Non-controlling interest	(1.4)	(0.6)	133.3
Profit after tax and non-controlling interest	91.7	54.2	69.2
Key metrics			
	% of revenue		Variance
Segment profit margin	12 months to 30 Sept 2012	12 months to 30 Sept 2011	Pts
Australia and New Zealand	39.8	38.4	1.4
Americas	34.0	34.7	(0.7)
Rest of World and Japan	31.1	24.3	6.9
Overall segment profit margin	34.6	32.6	2.0
Group D&D expense	14.0	16.4	(2.4)
Earnings before interest and tax	16.6	13.5	3.0
Profit after tax and non-controlling interest	10.9	8.1	2.8
Effective tax rate	22.1%	11.6%	10.5 pts

Remuneration Report

for the 9 months ended 30 September 2012

Introduction

The Directors of Aristocrat Leisure Limited (Company) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (the Act) and Corporations Regulation 2M.3.03 for the Aristocrat Group of companies (Group) for the 9 months ended 30 September 2012.

The Group has changed its financial year-end to 30 September, the first of which occurred on 30 September 2012. As a result, this Remuneration Report discusses the 9 month period ended 30 September 2012 (the September 2012 Transitional Financial Year). The comparative information presented in this Remuneration Report relates to the prior 12 month financial year ended 31 December 2011 unless otherwise indicated.

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 September 2012 Transitional Financial Year, and the remuneration and service agreements of Senior Executives.

Contents

The Remuneration Report begins with an executive summary which provides a 'plain English' explanation for shareholders as to how the Group's remuneration framework works and the key outcomes for the September 2012 Transitional 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		
		CEO and Managing Director	Senior Executives (excluding CEO and Managing Director)	Non-Executive Directors
Fixed	Fixed remuneration	<input checked="" type="checkbox"/> (page 33)	<input checked="" type="checkbox"/> (page 33)	
	Fees			<input checked="" type="checkbox"/> (page 40)
Short Term Incentive		<input checked="" type="checkbox"/> (page 33)	<input checked="" type="checkbox"/> (page 33)	
Long Term Incentive		<input checked="" type="checkbox"/> (page 36)	<input checked="" type="checkbox"/> (page 36)	
Post-employment	Superannuation	<input checked="" type="checkbox"/> (page 43)	<input checked="" type="checkbox"/> (page 43)	<input checked="" type="checkbox"/> (page 40)

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; and
- key management personnel (KMPs) with authority and responsibility for planning, directing and controlling the activities of the Group during the September 2012 Transitional Financial Year.

Table 4 details the Group's Senior Executives during the September 2012 Transitional Financial Year.

Remuneration Report

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, is globally relevant, performance and outcome driven, competitive and transparent.

The Group's remuneration policies are compliant with the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (the Executive Remuneration Legislation) and the recommendations from the Corporations and Markets Advisory Committee (CAMAC).

1.1 Implications of the September 2012 Transitional Financial Year

As set out in section 5 of this Remuneration Report, the Group's remuneration framework is aligned to Group performance and value growth for shareholders. As a result, the 'at-risk' component of total target remuneration is linked to Group performance over one or more financial reporting periods. The change to the Group's financial year-end means that transitional arrangements will be implemented (commencing 1 January 2013) to ensure that remuneration continues to be linked to performance. This section sets out the transitional arrangements approved by the Board to maintain the critical link between performance and rewards and to motivate staff for achieving measurable superior outcomes, in a manner that is open and transparent to all stakeholders.

Performance and remuneration review

For the September 2012 Transitional Financial Year there were no changes to the operation of performance and remuneration reviews. Performance reviews will be conducted in January 2013 based on a 12 month performance period to 31 December 2012. In future years, performance reviews will be conducted in October aligning with the new financial year-end of 30 September. Merit-based remuneration reviews will be effective from the end of Q2 for all employees including KMPs other than the CEO and Managing Director.

As specified in the service agreement for the CEO and Managing Director, merit-based remuneration reviews are aligned to the commencement of the financial year. For the purposes of the September 2012 Transitional Financial Year, this was 1 January 2012. In future years, merit-based remuneration reviews will be effective 1 October.

Short Term Incentive (STI) program

STI targets and related key performance objectives (KPOs) for the 2012 calendar year were set prior to the announcement on 3 May 2012 of the change in the Group's financial year-end. The Board decided to not change STI targets or amend KPOs to reflect a financial year ending 30 September 2012 in order to preserve the integrity of those 12 month KPOs. As a consequence,

a 9 month performance period (1 January 2013 to 30 September 2013) has been established as a transition period for STI performance and reward purposes. For this transitional period, STI targets will be set at 75% of the 12 month target (1 January 2013 to 31 December 2013) to reflect a 9 month performance period. Accordingly, STI transitional arrangements will be complete by 30 September 2013.

The table below illustrates these transitional arrangements.

Table 2 STI program transitional arrangements

			2014 STI (100%)
		2013 STI (75%)	
2012 STI (100%)			
1 Jan 2012	31 Dec 2012	30 Sep 2013	30 Sep 2014

The Deferred Equity Employee Plan (DEEP) operates using the same performance conditions as the STI program and therefore transitional arrangements for DEEP are identical to the STI program.

Long Term Incentive (LTI) program

2012 LTI targets and performance conditions for the three year performance period (1 January 2012 to 31 December 2014) were set prior to the announcement on 3 May 2012 of the change in the Group's financial year end. The decision was made not to change the LTI performance period or amend performance conditions in relation to grants made in 2012.

The 2013 LTI grant will be calculated using the participant's long-term incentive opportunity (LTI Opportunity) for the 9 months to 30 September 2013 (being 75% of the annual grant). Performance share rights (PSRs) will only vest if performance conditions are satisfied at the end the three year performance period (1 October 2012 to 30 September 2015).

The Board considers that these transitional arrangements align the LTI program with the new financial year while continuing to link senior executive remuneration to increasing shareholder value and achieving long-term financial targets.

1.2 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. A review of the Group's remuneration practices, including the variable pay programs, was completed in 2010 in order to align remuneration programs with business goals and outcomes and sustainable superior shareholder returns.

Remuneration Report

As detailed in the 2010 and 2011 Remuneration Reports, the review identified a number of possible refinements both in the structure and measurement of the Group's pay programs. These refinements were implemented during 2010 and 2011.

The integrity of the Group's remuneration structure following the implementation of these refinements meant wholesale changes were not required during the September 2012 Transitional Financial Year. However, the Board continues to closely monitor the Group's remuneration practices in the changing market.

As set out in section 3.3, the service agreement for the CEO and Managing Directors, JR Odell was amended effective 1 October 2012. The key changes were to increase JR Odell's non-compete from six to 12 months, increase in the notice JR Odell must give the Company from three to six months and increase in the notice the Company must give to JR Odell from 9 to 12 months.

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). The approach 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 competitive fixed remuneration 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 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 2012 STI program provides rewards for achievement of financial performance goals (the 'Business Score') and individual performance goals (the 'Individual Performance Score') during the performance period (1 January 2012 to 31 December 2012). 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 Requirements'.

For Senior Executives participating in the 2012 STI program, the STI is delivered 50% in cash and 50% is deferred as an equity award (half vesting after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions). If an STI award is less than target, the Board has the discretion to determine the percentage which will be deferred as an equity award.

As 2012 STI cannot be determined until the conclusion of the performance period (being 12 months to 31 December 2012), no STI payments are reported in Table 3. Table 17 reflects the accounting accrual for STI targets during the September 2012 Transitional Financial Year. Any cash value attributed to the 2012 STI will be reported in the remuneration report for the year ending 30 September 2013.

Long Term Incentive (LTI) program – The 2012 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). The performance period is three years (1 January 2012 to 31 December 2014).

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.

As vesting of the 2010 LTI grant cannot be determined until the conclusion of the performance period (being three years to 31 December 2012), no LTI vesting with regard to this grant is reported in Table 3. Table 17 reflects the accounting accruals for LTI grants made during 2010, 2011 and 2012 (including credits for PSRs forfeited during the September 2012 Transitional Financial Year).

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.

Remuneration Report

1.4 Disclosure of actual payments

In February 2012, the Federal Government announced further reforms to Australia's executive remuneration reporting framework. The reforms are the latest in a series of responses to community concerns regarding the level of executive remuneration.

The proposed reforms will seek to implement some of the recommendations of the Corporations and Markets Advisory Committee (CAMAC) in its 2011 report Executive Remuneration relating to disclosure of executive remuneration, including the recommendation that the remuneration report should disclose, for each member of the key management personnel:

- (a) remuneration that was granted to the person at some previous time (whether conditional or unconditional) and is paid in the current year ('crystallised past pay');
- (b) remuneration that is granted to that person in the current financial year and is paid in that year ('present pay'); and
- (c) conditional or unconditional remuneration entitlements, payment of which is deferred to some future period ('future pay').

The Board supports this recommendation as it will assist shareholders in making a clear distinction between present pay, and pay that has been received due to the crystallisation of past remuneration. However, as a result of transitional arrangements due to the change to the Group's financial year-end, the Board has determined that for this Remuneration Report, a continuation of the 'Summary of actual payments' table (as disclosed in the 2011 Remuneration Report) would provide a clearer and more transparent view of actual pay outcomes for the September 2012 Transitional Financial Year.

The following table sets out the actual value of remuneration received by Senior Executives for the September 2012 Transitional Financial Year, derived from the various components of their remuneration. The information in the table is different from that which appears in Table 17. Table 17 is prepared in accordance with the Corporations Act and measured in accordance with accounting standards and includes expense amounts for items such as PSRs awarded in the current and prior financial years and other amounts which are expensed over the period in which they vest or before the period paid.

Remuneration Report

As a result of the Group's change of financial year-end to 30 September, the following table presents the actual value of remuneration received by Senior Executives for the 9 month September 2012 Transitional Financial Year and the actual value of remuneration received by Senior Executives for the prior 12 month financial year ended 31 December 2011.

Table 3 Summary of actual payments

	Total fixed remuneration	Short term incentive ¹	Long term incentive ²	Other ³	Total
CEO and Managing Director					
JR Odell					
9 months to 30 Sept 2012	998,400	–	–	19,856	1,018,256
12 months to 31 Dec 2011	1,280,000	200,000	–	20,803	1,500,803
Executive KMP					
A Korsanos					
9 months to 30 Sept 2012	400,485	–	–	8,377	408,862
12 months to 31 Dec 2011	529,631	132,500	–	9,727	671,858
TJ Croker					
9 months to 30 Sept 2012	404,614	–	–	7,160	411,774
12 months to 31 Dec 2011	527,728	62,500	–	8,296	598,524
A Bali⁴					
9 months to 30 Sept 2012	152,374	–	–	98,916	251,290
12 months to 31 Dec 2011	–	–	–	–	–
Former KMP – Continuing in office					
WP Jowett⁵					
9 months to 30 Sept 2012	293,000	–	–	31,004	324,004
12 months to 31 Dec 2011	582,024	92,500	–	48,196	722,720
Former KMP – Cessation of office					
NR Khin⁶					
9 months to 30 Sept 2012	287,774	–	–	626,934	914,708
12 months to 31 Dec 2011	533,951	67,634	–	135,959	737,544
TOTAL					
9 months to 30 Sept 2012	2,536,647	–	–	792,247	3,328,894
12 months to 31 Dec 2011	3,453,334	555,134	–	222,981	4,231,449

1 This figure includes the cash component of short-term incentives earned in the September 2012 Transitional Financial Year, the value of deferred share rights from previous years that have vested in the September 2012 Transitional Financial Year determined using the closing price of the Company's shares on the vesting date and any retention payments paid during the September 2012 Transitional Financial Year.

This figure excludes the value of deferred share rights granted in respect of incentives earned in the September 2012 Transitional Financial Year that may vest in future financial years. This figure also excludes any cash value for 2012 STI which cannot be determined until the conclusion of the performance period being 12 months to 31 December 2012. Any cash value attributed to the 2012 STI will be reported in the remuneration report for the year ending 30 September 2013. Table 17 reflects the accounting accrual for STI targets during the September 2012 Transitional Financial Year.

Details of the Group's STI program are outlined in section 3.2.1.

2 This figure represents the value of long-term incentives that have vested during the September 2012 Transitional 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 2010, 2011 and 2012 financial years that may vest in future financial years.

Details of the Group's LTI program are outlined in section 3.2.2.

3 This figure includes long service leave accruals, non-monetary benefits, contractual entitlements on termination paid during the September 2012 Transitional Financial Year and the value of (i) deferred share rights vested during the September 2012 Transitional Financial Year under the General Employee Share Plan and (ii) contingent rights to shares granted to overseas employees in lieu of an allocation under GESPE, determined using the closing price of the Company's shares on the vesting date.

4 A Bali joined the Company on 30 June 2012. 'Other' amounts for A Bali include relocation costs.

5 Amounts disclosed above only include amount paid to WP Jowett in his position as a KMP (i.e. up until 30 June 2012).

6 NR Khin left the Company on 30 June 2012.

The 'Other' amount includes NR Khin's contractual entitlement of six months fixed and target remuneration (\$359,993), 14,123 vested deferred share rights valued at \$2.76 per share, a discretionary payment approved by the Board (\$29,240) and cash amounts representing accrued long service leave (\$71,857) and annual leave (\$92,449) paid to NR Khin upon cessation of office.

Remuneration Report

1.5 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 – 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. 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 (fee cap) of A\$1,750,000 approved by shareholders at the Annual General Meeting (AGM) in May 2004.

On 27 November 2012, the Board determined that it would be appropriate to seek shareholder approval for an increase to this fee cap in order to:

- (a) provide flexibility to extend the depth of experience on the Board in line with the strategic direction of the Company;
- (b) assist with orderly succession planning for Non-Executive Directors; and
- (c) attract good candidates for appointment to the Board acknowledging that the environment in which the Company operates often imposes considerable regulatory burden on Non-Executive Directors and their families.

Further details, including the proposed new fee cap, will be included in the Company's 2013 Notice of Annual General Meeting which will be despatched to shareholders in mid-January 2013.

The structure of Non-Executive Director fees was amended in May 2011 with Non-Executive Directors receiving a fixed fee inclusive of committee memberships. Following this change there was no significant difference in the aggregate fee payable to each Non-Executive Director. Prior to this structural change, the base Non-Executive Director fee and Chairman's fee had remained unchanged since 1 July 2005 and 1 July 2007 respectively.

The Board intends to review both the Non-Executive Director and Chairman's fees during the course of the current financial year.

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.

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 *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*.

During the September 2012 Transitional Financial Year, the HR and Remuneration Committee engaged Ernst & Young to provide independent advice to the Board in its review of remuneration arrangements. Remuneration advisers are engaged by the Chairman of the HR and Remuneration Committee with an agreed set of protocols to be followed by the advisers, the HR and Remuneration Committee and management that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there could be no undue influence by KMP for whom any recommendations may relate.

No remuneration recommendations, as defined by the Corporations Act 2001¹, were made by the remuneration advisers. The Board is satisfied that the remuneration information received from Ernst & Young was free from undue influence by Board members or any of the KMP to whom the information relates.

¹ 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.

Remuneration Report

Section 3 Senior Executive remuneration policy and structure

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

Table 4 Senior Executives

CEO and Managing Director

JR Odell	CEO and Managing Director
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Executive KMP

A Korsanos	Chief Financial Officer and Company Secretary
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TJ Croker	Managing Director, Australia, New Zealand and Europe, Middle East, Africa (EMEA)
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A Bali	President, Americas (Appointed on 30 June 2012)
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Former KMP – Continuing in office

WP Jowett	Managing Director, Japan and Asia Pacific (On 30 June 2012 WP Jowett ceased to be a KMP within the definition of section 300A(1)(c) of the Act. Responsibility for Japan and Asia Pacific has been assumed by A Korsanos and TJ Croker respectively. WP Jowett will retire from the Company with effect 31 December 2012).
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Former KMP – Cessation of office

NR Khin	President, Americas and EMEA. (Ceased office on 30 June 2012. Responsibility for EMEA was assumed by TJ Croker on 1 July 2012).
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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 designed 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). The approach 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.

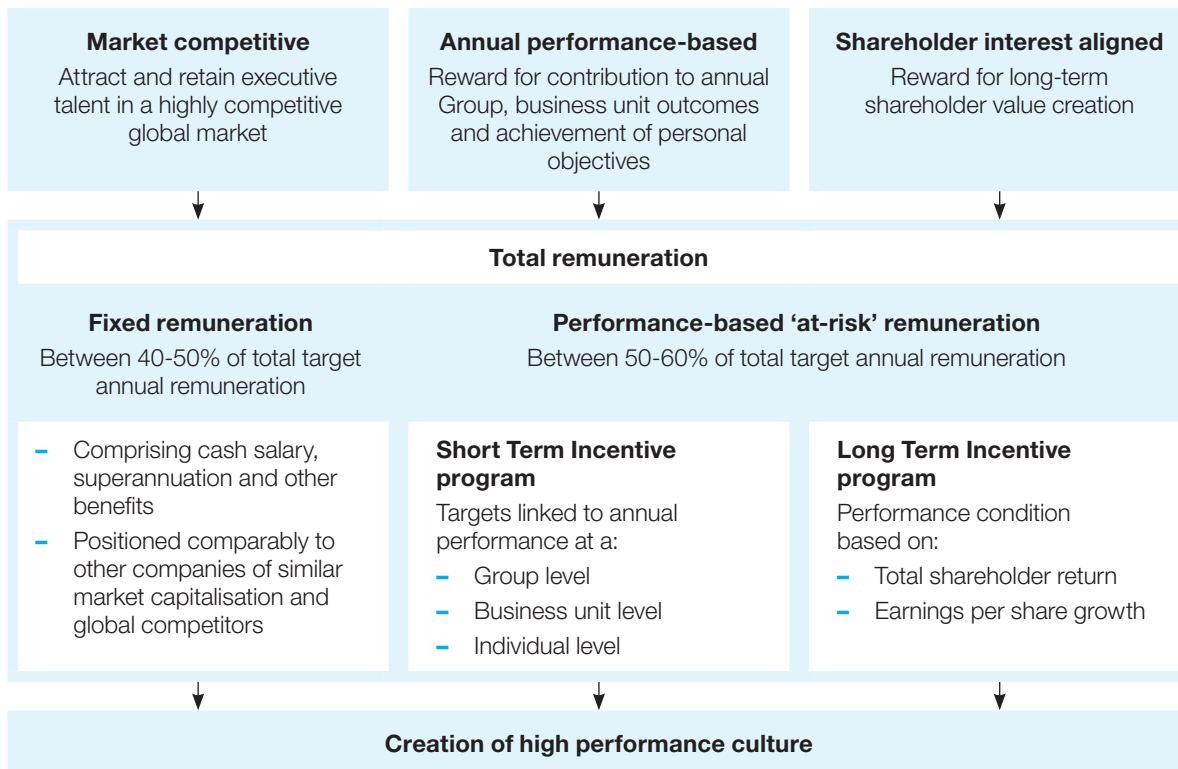
The Board also considers it important that key employees have ongoing share ownership in the Company through the award of performance share rights (PSRs).

Remuneration Report

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 5 Components of remuneration



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 for total remuneration, 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.

Remuneration Report

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

Table 6 Details of remuneration: fixed and at-risk as a percentage of target 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
TJ Croker	50	25	25	100
A Bali	40	30	30	100
Former KMP – Continuing in office				
WP Jowett	50	25	25	100
Former KMP – Cessation of office				
NR Khin	50	25	25	100

¹ Represents the remuneration package value at grant assuming all performance conditions have been met, excluding any contractual severance entitlements.

For full details of Senior Executive remuneration for the September 2012 Transitional Financial Year, refer to Table 17.

Fixed remuneration

Senior Executives receive a competitive fixed remuneration 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 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 from 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 12.

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 6, the target STI of a Senior Executive will vary from 20% to 30% of their total remuneration depending on the role, seniority of the individual and geographical location.

Remuneration Report

3.2.1 Short Term Incentive (STI) program continued

What are the maximum and minimum amounts that Senior Executives can earn under the STI? continued
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 Managing Director, and subject to approval by the HR and Remuneration Committee and the Board.

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 Table 8 STI matrix.

What are the performance objectives for Senior Executives participating in the 2012 STI program?

The performance conditions for Senior Executives participating in the 2012 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 7 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 8 STI matrix

Business Score	Individual Performance Score (% of target STI)			
	Underperforms	Meets Most Requirements	Meets 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 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'.

Remuneration Report

What are the Individual Performance Ratings?

The following ratings summary is used to assess individual performance for all STI program participants:

Table 9 Individual Performance Ratings

Underperforms	Meets Most Requirements	Meets Requirements	Exceeds Requirements
<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - has achieved most, but not all, of their objectives - exhibiting some of, but not all, of the corporate behaviours - may be new to role and demonstrating strong potential 	<ul style="list-style-type: none"> - meets the expectations of their job - clearly and consistently demonstrates the corporate behaviours 	<ul style="list-style-type: none"> - has achieved all of their stretch objectives at a superior level - role models the corporate behaviours
STI eligibility			
Not eligible for STI. Executive has underperformed.	Limited STI eligibility subject to business performance.	Target range STI eligibility subject to business performance.	Expanded STI eligibility subject to business performance.

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 results;
- operational improvements;
- productivity outcomes; 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 performance of the CEO and Managing Director, the Board assesses 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 and Managing Director), the CEO and Managing Director 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 and Managing Director's recommendations and the review process.

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

Remuneration Report

3.2.1 Short Term Incentive (STI) program continued ***Is the STI a cash award and when is it paid?***

For Senior Executives participating in the 2012 STI program, the STI is delivered 50% in cash and 50% is deferred as an equity award. If an STI award is less than target, the Board has the discretion to determine the percentage which will be deferred as an equity award.

Once the HR and Remuneration Committee recommends and the Board determines that the performance conditions have been met (for the 2012 grant, this will occur in February 2013), the payment of cash and the grant of rights in the Company's shares (Share Rights) will also then be approved.

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 the Senior 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 to 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, redundancy or if the participant is a 'good leaver') or any other reason. As a general rule, a Senior Executive will not be deemed to be a 'good leaver' to the extent they are terminated for cause, breach or underperformance or they resign from the Company.

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 18.

Is there a clawback mechanism?

The Group's STI program rules contain clawback provisions which apply to awards from the financial year commencing 1 January 2011 onwards. Pursuant to the 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 Managing Director 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.

3.2.2 Long Term Incentive (LTI) program

This section summarises the terms of the 2012 LTI program (Series 20 and 21).

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 2012 financial year are set out in Table 19.

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 2012. 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.

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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 Opportunity' in current dollar terms by the Estimated Fair Value of the rights at the start of the performance period (being 1 January 2012 for the 2012 LTI grant).

In determining the 'LTI Opportunity', 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.

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 in 2010, including an assessment of alternative performance measures and the Group's business fundamentals, the Board determined to continue to apply the following performance metrics to 2012 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 20 and 21 PSRs were granted in 2012. The performance period for Series 20 and 21 is 1 January 2012 to 31 December 2014.

Table 19 sets out further information on the PSRs granted to Senior Executives in 2012.

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 10 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 'minimum' EPS and the 'maximum' EPS thresholds 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 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.

Remuneration Report

3.2.2 Long Term Incentive (LTI) program continued

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 11 EPS vesting percentages

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

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 are 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 thresholds; and
- the need to maintain relevance of the LTI program for US participants.

Who assesses performance and when?

Relative TSR and Relevant EPS results are calculated by the remuneration adviser, as soon as practicable after the end of the relevant performance period. The remuneration adviser'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.

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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, redundancy or if the participant is a 'good leaver') 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 death, total and permanent disability, redundancy or if the Board determines that the participant is a 'good leaver'), the Board may determine in its absolute discretion that some or all of the PSRs in relation to that performance period remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period; and
- any other reason than because of a 'Qualifying Reason', any PSRs in relation to that performance period will lapse.

As a general rule, a Senior Executive will not be deemed to be a 'good leaver' to the extent they are terminated for cause, breach or underperformance or they resign from the Company.

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), and participation, where eligible, in the Group's LTI program (the terms of which are described in section 3.2.2). Any sign-on payments made in 2012 to Senior Executives prior to them agreeing to take office are disclosed in Table 17. Other major provisions of the service agreements of the Senior Executives are as follows:

Table 12 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
TJ Croker	3 months	3 months	6 months (fixed remuneration)	6 months
A Bali	3 months	12 months	6 months (fixed remuneration)	12 months
Former KMP – Continuing in office				
WP Jowett	3 months	3 months	9 months (fixed and target remuneration)	12 months
Former KMP – Cessation of office				
NR Khin	3 months	3 months	6 months (fixed and target remuneration)	12 months

¹ Payments may be made in lieu of notice period.

The service agreement of the CEO and Managing Director, JR Odell, was amended effective 1 October 2012. The key changes were to increase JR Odell's non-compete from six to 12 months, increase in the notice JR Odell must give the Company from three to six months and increase in the notice the Company must give to JR Odell from 9 to 12 months. The Board determined that these changes were not material and therefore did not require immediate disclosure. This variation means that the termination benefit provisions of the Corporations Act (section 200B) will apply to JR Odell's service agreement despite the fact it pre-dates November 2009.

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.

Remuneration Report

3.4 Share trading policy

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. 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 September 2012 Transitional Financial Year 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 adviser 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

Non-Executive Directors receive a fixed fee (inclusive of superannuation and committee memberships). The Chair of each committee receives an additional fee for that service.

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. As set out in section 1.5, the Board has determined that it would be appropriate to seek shareholder approval for an increase to this fee cap. Further details, including the proposed new fee cap, will be included in the Company's 2013 Notice of Annual General Meeting which will be despatched to shareholders in mid-January 2013.

Table 13 below shows the structure of fees payable to Non-Executive Directors during the September 2012 Transitional Financial Year.

Table 13 Non-Executive Director fees

Board fees per annum	Committee Chair fees
\$185,000 for Non-Executive Director ¹	Additional \$15,000 for Committee Chair ²
\$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.

The regulatory requirements of the environment in which the Company operates impose a considerable burden on the Non-Executive Directors and their families who are required to disclose detailed personal and financial information and submit to interviews. These requirements are taken into account in determining the fees payable to Non-Executive Directors.

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 does not provide for retirement allowances for Non-Executive Directors.

The remuneration details of Non-Executive Directors for the September 2012 Transitional Financial Year are set out in Table 22.

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). Remuneration continues to be aligned to Group performance and value growth for shareholders.

Remuneration Report

STIs were not paid in 2009 or 2010 as the necessary performance hurdles were not met. In 2011, the Board considered it appropriate to make half of the cash pool available for total Group STI payments. This decision was made to provide incentives for executives to deliver an improvement in Group performance over the 2010 result, while recognising that the 2011 result continued to be below historical performance trends.

As 2012 STI cannot be determined until the conclusion of the performance period (being 12 months to 31 December 2012), no cash STI award can be reported for the September 2012 Transitional Financial Year. Table 17 reflects the accounting accrual for STI targets during the September 2012 Transitional Financial Year.

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.

Table 14 Summary of vesting

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
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

As vesting of the 2010 LTI grant cannot be determined until the conclusion of the performance period (being three years to 31 December 2012), no vesting with regard to this grant can be reported during the September 2012 Transitional Financial Year. Table 17 reflects the accounting accrual for the 2010 LTI grant during the September 2012 Transitional Financial Year.

The implementation of the 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 over the past five years are summarised below.

Table 15 Group earnings

	2012 ¹ \$M	2011 ² \$M	2010 ³ \$M	2009 ⁴ \$M	2008 ⁵ \$M
Revenue	843.3	709.0	684.6	908.6	1,079.9
Earnings before interest and tax	139.7	110.8	84.7	169.9	212.9
Profit before tax	119.5	85.5	71.2	156.1	193.1
Profit after tax before non-controlling interest	91.7	66.9	55.2	116.9	141.0

1 These amounts are in relation to the 12 months to 30 September 2012. They are based on unaudited information and have been reconstructed from previously released data. No items were included in the statutory profit for the 12 months to 30 September 2012 that were not representative of the underlying performance of the Group.

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

3 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.

4 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.

5 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.

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5.2 Link between Senior Executive remuneration and shareholder return

The table below shows the Group's annual Total Shareholder Return (TSR), fully diluted earnings per share, dividends per share and the share price from 2008 to 2012. The table below also shows: the percentage value of actual short-term incentives paid versus maximum; and long-term incentives vesting, to Senior Executives (as defined in the relevant Remuneration Report) from 2008 to 2012.

Table 16 Shareholder return

	9 months to 30 Sept 2012 ¹	12 months to 31 Dec 2011 ²	12 months to 31 Dec 2010 ³	12 months to 31 Dec 2009 ⁴	12 months to 31 Dec 2008 ⁵
Share price as at financial year-end (A\$)	2.69 ⁶	2.20	2.99	4.02	3.88
Total dividends paid (cps)	6.0	6.5	5.0	4.5	36.0
Capital returns (cps)	–	–	–	–	–
Share buy-back (\$m)	–	–	–	–	68.6
Fully diluted earnings per share (cps)	8.3	12.3	10.3	23.0	30.5
Total shareholder return (%)	25%	-24.2%	-24.4%	4.8%	-62.3%
Short term incentives (% of maximum)	n/a	27%	0%	0%	13%
Long term incentives (% vesting)	n/a	0%	0%	0%	53%

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

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

3 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.

4 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.

5 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.

6 As at Friday, 28 September 2012 (30 September 2012 fell on a Sunday).

Section 6 Remuneration tables and data

6.1 Details of Senior Executive remuneration

The Group has changed its financial year-end to 30 September, commencing 30 September 2012. As a result, the following table compares the nine month period ended 30 September 2012 to the prior 12 month financial year ended 31 December 2011.

The following table reflects the accounting value of remuneration attributable to Senior Executives, derived from the various components of their remuneration. This does not necessarily reflect actual amounts paid to Senior Executives due to the conditional nature (for example, performance criteria) of some of these accrued amounts.

As required by the Accounting Standards, the table includes credits for performance share rights which were forfeited during the year, the amortised value of performance share rights that may vest in future reporting periods and accruals in respect of the 2012 STI program, the outcome of which cannot be determined until the conclusion of the performance period (12 months to 31 December 2012). This table differs from Table 3 which shows the actual (cash) value of remuneration received by Senior Executives for the nine month September 2012 Transitional Financial Year and the 12 months to 31 December 2011.

Remuneration Report

Table 17 Statutory Senior Executive remuneration table

		Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments (accrued) ⁶		Total	% of share-based remuneration (LTI PSRs)
		Cash salary ¹ \$	Cash bonuses (accrued) ² \$	Non-monetary benefits ³ \$	Super-annuation \$	Termination ⁴ \$	Long service leave ⁵ \$	STI PSRs ⁷ \$	LTI PSRs ⁸ \$		\$
CEO and Managing Director											
JR Odell	9 months to 30 Sept 2012	972,746	255,450	-	25,654	-	19,856	168,667	1,773,221	3,215,594	55.1
	12 months to 31 Dec 2011	1,233,333	200,000	-	46,667	-	20,803	83,333	679,747	2,263,883	30.0
Executive KMP											
A Korsanos	9 months to 30 Sept 2012	388,422	105,000	-	12,063	-	8,377	69,420	337,702	920,984	36.7
	12 months to 31 Dec 2011	514,144	132,500	-	15,487	-	9,727	34,375	197,242	903,475	21.8
TJ Croker	9 months to 30 Sept 2012	370,139	103,500	-	34,475	-	7,160	62,556	333,954	911,784	36.6
	12 months to 31 Dec 2011	484,220	62,500	-	43,508	-	8,296	26,042	237,949	862,516	27.6
A Bali⁹	9 months to 30 Sept 2012	152,374	98,552	98,916	-	-	-	-	99,265	449,107	22.1
	12 months to 31 Dec 2011	-	-	-	-	-	-	-	-	-	-
Former KMP – Continuing in office											
WP Jowett¹⁰	9 months to 30 Sept 2012	271,263	157,000	18,198	21,737	-	12,806	51,896	240,216	773,116	31.1
	12 months to 31 Dec 2011	534,418	92,500	25,563	47,606	-	22,633	38,542	144,126	905,388	15.9
Former KMP – Cessation of office											
NR Khin¹¹	9 months to 30 Sept 2012	269,248	-	34,416	18,525	389,233	3,417	18,980	13,218	747,037	1.8
	12 months to 31 Dec 2011	496,901	67,634	128,724	37,050	-	6,854	13,542	101,887	852,592	12.0
9 months to 30 Sept 2012 Total		2,424,192	719,502	151,530	112,454	389,233	51,616	371,519	2,797,576	7,017,622	39.9
12 months to 31 Dec 2011 Total		3,263,016	555,134	154,287	190,318	-	68,313	195,834	1,360,951	5,787,854	23.5

Refer to footnotes on page 44.

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6.1 Details of Senior Executive remuneration continued

Table 17 Statutory Senior Executive remuneration table continued

- 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 2012 STI bonuses cannot be determined until the conclusion of the performance period being 12 months to 31 December 2012. Therefore the amounts recorded for 2012 above reflect the accounting accrual of 75% of the at target non-deferred cash component based on a nine month financial year. Table 3 indicates that during the September 2012 Transitional Financial Year no awards were made in respect of the 2012 STI program. Any cash payment attributed to the 2012 STI program will be reported in the remuneration report for the year ending 30 September 2013 together with any payments attributed to that period.
Amounts recorded for 2011 include retention payments approved by the Board and the non-deferred cash bonus under the 2011 STI program.
- 3 Non-monetary benefits include motor vehicle leasing payments, relocation costs, expatriate related costs and associated FBT.
- 4 Termination payment for NR Khin represents NR Khin's contractual entitlement of six months fixed and target remuneration, being \$359,993 (see Table 12), plus an amount of \$29,240 representing a discretionary payment approved by the Board.
- 5 The amounts provided for by the Group during the financial year in relation to accruals for long service leave.
- 6 In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual 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 Ernst & Young. In undertaking the valuation of the PSRs, Ernst & Young has used a TSR model and an EPS model. These models are described below:
TSR model
Ernst & Young uses the Monte-Carlo simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the PSRs. 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. This pricing model takes into account factors such as the Company's share price at the date of grant, 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 expected level of vesting over the performance period.
For the purposes of remuneration packaging, the TSR accounting valuation as at the commencement of the performance period is adopted for determining the total number of PSRs to be allocated as this valuation best reflects the fair value of PSRs to each executive at that time. The requirements of AASB 2 in relation to the treatment of non-market vesting conditions, such as EPSG and share-based remuneration requiring shareholder approval, results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.
- 7 Up to 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. Therefore, the 2012 amounts reflect an accounting accrual for the deferred component of 2012 STI targets during the September 2012 Transitional Financial Year (75% of the at target deferred cash component) together with nine months of the total three year service period for the actual deferred component of the 2011 STI award.
- 8 Remuneration in the form of PSRs includes credits for the earnings per share (EPS) component of PSRs forfeited during the period. As vesting of the 2010 LTI grant cannot be determined until the conclusion of the performance period (being three years to 31 December 2012), the 2012 figures do not include any EPS credits while the 2011 figures reflect credits for the entire 2009 LTI grant which was forfeited. 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 2012.
- 9 A Bali joined the Company on 30 June 2012.
- 10 Amounts disclosed above only include amounts attributable to WP Jowett in his position as KMP (i.e. up until 30 June 2012).
- 11 NR Khin left the Company on 30 June 2012.

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2012 STI bonuses cannot be determined until the conclusion of the performance period being 12 months to 31 December 2012. The following table therefore reflects that no STI payments were awarded or forfeited during the September 2012 Transitional Financial Year.

The key terms of the 2012 STI program are set out in section 3.2.1.

Table 18 Details of STI paid and forfeited

For the 9 months ended 30 September 2012	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	–	–	–
Executive KMP			
A Korsanos	–	–	–
TJ Croker	–	–	–
A Bali	–	–	–
Former KMP – Continuing in office			
WP Jowett	–	–	–
Former KMP – Cessation of office			
NR Khin	–	–	–

1 This column represents the cash component of the 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 19 Details of Long Term Incentive (LTI) PSRs granted to Senior Executives

	Series ¹	Number of PSRs granted ^{2,3}	Grant date ⁴	Fair value ⁵	Maximum value of grant ⁶	Vested		Forfeited		
						No.	%	No.	%	
CEO and Managing Director										
JR Odell	20A	405,000	3 May 2012	\$2.03	\$822,150	–	–	–	–	
	20B	945,000	3 May 2012	\$2.80	\$2,646,000	–	–	–	–	
Executive KMP										
A Korsanos	21A	73,684	1 January 2012	\$2.03	\$149,579	–	–	–	–	
	21B	171,930	1 January 2012	\$2.80	\$481,404	–	–	–	–	
TJ Croker	21A	72,631	1 January 2012	\$2.03	\$147,441	–	–	–	–	
	21B	169,474	1 January 2012	\$2.80	\$474,527	–	–	–	–	
A Bali	21A	53,440	3 September 2012	\$1.62	\$86,572	–	–	–	–	
	21B	124,694	3 September 2012	\$2.49	\$310,488	–	–	–	–	
Former KMP – Continuing in office										
WP Jowett	21A	76,961	1 January 2012	\$2.03	\$156,231	–	–	–	–	
	21B	179,576	1 January 2012	\$2.80	\$502,813	–	–	–	–	
Former KMP – Cessation of office										
NR Khin	–	–	–	–	–	–	–	–	–	
	–	–	–	–	–	–	–	–	–	
Total		2,272,390			\$5,777,205					

Refer to footnotes on page 46.

Remuneration Report

6.1 Details of Senior Executive remuneration continued

Table 19 Details of Long Term Incentive (LTI) PSRs granted to Senior Executives continued

- 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 2012 to 31 December 2014), none of the PSRs set out above have vested.
- 3 Series 20 and 21 will vest in 2015 (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 20 (which were granted following receipt of shareholder approval at the 2012 Annual General Meeting) and the grant to A Bali (which were granted subsequent to the date of his employment), 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 20 and 21 PSRs was determined based on an accounting valuation performed by Ernst & Young. 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 20 Details of the movement in numbers of PSRs

Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 Jan 2012	Granted during the year ¹	Vested ^{2,3}	Lapsed/ forfeited ⁴	Balance at 30 Sept 2012	
CEO and Managing Director								
JR Odell	13A ⁵	31-Dec-2011	\$2.26	330,311	–	–	(330,311)	–
	13B ⁵	31-Dec-2011	\$3.53	330,311	–	–	(330,311)	–
	15A	31-Dec-2012	\$2.00	224,786	–	–	–	224,786
	15B	31-Dec-2012	\$3.97	224,786	–	–	–	224,786
	18A	31-Dec-2013	\$1.58	306,000	–	–	–	306,000
	18B	31-Dec-2013	\$2.52	714,000	–	–	–	714,000
	20A	31-Dec-2014	\$2.03	–	405,000	–	–	405,000
	20B	31-Dec-2014	\$2.80	–	945,000	–	–	945,000
Executive KMP								
A Korsanos⁶	12A ⁵	31-Dec-2011	\$1.93	26,856	–	–	(26,856)	–
	12B ⁵	31-Dec-2011	\$3.35	26,855	–	–	(26,855)	–
	17A	31-Dec-2012	\$1.72	59,908	–	–	–	59,908
	17B	31-Dec-2012	\$3.41	59,908	–	–	–	59,908
	19A	31-Dec-2013	\$1.58	55,295	–	–	–	55,295
	19B	31-Dec-2013	\$2.52	129,021	–	–	–	129,021
	21A	31-Dec-2014	\$2.03	–	73,684	–	–	73,684
	21B	31-Dec-2014	\$2.80	–	171,930	–	–	171,930
TJ Croker	17A	31-Dec-2012	\$1.72	59,908	–	–	–	59,908
	17B	31-Dec-2012	\$3.41	59,908	–	–	–	59,908
	19A	31-Dec-2013	\$1.58	54,493	–	–	–	54,493
	19B	31-Dec-2013	\$2.52	127,151	–	–	–	127,151
	21A	31-Dec-2014	\$2.03	–	72,631	–	–	72,631
	21B	31-Dec-2014	\$2.80	–	169,474	–	–	169,474
A Bali	21A	31-Dec-2014	\$1.62	–	53,440	–	–	53,440
	21B	31-Dec-2014	\$2.49	–	124,694	–	–	124,694

Remuneration Report

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 Jan 2012	Granted during the year ¹	Vested ^{2,3}	Lapsed/ forfeited ⁴	Balance at 30 Sept 2012
Former KMP – Continuing in office								
WP Jowett	12A ⁵	31-Dec-2011	\$1.93	73,349	–	–	(73,349)	–
	12B ⁵	31-Dec-2011	\$3.35	73,349	–	–	(73,349)	–
	17A	31-Dec-2012	\$1.72	65,100	–	–	–	65,100
	17B	31-Dec-2012	\$3.41	65,100	–	–	–	65,100
	19A	31-Dec-2013	\$1.58	60,092	–	–	–	60,092
	19B	31-Dec-2013	\$2.52	140,216	–	–	–	140,216
	21A	31-Dec-2014	\$2.03	–	76,961	–	–	76,961
	21B	31-Dec-2014	\$2.80	–	179,576	–	–	179,576
Former KMP – Cessation of office								
NR Khin⁷	12A ⁵	31-Dec-2011	\$1.93	76,097	–	–	(76,097)	–
	12B ⁵	31-Dec-2011	\$3.35	76,096	–	–	(76,096)	–
	17A	31-Dec-2012	\$1.72	57,507	–	–	(9,584)	47,923
	17B	31-Dec-2012	\$3.41	57,507	–	–	(9,585)	47,922
	19A	31-Dec-2013	\$1.58	49,750	–	–	(24,875)	24,875
	19B	31-Dec-2013	\$2.52	116,084	–	–	(58,042)	58,042

- The value of the PSRs granted to Senior Executives during the year (including the aggregate value of PSRs granted) is set out in Table 19. No Options were granted during the year to any Senior Executive.
- 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.
- 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.
- As the PSRs only vest on satisfaction of performance conditions which are to be tested in future periods, the PSRs under Series 15A, 15B, 17A, 17B, 18A, 18B, 19A and 19B remain unvested. See footnote 7 for the treatment of NR Khin's Series 17A, 17B, 19A and 19A PSRs.
- On 21 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. For the purposes of section 300A(1)(E)(iv) of the Act the closing share price on 21 February 2012 was \$2.51. See footnote 7 for the treatment of NR Khin's Series 17A, 17B, 19A and 19A PSRs.
- Series 12 PSRs were granted to A Korsanos prior to her appointment as a Senior Executive on 14 July 2009.
- NR Khin was a 'good leaver' pursuant to the LTI Plan Rules. The Board determined that: (i) in relation to the 2010 LTI grant (Series 17A and 17B), 83% of the PSRs will remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period (31 December 2012), calculated on the basis that NR Khin served 30 of the 36 months of the performance period; and (ii) in relation to the 2011 LTI grant (Series 19A and 19B), 50% of the PSRs will remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period (31 December 2013), calculated on the basis that NR Khin served 18 of the 36 months of the performance period. The remaining PSRs were forfeited on 29 June 2012. For the purposes of section 300A(1)(E)(iv) of the Act the closing share price on 29 June 2012 was \$2.76.

Remuneration Report

6.1 Details of Senior Executive remuneration continued

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

Table 21 Details of the movement in shares held under the GESP

	Balance as at 1 Jan 2012	Shares issued/ granted during the year ¹	Shares vested/lapsed during the year	Balance as at 30 Sept 2012
CEO and Managing Director				
JR Odell	–	–	–	–
Executive KMP				
A Korsanos	516	–	(265)	251
TJ Croker	251	–	–	251
A Bali	–	–	–	–
Former KMP – Continuing in office				
WP Jowett	516	–	(265)	251
Former KMP – Cessation of office				
NR Khin ²	–	–	–	–

1 From 2010 onwards, Senior Executives do not participate in the GESP.

2 As an overseas employee, NR Khin is granted contingent rights to shares in lieu of any allocation under the GESP subject to continued employment for a period of three years. The value the contingent rights which vested during the September 2012 Transitional Year 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 3.

Remuneration Report

6.2 Details of Non-Executive Director remuneration

The Group has changed its financial year-end to 30 September, commencing 30 September 2012. As a result, the following table compares the nine month September 2012 Transitional Financial Year to the prior 12 month financial year ended 31 December 2011.

Table 22 Details of NED remuneration

Name	Year	Short-term benefits	Post-employment benefits	Share-based payments		Total
		Cash salary and fees ¹ \$	Super-annuation ² \$	Retirement benefits ³ \$	Options and PSRs \$	
ID Blackburne	9 months to 30 Sept 2012	273,750	–	–	–	273,750
	12 months to 31 Dec 2011	365,000	–	–	–	365,000
RA Davis	9 months to 30 Sept 2012	138,169	11,831	–	–	150,000
	12 months to 31 Dec 2011	188,013	15,487	–	–	203,500
RV Dubs	9 months to 30 Sept 2012	137,615	12,385	–	–	150,000
	12 months to 31 Dec 2011	182,722	16,445	–	–	199,167
SW Morro	9 months to 30 Sept 2012	148,241	1,759	–	–	150,000
	12 months to 31 Dec 2011	191,113	2,415	–	–	193,528
DCP Banks	9 months to 30 Sept 2012	127,294	11,456	–	–	138,750
	12 months to 31 Dec 2011	163,997	14,760	–	–	178,757
LG Flock	9 months to 30 Sept 2012	136,974	1,776	–	–	138,750
	12 months to 31 Dec 2011	179,026	2,349	–	–	181,375
Total	9 months to 30 Sept 2012	962,043	39,207	–	–	1,001,250
	12 months to 31 Dec 2011	1,269,871	51,456	–	–	1,321,327

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 Non-Executive Directors are not entitled to any retirement benefit.

Remuneration Report

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 September 2012 Transitional Financial Year by each Non-Executive Director and Senior Executive, including their personally related entities, are set out below.

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

The following table sets out details of the movement in shares in the Company held by Directors during the September 2012 Transitional Financial Year:

Table 23 Details of NED shareholdings

Type	Balance as at 1 Jan 2012	Performance shares vested and GESP shares released	Other net changes during the year	Balance as at 30 Sept 2012
Non-Executive Directors				
ID Blackburne	Beneficially held	–	–	–
	Non-beneficially held	80,000	–	25,000
RA Davis	Beneficially held	19,335	–	–
	Non-beneficially held	11,154	–	–
RV Dubs	Beneficially held	10,000	–	–
	Non-beneficially held	–	–	–
SW Morro	Beneficially held	–	–	–
	Non-beneficially held	20,000	–	5,000
DCP Banks	Beneficially held	10,000	–	–
	Non-beneficially held	–	–	–
LG Flock	Beneficially held	–	–	–
	Non-beneficially held	–	–	15,000

Remuneration Report

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

Table 24 Details of Senior Executive shareholdings not held under an employee share plan

Type	Balance as at 1 Jan 2012	Performance shares vested and GESP shares released	Other net changes during the year	Balance as at 30 Sept 2012 ^{1, 2}
CEO and Managing Director				
JR Odell				
Beneficially held	–	–	–	–
Non-beneficially held	64,457	–	–	64,457
Executive KMP				
A Korsanos				
Beneficially held	2,465	265	–	2,730
Non-beneficially held	–	–	–	–
TJ Croker				
Beneficially held	4	–	8	12
Non-beneficially held	–	–	–	–
A Bali				
Beneficially held	–	–	–	–
Non-beneficially held	–	–	–	–
Former KMP – Continuing in office				
WP Jowett				
Beneficially held	3,105	265	–	3,370
Non-beneficially held	266,296	–	(25,000)	241,296
Former KMP – Cessation of office				
NR Khin				
Beneficially held	1,422	14,388	–	15,810
Non-beneficially held	–	–	–	–

1 These balances exclude GESP shares identified in Table 17, 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.

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

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the period 1 January 2012 to 30 September 2012, 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 1 January 2012 to 30 September 2012.

A handwritten signature in blue ink that reads 'S. Humphries' followed by a large, stylized flourish.

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
27 November 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Corporate Governance Statement

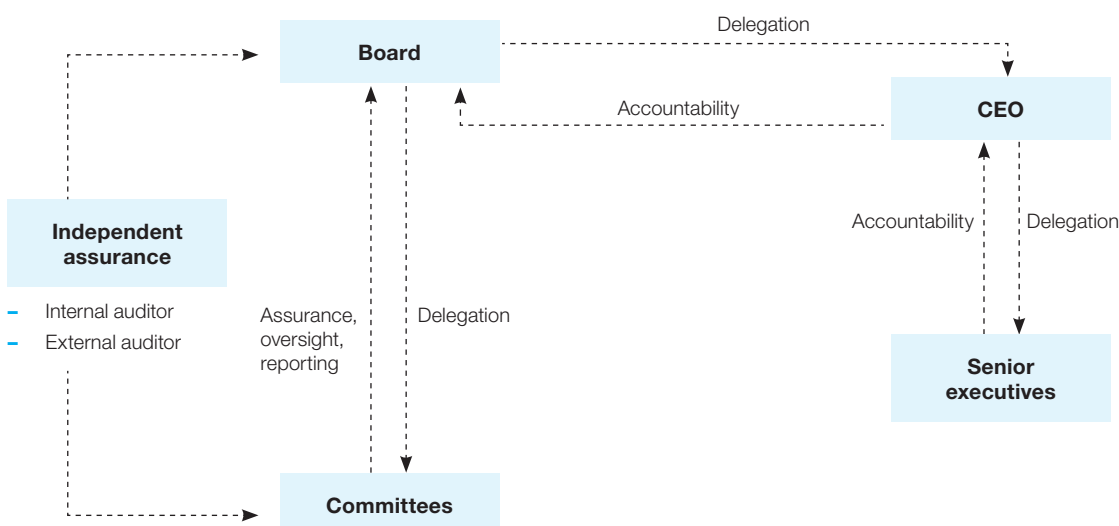
for the 9 months ended 30 September 2012

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 during the period between 1 January 2012 and 30 September 2012 (the September 2012 Transitional Financial Year). 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 is regularly reviewed to ensure that it reflects current corporate governance principles and practices. The Board Charter was last amended in August 2011.

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.

Corporate Governance Statement

Board roles and responsibilities continued

The Board also 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.

Delegation to CEO

The broad separation of functions and responsibilities between management and the Board is 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 30 September 2012, 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;
- 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.

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.

Corporate Governance Statement

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.

Recognising the importance of providing continuing education to Directors so as to enhance their knowledge of the Group and the industries in which the Group operates, 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 the September 2012 Transitional Financial Year, the Board was provided with a comprehensive overview of the *Work Health and Safety Act 2011* and the responsibilities of officers of the Company pursuant to the new legislation. 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. During the September 2012 Transitional Financial Year, Directors also visited operations in various domestic and international locations including India, Macau and Las Vegas.

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 the September 2012 Transitional Financial Year, the Board held a total of 10 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 September 2012 Transitional Financial Year, the Non-Executive Directors also held meetings without the presence of management.

Corporate Governance Statement

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.

Each 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 30 September 2012 or throughout the September 2012 Transitional Financial 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. [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 during the September 2012 Transitional Financial Year can be found in the Directors' Report.

Corporate Governance Statement

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:

Increase the number of women in the 'Leadership Group', comprising the Board, Senior Executive Roles¹ and Senior Management Roles².

The Board has identified a number of initiatives to support the achievement of this objective, 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.
- Facilitating a mentoring program for women involving members of the Board and Executive Leadership Team and targeting high potential women across the organisation.
- Supporting 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 during the September 2012 Transitional Financial Year 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 2011 and 30 September 2012:

Category	31 December 2011	30 September 2012
Board	1 of 6 Non-Executive Directors (17%)	1 of 6 Non-Executive Directors (17%)
Senior Executive Roles	1 of 10 members (10%)	2 of 10 members (20%)
Across the Leadership Group ³	37 of 196 members (19%)	38 of 193 members (20%)
Across the Group	26%	25%

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.

Corporate Governance Statement

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;
- use of social media;
- 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.

Corporate Governance Statement

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 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 presentations 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.](#)

Corporate Governance Statement

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 November 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, 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 a 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

Nevada Regulatory Disclosure

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 21 June 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

9 months ended 30 September 2012
and 12 months ended 31 December other years:
\$'000 (except where indicated)

	9 months 2012	12 months 2011	12 months 2010	12 months 2009	12 months 2008
Profit and loss items					
Revenue ¹	586,181	709,013	684,578	908,648	1,079,902
EBITDA ²	95,534	147,949	121,670	212,733	253,171
Depreciation and amortisation	(28,466)	(37,184)	(36,911)	(42,814)	(40,231)
EBIT ²	67,068	110,765	84,759	169,919	212,940
Net interest expense	(13,870)	(25,308)	(13,525)	(13,909)	(19,826)
Profit before income tax expense ²	53,198	85,457	71,234	156,010	193,114
Income tax expense	(6,647)	(18,558)	(16,107)	(39,070)	(52,179)
Profit after income tax expense ²	46,551	66,899	55,127	116,940	140,935
Non-controlling interests	(1,044)	(759)	(557)	(539)	(720)
Net profit attributable to members of Aristocrat Leisure Limited	45,507	66,140	54,570	116,401	140,215
Abnormal items after tax	–	–	22,624	(274,239)	(39,008)
Reported net profit/(loss) attributable to members of Aristocrat Leisure Limited	45,507	66,140	77,194	(157,838)	101,207
Total dividend paid – parent entity only	43,747	21,422	18,668	78,587	266,146
Balance sheet items					
Contributed equity	233,137	209,043	187,625	185,320	(67,298)
Reserves	(121,580)	(119,032)	(117,827)	(92,013)	(28,762)
Retained earnings	166,735	164,863	120,083	61,498	288,505
Non-controlling interest	(1,768)	(2,730)	(2,009)	(944)	(16)
Total equity	276,524	252,144	187,872	153,861	192,429
Cash and cash equivalents	22,612	29,354	19,840	59,045	106,243
Other current assets	331,772	335,801	311,122	336,650	435,220
Property, plant and equipment	102,577	109,267	100,141	120,459	150,776
Intangible assets	104,611	109,306	113,980	118,547	154,420
Other non-current assets	163,215	177,760	163,826	173,407	169,712
Total assets	724,787	761,488	708,909	808,108	1,016,371
Current payables and other liabilities	181,619	191,543	155,991	195,128	258,294
Current borrowings	7,000	–	7,000	7,245	150,000
Current tax liabilities and provisions	13,514	13,621	15,053	283,449	30,617
Non-current borrowings	207,453	261,392	298,662	127,104	332,644
Non-current provisions	14,759	16,096	18,044	18,632	25,121
Other non-current liabilities	23,918	26,692	26,287	22,689	27,266
Total liabilities	448,263	509,344	521,037	654,247	823,942
Net assets	276,524	252,144	187,872	153,861	192,429

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.

Five Year Summary

9 months ended 30 September 2012
and 12 months ended 31 December other years:

		9 months 2012	12 months 2011	12 months 2010	12 months 2009	12 months 2008
Other information						
Employees at year end	Number	2,135	2,111	2,181	2,038	2,128
Return on Aristocrat shareholders' equity ²	%	16.5	26.2	29.0	75.7	72.9
Basic earnings per share ²	Cents	8.3	12.3	10.3	23.0	30.5
Net tangible assets per share	\$	0.31	0.26	0.14	0.07	0.08
Total dividends per share – ordinary	Cents	6.0	6.5	5.0	4.5	36.0
Dividend payout ratio ²	%	72	53	49	20	118
Issued shares at year end	'000	551,418	543,181	533,984	533,379	455,330
Net (cash)/debt ³	\$'000	191,841	232,038	285,822	75,304	376,401
Net cash (debt)/equity	%	(69.4)	(92.0)	(152.1)	(48.9)	(195.6)

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 period ended 30 September 2012

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 November 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.

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Financial Statements

Consolidated statement of comprehensive income

for the period ended 30 September 2012

	Notes	Consolidated 9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Revenue	5	581,808	704,302
Cost of revenue		(276,721)	(319,367)
Gross profit		305,087	384,935
Other income	5	6,192	8,728
Design and development costs		(93,230)	(108,266)
Sales and marketing costs		(66,890)	(71,362)
General and administration costs		(82,567)	(100,320)
Finance costs		(15,394)	(28,258)
Profit before income tax expense		53,198	85,457
Income tax expense	6	(6,647)	(18,558)
Profit after income tax expense for the period		46,551	66,899
Other comprehensive income			
Exchange difference on translation of foreign operations	21(a)(i)	(5,741)	(296)
Changes in fair value of interest rate hedge	21(a)(iv)	570	(2,164)
Other comprehensive income for the period, net of tax		(5,171)	(2,460)
Total comprehensive income for the period		41,380	64,439
Profit is attributable to:			
Owners of Aristocrat Leisure Limited		45,507	66,140
Non-controlling interest	22	1,044	759
		46,551	66,899
Total comprehensive income is attributable to:			
Owners of Aristocrat Leisure Limited		40,336	63,680
Non-controlling interest	22	1,044	759
		41,380	64,439
Earnings per share for profit attributable to ordinary equity holders of the Company			
		Cents	Cents
Basic earnings per share	32	8.3	12.3
Diluted earnings per share	32	8.3	12.3

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

Financial Statements

Consolidated statement of financial position

as at 30 September 2012

	Notes	30 Sept 2012 \$'000	31 Dec 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	22,612	29,354
Trade and other receivables	9	253,202	241,659
Inventories	10	69,067	81,603
Financial assets	11	5,775	5,014
Other assets	12	3,479	6,120
Current tax assets		249	1,405
Total current assets		354,384	365,155
Non-current assets			
Trade and other receivables	9	67,552	78,203
Financial assets	11	7,410	8,725
Property, plant and equipment	13	102,577	109,267
Deferred tax assets	14	88,253	90,832
Intangible assets	15	104,611	109,306
Total non-current assets		370,403	396,333
Total assets		724,787	761,488
LIABILITIES			
Current liabilities			
Trade and other payables	16	139,693	156,698
Borrowings	17	7,000	-
Provisions	18	13,514	13,621
Other liabilities	19	41,926	34,845
Total current liabilities		202,133	205,164
Non-current liabilities			
Trade and other payables	16	850	98
Borrowings	17	207,453	261,392
Provisions	18	14,759	16,096
Other liabilities	19	23,068	26,594
Total non-current liabilities		246,130	304,180
Total liabilities		448,263	509,344
Net assets		276,524	252,144
EQUITY			
Contributed equity	20	233,137	209,043
Reserves	21(a)	(121,580)	(119,032)
Retained earnings	21(b)	166,735	164,863
Capital and reserves attributed to owners		278,292	254,874
Non-controlling interest	22	(1,768)	(2,730)
Total equity		276,524	252,144

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

Financial Statements

Consolidated statement of changes in equity

for the period ended 30 September 2012

	Notes	Attributable to owners of Aristocrat Leisure Limited			Total \$'000	Non- controlling interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			
Balance at 1 January 2011		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
Profit for the year		–	–	45,507	45,507	1,044	46,551
Other comprehensive income		–	(5,171)	–	(5,171)	–	(5,171)
Total comprehensive income for the year		–	(5,171)	45,507	40,336	1,044	41,380
Transactions with owners in their capacity as owners:							
Shares issued under dividend reinvestment plan	20	8,273	–	–	8,273	–	8,273
Shares issued under dividend underwriting	20	15,821	–	–	15,821	–	15,821
Net movement in share-based payments reserve	21(a)(ii)	–	(19)	–	(19)	–	(19)
Issues from the Trust to satisfy vested shares	21(a)(iii)	–	2,642	–	2,642	–	2,642
Dividends provided for and paid	7	–	–	(43,635)	(43,635)	–	(43,635)
Net movement in reserves attributable to non-controlling interest	22	–	–	–	–	(82)	(82)
		24,094	2,623	(43,635)	(16,918)	(82)	(17,000)
Balance at 30 September 2012		233,137	(121,580)	166,735	278,292	(1,768)	276,524

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

Financial Statements

Consolidated statement of cash flows

for the period ended 30 September 2012

	Notes	Consolidated	
		9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		635,150	684,126
Payments to suppliers and employees (inclusive of goods and services tax)		(534,392)	(565,657)
		100,758	118,469
Other income		252	730
Interest received		5,628	6,862
Interest paid		(15,417)	(24,468)
Income taxes (paid)/refunded		(3,315)	6,607
Net cash inflow from operating activities	33	87,906	108,200
Cash flows from investing activities			
Payments for property, plant and equipment		(27,347)	(56,510)
Payments for intangibles	15	(2,976)	(1,872)
Loan repayments from non-controlling interest		–	646
Proceeds from sale of property, plant and equipment		94	4,937
Net cash outflow from investing activities		(30,229)	(52,799)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)	20	15,821	14,690
Repayments of borrowings		(256,029)	(252,761)
Proceeds from borrowings		211,925	208,270
Dividends paid to company shareholders	7	(35,362)	(14,632)
Dividends paid to non-controlling shareholder	22	–	(1,020)
Net cash outflow from financing activities		(63,645)	(45,453)
Net (decrease)/increase in cash and cash equivalents		(5,968)	9,948
Cash and cash equivalents at the beginning of the period		29,354	19,840
Effects of exchange rate changes on cash and cash equivalents		(774)	(434)
Cash and cash equivalents at the end of period	8	22,612	29,354

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

Financial Statements

Notes to the financial statements

for the period ended 30 September 2012

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, and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Aristocrat Leisure Limited is a for-profit entity for the purposes of preparing the financial statements.

The financial year of the Group was changed from 31 December to 30 September during the period to better align the reporting period with Aristocrat's global business cycles. The comparative figures for the statement of comprehensive income, statement of cashflows and statement of changes in equity and related notes are for the 12 months to 31 December 2011. The results for the financial period ended 30 September 2012 are therefore not directly comparable with the results for 31 December 2011.

(i) Compliance with IFRS

The consolidated financial statements of the Group 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 30 September 2012 and the results of all subsidiaries for the period 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(b) Principles of consolidation continued

(ii) 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, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(e) Revenue recognition

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

Financial Statements

Note 1. Summary of significant accounting policies continued

(e) Revenue recognition continued

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.

(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 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(f) Income tax continued

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.

(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 and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value over the fair value of the net 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

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

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. 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. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(o) Investments and other financial assets

Classification

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

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

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

(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.

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 other income when the Group's right to receive payments is established.

Financial Statements

Note 1. Summary of significant accounting policies continued

(o) Investments and other financial assets continued

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in 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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(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.

(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 borrowings is recognised in the profit and loss 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 profit and loss 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(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 is 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.

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 amounts. 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(s) Intangible assets continued

(iii) Trademarks and licences

Trademarks and licences that have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 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. Capitalised amounts are amortised over 5 – 10 years.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-120 days of recognition. 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 short-term 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 when the jackpot is won.

Financial Statements

Note 1. Summary of significant accounting policies continued

(w) Provisions continued

(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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(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, Deferred Short Term Incentive 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 payments trust 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(x) Employee benefits – payable continued

(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.

(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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(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 35 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 less impairment charges 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.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2012 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 2015). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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.

Financial Statements

Note 1. Summary of significant accounting policies continued

(ae) New accounting standards and interpretations continued

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 October 2012.

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.

Financial Statements

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 2012. The Group had interest rate swaps in place at 30 September 2012 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 30 September 2012 was 3.8% (2011: 4.4%).

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.

Financial Statements

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

	Carrying amount \$'000	Interest rate risk		Foreign exchange risk		Price risk	
		-1% Profit \$'000	+1% Profit \$'000	-10% Profit \$'000	+10% Profit \$'000	-10% Equity \$'000	+10% Equity \$'000
2012							
Financial assets							
Cash and cash equivalents	22,612	(226)	226	89	(73)	-	-
Receivables	316,630	-	-	4,110	(3,363)	-	-
Loans – other	4,124	(41)	41	458	(375)	-	-
Financial assets:							
Equity securities available-for-sale, non-current	1,391	-	-	-	-	(139)	139
Debt securities held-to-maturity	11,794	(118)	118	-	-	-	-
Financial liabilities							
Payables	140,543	-	-	(390)	319	-	-
Borrowings	214,453	2,145	(2,145)	-	-	-	-
Progressive jackpot liabilities	9,167	92	(92)	-	-	-	-
Total increase/(decrease)		1,852	(1,852)	4,267	(3,492)	(139)	139
2011							
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

Financial Statements

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	
	2012	2011
	\$'000	\$'000
Floating Rate		
Expiring within one year (bank loans and bank overdrafts)	26,564	33,973
Expiring beyond one year (bank loans)	167,547	188,608
	194,111	222,581

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.

Financial Statements

Note 2. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of financial liabilities Group – at 30 September 2012	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
Non-derivatives							
Trade payables	51,579	–	–	–	–	51,579	51,579
Other payables	88,114	–	850	–	–	88,964	88,964
Borrowings	–	7,000	–	207,453	–	214,453	214,453
Borrowings – interest payments	4,075	4,075	8,149	8,149	–	24,448	–
Progressive jackpot liabilities	349	2,613	1,196	2,748	2,261	9,167	9,167
Total non-derivatives	144,117	13,688	10,195	218,350	2,261	388,611	364,163

Derivatives

Net settled (interest rate swaps)	–	1,594	–	–	–	1,594	1,594
Gross settled (forward foreign exchange contracts – cash flow hedges)							
– (inflow)	(7,550)	(2,268)	–	–	–	(9,818)	(535)
– outflow	7,308	1,975	–	–	–	9,283	–
	(242)	(293)	–	–	–	(535)	(535)

Group – at 31 December 2011 \$'000 \$'000 \$'000 \$'000 \$'000 \$'000 \$'000

Non-derivatives

Trade payables	66,274	–	–	–	–	66,274	66,274
Other payables	88,260	–	98	–	–	88,358	88,358
Borrowings	–	–	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)

Financial Statements

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 30 September 2012 and 31 December 2011.

Group as at 30 September 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	–	535	–	535
Financial assets available-for-sale, non-current	1,391	–	–	1,391
Total assets	1,391	535	–	1,926
Liabilities				
Interest rate swaps	–	1,594	–	1,594
Total liabilities	–	1,594	–	1,594
Group as at 31 December 2011				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	–	669	–	669
Financial assets 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

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. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These instruments are included in Level 2.

The carrying amounts 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.

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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, income taxes and the carrying value of inventories.

(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.

(iii) Carrying value of inventories

The Group assesses at each reporting date whether inventory is recorded at the lower of cost and net realisable value, including assessing the expected sales of slow moving inventories. These assessments involve estimates and assumptions that are based on current expectations of demand and market conditions, including opportunities to sell into new markets.

Note 4. Segment information

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

9 months to 30 September 2012	Americas \$'000	Australia and NZ \$'000	Japan \$'000	Rest of world \$'000	Consolidated \$'000
Revenue					
Revenue from external customers	264,650	137,804	92,459	86,895	581,808
Other segment revenue	–	4,373	–	–	4,373
Segment revenue	264,650	142,177	92,459	86,895	586,181
Result					
Segment result	81,199	47,609	20,991	28,487	178,286
Interest revenue not allocated to segments					1,524
Interest expense					(15,394)
Design and development costs					(93,230)
Other					(17,988)
Profit before tax					53,198
Income tax expense					(6,647)
Net profit after tax					46,551
Other segment information					
Depreciation and amortisation expense	16,298	7,132	1,401	3,635	28,466

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Note 4. Segment information *continued*

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

12 months to 31 December 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

(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

(i) Segment results

Segment result is measured on the basis of segment profit before tax and excludes design and development expenditure, charges for intercompany licence fees and advanced pricing agreements, impairment of intangibles and other non-trading assets. Head office expenses are included in the segment result as they are allocated and charged out to each of the segments.

Segment revenues are allocated based on the country in which the customer is located. 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, 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.

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Note 5. Profit for the period

		Consolidated	
	Notes	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
(a) Revenue			
Sale of goods	1(e)(i)	415,120	491,698
Gaming operations and services	1(e)(ii)	166,688	212,604
Total revenue		581,808	704,302
(b) Other income			
Interest		5,897	7,661
Foreign exchange gains	5(d)	35	240
Gain on disposal of property, plant and equipment	5(e)	8	97
Sundry income		252	730
Total other income		6,192	8,728
(c) Expenses			
(i) Depreciation and amortisation			
Depreciation and amortisation of property, plant and equipment			
– Buildings		431	519
– Plant and equipment		21,260	27,383
– Leasehold improvements		1,798	2,646
Total depreciation and amortisation of property, plant and equipment	13	23,489	30,548
Amortisation of intangible assets			
– Computer technology		4,365	5,994
– Licences		130	–
– Development costs		482	642
Total amortisation of intangible assets	15	4,977	6,636
Total depreciation and amortisation		28,466	37,184
(ii) Employee benefits expense			
Salaries and wages		140,403	177,362
Superannuation costs		6,699	7,445
Post-employment benefits other than superannuation		4,898	2,322
Share-based payments expense	28(e)	4,849	785
Total employee benefits expense		156,849	187,914

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Note 5. Profit for the period continued

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
(c) Expenses continued		
(iii) Lease payments		
Rental expense relating to operating leases		
– Minimum lease payments	13,467	17,336
(iv) Other significant items		
– Write down of inventories to net realisable value	3,409	5,552
– Legal costs	6,688	9,994
(d) Net foreign exchange (loss)/gain		
Foreign exchange gain	35	240
Foreign exchange loss	(3,109)	(2,814)
Net foreign exchange (loss)/gain	(3,074)	(2,574)
(e) Net (loss)/gain on disposal of property, plant and equipment		
Gain on disposal of property, plant and equipment	8	97
Loss on disposal of property, plant and equipment	(279)	(565)
Net (loss)/gain on disposal of property, plant and equipment	(271)	(468)

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Note 6. Income tax expense

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Major components of income tax expense are:		
(a) Income tax expense		
Current income tax	13,456	5,029
Deferred income tax	(3,745)	19,336
Adjustments in respect of current income tax of previous years	(3,064)	(5,807)
Income tax expense	6,647	18,558
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax asset	(706)	15,571
(Decrease)/increase in deferred tax liabilities	(3,039)	3,765
Deferred income tax expense included in income tax expense	(3,745)	19,336
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	53,198	85,457
Tax at the Australian tax rate of 30% (2011: 30%)	15,959	25,637
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Design and development	(1,894)	(3,113)
Tax losses not previously recognised	(1,600)	(364)
Overseas exempt income and non-creditable taxes	(4,737)	(3,684)
Legal and entertainment costs	427	763
Other non-deductible expenses	1,043	4,435
	9,198	23,674
Difference in overseas tax rates	2,371	652
Difference in exchange rates on overseas tax rates	845	(12)
Tax losses not recognised	2	-
Adjustment in respect of previous years income tax:		
Current income tax	(3,064)	(5,807)
Deferred income tax	(2,705)	51
Income tax expense	6,647	18,558
Average effective tax rate	12.49%	21.72%
(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 – credited/(debited) directly to equity	-	(250)
Net deferred tax – credited/(debited) directly to equity	(2,220)	681
Aggregate current and deferred tax arising in the reporting period directly (debited) or credited to equity	(2,220)	431

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Note 6. Income tax expense continued

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	8,502	12,641
Unused gross capital tax losses for which no deferred tax asset has been recognised	53,450	53,450
	61,952	66,091
Potential tax benefit	18,271	19,847
Unused revenue losses were incurred by Aristocrat Leisure Limited's overseas subsidiaries. All unused capital tax losses were incurred by Australian entities.		
(e) Unrecognised temporary differences		
Deferred tax assets on general temporary differences	130	139
	130	139

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 liabilities 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.

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Note 7. Dividends

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Ordinary shares		
<i>Final dividends paid</i>		
- 2010 – 1.5 cents, unfranked, per fully paid share paid on 28 March 2011	-	7,986
- 2011 – 4.0 cents, unfranked, per fully paid share paid on 3 April 2012	21,668	-
<i>Interim dividends paid</i>		
- 2011 – 2.5 cents, unfranked, per fully paid share paid on 30 September 2011	-	13,374
- 2012 – 4.0 cents, unfranked, per fully paid share paid on 28 September 2012	21,967	-
Total dividends paid and provided during the year	43,635	21,360
Dividends paid were satisfied as follows:		
Paid in cash	35,474	14,690
Dividend received by Aristocrat Employee Equity Plan Trust	(112)	(58)
Paid through the Dividend Reinvestment Plan	8,273	6,728
	43,635	21,360

Dividends not recognised at period end

Since the end of the year, the Directors have recommended the payment of a final dividend of 2.0 cents (2011: 4.0 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend expected to be paid on 21 December 2012 out of retained earnings at 30 September 2012, but not recognised as a liability at the end of the year is \$11,028,000.

	Consolidated	
	2012 \$'000	2011 \$'000
Franked dividends		
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2011: 30%)	-	-

The above amounts represent the balance of the franking account of the parent entity as at the end of the period, 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.

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Note 8. Cash and cash equivalents

	Consolidated	
	2012 \$'000	2011 \$'000
Cash at bank and in hand	22,612	29,354

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 each class of cash and cash equivalents mentioned above.

Note 9. Trade and other receivables

Current

Trade receivables	226,495	229,090
Provision for impairment of receivables	(7,025)	(7,603)
	219,470	221,487
Other receivables	32,381	18,621
Loans to non-controlling parties – secured	1,351	1,551
	253,202	241,659

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

Non-current

Trade receivables	59,726	70,847
Other receivables	5,053	4,849
Loans to non-controlling parties – secured	2,773	2,507
	67,552	78,203

(a) Trade receivables – current

At period end, 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
2012 Consolidated	226,495	200,752	16,995	2,288	3,198	3,262
2011 Consolidated	229,090	216,103	5,101	2,175	1,558	4,153

As of 30 September 2012, trade receivables of \$752,598 (2011: \$648,800) were past due and considered impaired and trade receivables of \$24,990,308 (2011:\$12,338,337) 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
2012 Consolidated	24,990	–	16,969	2,286	3,181	2,554
2011 Consolidated	12,338	–	5,101	2,163	1,540	3,534

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.

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Note 9. Trade and other receivables continued

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Trade receivables – current continued		
Movements in the provision for impairment of receivables is as follows:		
At 1 January	(7,603)	(5,085)
Provision for impairment recognised during the year	(1,256)	(3,229)
Foreign currency exchange differences	203	(7)
Provisions no longer required	1,631	718
At end of period	(7,025)	(7,603)

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. Included in the provision above is \$6,230,000 (2011: \$6,908,000) relating to Latin America trade receivables.

(b) Trade receivables – non-current

No provision for impairment of receivables has been carried forward against the non-current receivables (2011: \$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 31). 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.

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Note 9. Trade and other receivables continued

(i) Interest rate and foreign currency risk

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

	Consolidated	
	2012	2011
	\$'000	\$'000
US dollars	143,896	140,646
Australian dollars	101,550	109,547
Other ¹	75,308	69,669
	320,754	319,862
Current receivables	253,202	241,659
Non-current receivables	67,552	78,203
	320,754	319,862

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	
	2012	2011
	\$'000	\$'000
Trade receivables ¹ with guarantees	3,372	9,424
Trade receivables ¹ without guarantees	275,824	282,910
	279,196	292,334

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

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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	
	2012	2011
	\$'000	\$'000
Minimum lease payments under finance leases are receivable as follows:		
Within one year	12,877	6,545
Later than one year but not later than five years	10,319	8,769
Gross investment in leases	23,196	15,314
Unearned finance income		
Within one year	1,456	612
Later than one year but not later than five years	2,021	902
	3,477	1,514
The present value of minimum lease payments is as follows:		
Within one year	11,421	5,933
Later than one year but not later than five years	8,298	7,867
	19,719	13,800
Lease receivables are classified as follows:		
Current	11,421	5,933
Non-current	8,298	7,867
	19,719	13,800

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Note 10. Inventories

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Current			
Raw materials and stores – at cost		60,688	76,147
Provision for obsolescence		(23,954)	(23,383)
		36,734	52,764
Work in progress – at cost		2,194	3,395
Finished goods – at cost		28,645	36,570
Provision for obsolescence		(1,640)	(2,499)
		27,005	34,071
Contract work in progress		333	569
Inventory in transit – at cost		2,801	1,510
		69,067	81,603

Inventory expense

Inventories recognised as an expense during the period ended 30 September 2012 amounted to \$179,458,000 (2011: \$192,146,000).

Note 11. Financial assets

Current

Debt securities held-to-maturity		5,775	5,014
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Non-current

Debt securities held-to-maturity		6,019	7,334
Available-for-sale equity securities	11(a)	1,391	1,391
		7,410	8,725

(a) Available-for-sale equity securities

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

(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.

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.

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Note 12. Other assets

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Intellectual property rights	1(n)	3,479	6,120

Note 13. Property, plant and equipment

Land and buildings

Land and buildings – at deemed cost	12,671	12,939
Leasehold improvements – at cost	32,141	32,238
Accumulated amortisation	(15,691)	(13,844)
	16,450	18,394
Total land and buildings	29,121	31,333

Plant and equipment

Plant and equipment owned – at cost	174,580	171,331
Accumulated depreciation	(101,124)	(93,397)
Total plant and equipment	73,456	77,934
	102,577	109,267

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 2011	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 movements	6	10	(567)	(551)
Carrying amount at 31 December 2011	12,939	18,394	77,934	109,267
Additions	537	65	26,366	26,968
Disposals	–	–	(298)	(298)
Transfers	–	–	(7,647)	(7,647)
Depreciation and amortisation	(431)	(1,798)	(21,260)	(23,489)
Foreign currency exchange differences	(374)	(211)	(1,639)	(2,224)
Carrying amount at 30 September 2012	12,671	16,450	73,456	102,577

Transfers in the table above predominantly relate to gaming operations assets that have been transferred to inventory after being returned, or have been sold to customers.

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Note 14. Deferred tax assets

	Consolidated	
	2012	2011
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Accruals and other provisions	5,315	4,354
Impairment of receivables	103	56
Convertible bonds litigation provision	19,801	26,401
Deferred revenue	162	778
Employee benefits	10,123	7,583
Plant, equipment and intangible assets	7,634	6,967
Prepayments	(38)	(39)
Provision for stock obsolescence	3,956	4,052
Share based equity	(3,090)	(1,822)
Overseas tax obligations	76	–
Unrealised foreign exchange losses	2,037	2,255
Tax losses	43,149	43,774
Other	6,382	3,362
Gross deferred tax assets	95,610	97,721
Deferred tax liabilities in relation to overseas subsidiaries (not offset above)	(7,357)	(6,889)
Net deferred tax assets	88,253	90,832
Movements		
Opening balance at 1 January	90,832	104,518
Charged to the statement of comprehensive income	3,745	(19,336)
Charged to equity (share-based equity and foreign currency exchange differences)	(2,220)	681
Tax losses utilised	(6,179)	–
Tax credits utilised	(1,364)	–
Tax losses recognised	3,534	5,085
Foreign exchange currency movements	(95)	(116)
Closing balance at period end	88,253	90,832

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Note 15. Intangible assets

	Consolidated	
	2012 \$'000	2011 \$'000
Goodwill	77,422	79,774
Licences	8,588	6,153
Accumulated amortisation	(160)	(31)
	8,428	6,122
Development costs	4,496	4,496
Accumulated amortisation	(1,124)	(642)
	3,372	3,854
Computer technology	69,036	69,081
Accumulated amortisation	(53,647)	(49,525)
	15,389	19,556
Total	104,611	109,306

	Goodwill \$'000	Licences \$'000	Development costs \$'000	Computer technology \$'000	Total \$'000
Consolidated					
Carrying amount at 1 January 2011	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
Additions	-	2,610	-	366	2,976
Disposals	-	-	-	(8)	(8)
Amortisation charge	-	(130)	(482)	(4,365)	(4,977)
Foreign currency exchange movements	(2,352)	(174)	-	(160)	(2,686)
Carrying amount at 30 September 2012	77,422	8,428	3,372	15,389	104,611

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Note 15. Intangible assets continued

(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) Wholly-owned controlled entities

	2012 \$'000	2011 \$'000
Americas	49,797	51,307
Rest of World – South Africa	527	547
Rest of World – Aristocrat Lotteries	27,098	27,920
	77,422	79,774

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

In the financial period ended 30 September 2012 and year ended 31 December 2011, the recoverable amount of all the Group's CGUs were determined based upon a value-in-use calculation.

(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:

- Financial budgets and strategic plans, approved by the Board to 2015, management projections from 2016 to 2022 for Aristocrat Lotteries, and management projections from 2016 to 2017 for North America and Japan. These projections, which include projected revenues, gross margins and expenses, have been determined based on past performance and management expectations for the future. Expected market conditions in which each CGU operates in have been taken into account in the projections. Cash flows that extend beyond a five year period are based on contracts expected to be in place at that time, with no further growth assumed. Refer below for terminal growth rates used for each CGU.
- A pre-tax annual discount rate of:

	2012	2011
Americas	13.3%	13.9%
Japan	17.1%	19.0%
Rest of World – Aristocrat Lotteries	15.1%	19.4%

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

	2012	2011
Americas	3.0%	3.0%
Japan	2.0%	0.0%
Rest of World – Aristocrat Lotteries	3.0%	5.0%

- An allocation of head office assets.

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 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.

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Note 16. Trade and other payables

	Consolidated	
	2012 \$'000	2011 \$'000
Current		
Trade payables	51,579	66,274
Other payables	88,114	90,424
	139,693	156,698
Non-current		
Other payables	850	98

(a) Foreign currency risk

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

US dollars	55,054	63,789
Australian dollars	52,870	48,810
Other ¹	32,619	44,197
	140,543	156,796

¹ 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	
	2012 \$'000	2011 \$'000
Current		
<i>Unsecured</i>		
Bank loans	7,000	–
	7,000	–
Non-current		
<i>Secured</i>		
Bank loans	207,453	261,392
	207,453	261,392

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Note 17. Borrowings continued

	Notes	Consolidated	
		2012 \$'000	2011 \$'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)	6,911	6,969
– Bank loans	(ii)	375,000	450,000
– Other	(iii)	28,507	29,052
		410,418	486,021
Used at reporting date			
– Bank overdrafts		1,854	2,048
– Bank loans		207,453	261,392
– Other		7,000	–
		216,307	263,440
Unused at reporting date			
– Bank overdrafts		5,057	4,921
– Bank loans		167,547	188,608
– Other		21,507	29,052
		194,111	222,581

(i) The bank overdraft facilities (\$5,000,000 and US\$2,000,000) are subject to annual review.

(ii) The bank loan facilities are structured as follows:

Syndicated Facility

– Facility A – \$355,000,000 tranche maturing 30 October 2015.

– Facility B – \$20,000,000 tranche maturing 30 October 2015.

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. A portion of the interest rate exposure has been fixed under separate interest rate swap arrangements.

(iii) Other facilities relate to:

– JPY 1.5 billion Uncommitted Borrowing facility with Mizuho Bank Ltd (Japan) which is subject to annual review. As at 30 September 2012, there were no drawings made under this facility.

– Uncommitted money market borrowing line with Westpac Banking Corporation.

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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 30 September 2012 on the net fair value of the Group's existing foreign exchange hedge contracts:

Currency pair	Weighted average exchange rate	Maturity profile ¹		Net fair value gain/ (loss) ² \$'000
		1 year or less \$'000	1 to 7 year(s) \$'000	
AUD/USD	0.9877	3,037	–	158
AUD/EUR	0.7793	1,258	–	34
AUD/ZAR	7.7896	2,960	–	303
AUD/ZAR	8.2419	2,563	–	40
Total		9,818	–	535

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 30 September 2012, 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	
	2012 \$'000	2011 \$'000
US dollars	76,453	78,771
Australian dollars	138,000	175,000
Japanese yen	–	7,621
	214,453	261,392

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

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Note 18. Provisions

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Current			
Employee benefits	1(x)	9,140	8,932
Make good allowances	1(w)	33	430
Progressive jackpot liabilities	1(w)	3,147	2,932
Warranties	1(w)	382	491
Other		812	836
		13,514	13,621
Non-current			
Employee benefits	1(x)	5,284	5,902
Make good allowances	1(w)	3,455	2,858
Progressive jackpot liabilities	1(w)	6,020	7,336
		14,759	16,096

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 2012	3,288	10,268	491	836	14,883
Payments	–	(5,866)	(103)	–	(5,969)
Additional provisions recognised	196	6,167	830	–	7,193
Reversal of provisions recognised	–	(1,100)	(829)	–	(1,929)
Foreign currency exchange differences	4	(302)	(7)	(24)	(329)
Carrying amount at 30 September 2012	3,488	9,167	382	812	13,849

Note 19. Other liabilities

	Consolidated	
	2012 \$'000	2011 \$'000
Current		
Deferred revenue	41,926	34,845
Non-current		
Deferred revenue	9,814	11,613
Other	13,254	14,981
	23,068	26,594

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Note 20. Contributed equity

	Notes	Consolidated		Consolidated	
		2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Ordinary shares, fully paid		551,418,047	543,181,024	233,137	209,043
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	543,181,024	533,983,910	209,043	187,625
Shares issued under dividend underwriting		5,301,381	6,280,470	15,821	14,690
Shares issued under dividend reinvestment plan		2,935,642	2,916,644	8,273	6,728
Ordinary shares at the end of the financial year		551,418,047	543,181,024	233,137	209,043

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

	2012	2011
Gearing ratio (gross debt/bank EBITDA ¹)	1.2x	1.7x
Interest coverage ratio (bank EBITDA ¹ /interest expense ²)	8.6x	5.6x

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 2012 and 2011 years have been calculated on this basis.

Note 21. Reserves and retained earnings

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
(a) Reserves			
Foreign currency translation reserve	(i)	(97,615)	(91,874)
Share-based payments reserves	(ii),(iii)	(22,371)	(24,994)
Interest rate hedge reserve	(iv)	(1,594)	(2,164)
		(121,580)	(119,032)

(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).

Foreign currency translation reserve at the beginning of the financial year	(91,874)	(91,578)
Net exchange differences on translation of foreign controlled entities, net investment in foreign operations	(5,741)	(296)
Foreign currency translation reserve at the end of the financial year	(97,615)	(91,874)

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Note 21. Reserves and retained earnings continued

(a) Reserves continued

	Notes	Consolidated	
		2012 \$'000	2011 \$'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		(5,555)	(4,735)
Share-based payments expense		4,849	785
Issues from the Trust to satisfy vested shares		(2,642)	(2,075)
Share-based tax and other adjustments		(2,226)	470
Net movement in share-based payments reserve		(19)	(820)
Share-based payments reserve at the end of the financial year		(5,574)	(5,555)
(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		(19,439)	(21,514)
Issues from the Trust to satisfy vested shares		2,642	2,075
Share-based payments trust reserve at the end of the financial year ¹		(16,797)	(19,439)
¹ Represents 1,321,141 shares (2011: 1,519,481)			
Total share-based payments reserves at the beginning of the financial year		(24,994)	(26,249)
Net movement in share-based payments reserves		2,623	1,255
Total share-based payments reserve at the end of the financial year		(22,371)	(24,994)
(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		(2,164)	–
Movement in fair value of interest rate hedges		570	(2,164)
Interest rate hedge reserve at the end of the financial year		(1,594)	(2,164)
(b) Retained earnings			
Retained earnings at the beginning of the financial year		164,863	120,083
Net profit attributable to owners of Aristocrat Leisure Limited		45,507	66,140
Dividends paid or provided for	7	(43,635)	(21,360)
Retained earnings at the end of the period		166,735	164,863

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Note 22. Non-controlling interest

	Consolidated	
	2012 \$'000	2011 \$'000
Non-controlling interest in controlled entity comprises:		
Retained earnings/(losses) – 1 January	(2,181)	(1,920)
Profit after income tax expense	1,044	759
Dividends paid	–	(1,020)
Retained earnings/(losses)	(1,137)	(2,181)
Reserves	(631)	(549)
	(1,768)	(2,730)

Note 23. Events occurring after reporting date

On 1 November 2012, the Group entered into a contract to acquire an internet gaming system and remote game server for a purchase price of \$11,229,000. The purchase is subject to acceptance testing.

On 22 November 2012, the Group entered into an agreement to acquire 100% of the issued shares of an online social casino operator. The purchase price includes a fixed component of \$10,600,000 subject to adjustments and contingent consideration, which may be payable depending on the performance of the acquired company. The acquisition date is expected to be on or after 29 November 2012.

Other than the matters above, 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 30 September 2012 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 34.

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Note 25. Commitments

	Consolidated	
	2012 \$'000	2011 \$'000
Capital commitments		
Capital equipment and other commitments contracted at the reporting date but not recognised as liabilities, payable within one year	465	–
Lease commitments		
Non-cancellable operating leases		
The Group leases various offices and plant and equipment under non-cancellable operating leases.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	14,985	16,028
Later than one year but not later than five years	42,719	45,086
Later than five years	28,710	36,502
Commitments not recognised in the financial statements	86,414	97,616
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	11,768	–

Note 26. Subsidiaries

	Notes	Country of incorporation	Equity holding	
			2012 %	2011 %
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

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Note 26. Subsidiaries continued

	Notes	Country of incorporation	Equity holding	
			2012 %	2011 %
Aristocrat (Asia) Pty Limited	(a)	Australia	100	100
Aristocrat (Macau) Pty Limited	(a)	Australia	100	100
Aristocrat (Philippines) Pty Limited	(b)	Australia	100	100
Aristocrat (Singapore) Pty Limited	(b)	Australia	100	100
Aristocrat (Cambodia) Pty Limited	(b)	Australia	100	100
Aristocrat (Malaysia) Pty Limited	(b)	Australia	100	100
Aristocrat Leisure Technology Development (Beijing) Co. Ltd	(b)	China	100	100
Aristocrat Technologies Europe (Holdings) Limited	(b)	UK	100	100
Aristocrat Technologies Europe Limited	(b)	UK	100	100
ASSPA (UK) Limited	(b)	UK	100	100
Aristocrat Technologies LLC	(b)	Russia	100	100
Aristocrat Technologies Spain S.L.	(b)	Spain	100	100
Aristocrat Lotteries Italia S.r.L.	(b)	Italy	100	100
Aristocrat Technologies NZ Limited	(b)	New Zealand	100	100
Aristocrat Technologies, Inc.	(b)	USA	100	100
Aristocrat Funding Corporation	(c)	USA	100	100
Aristocrat Argentina S.A.	(c)	Argentina	100	100
Aristocrat Funding Corporation Pty Ltd	(c)	Australia	100	100
Aristocrat Technologies Canada, Inc.	(c)	Canada	100	100
Aristocrat 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 30 September 2012 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.

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Note 27. Employee benefits

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Employee benefits and related on-cost liabilities			
Included in payables – current		25,127	20,209
Provision for employee benefits – current	18	9,140	8,932
Provision for employee benefits – non-current	18	5,284	5,902
Aggregate employee benefits and related on-cost liabilities		39,551	35,043

Note 28. 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 30 September 2012, 10 employees (2011: 91) were entitled to 5,605,349 (2011: 6,187,271) 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 30 September 2012 and 31 December 2011 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 2012					
Series 20A	1 January 2012	31 December 2014	TSR	2 May 2012	2.03
Series 20B	1 January 2012	31 December 2014	EPG	2 May 2012	2.80
Series 21A	1 January 2012	31 December 2014	TSR	2 May 2012	2.03
Series 21B	1 January 2012	31 December 2014	EPG	2 May 2012	2.80
Series 21A ³	1 January 2012	31 December 2014	TSR	3 September 2012	1.62
Series 21B ³	1 January 2012	31 December 2014	EPG	3 September 2012	2.49
Issued 2011					
Series 18A	1 January 2011	31 December 2013	TSR	4 May 2011	1.58
Series 18B	1 January 2011	31 December 2013	EPG	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	EPG	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	EPG	1 August 2011	2.34

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

2 In accordance with accounting standards, the accounting valuation, as independently determined by Ernst and Young, 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 Ernst and Young, of a Performance Share Right with a non-market vesting condition (for example, EPG) 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 EPG vesting condition.

3 For one executive for Series 19A and Series 19B; and two executives for Series 21A and 21B, Performance Share Rights were granted following the commencement of employment.

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Note 28. 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 Ernst and Young using a Total Shareholder Return ('TSR') model and an Earnings Per Share Growth ('EPSG') model.

(i) Total Shareholder Return ('TSR') model

Ernst and Young 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 period ended 30 September 2012 and 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:
 - 2012: series 20A – \$3.07; series 21A – \$3.07 and \$2.69
 - 2011: series 18A – \$2.69; series 19A – \$2.69 and \$2.48
- (e) price volatility of the Company's shares:
 - 2012: series 20A and 21A – 40%
 - 2011: series 18A – 49.90%; series 19A – 49.90% and 47.34%
- (f) dividend yield:
 - 2012: series 20A and 21A – 3.4%
 - 2011: series 18A and 19A – 2.5%
- (g) risk-free interest rate:
 - 2012: series 20A – 2.9%; series 21A – 2.9% and 2.52%
 - 2011: series 18A – 5.45%, series 19A – 5.45% and 4.90%

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

Ernst and Young 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 30 September 2012 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:
 - 2012: series 20B – \$3.07; series 21B – \$3.07 and \$2.69
 - 2011: series 18B – \$2.69; series 19B – \$2.69 and \$2.48
- (e) price volatility of the Company's shares:
 - 2012: series 20B and 21B – 40%
 - 2011: series 18B – 49.90%; series 19B – 49.90% and 47.34%
- (f) dividend yield:
 - 2012: series 20B and 21B – 3.4%
 - 2011: series 18B and 19B – 2.5%
- (g) risk-free interest rate:
 - 2012: series 20B – 2.9%; series 21B – 2.9% and 2.52%
 - 2011: series 18B – 5.45%, series 19B – 5.45% and 4.90%

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.

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Note 28. Share-based payments *continued*

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

Performance Share Rights are detailed in the tables below:

Consolidated – 2012

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 12A	1 January 2009	31 December 2011	1,019,737	–	–	1,019,737	–
Series 12B	1 January 2009	31 December 2011	1,019,737	–	–	1,019,737	–
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 15A	28 April 2010	31 December 2012	224,786	–	–	–	224,786
Series 15B	28 April 2010	31 December 2012	224,786	–	–	–	224,786
Series 16B	28 April 2010	18 January 2012	55,087	–	55,087	–	–
Series 17A	1 January 2010	31 December 2012	376,359	–	–	87,465	288,894
Series 17B	1 January 2010	31 December 2012	376,359	–	–	87,465	288,894
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	–	–	125,508	237,431
Series 19B	1 January 2011	31 December 2013	846,859	–	–	292,852	554,007
Series 20A	2 May 2012	31 December 2014	–	405,000	–	–	405,000
Series 20B	2 May 2012	31 December 2014	–	945,000	–	–	945,000
Series 21A	1 January 2012	31 December 2014	–	476,271	–	51,307	424,964
Series 21B	1 January 2012	31 December 2014	–	1,111,303	–	119,716	991,587
			6,187,271	2,937,574	55,087	3,464,409	5,605,349

Financial Statements

Note 28. Share-based payments continued

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

(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 (2011: nil) to nil employees (2011: nil) 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 (nil in 2012); 2011: 82,680 shares to 195 employees in lieu of a share allocation under the General Employee Share Plan, subject to their continued employment for a period of three years.

(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 is granted. As a result of the meeting of performance criteria in the 2011 financial year, 593,600 performance shares rights were granted in 2012 that are outstanding as at 30 September 2012. These rights are subject to the employees remaining with the Group until February 2014.

Financial Statements

Note 28. Share-based payments *continued*

(d) Deferred short-term incentive plan

Upon the vesting of short-term incentives, Executive Leadership Team members receive the incentives as 50% cash and 50% deferred as performance share rights. These share rights are expensed over the vesting periods, being two and three years.

(e) Share-based payments expense

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Performance Share Plan	2,805	(469)
General Employee Share Plan	328	383
Deferred Equity Employee Plan	1,280	605
Deferred Short Term Incentive Plan	436	266
	4,849	785

Note 29. 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	
	9 months to 30 Sept 2012 \$	12 months to 31 Dec 2011 \$
Short-term employee benefits	4,257,267	5,339,543
Post-employment benefits	151,661	247,580
Long-term benefits	51,616	68,313
Termination benefits	389,233	–
Share-based payments	3,169,095	1,556,785
	8,018,872	7,212,221

Detailed remuneration disclosures are provided in the remuneration report.

Financial Statements

Note 29. Key management personnel disclosures *continued*

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.

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
2012						
JR Odell	2,130,194	1,350,000	(660,622)	2,819,572	–	2,819,572
A Korsanos	357,843	245,614	(53,711)	549,746	–	549,746
TJ Croker	301,460	242,105	–	543,565	–	543,565
A Bali	–	178,134	–	178,134	–	178,134
Former key management personnel						
WP Jowett	477,206	256,537	(146,698)	587,045	–	587,045
NR Khin	433,041	–	(254,279)	178,762	–	178,762

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

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 period ended 30 September 2012.

Financial Statements

Note 29. Key management personnel disclosures continued

Share holdings

The numbers of shares in the Company held during the financial 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
2012			
Non-Executive Directors			
ID Blackburne	80,000	25,000	105,000
RA Davis	30,489	–	30,489
RV Dubs	10,000	–	10,000
S Morro	20,000	5,000	25,000
DCP Banks	10,000	–	10,000
LG Flock	–	15,000	15,000
Other key management personnel			
JR Odell	64,457	–	64,457
A Korsanos	2,465	265	2,730
TJ Croker	4	8	12
A Bali	–	–	–
Former key management personnel			
WP Jowett	269,401	(24,735)	244,666
NR Khin	1,422	14,388	15,810

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
S 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

Financial Statements

Note 30. Remuneration of auditors

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

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
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	443,821	471,644
Fees paid to related practices of PricewaterhouseCoopers Australian firm	649,893	703,816
Total remuneration for audit services	1,093,714	1,175,460
Other assurance services		
Fees paid to related practices of PricewaterhouseCoopers Australian firm	66,729	68,348
Total remuneration for other assurance services	66,729	68,348
Total remuneration for assurance services	1,160,443	1,243,808
Advisory services		
Fees paid to PricewaterhouseCoopers Australian firm	–	17,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	730,911	56,444
Total remuneration for advisory services	730,911	73,444

Note 31. Related parties

(a) Other transactions with key management personnel

Refer to Note 29 for disclosures relating to key management personnel.

(b) Transactions with non-controlling interest

The following transactions occurred with the non-controlling interest in a subsidiary:

	2012 \$	2011 \$
Net amount receivable from non-controlling interest as at reporting date		
Current		
Receivable from non-controlling interest	1,350,501	1,550,942
Non-current		
Receivable from non-controlling interest	2,773,290	2,507,213

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.

Financial Statements

Note 32. Earnings per share

	Consolidated	
	9 months to 30 Sept 2012 Cents	12 months to 31 Dec 2011 Cents
Basic earnings per share	8.3	12.3
Diluted earnings per share	8.3	12.3

	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	546,567,500	535,999,670
Effect of Performance Share Rights	1,367,594	896,744
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	547,935,094	536,896,414

	2012 \$'000	2011 \$'000
Reconciliation of earnings used in calculating diluted earnings per share		
Net profit attributable to members of Aristocrat Leisure Limited	45,507	66,140
Earnings used in calculating diluted earnings per share	45,507	66,140

Information concerning the classification of securities

(a) Share based payments

Rights granted to employees under share based payments arrangements 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 28.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights are 124,067 (2011: 45,061) 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.

Financial Statements

Note 33. Reconciliation of profit for the period after income tax to net cash flow from operating activities

	Consolidated	
	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Profit for the year	46,551	66,899
Depreciation and amortisation	28,466	37,184
Equity-settled share-based payments	4,849	785
Non-cash interest income	(269)	(324)
Net loss on sale of property, plant and equipment	271	468
Impairment of assets and investments	–	114
Net foreign currency exchange differences	(2,750)	551
Change in operating assets and liabilities:		
– Decrease/(increase) in receivables and deferred revenue	4,456	(59,184)
– Decrease in inventories	20,589	16,564
– Decrease in other operating assets	3,195	2,648
– Decrease in tax balances	1,515	21,023
– Increase/(decrease) in payables	(17,523)	24,852
– Decrease in other provisions	(1,444)	(3,380)
Net cash inflow from operating activities	87,906	108,200

Note 34. 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.

Financial Statements

Note 34. Deed of cross guarantee continued

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

	9 months to 30 Sept 2012 \$'000	12 months to 31 Dec 2011 \$'000
Revenue	213,503	288,121
Other income	12,931	55,558
Cost of revenue and other expenses	(73,584)	(79,266)
Employee benefits expense	(92,812)	(114,093)
Finance costs	(14,683)	(27,444)
Depreciation and amortisation expense	(7,065)	(10,104)
Profit before income tax	38,290	112,772
Income tax expense	2,705	(11,497)
Profit for the year	40,995	101,275
Other comprehensive income		
Changes in fair value of interest rate hedge	570	(2,164)
Other comprehensive income, net of tax	570	(2,164)
Total comprehensive income for the year	41,565	99,111

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

Retained earnings at the beginning of the financial year	50,174	(29,669)
Profit for the year	40,995	101,275
Dividends paid	(43,748)	(21,432)
Retained earnings at the end of the financial year	47,421	50,174

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

	2012 \$'000	2011 \$'000
Current assets		
Cash and cash equivalents	1,456	4,513
Trade and other receivables	79,590	97,379
Inventories	12,928	12,262
Tax assets	1,135	515
Total current assets	95,109	114,669
Non-current assets		
Investments	290,497	282,805
Property, plant and equipment	22,720	27,183
Deferred tax assets	88,553	86,565
Intangible assets	5,616	7,509
Total non-current assets	407,386	404,062
Total assets	502,495	518,731

Financial Statements

Note 34. Deed of cross guarantee continued

	2012 \$'000	2011 \$'000
Current liabilities		
Trade and other payables	60,978	57,953
Borrowings	7,000	–
Provisions	9,317	9,593
Other liabilities	12,167	11,682
Total current liabilities	89,462	79,228
Non-current liabilities		
Trade and other payables	9,502	18,225
Borrowings	131,000	175,000
Provisions	4,763	4,098
Other liabilities	7,450	6,360
Total non-current liabilities	152,715	203,683
Total liabilities	242,177	282,911
Net assets	260,318	235,820
Equity		
Contributed equity	233,137	209,043
Reserves	(20,240)	(23,397)
Retained earnings	47,421	50,174
Total equity	260,318	235,820

Note 35. Parent entity financial information

(a) Summary financial information

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

	2012 \$'000	2011 \$'000
Statement of financial position		
Current assets	12,438	12,299
Total assets	170,301	140,037
Current liabilities	3,507	3,479
Total liabilities	3,507	3,479
Shareholders' equity		
Contributed equity	233,137	209,043
Reserves	64,450	59,601
Retained earnings	(130,793)	(132,085)
	166,794	136,559
Profit for the year after tax	45,040	40,350
Total comprehensive income after tax	45,040	40,350

(b) Guarantees entered into by the parent entity

Cross guarantees given by the parent entity are set out in Note 34.

(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 30 September 2012

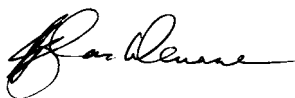
In the Directors' opinion:

- (a) the financial statements and notes as tabled are in accordance with the *Corporations Act, 2001* including:
 - (i) complying with the Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Aristocrat Leisure Limited's (the Company's) and the Consolidated Entity's financial position as at 30 September 2012 and performance as represented by the results of its operations and its cash flows for the nine months ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) there are reasonable grounds to believe that the members of the Extended Closed Group 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Financial 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 November 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 consolidated statement of financial position as at 30 September 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 1 January 2012 to 30 September 2012, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aristocrat (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period 1 January 2012 to 30 September 2012.

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.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Independent Auditor's Report



Independence

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

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 30 September 2012 and of its performance for the period 1 January 2012 to 30 September 2012; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 25 to 51 of the directors' report for the period 1 January 2012 to 30 September 2012. 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 period 1 January 2012 to 30 September 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Humphries

Stephen Humphries
Partner

Sydney
27 November 2012

Shareholder Information

Distribution of equity securities as at 27 November 2012

Size of holding	Holders of Performance Share Rights ¹	Share holders	Number of shares ²	% of issued capital
1–1,000	944	5,994	2,535,719	0.460
1,001–5,000	11	4,283	10,351,194	1.877
5,001–10,000	37	867	6,196,107	1.124
10,001–100,000	17	521	11,761,209	2.133
100,001–over	10	81	520,573,818	94.406
Total	1,019	11,746	551,418,047	100.000
Less than a marketable parcel of \$500.00	0	1,712	113,369	0.021

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 as at 27 November 2012

As at 27 November 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
National Australia Bank Limited	29,358,814	5.32%	26/11/2012
SAS Trustee Corporation	28,749,424	5.22%	23/11/2012
Commonwealth Bank of Australia	27,667,275	5.02%	16/11/2012
Maple-Brown Abbott Limited	34,434,350	6.24%	05/11/2012
Lazard Asset Management Pacific Co.	43,871,635	7.97%	20/09/2012
Sumitomo Mitsui Trust Holdings, Inc.	34,141,067	6.20%	14/09/2012
IOOF Holdings Limited	29,783,225	5.41%	10/08/2012

Shareholder Information

Twenty largest ordinary shareholders as at 27 November 2012

Name of shareholder	Number of ordinary shares held	% of issued capital
J P Morgan Nominees Australia Limited	129,060,843	23.406
National Nominees Limited	121,673,766	22.066
HSBC Custody Nominees (Australia) Limited	60,161,996	10.911
Citicorp Nominees Pty Limited	35,529,915	6.443
Writeman Pty Limited	31,994,622	5.802
BNP Paribas Noms Pty Ltd	27,077,592	4.911
Thunderbirds Are Go Pty Limited	25,277,754	4.585
Serioso Pty Limited	20,709,564	3.756
Maaku Pty Limited	15,104,872	2.740
RBC Investor Services Australia Nominees Pty Limited	12,064,062	2.188
Arminella Pty Limited	10,655,500	1.932
ECA 1 Pty Limited	8,757,359	1.588
UBS Wealth Management Australia Nominees Pty Ltd	5,192,553	0.942
Bond Street Custodians Limited	2,713,821	0.492
Suncorp Custodian Services Pty Limited	2,348,516	0.427
Argo Investments Limited	2,241,000	0.406
AMP Life Limited	1,837,632	0.333
Australian Executor Trustees Limited	1,305,931	0.237
QIC Limited	1,024,408	0.186
CS Fourth Nominees Pty Ltd	1,003,937	0.182

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.

Shareholder Information

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 withheld 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.

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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

Global Headquarters

Aristocrat Leisure Limited
Building A, Pinnacle Office Park
85 Epping Road
North Ryde NSW 2113
Australia
Telephone: + 61 2 9013 6300
Facsimile: + 61 2 9013 6200

Internet site

www.aristocratgaming.com

Australia

Building A, Pinnacle Office Park
85 Epping Road
North Ryde NSW 2113
Australia
Telephone: + 61 2 9013 6300
Facsimile: + 61 2 9013 6200

The Americas

North America

Aristocrat Technologies Inc.
7230 Amigo Street
Las Vegas
Nevada 89119
USA
Telephone: + 1 702 270 1000
Facsimile: + 1 702 270 1001

South America

Aristocrat (Argentina) Pty Limited
San Vladimiro 3056, 1 Piso Of. 7
San Isidro
Buenos Aires CP 1642
Argentina, South America
Telephone: + 5411 4708 5400
Facsimile: + 5411 4708 5454

Asia

Macau

Aristocrat (Macau) Pty Limited
17th Floor, Hotline Centre
335-341 Alameda Drive
Carlos d' Assumpcao
Macau
Telephone: + 853 2872 2777
Facsimile: + 853 2872 2783

Singapore

Aristocrat Technologies
61 Kaki Bukit Avenue 1
Shun Li Industrial Park #04-29
Singapore 417943
Telephone: + 656 444 5666
Facsimile: + 656 842 4533

Europe

Great Britain

Aristocrat Technologies Europe Limited
25 Riverside Way
Uxbridge
Middlesex UB8 2YF U.K.
Telephone: + 44 1895 618 500
Facsimile: + 44 1895 618 501

Sweden

Aristocrat Lotteries AB
Arstaangsvagen 11
3rd Floor
11743 Stockholm
Box 47221
SE-10074 Stockholm
Sweden
Telephone: + 46 8 522 158 00
Facsimile: + 46 8 642 47 14

Japan

KK Aristocrat Technologies
7th Floor, Ryukakusan Building
2-5-12 Higashi-kanda Chiyoda-ku
Tokyo Japan 101-0031
Telephone: + 813 5835 0521
Facsimile: + 813 5835 0523

New Zealand

Aristocrat Technologies NZ Limited
22 Vestey Drive, Mt Wellington
Auckland, New Zealand
Telephone: + 649 259 2000
Facsimile: + 649 259 2001

South Africa

Aristocrat Technologies Africa (Pty) Limited
70 Saturn Crescent, Cnr Milk Way
Linbro Business Park
Frankenwald Extension 31
South Africa 2090
Telephone: + 27 11 997 4200
Facsimile: + 27 11 608 0030

Investor contacts

Share registry

Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia
Telephone: + 61 2 9290 9682
Facsimile: + 61 2 9279 0664
Email:
enquires@boardroomlimited.com.au
Website:
www.boardroomlimited.com.au

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 1171 Australia

Stock exchange listing

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

Investor email address

Investors may send email queries to:
investor.relations@ali.com.au



