Half Yearly Report and Appendix 4D for the six months ended 30 June 2003

ARISTOCRAT/ 50th

Celebrating 50 Years

Aristocrat Leisure Limited ABN 44 002 818 368

Contents

Company Profile

Aristocrat is a leading global provider of gaming solutions, namely world-class software, systems and hardware that consistently outperform the competition. Aristocrat's products and services are available in over 55 countries around the world.

Key Dates

Record Date for Interim Dividend (2003)
26 August 2003

Payment Date for Interim Dividend (2003)
9 September 2003

Final Results Announcement (2003)
17 February 2004

Record Date for Final Dividend (2003)
3 March 2004

Payment of Final Dividend (2003)
17 March 2004

Annual General Meeting
20 April 2004

Interim Results Announcement (2004)
17 August 2004

Record Date for Interim Dividend (2004)
1 September 2004

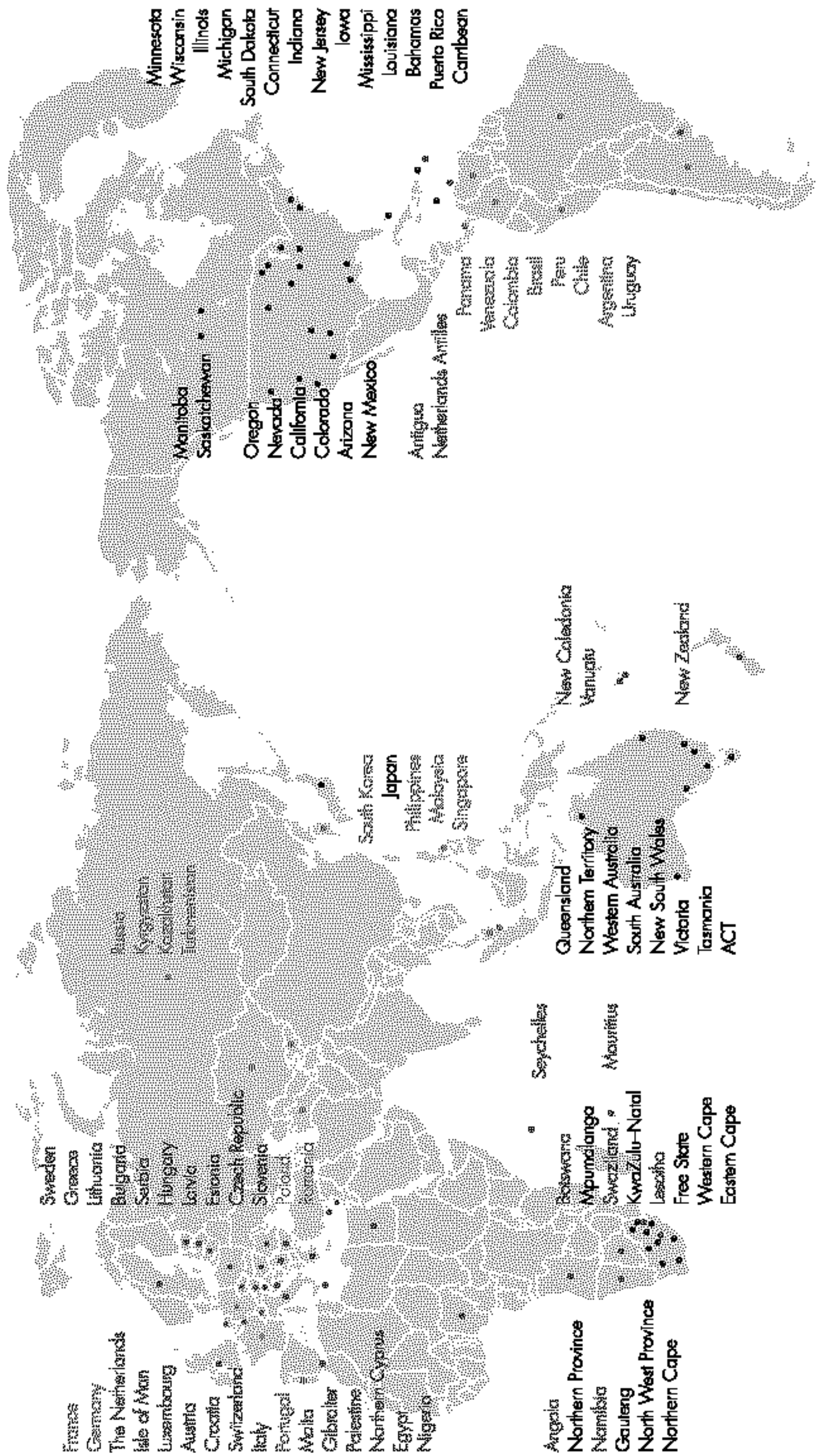
Payment Date for Interim Dividend (2004)
15 September 2004

Dates may be subject to change

"Looking forward, we expect to report improved performance in the second half, compared to the first, as key products in the United States gain further exposure and as a result of positive developments in Japan. The Australian and New Zealand markets remain challenging but Aristocrat expects to maintain or improve its market leadership in both markets."

David Creary, Acting CEO

Our global market



Results for the Announcement to the Market

	Up/down	% change		Half year ended June 2003 $A'000
Revenue from ordinary activities	Down	10.6%	To	392,591
(Loss)/profit from ordinary activities after tax attributable to members	Down	N/c	To	(32,887)
Net (loss)/profit for the period attributable to members	Down	N/c	To	(32,887)
Earnings before interest and tax (EBIT)	Down	N/c	To	(35,405)
Earnings per share – basic				(7.2) cents
Earnings per share – diluted				(7.2) cents
Operating cash flow	Down	22.0%	To	33,022

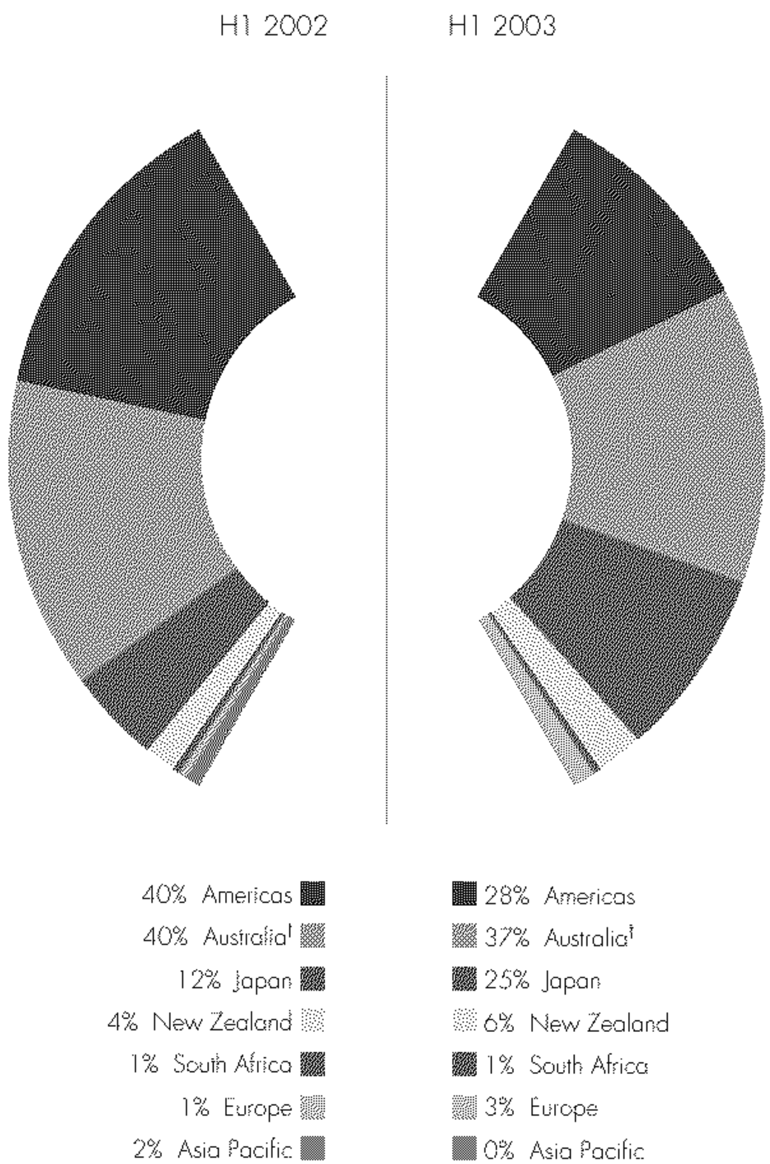
	Amount per security (cents)	Franked amount per security at 30% (cents)	Record date for determining entitlements to dividends
Final dividend:			
Current year	tba	tba	17 February 2004*
Previous year	6.5	6.5	
Interim dividend:			
Current year	3.0	3.0	26 August 2003
Previous year	5.5	5.5	

*date may be subject to change

	June 2003 ($)	June 2002 ($)
Net tangible asset backing per security	0.27	0.29

For a brief explanation of any of the above figures, please refer to the Directors' Report (page 7) and the Financial Statements (page 26).

Revenue by Region



†Australian revenue excludes inter-segment sales.

Half Year in Review

Our revenue for the half-year ended 30 June 2003 was $392.6 million, 10.6% less than the revenue earned during the corresponding period last year.

That decline in revenues arose as a result of the problems that were encountered in the United States and South America and a softer market in Australia resulting from a number of legislative and regulatory measures impacting on our customers during the period.

The decline in revenue, combined with restructuring costs associated with the events of February and March, has led to the Company reporting an after tax loss of ($32.9) million for the half year.

Despite this disappointing result, we are confident about the second half of 2003. With the difficulties of the first half behind us, the Company's new management team is firmly focused on operating performance.

The Americas remain Aristocrat's greatest challenge and, in many respects, we believe the opportunity remains a very substantial one for Aristocrat. Our MK.VI product is performing well and the gaming industry remains a strong one.

The 432 casinos in North America are replacing product at a significantly higher rate than in 2002. In April 2003, Goldman Sachs reported that 38% of the 149 casinos that it surveyed in 2002 are planning to replace more than 15% of their games in 2003. In 2001, only 24% of the casinos surveyed planned such a replacement program.

Some 8% of US casinos now have at least a few cashless 'slots' and we expect to see this trend continue. It seems likely that gaming will expand slowly in the eastern United States as New York and other eastern seaboard jurisdictions establish machine gaming sectors.

Aristocrat is pleased with results from Japan during the six months ended 30 June 2003. The Japanese market is a challenging one for outsiders and the Company is very fortunate to have built a relationship with Sammy Corporation. Aristocrat is working closely with Sammy to strengthen that relationship.

Australia is a mature market and various legislative and regulatory initiatives impacted significantly on the profitability of many of our customers during the first six months of 2003.

In New South Wales, a new tax regime and a range of new 'responsible gaming measures' have adversely affected virtually all of our customers. The six-hour mandatory closure measure introduced in May impacted on New South Wales venues to such a severe extent that the Government introduced a hardship regime entitling venues to apply to the Liquor Administration Board to reduce the six-hour closure period to three hours if they can demonstrate the requisite hardship.

In Victoria, smoking restrictions reduced the profitability of Victorian operators to such a degree that it led to extensive staff layoffs at many Victorian gaming venues.

In South Australia, game design restrictions and the uncertainty associated with pending legislative and regulatory reform have impacted negatively on our customers and the market for our products.

These measures led Australian gaming venues to be very cautious with capital expenditures during the first half. Nevertheless, Australia remains a significant contributor to Aristocrat cash flows and we expect this to continue moving forward. The Company expects to maintain or improve its market leadership position in Australia.

In New Zealand, product sales during the half were excellent. However, new gaming legislation and smoking restrictions are expected to impact on the industry during the second half.

In Europe and Asia, Aristocrat is continuing to make progress and believes that these markets will be the growth markets of the second half of this decade. However, during the six months under review, Severe Acute Respiratory Syndrome ("SARS") and the war in Iraq impacted negatively on revenues.

At this time, Aristocrat is focused on five critical priorities; the Company plans to:

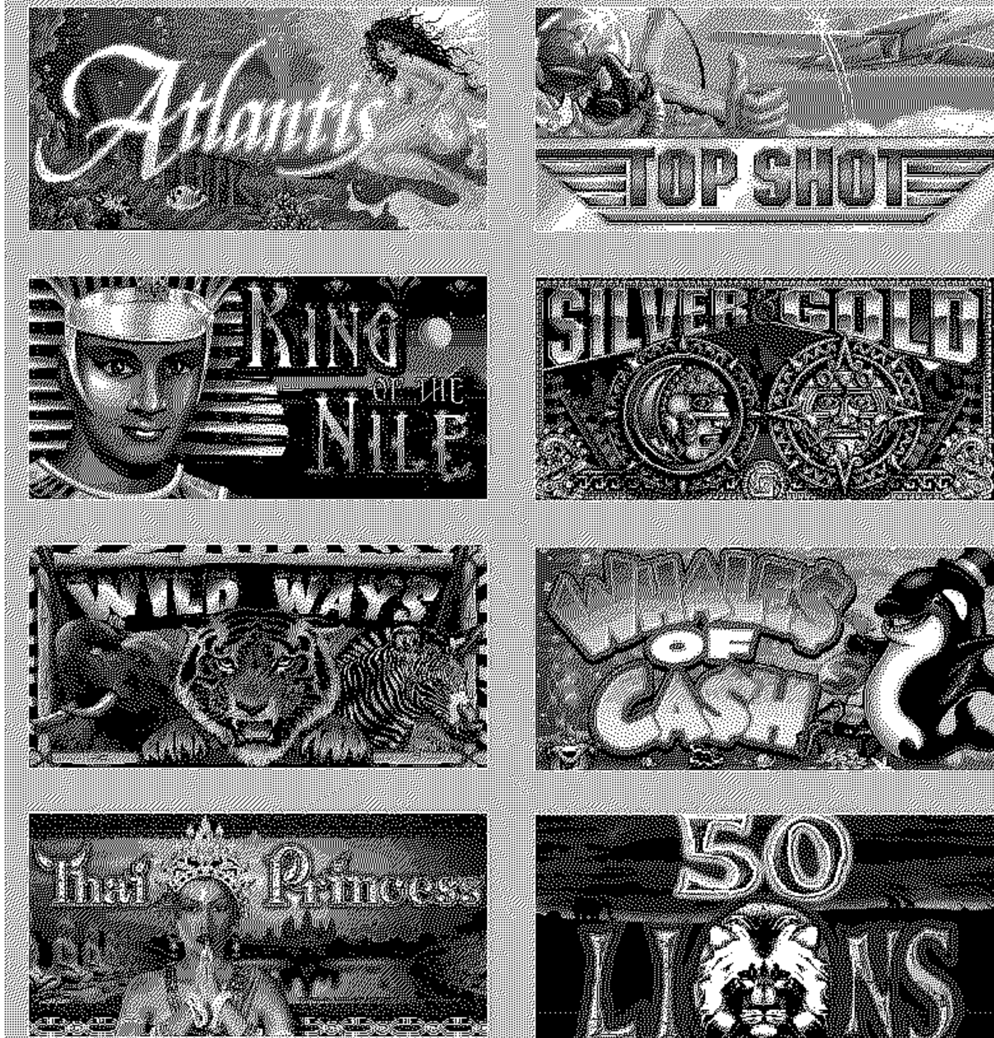
- manage its growth responsibly;
- maintain its leading market position in Australia and New Zealand and become No.2 in the global installed market base for casino style gaming machines;
- grow its international revenue to 70% of total revenue;
- increase its recurring revenue and participation revenue to 20% of global revenue; and
- be profitable in all markets.

Lastly, we would like to thank all of our stakeholders, our customers, shareholders and staff, for their support over this difficult period and wish to assure you that Aristocrat remains a company with significant growth potential based on its people, products and technology.

We believe that the Company will realise this potential and look forward to reporting the progress that we make during the second half in our full year report.

John Ducker   David Creary

Highlights of Games Releases – H1



Highlights of Games Releases – H1

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

The Directors present their report together with the financial statements of Aristocrat Leisure Limited and its controlled entities (the "Consolidated Entity") for the six months ended 30 June 2003. The information in this report is current as at 12 August 2003 unless otherwise specified.

DIRECTORS

The Directors of Aristocrat Leisure Limited (the "Company") during the six months under review and up to the date of this report were:

DIRECTORS' PARTICULARS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Director	Experience	Special Responsibilities
	CURRENT DIRECTORS	
JP Ducker* AO, KCSG Age 71	Nominated July 1999; appointed as Non Executive Director effective October 1999. Former Politician and Trade Union Leader. (83,972 shares)	Non-executive Chair, Member of Audit Committee
JH Pascoe AO, BA, LLB (Hons) Age 54	Nominated June 2001; appointed as Non Executive Director effective December 2001. Chairman and former Managing Director of George Weston Foods Limited. Chairman of Sealcorp Limited, Managing Director of the Finance & Financial Services Practice of Phillips Fox (Solicitors). (160,494 shares)	Deputy Chair. Deputy Chair of Compensation and Nomination Committee
WM Baker BA Age 62	Nominated August 1998; appointed as Non Executive Director effective May 1999. Former Assistant Director of the FBI. Former President of the Motion Picture Association representing the major US film producers. Director, J. Edgar Hoover Foundation.	Chair of Regulatory Compliance Committee
AW Steelman BA, MA Age 61	Nominated August 1998; appointed as Non Executive Director effective May 1999. Management Consultant and former US Congressman. Chairman, Alexander Proudfoot Consulting Board of Advisers, Board Member, Texas Growth Fund.	Member of Compensation and Nomination Committee
DJ Simpson FCPA Age 63†	Nominated July 2003; Executive General Manager, Finance, Southcorp Holdings Limited, 1988 to 1995; Executive General Manager, Finance, Tabcorp Holdings Limited, 1995 to February 1999; Finance Director, Tabcorp, February 1999 until retirement in February 2003. (106,000 shares)	Chairman of Audit Committee†
	FORMER DIRECTORS	
DH Randall Age 56	Appointed Managing Director and Chief Executive Officer in July 1998. Former Chairman and Managing Director of NCR Australia Pty Ltd; former Chairman, South Pacific, AT&T. Employment as Chief Executive Officer and Director ceased on 4 April 2003. (3,611 shares)	Chief Executive Officer, Member of Compensation and Nomination Committee (until 4 April, 2003).
P Droney B Sc Age 53	Nominated July 1999; appointed as Non Executive Director effective October 1999. Computer Industry Executive. Joint Chief Executive Officer of Aspect Computing Pty Limited. Director of Brokenwood Wines Limited. Resigned as Director 15 April 2003.	Chair of Audit Committee (until 15 April, 2003).

*Mr. Ducker has announced his intention to retire as Chairman. † Subject to regulatory approvals being obtained.

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity in the six months under review were the design, development, manufacture and marketing of gaming machines, software, systems and other related equipment and services. Aristocrat's long-term objectives are to maintain a leading position in its traditional markets and diversify the Company's revenue base globally. There were no significant changes in the nature of those activities during the six months under review.

DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2003 of 3.0 cents per share ($13.8 million) has been declared and will be paid on 9 September 2003 to shareholders on the register at 5:00pm on 26 August 2003. The interim dividend will be fully franked and will be underwritten.

A final dividend of 6.5 cents per share ($29.7 million), as referred to in the Directors' Report dated 18 February 2003, was paid on 18 March 2003 in respect of the six months ended 31 December 2002. The total dividend paid in respect of 2002 was 12 cents per share.

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

INTRODUCTION

The last six months have been extremely challenging for the Company and its shareholders.

On 7 February 2003, the Company announced that it had encountered difficulties with a South American transaction and had decided not to recognise the revenue for reporting purposes. The Company also announced that it expected Net Profit After Tax ("NPAT") for the year ended 31 December 2002 to be $80.2 million, which was below the market consensus.

On 10 February 2003, the Company announced a full review of its North American and South American businesses was required "with particular reference to management and financial systems and risk assessment and controls". On 11 February 2003, a further announcement, quantifying aspects of the previous announcements, was made.

On 4 April 2002, the Board announced the departure of Desmond Randall, the CEO, and Lionel Jeyaraj, the CFO, and initiated a recruitment program for a new CEO, a new CFO and new non-executive directors.

On 15 April, 2003, at the Company's Annual General Meeting, John Ducker, the Chairman announced his intention to retire as Chairman and Peter Draney announced his decision to retire as a Director.

The Chairman stated that the Board was determined to take whatever steps were necessary to reinvigorate the Company and restore investor confidence so that the share price more appropriately reflected what the Board believed to be the true value of the Company.

On 27 May 2003, the Board announced that its review of the Company's global financial position indicated that revenue and profit levels would be less than previously expected. The Board stated, at that time, that it expected total revenues would be approximately 15% to 20% less than the corresponding period last year and that a loss of between $32 million and $37 million after tax was anticipated.

The Board also noted that there had been an unexpectedly strong downturn in gaming revenues in the Australian gaming industry and, as a result of the reduced industry spending associated with that downturn, the Company's Australian revenues were likely to be some 20–25% below the previous corresponding period.

NPAT for Australia, the Board stated, was likely to be some 30–35% below NPAT for the previous corresponding period.

It was also noted that state government responsible gambling policies in Australia, smoking restrictions and a general economic downturn and a decline in tourism had impacted significantly on the industry.

The Board believes that Aristocrat remains, fundamentally, a strong company and anticipates a significantly stronger result during the second half of the year than the result announced for the first half. The Company has a strong brand and reputation, excellent products and outstanding research and development expertise.

The Board expects to be able to build on this solid foundation to provide strong and recurring returns for the Company's shareholders.

FINANCIAL RESULTS

Revenue from Ordinary Activities

Revenue from Ordinary Activities for the six months ending 30 June 2003 was $392.6 million, 10.6% less than the revenue achieved for the six months ended 30 June 2002, $439.4 million.

Although segment revenue from the Americas fell by 37.3%, from $173.6 million to $108.8 million, and Australian segment revenue fell by 17.8%, from $174.8 million to $143.7 million, segment revenue from Japan increased by 72.5%, from $55.5 million to $95.7 million and segment revenue from New Zealand increased by 38.0%, from $17.8 million to $24.6 million.

Gross Profit from Sale of Goods

Gross Profit was $130.3 million compared to $200.0 million in 2002. Gross Profit as a percentage of revenue from sale of goods was 37.1%.

Research and Development

Research and Development expenditure decreased by 8.7% from $32.4 million to $29.6 million reflecting cost reductions in the Americas and a stronger Australian dollar.

Sales, Marketing, General and Administrative Expenses

Sales, Marketing, General and Administrative Expenses increased by 19.7% from $146.4 million to $175.3 million principally due to asset write downs, increased accounts receivables provisions in the Americas, higher Japanese agents' commissions and restructuring costs.

These restructuring costs do not include termination payments to the former CEO or CFO which are yet to be resolved.

The former CEO has commenced proceedings against the Company in this respect. These proceedings are being vigorously defended by the Company.

(Loss)/Profit from Ordinary Activities before Income Tax Expense

(Loss)/Profit from Ordinary Activities before Income Tax Expense for the period under review was ($43.6) million compared to $61.2 million for the corresponding period in 2002.

Income Tax Credit/(Expense)

The Income Tax Credit for the six months ended 30 June 2003 was $10.7 million compared with an expense of ($19.7) million in 2002.

(Loss)/Profit from Ordinary Activities after Income Tax Expense

(Loss)/Profit from Ordinary Activities after Income Tax Expense for the six months ended 30 June 2003 was ($32.9) million compared to $41.5 million achieved during the previous corresponding period.

OBJECTIVES

The objectives of the Company are to address the five key priorities identified by the Board as critical to the Company at this point.

The Company plans to:

- manage its growth responsibly;
- maintain its leading market position in Australia and New Zealand and become No.2 in the global installed market base for casino style gaming machines;
- grow its international revenue to 70% of total revenue;
- increase its recurring revenue and participation revenue to 20% of global revenue; and
- be profitable in all markets.

COMMENTARY ON GEOGRAPHIC SEGMENTS INTERNATIONAL

The Americas

North America

Although North American revenue declined by 11.7% in Australian dollar terms, revenue increased marginally, in local currency terms, compared to the corresponding period last year.

NORTH AMERICA	H1 2003 $m	H1 2002 $m
Segment Revenue*	120.3	136.2
Segment Contribution*	(12.0)	33.4

* Refer to Note 2 in Financial Statements

The reduced segment contribution results from the decrease in revenue, increased inventory and receivable provisions and restructuring costs incurred during the period.

The decrease in revenue was caused, primarily, by a fall in systems revenue offset, to some extent, by improved revenue from other products and services.

In response to the challenges arising from the events that occurred in February and March, the Company restructured the Americas business. Key actions taken included:

- the appointment of new senior management,
- strengthened financial and operational controls,
- an increased corporate head office role in operational and financial decision-making procedures in all markets,
- a new contract management program, reorganised sales remuneration priorities and structure,
- a new remuneration policy for senior executives aligned to Company goals, and
- a more realistic focus on sustainable growth in the North American market.

During the six months ending 30 June 2003, Aristocrat managed its overall U.S. head count down by over 11% from 584 employees at December 31, 2002 to 521 employees at the end of June 2003.

The Company's MK.VI slot platform was approved in GLI jurisdictions in September 2002, in Nevada in October 2002 and in New Jersey in May 2003. The MK.VI is now offered for sale in twenty-five States and has opened up a significant number of new business and replacement opportunities.

MK.VI games have been producing average win-per-day results of up to, and often beyond, twice the floor average in most venues. Aristocrat's broad range of multi-line "penny slots" proved particularly successful during the half.

Aristocrat continued to refine its *OASIS™* casino management system during the six months under review and to develop new systems products to meet market demands. These include the next generation casino management system modules, enhancements to its cashless technology and new mobile hand-held technologies and applications.

Personal Banker™, a card-based credit transfer (Electronic Funds Transfer) module, is currently on field trial in Nevada.

Aristocrat's ticket-in/ticket-out technology – Quickets™ – is now approved in Nevada, all U.S. GLI jurisdictions and New Jersey.

Aristocrat continued to improve its recurring revenue installed base with the release of a second local-area progressive Hyperlink™ product. These products are typically placed on casino floors in exchange for a percentage of the amount wagered or a fixed fee per day.

The installed base of recurring revenue products in the U.S. grew by 59.6% from 1148 units in December 2002 to 1832 units by the end of June 2003, reflecting growing operator and player demand.

Participation recurring revenue now comprises 8.6% of total North American revenues up from 6.5% during the corresponding period in 2002.

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

The primary area for growth is the replacement market in existing casinos. Many gaming operators are replacing older gaming machines more frequently than has previously been the case. Other key potential growth areas are emerging gaming jurisdictions, new casinos in established gaming markets and existing casinos that are expanding their gaming floors.

Gaming is a popular entertainment activity in the United States. According to the American Gaming Association, roughly a quarter of the U.S. population over 21 visited one or more of the 432 casinos operating in 11 states in the United States during 2002.

Several of the eleven states reported significant growth in gross gaming revenues during 2002. In Missouri, gross gaming revenues grew by 18% year on year. In Indiana, gross gaming revenues grew by 16% and in Colorado, gross gaming revenues grew by 14%. In South Dakota, gross gaming revenues grew by 13%. In both Louisiana and Michigan, gross gaming revenues grew by 10% and in Iowa, gross gaming revenues grew by 5%. Gross gaming revenues remained stable in Illinois, Mississippi and New Jersey.

However, gaming taxes also increased during the year.

Each of the eleven states where commercial casinos are allowed was reported by the American Gaming Association to have increased gaming taxes during 2002, increases ranging from 1% (Nevada) to 20% (Illinois).

Through the Company's license agreement with Sierra Design Group (SDG), by which Aristocrat places its games on SDG's video lottery platform, Aristocrat will continue to grow its presence in both established "central determination" markets, particularly Washington, and emerging "central determination" markets (the first game installations in New York are expected during the second half of 2003).

Aristocrat also expects to expand its SDG relationship into a number of new Class II markets, including Oklahoma and Florida, during the second half of 2003.

The Company expects its North American business to improve during the second half due to a planned aggressive product release and marketing strategy for the half, improving leverage from existing game performance, its research and development strength, the Company's strong product portfolio, and continuing strong demand for gaming products in North America.

The opportunity to expand in North America remains a very real one.

South America

South American revenue declined during the period under review as the Company adopted a more conservative business model for the region, electing primarily to sell rebuilt equipment on the basis of contracts supported by enforceable guarantees.

SOUTH AMERICA	H1 2003 $m	H1 2002 $m
Segment Revenue*	(11.4)	37.5
Segment Contribution*	(25.3)	11.4

* Refer to Note 2 in Financial Statements

South American receivables amount to $58.6 million, as of 30 June 2003, of which $22.0 million represents deferred revenue that the Company expects to receive over contracts of varying terms (generally between 3 and 5 years in duration).

Significant progress was made in relation to the South American contract that gave rise to the announcement made by the Company on 7 February.

The Company announced to the market on 5 August, 2003 that it had signed a settlement agreement with a Columbian customer. The full cost of the settlement has been provided for in the Financial Statements.

Aristocrat retains confidence in the South American market and values its continuing relationships with its South American customers.

Japan

Aristocrat Japan had an excellent first half. Revenue increased by 72.5% compared to the first half in 2002.

JAPAN	H1 2003 $m	H1 2002 $m
Segment Revenue*	95.7	55.5
Segment Contribution*	16.6	10.6

* Refer to Note 2 in Financial Statements.

The pachislo market in Japan remains a strong and growing one. The installed base of pachislo machines in Japan increased by 11.0% from 1,459,233 machines in 2001 to 1,620,370 machines in 2002 while the installed base of pachinko machines decreased by 3.6% from 3,321,391 machines in 2001 to 3,202,857 machines in 2002.

Kyojin-No-Hoshi™ ("Star of Giants"), Aristocrat's pachislo game based on a popular Japanese manga cartoon (itself based on a famous Tokyo baseball team) has continued to sell well, months after its release at the Tokyo Pachinko Pachislo Industrial Trade fair in September 2002. By Japanese standards, this game has performed exceptionally well. Most pachislo games in Japan have a life cycle limited to 3 months or less. Aristocrat Japan plans to launch a derivative of this game during the second half to capitalise on the success of the product.

During the six months under review, the Company's game design team developed a number of new games including *Mahha- go*

– *go go*™, a three reel pachislo game featuring an innovative liquid crystal display screen (to be launched during the second half of 2003) which drives game navigation.

The Company's relationship with Sammy Corporation remains of great importance to Aristocrat's future in Japan and the two Companies are currently exploring additional joint opportunities within and external to Japan.

Sammy Corporation continues, under the existing Manufacturing Entrustment Agreement, to integrate all new Aristocrat machines in the market and fully supports Aristocrat Japan's activities throughout the half.

Strong focus on inventory levels achieved an excellent improvement during the first half and it is expected that this will continue for the rest of the year.

The principal challenge faced by the Company in Japan is the task of producing high quality innovative games in time for each of the four annual selling periods – roughly the middle of each calendar quarter.

New Zealand

Despite challenging market conditions, Aristocrat New Zealand performed exceptionally well and maintained its position as the holder of the largest market share of the installed base of gaming machines in New Zealand for the half year.

NEW ZEALAND	H1 2003 $m	H1 2002 $m
Segment Revenue*	24.6	17.8
Segment Contribution*	9.5	5.9

* Refer to Note 2 in Financial Statements.

Revenue increased by 38.0% compared to the first half in 2002. Unit sales were up by over 39.4% during the period. Service revenue improved by 32.0% half on half. We estimate that Aristocrat services over 55.0% of the regularly serviced electronic gaming machines in New Zealand.

The installed base of gaming machines is growing at the slowest rate for three years due to the Responsible Gambling Bill, first introduced to Parliament in February 2002, but not passed as at 30 June 2003.

The **Responsible Gaming Bill** (which may be passed as The Gambling Act, 2003) is expected to be passed during the second half of 2003. If passed in its current form, new gaming sites will be limited to a maximum of nine machines (down from eighteen) and new sites will be subject to a community veto requirement. The *"Territorial Local Authority"* is likely to be required to consider the "social impact of gaming" in exercising this right.

In addition, bank note acceptors may be prohibited in new machines (although the industry is hopeful that this will not occur). The Bill is also likely to require an electronic monitoring system for all non-casino machines to be installed country-wide within three and a half years.

The **Smoke Free Environments (Enhanced Protection) Amendment Bill** is another Bill likely to impact adversely on the gaming industry in New Zealand. This Bill has now been reviewed by the Parliamentary Health Committee which has recommended that smoking be banned outright in indoor areas of licensed premises (bars and pubs), cafes and restaurants, casinos and *"gaming machine venues and clubs that are licensed to serve alcohol"*.

The Health Committee observed in its report to Parliament that *"this will make all indoor areas of hospitality venues smoke-free"*. Separately ventilated smoking rooms were considered and have been rejected. It was recommended that smoking should be permitted in *"open areas such as beer gardens or decks"*. Individual smokers will be fined up to $400 for each infringement under the recommended new offence regime. It has been recommended that the new provisions come into effect 12 months after the Bill receives Royal Assent.

Aristocrat Technologies New Zealand continues to maintain the casino systems at all six New Zealand casinos. *Hyperlink*™ is continuing to prove an outstanding success. *Mr. Cashman*™, which was approved for installation in casinos, pubs and clubs during the half, appears to be performing well.

Aristocrat remains confident of maintaining and enhancing its position as the leading supplier of gaming solutions in New Zealand in the second half.

Other Regions

Although segment contribution from other regions declined, half on half, segment revenue improved, principally due to European sales during the period under review.

OTHER REGIONS	H1 2003 $m	H1 2002 $m
Segment Revenue*	17.8	16.1
Segment Contribution*	2.2	2.9

* Refer to Note 2 in Financial Statements.

(a) Asia Pacific

Aristocrat's Asia Pacific business was impacted by the the war in Iraq and the Severe Acute Respiratory Syndrome ("SARS") virus, which together significantly reduced visits to major gaming venues in the region.

Several cruise ships were redeployed to different home ports as a result of the outbreak. The *SuperStar Virgo*, owned by Malaysia's Star Cruises, has been moved to a customs and quarantine centre at the Western Anchorage, off Sisters' Island, a few kilometres south of Singapore. The *Superstar Leo* and the *Superstar Virgo* cruise vessels were re-deployed to Sydney and Perth in April due to SARS.

In Malaysia, a customer operating a number of clubs in the region purchased 60 *Mr. Cashman*™ units to compete with existing machines and has reported that they are performing particularly well. Malaysian clubs are, generally, licensed to a maximum of 15 machines.

However, Genting Highlands Casino and

most other major gaming venues in South East Asia either reduced their purchases of gaming products and services or placed orders 'on hold' in response to declining visitation.

Notwithstanding SARS, the Company performed well in the Philippines during the first half. Further *Hyperlink™* and *Mr. Cashman™* installations were sold and continue to perform exceptionally well.

Aristocrat is continuing to monitor developments in Macau. Macau may become the premier gaming destination for South East Asia as the three concessionaires are each planning multiple casinos. A number of these are likely to be Las Vegas style casinos with themed attractions and restaurants. These casinos will cater for customers both from mainland China and from the rest of the world. Aristocrat is actively pursuing a number of opportunities in Macau.

(b) South Africa

Aristocrat Africa reported an excellent first half.

Sales were driven by a continuing movement in installed base mix from stepper to video spinning reel games.

A highlight of the period under review was the conclusion of a three year strategic supply agreement with the Tsogo Sun Group which saw Aristocrat capture two-thirds of the 2003 capital expenditure budget to supply gaming machines to four of the Tsogo Sun Group's five South African casinos.

In March 2003, Aristocrat installed its first Limited Payout machines as part of a pilot phase which preceded the launch of the industry in the Mpumalanga jurisdiction. The official launch took place on 20 June 2003.

Revenues from this segment of the market are unlikely to start flowing until 2004.

Aristocrat is strategically very well positioned for the new Limited Payout market, offering the only certified limited payout video spinning reel games and the ability to leverage strong game content and volumes of refurbished gaming machines from Australia for introduction into South Africa.

In May 2003 the Western Cape Gambling Board called for bidders for the three, one thousand machine route operator licenses. Bids are required for submission on or before the 15 August 2003.

It appears likely that this market will open for trade in April 2004. The Mpumalanga experience is of critical importance to Aristocrat's understanding of this new market segment.

Aristocrat also focused on growing its business in other African markets. Aristocrat machines are currently the best performing in Mauritius, Botswana, Namibia, Lesotho and Swaziland.

The first Aristocrat Hyperlink machines will be supplied to Egypt in July 2003. Other markets under review include Tanzania, Kenya and Madagascar and machines are expected to be delivered to these markets (in relatively small quantities) during the second half of 2003.

(c) Europe

Aristocrat Europe reported an excellent first half in revenue terms.

The Company has continued to increase its presence in central and eastern Europe while continuing to perform well in established markets. Sales to the Russian Federation during the first half were promising and are likely to strengthen.

In January 2003, Aristocrat launched *XCite™* at the International Casino Exhibition ("ICE"), in London. *XCite™* machines were subsequently sold to gaming venues in Germany, Holland, Italy, Latvia and the Russian Federation.

Cash Express™ continues to be highly successful in Europe with installations in Holland, Germany, Russia, Italy, Latvia, Isle of Man and Gibraltar.

Holland Casinos have ordered further *Cash Express™* banks following the strong performance of *Cash Express™* in its casinos, where the product has continued to significantly out perform floor averages and has achieved close to a 100% occupancy rate.

The *MVP™* platform has continued to perform well across the jurisdictions in central and eastern Europe and has continued to be sold in European markets during the roll out of the *XCite™* platform. *ReelPower™* games have proven to be very popular in Europe since being introduced in the *MVP™* and *XCite™* platforms.

Australia

Although the market for Aristocrat's products was adversely impacted by the downturn in gaming that occurred throughout Australia during the first half of 2003, Aristocrat nevertheless maintained its market position as the leading supplier of gaming solutions in Australia.

AUSTRALIA	H1 2003 $m	H1 2002 $m
Segment Revenue* ¥	143.7	174.8
Segment Contribution*	36.9	54.9

* Refer to Note 2 in Financial Statements
¥ Australian Segment Revenue includes inter-segment eliminations originating from Australia and eliminated under consolidation principles.

Revenues fell in virtually every jurisdiction as a number of regulatory and legislative developments impacted on the industry which responded by cutting costs including orders for new machines, replacement machines, retrofits (machine upgrades), conversions (new games), systems and service.

Although revenues fell, Aristocrat either maintained or enhanced its position as the leading supplier in virtually every jurisdiction by achieving a larger share of total expenditure on gaming solutions than any other supplier.

In New South Wales, Australia's largest market, the industry continued to be adversely effected by a range of new restrictions on venue operations including a mandatory three-hour daily shutdown period (which became a mandatory six-hour daily shutdown

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

period on 1 May 2003), the rigorous new social impact assessment ("SIA") process, a ban on gaming machine advertising and game design restrictions.

The SIA process prevents any hotel and club in New South Wales from installing more than four gaming machines during each three-year period, unless a rigorous and expensive "class 2 SIA" application is provided to and approved by the Board.

According to the NSW Department of Gaming and Racing website, between 27 March 2002 and 8 May 2003 (nearly fourteen months), 46 "class 2 SIA" applications had been lodged, covering approximately 1,800 machines.

However, as of 9 May, 2003, not one of the 46 "class 2 SIA" applications had been approved.

As of the end of 2002, the total number of gaming devices in NSW declined from 100,755, at the beginning of that year, to 99,376 at the end of the year, a reduction of 1,379 machines (1.37%).

The "Overall State Cap" prescribed by Section 10 of the *Gaming Machines Act, 2002* is 104,000 machines.

Thirty new gaming products were released in New South Wales during the half including the successful *Jackpot Deluxe™, Whales of Cash™, Wild Ways™, Silver and Gold™* and *Thai Princess™*.

Delays in the approval of key products contributed to the decline in New South Wales revenue. *Jackpot Deluxe™* was approved in May 2003, eight months after its submission.

The New South Wales gaming industry was also impacted by concerns over the possibility of greater smoking restrictions in hotels and clubs and increased club and hotel duty charges announced by the NSW Government in June 2003.

In Victoria, the *Tobacco (Miscellaneous Amendments) Act, 2002*, which came into effect on 2 September 2002, required "smoke free" gaming machine areas in licensed venues with single gaming areas and required gaming venues with more than one gaming machine area to 'designate' one area 'smoke free'.

Smoking was prohibited on the main gaming floor of Crown Casino.

These restrictions impacted significantly on the gaming revenue of Victorian operators.

On 5 March 2003, Crown Casino announced to the market that *"the introduction of smoking bans in Victoria on 1 September reduced gaming machine revenue by 1.7% over the comparable period for the previous year (1 September to 31 December). Prior to the ban, Crown's gaming machine revenue was growing in excess of GDP year on year."*

On 15 May 2003, Tabcorp announced that *"TABCORP net revenue for the 10 months to 30 April 2003, was 1.6% lower than for the same period last year. This can largely be attributed to the impact of smoking bans on the performance of our Gaming Division…the smoking bans in gaming rooms that were introduced on 1 September 2002 in Victoria, continue to impact the performance of the Gaming Division. Revenue for the four months to 30 April 2003 was down 12.8% relative to the prior comparative period, resulting in revenue for the 10 months to 30 April being down 6.4%."*

On 20 May 2003, Tattersall's was reported to have suffered an average monthly decline in gaming revenue of 8.6 per cent since the smoking restrictions came into effect.

Although Aristocrat maintained its position as the leading supplier to Victorian operators, revenue from Victoria fell significantly as operators cut costs - including purchases of gaming products.

In Tasmania, the Company strengthened its position as the leading supplier of gaming products.

In Queensland, only five new games were approved for release during the four months ended April, 2003 and a further five games were approved for release in May/June.

Purchases by Jupiters casinos in Queensland were placed on hold by Jupiters pending completion of the merger of Jupiters and Tabcorp.

Legislative restrictions on new game approvals impacted severely on sales in South Australia as the Company elected not to submit new games for approval through the approval process (which requires public hearings and the commissioning of expert evidence on whether particular games 'exacerbate problem gambling').

In Western Australia, the Company's innovative *Crazy Balls™* and *Arishenko™* products performed exceptionally well at Burswood casino. These new "ball" games comprise entirely new game concepts similar to pinball machines and pachinko machines respectively. *Crazy Balls™* and *Arishenko™* are scheduled to be rolled out throughout Australia during 2003/2004. Aristocrat now holds the largest share of the floor space at Burswood Casino.

Systems

The systems business in Australia and New Zealand was impacted by the general decline in gaming revenue and by uncertainty over further legislative reform. Aristocrat remains the leading provider of gaming systems in Australia and New Zealand.

Services

Aristocrat Technical Services (ATS) launched its Field Management System™ (FMS) during the first half. This innovative hardware and software solution automates service data capture enhancing the efficiency and effectiveness of service technicians in the field by significantly reducing the administration burden thereby enabling them to increase their 'face to face' customer contact time.

Manufacturing

Aristocrat's manufacturing plant at Rosebery, New South Wales continued to improve its performance during the six months under review. Safety and rehabilitation programmes have reduced the incidence of injuries, promoted faster rehabilitation for those injured and reduced Workers Compensation insurance costs.

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

LOOKING FORWARD

The lessons learned from events in the United States, South America and Australia have resulted in appropriate remedial action and Aristocrat is now focusing on continuing to build its global businesses. Aristocrat has three important key business strengths.

- Aristocrat's products are very attractive to its global customers who recognise the outstanding entertainment value created by Aristocrat's highly skilled research and development teams.
- Aristocrat operates and trades in over 55 countries which provides it with the ability to both exploit a wide range of opportunities as they emerge and to weather the ebb and flow of economic conditions in its various markets.
- Aristocrat is a low cost producer of the products and services it supplies which enables it to achieve attractive margins in all markets.

From this strong business base, the Company believes it will achieve its strategic goals.

However, in two of the Company's core markets, Australia and New Zealand, a broad range of 'responsible gaming' measures have been introduced and have impacted on the gaming industry; further similar measures are being contemplated in virtually all Australian jurisdictions and in New Zealand. In this environment it is hard to predict the immediate outlook. Growth in these mature markets has slowed significantly as far as new machine orders are concerned. Aristocrat has, however, either maintained or enhanced its market leadership in virtually every Australian jurisdiction and in New Zealand, which have each become replacement, upgrade and conversion markets rather than new machine sales markets.

Outside Australia and New Zealand, a broad range of growth opportunities continue to emerge as governments around the world continue to introduce or expand gaming operations as a means of generating additional revenue. This is evident across the United States of America, across Europe (where the industry is excited about pending reforms in the United Kingdom), throughout South America and, increasingly, in Asia.

Overall, our strategy in recent years of developing a more balanced geographic spread of businesses, products, services and markets will help to cushion Aristocrat from the softness of its core markets in Australia and New Zealand. That balanced approach provides Aristocrat with a wider spectrum of viable expansion avenues to consider.

The Board is optimistic about the medium and long-term prospects for growth in earnings of Aristocrat. Despite the difficulties of the first half and a challenging trading environment in Australia and New Zealand, the depth of our management talent and commitment of our employees continue to underpin the success of the Company.

The Company is committed to grow its businesses by investing free cash flows in new opportunities allied with our existing operations.

Commitments for Future Performance

Aristocrat's principal expenditure for future performance during the first half of 2003 has been in research and development and in logistics. Research and development expenditure during the half was $29.6 million, 8.7% less than research and development expenditure for the corresponding period last year. This was due to cost reductions in the Americas and a stronger Australian dollar.

The Company's research and development teams, based in Rosebery, New South Wales, Las Vegas, Nevada and Tokyo, Japan are the principal vehicle through which the Company invests in future performance.

Investment in logistics management continued to be a major focus during the half. The Company is continuing to improve operations in new jurisdictions through the efficient organisation of warehousing, transportation, supply chains and third parties.

Factors Affecting Future Performance

Aristocrat's strategy is to pursue global opportunities in appropriately regulated jurisdictions. This involves operating in countries where the language, culture and business practices are different from Australia. This may cause the Company to experience costs or delays in implementing business plans in conformity with local business practices.

Although Aristocrat believes that its expectations as to future performance as set out in this document are reasonable in all respects, actual performance could be materially different from expectations.

Aristocrat's future financial condition and the results of operations are subject to the factors outlined above and other changes, risks and uncertainties including:

(i) a reduction in demand for Aristocrat's products,

(ii) a decline in the growth rate of specific markets,

(iii) reduced levels of gaming arising from changes in sentiment due to events such as threats of war, terrorist attacks or adverse economic conditions,

(iv) a decline in the public acceptance of gaming,

(v) fluctuations in exchange rates and interest rates,

(vi) regulatory risks including unfavourable legislation and/or regulations and adverse determinations by regulatory authorities,

(vii) industrial disputation, and

(viii) intellectual property risks.

OTHER MATTERS

Performance Indicators

Each division of the Company is subject to specific internal performance benchmarks as part of the annual and strategic planning process and its performance is evaluated by reference to these performance measures. These performance measures are designed to ensure that accurate numerical measures of

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

the degree to which each division is achieving the objectives it is tasked to achieve are recorded and regularly scrutinised by management.

The Company does not disclose budgetary targets or performance measures as disclosure is considered prejudicial to the Company's commercial interests.

Human Resources

Aristocrat employed 2,066 full time and part time staff around the world as of 30 June 2003. The Company has an ongoing commitment to the development of all staff to better enable them to meet the needs of Aristocrat's customers. Development activities in this period have included customer training for sales and service employees, supervisory and management workshops and the deployment of *Evolve™*, an on-line, global learning and development system. Evolve™ provides employees with electronic access to a range of skills courses and career development tools and allows staff to have a more direct involvement in managing their own development. The Company has also continued the philosophy of employees as shareholders through the ongoing operation of the general employee share plan, which ensures that virtually every employee around the globe is a shareholder.

Capital Structure

There was no significant change to the Company's capital structure during the first half of 2003 other than the issue of 3,017,962 shares on 18 March 2003 pursuant to the Company's Dividend Reinvestment Plan and the issue of 8,358 shares (on 11 March 2003) and 1,173,441 shares (on 23 May 2003) pursuant to the Company's General Employee Share Plan.

Treasury Policy and Foreign Exchange Policy

Aristocrat is exposed to the risk of exchange rate movements on overseas earnings, on its investment in its non-Australian operations and on its obligations to bond holders. The Company minimises its foreign currency holdings and maintains appropriate hedging arrangements in relation to any significant foreign currency exposures identified from time to time. The Company does not speculate in foreign exchange or derivatives markets or instruments.

Cash from Operations and Other Sources of Cash

Cash flows from operating activities during the six months ended 30 June 2003 amounted to $33.0 million, 22.0% less than the $42.4 million reported for the corresponding period last year. The decrease in cash flows resulted from increased payments to suppliers.

Credit Rating

On 28 May 2003, *Standard and Poor's®* announced that it had lowered both its corporate credit ratings on the Company and its debt rating on the Company's US$130 million convertible subordinated bond and $200 million revolving bank facility from 'BBB-' to 'BB' stating that the outlook remains negative *"reflecting Standard & Poor's concern that Aristocrat is vulnerable while in a period of operational and management transition"*.

Risk Management

The Company's Workers Compensation, rehabilitation and occupational health and safety arrangements are effective in minimising operating costs. A Risk Review Committee meets regularly to review perceived risks and costs. The Company protects itself from intellectual property risks through an intellectual property protection program. The Company is subject to the requirements of a number of regulatory regimes and, through its compliance officers, maintains close contact with regulators and carefully monitors all developments to ensure that its regulatory obligations are complied with. The Company's insurance policies were renewed during the year and cover the Company for the risks, which the Company has identified, on the basis of its external advice, as risks that should be covered.

Contingent Liability

Desmond Randall

Desmond Randall has commenced an action against the Company claiming damages and other relief. It is being vigorously opposed by the Company which has filed a cross claim against Mr. Randall.

Related Party Disclosures

John Pascoe, Deputy Chairman is Managing Director of the Finance & Financial Services Practice of Phillips Fox (Solicitors) but is not a principal or partner of the firm and does not participate in profits. Phillips Fox has acted for the Company in relation to a number of employment-related matters under normal commercial terms. The amount paid was $0.2 million.

John Ducker, Chairman was a Director of Edelman Public Relations Limited ("Edelman") during the half. Edelman was paid $0.2 million for services to the Company on normal commercial terms and conditions during the half, of which $0.1 million was provided for in the accounts for the year ended 31 December, 2002.

Continuous Disclosure

Aristocrat is committed to the adequate and timely disclosure of market sensitive information and has strengthened internal controls to ensure that such information is released promptly and accurately to the market in accordance with the Australian Stock Exchange Listing Rules and guidance rules.

Directors' Report

FOR THE SIX MONTHS ENDED 30 JUNE, 2003

SIGNIFICANT CHANGES DURING THE SIX MONTHS ENDED 30 JUNE 2003

Except as outlined elsewhere in this report, there were no significant changes in the state of affairs of the Company during the six months ended 30 June 2003.

SIGNIFICANT MATTERS SUBSEQUENT TO 30 JUNE, 2003

To the best of their knowledge, other than as set out in Note 10 to the financial statements, the Directors are not aware of any matter or circumstance that has arisen since 31 December 2002 that has significantly affected or may significantly affect:

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

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

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

LIKELY DEVELOPMENTS IN FUTURE FINANCIAL YEARS AND EXPECTED RESULTS

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

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report 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.

John Ducker

John Ducker
Director

12 August 2003

Financials

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

Contents

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcements made by Aristocrat Leisure Limited during the interim reporting in accordance with the continuous disclosure requirements of the Corporations Act 2001

Consolidated statement of financial performance

FOR THE HALF YEAR ENDED 30 JUNE, 2003

	Notes	30 June 2003 $'000	30 June 2002 $'000
Revenues from sale of goods	3	351,371	390,275
Cost of sales		(221,062)	(190,310)
Gross profit		130,309	199,965
Revenue from services	3	36,422	46,654
Other revenues from ordinary activities	3	4,798	2,438
Research and development		(29,586)	(32,423)
Sales, marketing, services and distribution		(111,836)	(91,886)
General and administration		(63,440)	(54,538)
Borrowing costs		(10,221)	(9,018)
(Loss)/profit from ordinary activities before income tax expense		(43,554)	61,192
Income tax credit/(expense)	5	10,667	(19,682)
(Loss)/profit from ordinary activities after income tax expense		(32,887)	41,510
Net loss attributable to outside equity interest		–	108
Net (loss)/profit attributable to members of Aristocrat Leisure Limited		(32,887)	41,618
Net increase (decrease) in foreign currency translation reserve		(1,956)	7,276
Adjustment resulting from change in accounting policy for employee entitlements	1	(354)	–
Total revenue, expenses and valuation adjustments attributable to members of Aristocrat Leisure Limited recognised directly in equity		(2,310)	7,276
Total changes in equity attributable to members of Aristocrat Leisure Limited other than those resulting from transactions with owners as owners		(35,197)	48,894
		Cents	Cents
Basic earnings per share	9	(7.2)	9.2
Diluted earnings per share	9	(7.2)	9.1

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

Consolidated statement of financial position

FOR THE HALF YEAR ENDED 30 JUNE, 2003

	30 June 2003 $'000	31 December 2002 $'000
Current assets		
Cash assets	88,648	70,291
Receivables	205,310	338,648
Inventories	125,730	206,064
Other financial assets	13,152	29,503
Tax assets	22,241	–
Total current assets	455,081	644,506
Non-current assets		
Receivables	48,538	79,137
Inventories	510	1,108
Investments	16,130	19,040
Property, plant and equipment	126,401	135,010
Deferred tax assets	45,219	37,145
Intangible assets	244,884	254,601
Total non-current assets	481,682	526,041
Total assets	936,763	1,170,547
Current liabilities		
Payables	139,031	295,106
Interest bearing liabilities	98,350	8,856
Current tax liabilities	12,911	9,240
Provisions	20,274	50,271
Total current liabilities	270,566	363,473

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

	30 June 2003 $'000	31 December 2002 $'000
Non-current liabilities		
Interest bearing liabilities	247,518	353,522
Provisions	5,160	5,340
Other	45,451	50,151
Total non-current liabilities	298,129	409,013
Total liabilities	568,695	772,486
Net assets	368,068	398,061
Equity		
Contributed equity	251,182	246,020
Reserves	6,878	8,834
Retained profits	110,008	143,207
Total equity	368,068	398,061

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

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 30 JUNE, 2003

	Notes	30 June 2003 $'000	30 June 2002 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		562,974	429,162
Payments to suppliers and employees (inclusive of goods and services tax)		(520,204)	(352,871)
		42,770	76,291
Interest received		2,071	1,238
Other revenue		994	182
Borrowing costs		(10,378)	(9,144)
Income taxes paid		(2,435)	(26,204)
Net cash inflow from operating activities		33,022	42,363
Cash flows from investing activities			
Payments for property, plant and equipment		(15,246)	(22,380)
Payments for investments		–	(300)
Proceeds from sale of property, plant and equipment		1,733	734
Net cash outflow from investing activities		(13,513)	(21,946)
Cash flows from financing activities			
Proceeds from issues of shares		–	3,299
Proceeds from borrowings		66,099	69,937
Repayment of borrowings		(32,000)	(40,000)
Dividends paid	6	(24,496)	(33,896)
Repayment of lease liabilities		(1,660)	(2,757)
Net cash inflow (outflow) from financing activities		7,943	(3,417)
Net increase in cash held		27,452	17,000
Cash at the beginning of the reporting period		70,291	15,024
Effects of exchange rate changes on cash		(9,095)	(212)
Cash at the end of the reporting period		88,648	31,812

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

Notes to the consolidated financial statements

30 JUNE, 2003

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended June 30, 2003 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcements made by Aristocrat Leisure Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Where appropriate, comparative figures have been reclassified to enhance comparability.

Change in accounting policy for providing for dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the half-year but not distributed at balance date.

The above policy was adopted with effect from 1 January 2003 to comply with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*. In previous periods, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the period and the completion of the financial report.

An adjustment of $29,700,000 was made against the consolidated retained profits at the beginning of the half-year to reverse the amount provided at 31 December 2002 for the proposed final dividend for the year ended on that date that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the half-year by $29,700,000 with corresponding increases in consolidated net assets, retained profits, total equity and total dividends provided for or paid during the during the current interim period.

The restatements of consolidated retained profits, total dividends provided for or paid during the half-year and current provisions set out on page 33 show the information that would have been disclosed had the new accounting policy always been applied.

Notes to the consolidated financial statements

30 JUNE, 2003

Note 1. Basis of preparation of half-year financial report (continued)

Change in accounting policy for providing for employee benefits

The consolidated entity has applied the revised AASB 1028 *Employee Benefits* for the first time from 1 January 2003 which has resulted in a change in accounting policy for the measurement of employee benefit liabilities. Previously, the Consolidated Entity measured the provision for employee benefits based on remuneration rates at the date of recognition of liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled.

The revised policy had no effect on prior year numbers but did have the impact of decreasing retained profits by $354,000. Current provisions as at 30 June 2003 have also increased by $354,000 as a result of the change in accounting policy.

	30 June 2003 $'000 (Restated)	31 December 2002 $'000 (Restated)
Restatement of retained profits		
Previously reported retained profits at the end of the previous financial year	143,207	117,735
Change in accounting policy for providing for dividends	29,700	33,843
Restated retained profits at the beginning of the period	172,907	151,578
Net profit attributable to members of Aristocrat Leisure Limited	(32,887)	80,203
Change in accounting policy for providing for employee benefits	(354)	-
Total available for appropriation	139,666	231,781
Dividends provided for or paid	(29,658)	(58,874)
Restated retained profits at the end of the period	110,008	172,907
Restatement of total dividends provided for or paid		
Previously reported total dividends provided for or paid during the period	29,658	54,731
Adjustment for change in accounting policy	-	4,143
Restated total dividends provided for or paid during the period	29,658	58,874
Restatement of current liabilities – provisions		
Previously reported carrying amount at the end of the period	20,274	50,271
Adjustment for change in accounting policies	-	(29,346)
Restated carrying amount at the end of the period	20,274	20,925

Notes to the consolidated financial statements

30 JUNE, 2003

Note 2. Segment information

Primary reporting – geographical segments

	Australia $'000	North America $'000	South America $'000	Japan $'000	New Zealand $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
HALF YEAR 2003								
Sales to external customers	142,083	120,102	(11,442)	95,687	23,711	17,652	–	387,793
Intersegment sales	34,306	–	–	–	–	–	(34,306)	–
Total sales revenue	176,389	120,102	(11,442)	95,687	23,711	17,652	(34,306)	387,793
Other revenue (excluding interest)	1,568	176	–	7	875	101	–	2,727
Total segment revenue (excluding interest)	177,957	120,278	(11,442)	95,694	24,586	17,753	(34,306)	390,520
Interest income								2,071
Total consolidated revenue								392,591
Segment result	(31,986)	(9,684)	(3,087)	8,171	711	(4)	475	(35,404)
Net interest gain/(loss)								(8,150)
Profit from ordinary activities before income tax expense								(43,554)
Income tax expense								10,667
Net profit								(32,887)
Segment contribution profit	36,870	(12,001)	(25,340)	16,552	9,470	2,184	(63,139)	(35,404)

	Australia $'000	North America $'000	South America $'000	Japan $'000	New Zealand $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
HALF YEAR 2002								
Sales to external customers	174,008	136,110	37,464	55,462	17,783	16,102	–	436,929
Intersegment sales	50,614	–	–	–	–	–	(50,614)	–
Total sales revenue	224,622	136,110	37,464	55,462	17,783	16,102	(50,614)	436,929
Other revenue (excluding interest)	758	67	–	15	27	20	–	887
Total segment revenue (excluding interest)	225,380	136,177	37,464	55,477	17,810	16,122	(50,614)	437,816
Interest income								1,551
Total consolidated revenue								439,367
Segment result	42,977	16,143	1,873	5,447	577	1,642	–	68,659
Net interest gain/(loss)								(7,467)
Profit from ordinary activities before income tax expense								61,192
Income tax expense								(19,682)
Profit from ordinary activities after income tax expense								41,510
Outside equity interest in operating profit after income tax								108
Net profit								41,618
Segment contribution profit	54,873	33,360	11,355	10,640	5,850	2,906	(50,325)	68,659

Note 3. Revenue

	30 June 2003 $'000	30 June 2002 $'000
Revenue from operating activities		
Sale of goods	337,031	390,275
Licence fees	14,340	–
Services	36,422	46,654
	387,793	436,929
Revenue from outside the operating activities		
Interest	2,071	1,551
Sale of property, plant and equipment	1,733	734
Other revenue	994	153
	4,798	2,438
Revenue from ordinary activities	392,591	439,367

Note 4. Profit from ordinary activities

Net gains and expenses

Profit from ordinary activities before income tax includes the following specific net gains and expenses which, together with other disclosures in this report, are relevant in explaining the financial performance for the period:

	30 June 2003 $'000	30 June 2002 $'000
Net gains		
Licence fees	14,340	–
Expenses		
Write down of intellectual property rights to recoverable amount	7,405	–
Write down of intangible assets to recoverable amount	2,089	–
Inventory obsolescence	18,127	562
Contractual amendments	7,130	–
Redundancy costs	4,247	467

Note 5. Income tax

	30 June 2003 $'000	30 June 2002 $'000
Income tax expense		
The income tax expenses for the period differ from the amount calculated on the (loss)/profit. The differences are reconciled as follows:		
(Loss)/profit from ordinary activities before income tax expense	(43,554)	61,192
Income tax (credit)/expense calculated @ 30%	(13,066)	18,358
Tax effect of permanent differences:		
– Non deductible amortisation	2,214	2,373
– Effect of higher rates of tax on overseas income	214	1,281
– Other items	1,510	575
– Research and development claim	(1,194)	(1,482)
Income tax adjusted for permanent differences	(10,322)	21,105
Under/(over) provision in prior year	(345)	(1,423)
Income tax (credit)/expense	(10,667)	19,682

Tax consolidation

At the date of this report the Directors have not yet made any decision relating to the implementation date of tax consolidation. The likely operative dates for tax consolidation would appear to be 1 January 2003 or 1 January 2004 to avail the benefits under the transitional tax consolidation rules. It is considered that there will not be any material adverse impact on the consolidated entity in respect of the carrying value of deferred tax balances in various group subsidiaries as currently reported. Further, Aristocrat Leisure Limited, as the head entity, intends to provide compensation to its wholly owned subsidiaries for the deferred tax balances that may be transferred to it as head entity of the tax consolidated group.

Notes to the consolidated financial statements

30 JUNE, 2003

Note 6. Dividends	30 June 2003 $'000	30 June 2002 $'000
Ordinary shares		
Dividends provided for or paid during the period	29,658	24,975
Total dividends provided for or paid during the period	29,658	**24,975**
Dividends not recognised at the end of the period		
Since the end of the period the directors have recommended the payment of an interim dividend of 3.0 cents (2002 - 5.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 9 September 2003 out of retained profits at 30 June 2003, but not recognised as a liability at the end of the period as a result of the change in accounting policy for providing for dividends (note 1) is	13,816	–

As at the end of the period, the Aristocrat Leisure Limited Dividend Reinvesment Plan is in operation. The last date for receipt of election notices for participation in any dividend or distribution reinvestment plan is 26 August 2003. Shares will be issued under the Plan at between 95% and 100% of the weighted average share price over the five business days up to and including 26 August 2003, subject to the discretion of Directors.

Note 7. Equity securities issued	30 June 2003 Shares	30 June 2002 Shares	30 June 2003 $'000	30 June 2002 $'000
Issues of ordinary shares during the period				
Exercise of options issued under the Aristocrat Employee Option Plan	–	1,460,331	–	3,059
Issued for no consideration:				
Dividend reinvestment plan issues	3,017,962	–	5,162	–
Employee share scheme issues	1,181,799	337,976	–	–
	4,199,761	1,798,307	5,162	3,059

Note 8. Contingent liabilities

Aristocrat has entered into an agreement to licence technology relating to cashless gaming systems in the United States. The total royalties payable by Aristocrat under the agreement are subject to annual review. Aristocrat expects to pay annual royalties of approximately $16,000,000 to $18,000,000.

Aristocrat has entered into an agreement, solely in the United States, to licence certain specified patents for the life of the patents. The total fees receivable under the agreement are subject to annual review. Aristocrat expects to receive annual licence fees of approximately $10,000,000 to $12,000,000.

A statement of claim against Aristocrat Leisure Limited was filed by the former Chief Executive Officer, D H Randall, claiming damages for breach of contract in the order of $12,000,000 and a bonus of $900,000 plus interest and other alleged entitlements. The Company will be vigourously contesting the claim and at the date of this report it is not possible to determine the likely outcome of these proceedings.

Notes to the consolidated financial statements

30 JUNE, 2003

Note 9. Earnings per share	30 June 2003 Cents	30 June 2002 Cents
Basic earnings per share	(7.2)	9.2
Diluted earnings per share	(7.2)	9.1

	30 June 2003 $'000	30 June 2002 $'000
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	(32,887)	41,510
Net loss attributable to outside equity interest	–	108
Earnings used in calculating basic earnings per share	(32,887)	41,618
Diluted earnings per share		
Net profit	(32,887)	41,510
Net loss attributable to outside equity interest	–	108
Earnings used in calculating diluted earnings per share	(32,887)	41,618

Note 10. Events occurring after reporting date

The Company announced to the market on 5 August, 2003 that it had signed a settlement agreement with a Columbian customer. The full cost of the settlement has been provided for in the Financial Statements.

Directors' declaration

30 JUNE, 2003

The Directors declare that the financial statements and notes set out on pages 25 to 40:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and
(b) there are reasonable grounds to believe that Aristocrat Leisure Limited will be able to pay its debts as and when they become due and payable.

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

John Ducker

John Ducker
Director

Sydney
12 August 2003

Independent review report to the members

OF ARISTOCRAT LEISURE LIMITED

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwcglobal.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ARISTOCRAT LEISURE LIMITED

STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Aristocrat Leisure Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Aristocrat Group (defined below) as at 30 June 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Aristocrat Group (the consolidated entity), for the half-year ended 30 June 2003. The consolidated entity comprises both Aristocrat Leisure Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

REVIEW APPROACH

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

We read the other information attached to the financial report to determine whether it contained any material inconsistencies with the financial report. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. Our review did not involve an analysis of the prudence of business decisions made by directors or management.

INDEPENDENCE

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

DS Wiadrowski

DS Wiadrowski
Partner

Sydney – 12 August 2003

Corporate Directory

DIRECTORS
JP Ducker
Non-executive Chairman
JH Pascoe
Non-executive Deputy Chairman
WM Baker
Non-executive Director
AW Steelman
Non-executive Director
DJ Simpson
Non-executive Director*

SECRETARY
FWE Bush

*Subject to Regulatory Approvals

GLOBAL HEADQUARTERS
Aristocrat Technologies Australia Pty Limited
71 Longueville Road
Lane Cove NSW 2066 Australia
Tel: 61 2 9413 6300
Fax: 61 2 9420 1352

INTERNET SITE
www.aristocrattechnologies.com

Manufacturing and Research & Development
85 – 113 Dunning Avenue
PO Box 155
Rosebery NSW 2018 Australia

Jubilee Gaming Technology
20 Harcourt Parade
Rosebery NSW 2018 Australia
Tel: 61 2 9697 4007
Fax: 61 2 9697 4830

SHARE REGISTRY
ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000 Australia
Locked Bag A14,
Sydney South NSW 1232 Australia

AUDITOR
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000 Australia

STOCK EXCHANGE LISTINGS
Aristocrat Leisure Limited
Ordinary Shares are listed on the Australian Stock Exchange
CODE: ALL

INTERNATIONAL
NEW ZEALAND
Aristocrat Technologies NZ Limited
22 Vestey Drive, Mt Wellington
Auckland, New Zealand
Tel: 64 9 259 2000
Fax: 64 9 259 2001

EUROPE
Aristocrat Technologies Europe Limited
Falcon Unit 1 Stonefield Way
South Ruislip Middlesex
England HA4 OJS
UK
Tel: 44 (0) 20 8426 5822
Fax: 44 (0) 20 8426 5760

SOUTH AFRICA
Aristocrat Technologies Africa (Pty) Limited
3 Kramer Road, Kramerville
Sandton
South Africa 2148
Tel: 27 11 448 2320
Fax: 27 11 448 2322

JAPAN
Aristocrat Technologies Japan Company Ltd
7th Floor, Ryukakusan Building
2-5-12 Higashi-kanda Chiyoda-ku
Tokyo Japan 101-0031
Tel: 81 3 5835 0521
Fax: 81 3 5835 0523

SINGAPORE
Aristocrat Technologies
61 Kaki Bukit Avenue 1
Shun Li Industrial Park #04-29
Singapore 417943
Tel: 65 6 444 5666
Fax: 65 6 842 4533

THE AMERICAS
Administration, Sales, Service and Marketing
Aristocrat Technologies, Inc.
7230 Amigo Street
Las Vegas Nevada 89119
USA
Tel: 1 702 270 1000
Fax: 1 702 270 1001

SOUTH AMERICA
Aristocrat Technologies, Inc.
550 West Cypress Creek Road
Suite # 410
Fort Lauderdale
Florida 33309
Tel: 1 954 492 0910
Fax: 1 954 492 0920