



## Aristocrat – Voluntary Tax Transparency Code Report

Aristocrat Leisure Limited (Aristocrat) is one of the world's leading providers of gaming solutions. Aristocrat offers a diverse range of products and services globally, including electronic gaming machines, social gaming and casino management systems.

Aristocrat has chosen to adopt the Board of Taxation's Voluntary Tax Transparency Code. In accordance with that code, the below disclosures have been made for the year ended 30 September 2018.

### Part A

Reconciliation of accounting profit to income tax expense and income tax payable including identification of material temporary and non-temporary differences		\$ millions
<b>Profit before tax</b>		<b>763.1</b>
Tax at the Australian tax rate of 30%		<b>228.9</b>
Impact of changes in tax rates and law		(4.4)
Exempt income		(14.9)
Non-deductible expenses		16.9
Research and development tax credit		(7.2)
Tax credits written off		0.6
Difference in overseas tax rates		0.5
Adjustment in respect of previous years income tax		0.1
<b>Income tax expense</b>		<b>220.5</b>
Current income tax – adjustment for prior years		11.6
Temporary differences – deferred tax balance movements		22.8
Temporary differences – adjustment for prior years		(11.7)
<b>Income tax payable</b>		<b>243.2</b>

Accounting effective company tax rates for Australian and global operations (pursuant to AASB guidance)	
<b>Global operations</b> 28.9%	<b>Australian operations</b> 32.0% <sup>1</sup>

<sup>1</sup> The Effective Tax Rate (ETR) for the Australian operations has been calculated as income tax expense divided by accounting profit before tax but excluding dividend income from overseas subsidiaries (which is not taxable in the hands of Aristocrat and which has not been assumed to occur every year). Consequently, the ETR is illustrative of the sustainable ETR that applies to the Group's income generated within Australia.

## Part B

### Aristocrat's approach to tax policy, strategy and governance

The Aristocrat Group's approach to managing its tax affairs is approved by the Board and is aligned with the Group's commercial, reputational and business practices and its commitment to corporate responsibility. Aristocrat maintains a comprehensive Tax Governance Framework and adopts a conservative and cautious approach to tax risk management.

The objective of Aristocrat's tax strategy is to ensure that shareholders' best interests are served by the correct amount of taxes being paid at the right time in the countries in or through which Aristocrat group members operate.

Aristocrat's tax strategy principles are:

- To ensure full compliance with all of its statutory tax obligations.
- To maximise shareholder value, while operating in accordance with the law.
- Managing its tax affairs and any associated tax risks in a proactive manner.
- To maintain professional, proactive and transparent relations with tax authorities.
- Consideration of reputational risk and stakeholder interests in assessing tax risks.
- For international operations, ensuring profits are allocated and taxed where the value is created.

#### Australian tax contribution summary

	\$ millions
Corporate Income Tax	121.0
Fringe Benefits Tax	0.8
Payroll Tax	7.2
Net GST Remitted	27.6
<b>Total</b>	<b>156.6</b>

### Information about international related party dealings

As a provider of electronic gaming machines, social gaming and casino management systems globally, Aristocrat operates in a highly regulated industry across 99 countries and is licensed in 317 jurisdictions<sup>2</sup> across the globe. Aristocrat conducts all international business transactions with related parties in accordance with the internationally-recognised arm's length principle and the relevant tax laws of each jurisdiction, ensuring that arm's length compensation is paid for such transactions.

Aristocrat enters into formal agreements with international related parties to ensure related party transactions are documented and contemporaneous records are prepared and maintained to support the appropriateness of the arm's length pricing methodologies adopted. Further, Aristocrat has entered into Advanced Pricing Arrangements with revenue authorities across the globe relating to its key international related party dealings, as summarised below:

- Licensing and provision of Land-based intellectual property to subsidiaries in the Americas, Asia Pacific and European regions for our Class III, Class II and Digital businesses.
- Distribution services in the Americas, Asia Pacific and European regions for our Class III, Class II and Digital businesses.

<sup>2</sup> As at 30 September 2018, per Aristocrat's 2018 annual report.

- Contracting of design and development activities to the Americas, Asia Pacific and European regions.
- Group / Head office support services provided to Group entities where resources can be effectively shared with the Group's operations across the globe.