



ARISTOCRAT LEISURE LIMITED

ABN 44 002 818 368

2015 PROFIT
ANNOUNCEMENT

RESULTS TO BE RELEASED
TO THE MARKET

ANNUAL INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.3A

ARISTOCRAT LEISURE LIMITED
BUILDING A PINNACLE OFFICE PARK
85 EPPING ROAD
NORTH RYDE NSW 2113



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ARISTOCRAT LEISURE LIMITED

A.B.N. 44 002 818 368

APPENDIX 4E

Preliminary Final Report

Period ended: 12 months 30 September 2015

Previous corresponding period: 12 months to 30 September 2014

Results for announcement to the market

				12 months to September 2015 \$'000
Statutory results				
Revenue from continuing operations				1,576,061
Revenue from discontinued operations				29,934
Total revenue	up	85.7%	to	1,605,995
Profit from continuing operations after tax				156,656
Profit from discontinued operations after tax				29,774
Profit from ordinary activities after tax	up	1234.8%	to	186,430

Dividends

	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current year – 2015:			
- Interim dividend in respect of the 6 months to 31 March 2015	8.0c	0.0c	2 June 2015
- Final dividend in respect of the 12 months to 30 September 2015	9.0c	0.0c	2 December 2015
Previous year – 2014:			
- Interim dividend in respect of the 6 months to 31 March 2014	8.0c	0.0c	4 June 2014
- Final dividend in respect of the 12 months to 30 September 2014	8.0c	0.0c	2 December 2014

Dividend Reinvestment Plan

The Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will not operate in respect of the 2015 final dividend.

For further explanation of the above figures please refer to the review of operations and market presentations. Other financial information required by the Appendix 4E is contained in the financial statements.



**Review of Operations
for the 12 months to 30 September 2015
Aristocrat Leisure Limited
ABN 44 002 818 368**

Key performance indicators for the current period and prior period are set out below on a normalised basis excluding significant items and results of discontinued operations. Refer to page 6 for a reconciliation of statutory profit to normalised profit after tax and before amortisation of acquired intangibles and details of significant items and discontinued operations.

A\$ million	Constant currency ²		Variance vs 12 months to 30 September 2014		
	12 months to 30 Sep 2015	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Constant currency ² %	Reported %
Normalised results¹					
Total segment revenue from ordinary activities	1,381.6	1,582.4	839.0	64.7	88.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	441.7	523.1	219.3	101.4	138.5
Earnings before interest, tax and amortisation of acquired intangibles (EBITA)	361.9	431.0	178.3	103.0	141.7
Profit after tax	158.2	191.5	130.2	21.5	47.1
Net Profit after tax before amortisation of acquired intangibles (NPATA)	194.2	236.1	132.0	47.1	78.9
Earnings per share (fully diluted)	24.9c	30.1c	22.8c	9.2	32.0
Earnings per share before amortisation of acquired intangibles (fully diluted)	30.5c	37.1c	23.1c	32.0	60.6
Total dividend per share	17.0c	17.0c	16.0c	6.3	6.3
Reported results					
Profit after tax	177.6	186.4	(16.4)	n/a	n/a
Net Profit after tax before amortisation of acquired intangibles (NPATA)	213.6	231.0	(14.6)	n/a	n/a
Balance sheet/cash flow					
Net working capital/revenue	10.3%	9.0%	23.5%	13.2pts	14.5pts
Operating cash flow	369.5	437.6	158.8	132.7	175.6
Normalised operating cash flow ¹	379.4	449.3	164.4	130.8	173.3
Normalised operating cash flow conversion ¹	195%	190%	125%	70.0pts	65.0pts
Closing (net debt)/cash	n/a	(1,450.6)	171.3	n/a	n/a
Gearing (net debt/consolidated EBITDA as defined in Credit Agreement)	n/a	2.6	(0.8)	n/a	n/a

¹Normalised results and operating cash flow are statutory profit (before and after tax) and operating cash flow, excluding the impact of certain significant items and discontinued operations. Significant items are items of income or expense which are either individually or in aggregate, material to Aristocrat and are either outside the ordinary course of business or part of the ordinary activities of the business but unusual due to their size and nature. Discontinued operations relate to the Lotteries business which was sold on 29 September 2014 and the Japan Pachislot business which was sold on 29 May 2015.

² Results for 12 months to 30 September 2015 adjusted for translational exchange rates using rates applying in 2014. The information presented in this Review Of Operations has not been audited in accordance with the Australian Auditing Standards.

Group performance summary

Normalised profit after tax and before amortisation of acquired intangibles ('NPATA') of \$236.1 million for the period represented a 78.9% increase (47.1% in constant currency) compared to \$132.0 million in the prior corresponding period. Revenue increased by 88.6% (64.7% in constant currency) due largely to the sustained performance in North American Gaming Operations across both Class III and Class II with the acquisition of Video Gaming Technologies Inc ('VGT') completed on 20 October 2014, outstanding growth in the Australian outright sales market and strengthening performance in Digital. Normalised fully diluted earnings per share before amortisation of acquired intangibles of 37.1 cents represent a 60.6% increase on the prior corresponding period.

Normalised operating cash flow was higher than the prior corresponding period. The Group has continued to invest in talent and technology in line with our strategy during the reporting period, with a particular focus on key recurring revenue segments, and important outright sales markets.

Discontinued operations relate to the Lotteries business, sold in September 2014 and the Japan Pachislot business, which was sold in May 2015.

The Group's performance between years is reconciled in the table below:

A\$ million	12 months to 30 Sep	
NPATA 2014	132.0	
Americas	156.8	↑
ANZ	18.7	↑
Digital	19.4	↑
International Class III	1.2	↑
Corporate costs	(15.2)	↑
Group D&D expense	(38.6)	↑
Interest	(48.5)	↑
Income tax rate movement	(31.6)	↑
Foreign exchange movements	41.9	↑
NPATA 2015	236.1	

Strong growth in our North America business drove a \$156.8 million improvement in post-tax profit compared to the prior period, due to the inclusion of VGT Class II gaming operations, supported by improved outright sales share and significant share, fee per day ('FPD') and profit growth from our Class III premium gaming operations business.

Australia delivered significant share gains across key markets driven by the top performing *Helix*[™] cabinet and strong performing new games. Digital delivered strong earnings growth due to continued success in Facebook and the launch and growth of *Heart of Vegas*[™] on mobile since the prior corresponding period.

Asia Pacific performance improved with strong sales into new Macau openings during the period.

The Group's strategic investments in talent and technology are delivering strong competitive product across all key markets and segments in line with its strategy.

The Group's interest charge and effective tax rate ('ETR') have both increased significantly following the acquisition of VGT.

Regional performance summary

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

1. Americas

- Significant share and profit growth in the Class III premium gaming operations segment with the install base increasing 8.1% to 9,808 units, in a flat market.
- Revenue enhancement and floor optimisation initiatives in VGT Class II gaming operations commenced in the second half of 2014 drove an increase in average FPD of 7.5% to US\$39.21.
- Incremental ship share in the outright sales segment, despite a declining market, on the strength of an expanding product portfolio, strong market penetration of the *Helix*[™] cabinet and the highly successful launch of the *Arc*[™] late in the year.
- Continued market penetration of the *OASIS*[™] Onelink and *OASIS*[™] HALo systems product offerings into the *OASIS*[™] install base and across multiple platforms.

2. Australia and New Zealand

- Market leading ship share was achieved across the region led by the key markets of NSW and Queensland driven by a portfolio of games which provides breadth of product categories and depth of performing games. Share gains were delivered across other markets as the new *Helix*[™] cabinet and proven performing game content was introduced.
- Since launch, the *Helix*[™] cabinet has been the top performing cabinet across the key markets of NSW and Queensland. Performance has been driven by both cabinet design and the quality of supporting content. The breadth and depth of content has also ensured strong performance support for the *Viridian WS*[™] cabinet.
- In NSW, the share of units in the Top 50 has increased from 64% to 76% and has increased in Queensland from 19% to 64%.
- Aristocrat again demonstrated market leadership at the Australasian Gaming Expo showcasing new innovative cabinets and content and the launch of the "Precinct" bringing customers and the industry together.

3. International Class III

- Secured market leading share of new Macau openings.
- *Good Fortune*[™] link with over 800 shipments throughout the Asia Pacific region continues to perform above floor in all venues.
- Successful launch of the new *Helix*[™] cabinet throughout rest of world markets.
- Strong interest across all markets for premium content on new innovative cabinet forms like *Wonder Wheels*[™], *Behemoth*[™], *Arc*[™] Single and *Arc*[™] Double cabinets.

4. Digital

- Continued growth in Product Madness profitability driven by growth of *Heart of Vegas*[™] ('HOV') in Facebook and iOS, and the launch on Android late in the period.
- Daily active user ('DAU') numbers averaged 799,840 and ended 1,089,584.
- Overall average revenue per daily active user (ARPDau) was US 38c for the period.

Profit and loss

Results in the current period and prior corresponding period are at reported currency and normalised for significant items and discontinued operations. Segment profit is stated before amortisation of acquired intangibles.

Summary profit and loss

A\$ million	12 months to	12 months to	Variance	Variance
	30 Sep 2015	30 Sep 2014	\$	%
Segment revenue				
Australia and New Zealand	314.1	223.8	90.3	40.3
Americas	980.4	459.7	520.7	113.3
International Class III	140.3	105.2	35.1	33.4
Digital	147.6	50.3	97.3	193.4
Total segment revenue	1,582.4	839.0	743.4	88.6
Segment profit				
Australia and New Zealand	113.8	89.7	24.1	26.9
Americas	451.3	176.9	274.4	155.1
International Class III	51.7	41.4	10.3	24.9
Digital	50.2	17.0	33.2	195.3
Total segment profit	667.0	325.0	342.0	105.2
Unallocated expenses				
Group D&D expense	(191.4)	(121.2)	(70.2)	(57.9)
Foreign exchange	1.0	(5.1)	6.1	119.6
Corporate	(45.6)	(20.4)	(25.2)	(123.5)
Total unallocated expenses	(236.0)	(146.7)	(89.3)	(60.9)
EBIT before amortisation of acquired intangibles (EBITA)	431.0	178.3	252.7	141.7
Amortisation of acquired intangibles	(70.2)	(2.4)	(67.8)	(2,825.0)
EBIT	360.8	175.9	184.9	105.1
Interest	(81.3)	(8.0)	(73.3)	(916.3)
Profit before tax	279.5	167.9	111.6	66.5
Income tax	(88.0)	(37.7)	(50.3)	(133.4)
Profit after tax	191.5	130.2	61.3	47.1
Amortisation of acquired intangibles after tax	44.6	1.8	42.8	2,377.8
Profit after tax and before amortisation of acquired intangibles (NPATA)	236.1	132.0	104.1	78.9

Key metrics	% of revenue		Variance
	12 months to	12 months to	
	30 Sep 2015	30 Sep 2014	Pts
Segment profit margin			
Australia and New Zealand	36.2	40.1	(3.9)
Americas	46.0	38.5	7.5
International Class III	36.8	39.4	(2.6)
Digital	34.0	33.8	0.2
Overall segment profit margin	42.2	38.7	3.5
Group D&D expense	12.1	14.4	(2.3)
EBITA	27.2	21.3	5.9
NPATA	14.9	15.7	(0.8)
Effective tax rate (%)	31.5	22.5	9.0

Revenue by strategic segment

A\$ million	12 months to	12 months to	Variance	Variance
	30 Sep 2015	30 Sep 2014		%
Segment revenue				
Gaming Operations	574.8	150.1	424.7	282.9
Digital	147.6	50.3	97.3	193.4
Class III Outright Sales & Other	860.0	638.6	221.4	34.7
Total segment revenue	1,582.4	839.0	743.4	88.6
	% of revenue		Variance	
	12 months to	12 months to	Pts	
	30 Sep 2015	30 Sep 2014		
Share of segment revenue from recurring sources	45.7	23.9	21.8	

Revenue

Segment revenue increased \$743.4 million or 88.6% in reported currency (64.7% in constant currency). In addition to VGT, which drove \$357.2 million of the growth, revenue grew across all three of our strategic segments: Gaming Operations; Digital and Class III Outright Sales & Other.

The Class III premium gaming operations installed base grew 8.1% to 9,808.

In Class III Outright Sales, overall North American ship share increased circa 2.3 ppts, despite a contraction in market size of approximately 11.4% compared to the prior corresponding period. Unit sales revenue was up 12.5%, driven by the sales volume increase and an improvement in average selling price ('ASP'). In Latin America, revenue in USD terms increased 43.5% due to growth in new unit sales volume combined with continued emphasis on recurring revenue.

In Australia & New Zealand revenue increased by 40.3% to A\$313.9 million in constant currency terms, due to strong ship share gains across all key markets. ASP increased 19.0% as a result of a more favourable product mix of high performing premium content and the release of the *Helix*[™] cabinet across all markets.

In International Class III revenue was up 14.2% to A\$120.1 million in constant currency terms, driven by growth in Asia Pacific.

In Digital revenue increased by 145.3% to A\$123.4 million in constant currency terms, primarily due to the launch and growth of *Heart of Vegas*[™] on mobile platforms.

Earnings

Segment profit increased \$342.0 million in reported currency, up 105.2% compared with the prior corresponding period (77.8% in constant currency).

Consistent with revenue delivery, earnings were strengthened by the inclusion of VGT as well as growth across our strategic segments, Class III premium gaming operations and Digital, both part of our increasing recurring revenue footprint.

The Group continues to invest significantly in better games through new talent and new technology, with ongoing efficiencies reinvested in core product development and capability. The Group's investment in D&D spend, as a percentage of revenue, was 12.1% (12.4% on a constant currency basis) compared to 14.4% of revenues in the prior corresponding period. Total reported spend increased \$70.2 million or 57.9% (41.1% in constant currency).

Corporate costs increased by \$19.1 million compared to the prior corresponding period mainly driven by higher legal costs and variable employee compensation.

Amortisation of acquired intangibles increased by \$67.8 million, driven by the intangibles recognised on the acquisition of the VGT business.

Interest expense increased \$73.3 million to \$81.3 million reflecting the cash interest and amortisation of upfront fees on the US\$1.3 billion Term Loan B facility drawn down on 20 October 2014 to fund the VGT acquisition.

The ETR for the reporting period was 31.5% compared to 22.5% in the prior corresponding period. The increase in ETR is driven by mix of earnings particularly impacted by the acquisition of VGT.

Reconciliation of statutory profit to NPATA

A\$ million	30 Sep 2015	30 Sep 2014
Statutory profit/(loss) as reported in the financial statements	186.4	(16.4)
Amortisation of acquired intangibles (tax effected)	44.6	1.8
Reported profit after tax before amortisation of acquired intangibles (Reported NPATA)	231.0	(14.6)
Add back (profit)/loss from discontinued operations - Japan	(28.0)	87.9
Add back (profit)/loss from discontinued operations - Lotteries	(1.7)	45.6
Add back net (profit)/loss from significant items	34.8	13.1
Normalised Profit After Tax before amortisation of acquired intangibles (Normalised NPATA)	236.1	132.0

Significant items

A\$ million	12 months to 30 Sep 2015	
	Before tax	After tax
Contingent consideration related to acquisition of Product Madness	(8.4)	(8.4)
Impairment of legacy inventory	(11.9)	(7.4)
Acquisition related transaction, integration and restructuring costs	(30.7)	(19.0)
Net loss from significant items	(51.0)	(34.8)

Discontinued Operations:

The Group sold the Lotteries business in September 2014 and sold the Japan Pachislot business in May 2015 following the de-risking of this business via a significant impairment charge in fiscal 2014. The Review of Operations has restated the prior corresponding period to reflect the treatment of these businesses as discontinued operations.

Significant Items:

Contingent consideration related to acquisition of Product Madness: The Group's reported result after tax for the year included an abnormal expense of \$8.4 million relating to contingent consideration in the acquisition of Product Madness. The earn-out period concludes 31 December 2015.

Impairment of legacy inventory: The Group's reported result after tax for the year included an abnormal expense of \$7.4 million relating to the impairment of legacy inventory in the North America business following the successful launch of the *Helix*TM cabinet.

Acquisition related transaction, integration and restructuring costs: The Group's reported result after tax for the year included an abnormal expense of \$19.0 million relating to the acquisition of VGT for US\$1.3 billion. Costs incurred primarily represent transaction fees payable on completion to advisors, in addition to legal and consulting costs and restructuring costs arising from organisation changes made in relation to the VGT acquisition.

Balance sheet and cash flows

Balance sheet

The balance sheet can be summarised as follows:

A\$ million	30 Sep 2015	31 Mar 2015	30 Sep 2014
Cash and cash equivalents	329.0	159.7	285.9
Property, plant and equipment	203.5	185.7	121.4
Intangible assets	1,941.8	1,814.1	130.5
Other assets	744.4	694.7	574.9
Total assets	3,218.7	2,854.2	1,112.7
Current borrowings	0.1	2.7	114.4
Non current borrowings	1,779.5	1,633.9	0.2
Payables, provisions and other liabilities	521.7	431.4	292.0
Total equity	917.4	786.2	706.1
Total liabilities and equity	3,218.7	2,854.2	1,112.7
Net working capital	142.7	242.7	196.9
Net working capital % revenue	9.0	20.9	23.5
Normalised net working capital % revenue	14.4	27.5	25.0
Net debt / (cash)	1,450.6	1,476.9	(171.3)

The balance sheet was significantly influenced by the acquisition of VGT. The transaction closed on 20th October 2014.

Significant balance sheet movements from 30 September 2014 are:

Net working capital: Normalised for deferred and contingent consideration on the VGT and Product Madness acquisitions, net working capital as a percentage of annual revenue reduced to 14.4% from 25.0%. This was due to a higher recurring revenue mix driven by the highly cash generative profile of VGT in addition to returns from improved cash management.

Property, plant and equipment: The \$82.1 million increase primarily relates to the acquisition of VGT.

Intangible assets: The \$1.8 billion increase relates primarily to the acquisition of the VGT business – predominantly goodwill, customer relationships and technology intangible assets.

Total equity: The change in total equity reflects the result for the year, changes in reserves due to currency movements, net of dividends paid during the year.

Statement of cash flows

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

<i>Operating cash flow</i> A\$ million	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Change %
EBITDA	523.1	219.3	138.5
Change in net working capital	54.2	22.0	146.4
Interest and tax	(90.9)	(26.5)	(243.0)
Other cash and non-cash movements	(48.8)	(56.0)	12.9
Operating cash flow	437.6	158.8	175.6
One off and discontinued items	11.7	5.6	108.9
Operating cash flow (normalised)	449.3	164.4	173.3
Operating cash flow (normalised) less capex	309.8	74.2	317.5
Operating cash flow (normalised) % NPATA	190.3	124.5	52.9
Operating cash flow (normalised) % EBITDA	85.9	75.0	14.5

<i>Consolidated cash flow</i> A\$ million	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Change %
Operating cash flow	437.6	158.8	175.6
Capex	(139.5)	(90.2)	(54.7)
Acquisitions and divestments	(1,452.8)	4.4	n/a
Investing cash flow	(1,592.3)	(85.8)	n/a
Proceeds from borrowings	1,446.8	277.2	421.9
Repayment of borrowings	(153.5)	(406.5)	62.2
Dividends and share payments	(103.3)	(91.1)	(13.4)
Financing cash flow	1,190.0	(220.4)	n/a
Net increase / (decrease) in cash	35.3	(147.4)	1,291.4

Normalised operating cash flow increased 173.3% compared to the prior corresponding period.

The increase in operating cash flows related to the inclusion of VGT as well as higher receipts from customers on higher revenues and cash management initiatives.

Net interest paid at \$52.2 million was \$51.0 million higher than the prior corresponding period due to the Term Loan B debt for the acquisition of VGT.

Taxes paid in the period increased to \$38.7 million driven by the increase in mix of business in North America at a higher tax rate.

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

Funding and Liquidity

In October 2014, the Group refinanced its \$375.0 million bank debt facility with a new US\$1.3 billion Term Loan B facility maturing in October 2021. This new facility was fully drawn and used to fund the acquisition of VGT on 20 October 2014 as well as repay bank debt drawn under the existing bank debt facility. In addition, the Group also put in place a new \$100 million Revolving facility at this time to provide for additional liquidity. This facility matures in October 2019 and remains undrawn.

The Group repaid and cancelled US\$30 million from the Term Loan B facility in March 2015, with US\$1.27 billion (\$1.81 billion) outstanding as at 30 September 2015.

The Group's facilities are summarised as follows:

Facility	Drawn as at 30 Sept 2015	Limit	Maturity date
Term Loan B facility	US\$1.27bn	US\$1.27bn	October 2021
Revolving facility	A\$0.0m	A\$100.0m	October 2019
Overdraft facilities	A\$0.0m	A\$7.9m	Annual Review

The Group's interest and debt coverage ratios are as follows:

Ratio	30 Sep 2015	31 Mar 2015	30 Sep 2014
Debt/EBITDA*	3.1X	3.2X	0.5X
Net debt (cash)/EBITDA*	2.6X	2.9X	(0.8X)
EBITDA*/interest expense**	7.4X	7.0X	16.9X

* EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement and other Credit agreements (also referred to as Bank EBITDA). EBITDA and interest for the periods ended 30 September 2015 and 31 March 2015 is calculated on a pro forma basis assuming a full year of ownership of VGT and based on results for a 12 month period ending on each reporting date.

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

On 7 July 2014, the Group announced the acquisition of VGT together with a calculation of pro forma net debt/Bank EBITDA, based on the US\$1.3 billion Term Loan B facility and other acquisition funding, of 3.6x. The Group also provided a gearing target and stated that it was "targeting below 3.0x within 12 months of completion". The Group achieved that gearing target within a 6 month period with net debt/EBITDA declining to 2.9x as at 31 March 2015. Gearing has declined further in the 6 months to 30 September 2015 falling to 2.6x. The reduction in net debt/EBITDA over the reporting period reflects both earnings growth and strong free cash flow generation across the Group.

Credit Ratings

The Group obtained credit ratings from both Moody's Investor Services and Standard & Poor's in order to support the launch of the US \$1.3 billion Term Loan B facility.

As at 30 September 2015, Aristocrat holds credit ratings of Ba2 from Moody's and BB from Standard & Poor's.

Dividends

The Directors have authorised a final dividend in respect of the full year ended 30 September 2015 of 9.0 cents per share (\$57.3 million). Total dividends in respect of the 2015 year amount to 17.0 cents per share (\$108.0 million) and represent an increase of 6.3%, reflective of growth in performance, strength of cash flows and improved gearing.

The dividend will be unfranked and is expected to be declared and paid on 18 December 2015 to shareholders on the register at 5.00pm on 2 December 2015. 100% of the unfranked dividend will be paid out of conduit foreign income. As a result of the Group's concentration of earnings outside Australia and accumulated Australian tax losses, the dividend declared for this period will not be franked.

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.

In the 12 months to 30 September 2015, the Australian dollar was, on average, weaker against the US dollar when compared to the prior corresponding period. The impact of translating foreign currency (translational impact) increased revenue by \$200.8 million while increasing normalised profit after tax and before amortisation of acquired intangibles by \$41.9 million on a weighted average basis when compared with rates prevailing in the respective months in the prior year. In addition, as at 30 September 2015, the cumulative effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was a credit balance of \$62.8 million (compared to a debit balance of \$51.3 million as at 30 September 2014).

Based on the Group's 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 will result in an estimated \$3.0 million translational impact on the Group's annual profit after tax and before amortisation of acquired intangibles. This impact will vary as the magnitude and mix of overseas profits change.

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

A\$:	30 Sept 2015	31 Mar 2015	30 Sept 2014	12 months to	12 months to
				30 Sept 2015	30 Sept 2014
				Average ¹	Average ¹
USD	0.7010	0.7634	0.8752	0.7790	0.9159
NZD	1.0998	1.0195	1.1216	1.0789	1.0996
EUR	0.6236	0.7070	0.6898	0.6815	0.6769
GBP	0.4623	0.5164	0.5384	0.5046	0.5524
ZAR	9.7079	9.2784	9.8548	9.3584	9.7064
ARS	6.5999	6.7295	7.4184	6.8948	6.9993

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

Regional segment review

Segment profit/(loss) represents earnings before interest and tax, and before significant items, charges for D&D expenditure, amortisation of acquired intangibles and corporate costs. The total amount of these items is disclosed in the Group's statement of comprehensive income. Constant currency amounts refer to 2015 results restated using exchange rates applying in 2014.

Americas

US\$ million	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Revenue				
North America	709.4	388.8	320.6	82.5
Latin America	42.9	29.9	13.0	43.5
Total	752.3	418.7	333.6	79.7

US\$ million	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Profit				
North America	338.4	150.5	187.9	124.9
Latin America	8.8	10.0	(1.2)	(12.0)
Total	347.2	160.5	186.7	116.3
Margin	46.2%	38.3%	-	7.9 pts

North America	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Volume				
- Platforms	9,636	9,419	217	2.3
- Conversions	3,210	3,661	(451)	(12.3)
Average US\$ price/unit	16,814	15,289	1,525	10.0
Class III premium gaming operations units	9,808	9,071	737	8.1
Class II gaming operations units	20,681	n/a	n/a	n/a
Total gaming operations units	30,489	9,071	21,418	236.1
Gaming operations US\$/day	42.70	46.02	(3.32)	(7.2)

Latin America	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Volume				
- Platforms	2,302	1,800	502	27.9
- Conversions	195	0	195	n/a
Average US\$ price/unit	14,413	12,672	1,741	13.7

VGT Disclosures including pro forma values for the prior corresponding period:

US\$ million	20 Oct 2014 to 30 Sep 2015	20 Oct 2013 to 30 Sep 2014	Variance	Variance %
Revenue	274.6	244.1	30.5	12.5
EBITDA	190.2	161.5	28.7	17.8
EBITDA Margin	69.3%	66.2%	-	3.1 pts
Class II gaming operations units	20,681	19,790	891	4.5
Class II gaming operations US\$/day	39.21	36.46	2.75	7.5

North American performance has been transformed by the inclusion of the VGT Class II gaming operations business. In local currency, North American revenue increased 82.5% and profits increased by 124.9%.

Through its programs of revenue enhancements and floor optimisation, VGT Class II gaming operations successfully increased average FPD by 7.5% compared to pro forma financials for the prior corresponding period. The installed base grew 4.5% to 20,681 units with gains in the Midwest, new casino locations and expansions, driving the increase. The Mexico operation ceased in the second half and the units have been excluded from the current and prior corresponding period disclosures.

The Group continued to grow its Class III premium gaming operations footprint through the commercialisation of innovative content and hardware. The newly released content portfolio included a successful mix of both licensed and proprietary titles including *Sons of Anarchy*[™], *The Big Bang Theory*[™], *Britney Spears*[™], *Buffalo Grand*[™] and *Lightning Link*[™]. The introduction of leading-edge hardware configurations, including the Arc[™] Double and *Behemoth*[™] cabinets, coupled with the top performing *Helix*[™] upright cabinet, supported growth in the install base. Continued strong performance of products like *Tarzan*[™], *Cash Express Gold Class*[™], *Buffalo Stampede*[™] and *The Walking Dead*[™], as well as further penetration of the *Wonder Wheels*[™] platform, sustained revenues and profitability while new products and hardware stimulated growth. Multi-site progressive products have increased as a percentage in the overall mix.

The Class III premium gaming operations install base will continue to be supported by the release of blockbuster titles including the upcoming release of *Game of Thrones*[™] on Arc[™] Double, *Ted*[™] on the *Wonder Wheels*[™] platform, *A Christmas Story*[™] on Arc[™] Wheel and the highly anticipated sequel to *The Walking Dead*[™] with *The Walking Dead*[™] II on the Arc[™] Double cabinet.

In Outright Sales, the Group was able to grow total market ship share circa 2.3 ppts and video ship share circa 6.0 ppts in a market that declined approximately 11.4% on fewer new openings, expansions and replacements. In this smaller market, unit sales increased 2.3% compared to the prior corresponding period driven by strong product performance. ASP increased 10.0% to US\$16,814 per unit, compared to the prior corresponding period driven by strong sales of *Helix*[™] cabinets. Sales of Class III conversions decreased 12.3% compared to the prior period as a result of strong unit sales.

The successful launch of Arc[™] Single late in the fiscal year was launched with a strong portfolio of proprietary brands including *Buffalo Gold*[™], *Sky Rider*[™] 2 and *Wonder 4 Tower*[™]. The *Helix*[™] cabinet gained further market penetration during the period supported by a strong portfolio of games in all key segments. The core portfolio included *Wonder 4 Jackpots*[™], *Wicked Winnings*[™] *Legends* and *Wild Lepre'Coins*[™]. The launch of *Super Wheel Blast*[™] further complimented the J-Series[™] segment portfolio which included *Quick Fire*[™] *Jackpots*, *Gold Pays*[™], and *Jackpot Streak*[™]. In the E-Series[™] segment *Sacred Guardians*[™], *Fire & Rain*[™] and *Flowers of Babylon*[™] provided further depth in the games library.

In Latin America, unit sales volume was up 27.9%. In addition, overall ASP increased by 13.7% due to a higher mix of new units. Revenue increased 43.5% driven by higher unit volumes and product mix. Latin America continues to see growth in recurring revenue as E-Series[™] and J-Series[™] gain penetration in the region.

Australia and New Zealand

A\$ million	Constant currency 12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Revenue	313.9	223.8	90.1	40.3

A\$ million	Constant currency 12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Profit	113.8	89.7	24.1	26.9
Margin	36.3%	40.1%	-	(3.8) pts

	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Volume				
- Platforms	10,537	7,337	3,200	43.6
- Conversions	2,703	3,891	(1,188)	(30.5)
Average A\$ price/unit	20,564	17,277	3,287	19.0

ANZ revenue and profit increased 40.3% and 26.9% respectively to \$313.9 million and \$113.8 million compared to the prior corresponding period. This reflects significant ship share gains in all key markets with Aristocrat unit sales increasing by 43.6% in a market that grew by circa 12.6% during the period.

The ship share gains were the result of bringing to market a portfolio of games which provides breadth of product categories and depth of performing games. These games included *Players Choice™* Gold Jackpots, *Players Choice™* Sapphire Edition, *Players Choice™* High Limits, *Super Wheel Blast™*, *Weird Wicked & Wild™*, *Pure Gold™*, *African Big 5™*, *Dragon's Choice™*, *Globetrotter™*, and the *Lightning Link™* and *Lightning Cash™* family of games. The performance of these games led to the *Helix™* cabinet being the best performing cabinet across all key markets.

Average Selling Price increased 19.0% due to an improved games mix of high performing premium content and the rollout of the *Helix™* cabinet.

Segment margin decreased to 36.3% from 40.1% due to a combination of the weaker Australian dollar impacting margin (USD denominated cost of sales); one time launch costs related to the new cabinet rollout; lower contribution from sales of conversions which are at a higher margin and higher variable employee compensation.

International Class III

A\$ million	Constant currency 12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Revenue	120.1	105.2	14.9	14.2
Profit	43.0	41.4	1.6	3.9
Margin	35.8%	39.4%	-	(3.6) pts
 Volume - Class III Platforms	 4,457	 4,935	 (478)	 (9.7)

International Class III revenue and profit increased 14.2% and 3.9% respectively to \$120.1 million and \$43.0 million compared to the prior corresponding period. Asia Pacific performance was strong, driven by new openings in Macau where market leading ship share was achieved together with increased expansion activity outside of Macau. Europe was relatively stable however margins were impacted by a weaker Euro (versus GBP and USD). South Africa was down versus the prior year due to reduced spending in the Casino market and lower sales into the low payout market.

Segment margin decreased to 35.8% from 39.4% due to a combination of the weaker Euro impacting margin in Europe and one time launch costs related to new cabinet rollout.

Digital

A\$ million	Constant currency 12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Revenue	123.4	50.3	73.1	145.3
Profit	42.0	17.0	25.0	147.1
Margin	34.0%	33.8%	-	0.2 pts

	12 months to 30 Sep 2015	12 months to 30 Sep 2014	Variance	Variance %
Daily average users (DAU)				
- Full year	799,840	477,269	322,571	67.6
- End of year	1,089,584	669,255	420,329	62.8
Average US\$ net revenue per DAU (ARPDau)				
- Full year	\$ 0.38	\$ 0.23	0.15	65.2
- End of year	\$ 0.38	\$ 0.29	0.09	31.0

(1) Daily Average Users for the period and prior corresponding period have been restated to exclude legacy products for which a third party license expired in December 2014. As these products had lower monetization rates than *Heart of Vegas*[™], ARPDau has increased.

Digital revenues increased almost three-fold to \$123.4 million in constant currency (\$147.6m million in reported currency).

The Digital segment result increased to \$42.0m million in constant currency or \$50.2 million in reported currency terms driven by sustained growth in the *Heart of Vegas*[™] suite of applications throughout the period. Higher monetisation rates were driven primarily by the mobile launches (iOS and Android) and increasingly sophisticated product and marketing features offset with increasing user acquisition costs. Margins remained broadly flat at 34% in the reporting period.

The Group's social digital business, Product Madness, was awarded Social Slots Operator of the Year by eGaming Review North America Awards in April 2015. Portfolio-wide ARPDau was US 38c at period end with the successful launch of mobile contributing the positive trend.

Business strategies and prospects for future financial years

The Group's strategy is structured around three key pillars:

- Core momentum - to drive a more competitive core business to achieve our strategic objectives of delivering a sustainable business.
- Industry and business transformation – to enable our technology and leverage our content in high-growth, emerging distribution channels. To continuously improve our systems and processes.
- People and culture - to build a high performance organisation with a positive culture across our global business.

The strategies described below are expected to provide revenue growth and further diversify revenue sources for the Group.

Core momentum

Core momentum is about focusing on producing the best content by market and segments and encompasses our short to mid-term growth drivers. The Group's traditional land-based markets include Australia, Asia Pacific, North America and EMEA with segmentation focused on for-sale product, gaming operations and systems products.

As these traditional land-based markets continue to mature, we are increasingly focused on share taking. This strategy requires careful product segmentation in order to appropriately leverage our design and development base across a diverse portfolio of markets with focus on innovation and product differentiation.

We are focused on recurring revenue elements of the business to drive strong operational performance.

We continue to invest in the acquisition of key talent and strengthen our insights function to enhance our ability to aggressively take share in the following categories:

- Traditional Australian Style Content - through brand extension and building new brands.
- Entertainment Style Segment - through purpose-built games and specialist creative talent.
- Recurring Revenue Segment - through securing industry talent and key licensed brands to accelerate growth.
- Jackpot Products - through investments in a new dedicated studio and specialist creative talent.
- Digital - through distributing content through new channels (e.g. mobile).

Industry and business transformation

With the progress we are making in our core business, we now find ourselves in a position to look outward to an evolving gaming sector and consider new ways to invest wisely and enter emerging distribution channels.

Whether online/digital gaming, server-based gaming, centrally served gaming systems, mobile gaming or social gaming, players are increasingly choosing to interact with content in new distribution channels that do not involve a stand-alone gaming machine. At the same time, players are demanding new and innovative content in our core business that requires us to adapt through new and better platforms and tools. These changes create opportunity for Aristocrat as a producer of the world's greatest gaming content!

Over the past financial year we have taken a disciplined approach and invested wisely in emerging value streams. As always we are guided by our commitment to generate superior and sustainable shareholder returns over the long term.

The acquisition of Video Gaming Technologies Inc. (VGT) was completed on 20 October 2014. VGT has a complementary product offering and provides a unique opportunity to accelerate our growth in the US recurring revenue segment. The acquisition is aligned to our strategy as it transforms the scale of our gaming operations business and contribution of recurring revenues overall as well as preserves the Group's options to pursue future acquisitions in key growth segments given the combined free cash flows.

Aristocrat's recurring revenue base and strong cash flows should give the business the capacity to consider additional organic and inorganic investments in line with our strategy and shareholders' longer term interests.

People and culture

Fostering our people and culture is fundamental to driving our success. Attracting, retaining and developing the best talent, celebrating and learning from the diversity present within our global organisation and embedding our core values and behaviours are all fundamental traits of a high performance culture and what will enable the successful execution of the Group's strategic priorities.

Material risks to business strategies and prospects for future financial years

Identifying and managing risks which may affect the success of our strategy and financial prospects for future years is an essential part of our governance framework. While the Group has a strong track record of managing a multitude of risks, some risks still remain, many of which are not directly in the control of the Group.

Our risk management approach involves the ongoing assessment, monitoring and reporting of risks which could impede our progress in delivering our strategic priorities. Key management and staff are responsible for the day-to-day management of risks. The Group also has an Internal Audit and Risk Management function which, supported by external advisers, provides independent and objective assurance on the effectiveness of our governance, risk management and internal control processes.

The Group has established a formal risk management framework, which is based on ISO3100 Risk Management and the ASX Principles and Recommendations. This framework is supported by the Group's Code of Conduct and risk management policy. The policy defines material business risks which, once identified, are captured on the global risk register. Material business risks are regularly reported to the Board via the Audit Committee along with their controls and treatments.

The main risks affecting the Group are set out below. The Group may also face a range of other risks from time to time in conducting its business activities. While it aims to manage risks in order to avoid adverse impacts on its financial standing, some risks are outside the control of the Group.

Changing economic conditions and other factors affecting the gaming industry

Demand for our products and services can be dependent upon favourable conditions in the gaming industry, which is highly sensitive to players' disposable incomes and gaming preferences. Discretionary spending on entertainment activities could decline for reasons beyond the Group's control; for example, due to negative economic conditions or natural disasters.

A decline in the relative health of the gaming industry and the difficulty or inability of our customers to obtain adequate levels of capital to finance their ongoing operations might reduce the resources available to purchase products and services, which could affect Group revenues.

To address this we are working to develop and deliver new and innovative technologies and products to meet customer needs and working to partner with our customers to provide value adding solutions.

Entities within the Group may from time to time become subject to material litigation, regulatory actions, legal or arbitration proceedings which, if they crystallise, may adversely affect the Group's results.

Increasing competition

Competition in the gaming industry (both land-based and online) has intensified from the consolidation of existing competitors as well as the entry of new competitors. Increasingly, price, reliability and product innovation are among the factors affecting a provider's success in selling its products.

As traditional land-based markets continue to mature, the Group's success and profitability is dependent in part on our ability to successfully enter new segments in existing markets, new markets as well as new distribution channels, such as mobile and online gaming.

To address this we continue to invest in key skills and talent and have also strengthened our insights function to enhance our ability to produce innovative new product portfolios to drive entry into new markets and support share growth.

Government gaming regulation

The global gaming industry is subject to extensive governmental regulation. While the regulatory requirements vary by jurisdiction, most require:

- (a) licences and/or permits
- (b) findings of suitability
- (c) documentation of qualifications, including evidence of financial stability
- (d) individual suitability of officers, directors, major shareholders and key employees

Changes in laws or regulations or the manner of their interpretation or enforcement could impact the Group's financial performance and restrict our ability to operate our business or execute our strategies. Difficulties or delays in obtaining or maintaining required licenses or approvals could also have a negative impact on the business.

A material breach of internal processes may result in violation of existing regulations which could also impact our ability to maintain required licenses or approvals.

Gaming laws and regulations serve to protect the public and ensure that gaming related activity is conducted honestly, competitively, and free of corruption. A change in government (or governmental policy towards gaming) may also impact our operations. This political risk increases in jurisdictions where there is significant anti-gaming opposition or vocal minority interests.

The Group has established a comprehensive regulatory assurance function and governance framework to ensure that we continue to monitor the political environment and regulations in the jurisdictions in which we operate and to monitor our adherence to internal processes to ensure we comply with existing regulations.

Intellectual property

The gaming industry is constantly employing new technologies in both new and existing markets. The Group relies on a combination of patents and other technical security measures to protect our products, and continues to apply for patents protecting such technologies.

Competitors and others may infringe on our intellectual property rights, or may allege that we have infringed on theirs. Monitoring infringement and misappropriation of intellectual property can be difficult and expensive. We may also incur significant litigation expenses protecting or defending our intellectual property.

The Group has an established framework to identify and protect its global intellectual property assets as well as monitor infringement by competitor products. The Group has established a comprehensive regulatory assurance function and governance framework to ensure that we continue to monitor the political environment and regulations in the jurisdictions in which we operate and to monitor our adherence to internal processes to ensure we comply with existing regulations.

Tax

The risk that changes in tax law (including goods and services taxes and stamp duties), or changes in the way tax laws are interpreted in the various jurisdictions in which the Group operates, may impact the tax liabilities of the Group and the assets in which it holds an interest.

The Group seeks to manage this risk by monitoring changes in legislation, utilising external tax and legal advisors and employing highly experienced qualified accounting and tax experts who regularly monitor the taxation relevant to the Group's operations.

Fluctuations in foreign exchange rates and interest rates

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro.

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. 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.

The debt issue used to partly fund the acquisition of Video Gaming Technologies Inc. resulted in an increase in the Group's total debt and also resulted in a level of debt which is exposed to a floating rate of interest. The Group is therefore exposed to movements in interest rates. The Group seeks to mitigate this risk with a capital management strategy which examines periodic debt paydown and with the implementation, and continued assessment, of an interest rate hedging strategy.

Ability to manage and frequently introduce innovative products on a timely basis

The Group's success is dependent on its ability to develop and sell new products that are attractive to casino operators and other gaming enterprises and their customers, for both land-based and online gaming operations.

If the Group's land-based or online gaming content does not meet or sustain revenue and profitability expectations, it may be replaced or we may experience a reduction in revenue generated and an increased exposure to obsolete inventory. Therefore, success depends upon the Group's ability to continue to produce technologically sophisticated land-based and online products that meet its customers' needs and achieve high levels of player appeal and sustainability.

Further, newer products are generally more sophisticated than those produced in the past and the Group must continually refine design, production and approval capabilities to meet the needs of its product innovation.

The Group has invested and intends to continue to invest significant resources into its insights function, research and development efforts and the acquisition of key talent to mitigate this risk.

Aristocrat



Aristocrat Leisure Limited ABN 44 002 818 368
Consolidated financial statements for the year ended 30 September 2015

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.

These financial statements make reference to the Directors' Report and Remuneration Report which will be contained within the 2015 Annual Report.

PricewaterhouseCoopers has audited these financial statements and has issued an unqualified audit report which will be available as part of the 2015 Annual Report.

The financial statements were authorised for issue by the directors on 25 November 2015. 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.

Financial statements

for the year ended 30 September 2015

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Consolidated statement of comprehensive income

for the year ended 30 September 2015

	Notes	12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Continuing operations			
Revenue	5	1,576,061	833,665
Cost of revenue		(679,182)	(375,893)
Gross profit		896,879	457,772
Other income	5	25,812	11,993
Design and development costs		(191,376)	(122,747)
Sales and marketing costs		(118,303)	(70,035)
General and administration costs	5	(294,633)	(112,150)
Finance costs		(89,858)	(14,043)
Profit before income tax expense		228,521	150,790
Income tax expense	6	(71,865)	(33,812)
Profit from continuing operations		156,656	116,978
Profit/(loss) from discontinued operations	36	29,774	(133,407)
Profit/(loss) for the year		186,430	(16,429)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations	21(a)(i)	136,446	9,160
Net investment hedge	21(a)(i)	(29,249)	-
Changes in fair value of interest rate hedge	21(a)(iii)	(5,193)	-
Other comprehensive income for the year, net of tax		102,004	9,160
Total comprehensive income/(loss) for the year		288,434	(7,269)
Total comprehensive income arises from:			
Continuing operations		258,660	126,821
Discontinued operations		29,774	(134,090)
		288,434	(7,269)
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company			
		Cents	Cents
Basic earnings per share	31	24.8	20.6
Diluted earnings per share	31	24.6	20.5
Earnings per share for profit/(loss) attributable to ordinary equity holders of the Company			
		Cents	Cents
Basic earnings per share	31	29.5	(2.9)
Diluted earnings per share	31	29.3	(2.9)

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

Consolidated statement of financial position

as at 30 September 2015

	Notes	30 September 2015 \$'000	30 September 2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	329,005	285,929
Trade and other receivables	9	439,720	328,371
Inventories	10	102,193	75,840
Financial assets	11	10,082	8,340
Other assets	12	2,164	2,026
Current tax assets		-	991
		883,164	701,497
Assets classified as held for sale	37	15,309	-
Total current assets		898,473	701,497
Non-current assets			
Trade and other receivables	9	86,035	74,671
Financial assets	11	7,745	4,527
Property, plant and equipment	13	203,456	121,436
Deferred tax assets	14	81,183	80,117
Intangible assets	15	1,941,841	130,461
		2,320,260	411,212
Total non-current assets		2,320,260	411,212
Total assets		3,218,733	1,112,709
LIABILITIES			
Current liabilities			
Trade and other payables	16	361,386	176,174
Borrowings	17	124	114,384
Current tax liabilities		11,425	-
Provisions	18	28,124	47,991
Financial liabilities	11	331	-
Other liabilities	19	40,063	33,128
		441,453	371,677
Liabilities directly associated with assets classified as held for sale	37	908	-
Total current liabilities		442,361	371,677
Non-current liabilities			
Trade and other payables	16	43,228	6,954
Borrowings	17	1,779,508	243
Provisions	18	14,686	13,162
Financial liabilities	11	8,212	-
Other liabilities	19	13,315	14,593
		1,858,949	34,952
Total non-current liabilities		1,858,949	34,952
Total liabilities		2,301,310	406,629
Net assets		917,423	706,080
EQUITY			
Contributed equity	20	693,834	641,603
Reserves	21(a)	15,661	(58,105)
Retained earnings	21(b)	207,928	122,582
Total equity		917,423	706,080

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

Consolidated statement of changes in equity

for the year ended 30 September 2015

		Attributable to owners of Aristocrat Leisure Limited						
	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000	
Balance at 1 October 2013		233,137	(78,085)	224,392	379,444	(4,015)	375,429	
Loss for the 12 months to 30 September 2014		-	-	(16,429)	(16,429)	-	(16,429)	
Other comprehensive income		-	9,160	-	9,160	-	9,160	
Total comprehensive income/(loss) for the year		-	9,160	(16,429)	(7,269)	-	(7,269)	
Foreign currency translation reserve transferred to the profit and loss on disposal of foreign operation	36	-	10,299	-	10,299	-	10,299	
Foreign currency translation reserve on discontinued operation	21(a)(i)	-	2,556	-	2,556	-	2,556	
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	20	408,466	-	-	408,466	-	408,466	
Transactions with non-controlling interests	30(b)	-	(7,050)	-	(7,050)	4,015	(3,035)	
Net movement in share-based payments reserve	21(a)(ii)	-	5,015	-	5,015	-	5,015	
Dividends provided for and paid	7	-	-	(85,381)	(85,381)	-	(85,381)	
		408,466	10,820	(85,381)	333,905	4,015	337,920	
Balance at 30 September 2014		641,603	(58,105)	122,582	706,080	-	706,080	
Profit for the 12 months to 30 September 2015		-	-	186,430	186,430	-	186,430	
Other comprehensive income		-	102,004	-	102,004	-	102,004	
Total comprehensive income for the year		-	102,004	186,430	288,434	-	288,434	
Foreign currency translation reserve transferred to the profit and loss on disposal of foreign operation	36	-	7,170	-	7,170	-	7,170	
Foreign currency translation reserve on discontinued operation	21(a)(i)	-	(282)	-	(282)	-	(282)	
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	20	52,231	-	-	52,231	-	52,231	
Net movement in share-based payments reserve	21(a)(ii)	-	(35,126)	-	(35,126)	-	(35,126)	
Dividends provided for and paid	7	-	-	(101,084)	(101,084)	-	(101,084)	
		52,231	(28,238)	(101,084)	(77,091)	-	(77,091)	
Balance at 30 September 2015		693,834	15,661	207,928	917,423	-	917,423	

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

Consolidated statement of cash flows

for the year ended 30 September 2015

	Notes	12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,619,730	905,417
Payments to suppliers and employees (inclusive of goods and services tax)		(1,076,874)	(713,064)
		542,856	192,353
Other income		4,072	161
Interest received		10,549	10,727
Interest paid		(62,824)	(11,969)
Transaction costs relating to acquisition of businesses	35	(18,360)	(7,162)
Income taxes paid		(38,650)	(25,280)
Net cash inflow from operating activities	32	437,643	158,830
Cash flows from investing activities			
Payment for acquisition of subsidiary (net of cash acquired)	35	(1,446,388)	(12,159)
Payments for property, plant and equipment		(121,555)	(63,509)
Payments for intangibles		(18,130)	(26,672)
Proceeds from sale of subsidiary (net of cash disposed)		1,757	13,543
Payments made for sale of subsidiary (net of cash disposed)		(8,154)	-
Loan repayments from non-controlling interest		-	3,016
Proceeds from sale of property, plant and equipment		216	121
Net cash outflow from investing activities		(1,592,254)	(85,660)
Cash flows from financing activities			
Payments for shares acquired by the Aristocrat Employee Share Trust		(2,225)	(5,083)
Proceeds from issue of shares (net of transaction costs)	20	-	406,324
Repayments of borrowings		(153,271)	(406,310)
Proceeds from borrowings		1,446,831	277,247
Finance lease payments		(212)	(158)
Transactions with non-controlling interests		-	(3,016)
Dividends paid to company shareholders	7	(101,084)	(85,381)
Dividends paid to non-controlling shareholder		-	(614)
Net cash inflow from financing activities		1,190,039	183,009
Net increase in cash and cash equivalents		35,428	256,179
Cash and cash equivalents at the beginning of the year		285,929	29,689
Effects of exchange rate changes on cash and cash equivalents		11,342	61
Cash and cash equivalents at the end of year		332,699	285,929
Included in cash and equivalents per the statement of financial position	8	329,005	285,929
Included in the assets of the disposal group	37	3,694	-

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

Notes to the financial statements

for the year ended 30 September 2015

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.

(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 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. The comparative information has also been adjusted where indicated due to the impact of discontinued operations.

(v) New and amended standards adopted by the Group

There were no new or amended accounting standard effective for the period commencing 1 October 2014 that required the Group to change its accounting policies for the September 2015 financial year.

(vi) Significant changes and events in the current reporting period

During the year ended 30 September 2015, the Group completed the acquisition of Video Gaming Technologies Inc. (VGT). VGT is a leading provider of Class II gaming machines for the leased tribal gaming market in North America. VGT is headquartered in Tennessee, USA with an installed base of approximately 20,000 machines at 30 September 2015. The results of the Group for the year ended 30 September 2015 include the financial performance for VGT from the date of acquisition, being 20 October 2014, as well as the financial position of VGT as at 30 September 2015. Refer to Note 35 for details of the acquisition.

On 29 May 2015, the Group sold its Japanese subsidiaries K.K Aristocrat Technologies and K.K Spiky. The results from these entities are shown in the statement of comprehensive income as a discontinued operation. Financial information relating to the discontinued operation is set out in Note 36.

For a detailed discussion of the Group's financial performance and position, refer to the Review of Operations.

(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 2015 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

Notes to the financial statements

for the year ended 30 September 2015

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.

(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 primarily 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.

(iii) *Group companies*

The results and financial position of all the Group entities 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.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, settlement discounts and duties and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the contract terms of each arrangement.

(i) Revenue from the sale of goods and related licences

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.

Systems contracts

Revenue for long term systems contracts is recognised progressively over the period of the individual contracts. Revenue on short term contracts is recognised on installation of the systems, or on customer acceptance if there is a significant risk that the customer will not accept the installed system.

Licence income

Licence income is recognised in accordance with the substance of the agreement, corresponding with 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.

Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase an Electronic Gaming Machine (EGM) together with other ongoing obligations. When such multiple element arrangements exist, the amount recognised as revenue upon the sale of the EGM is the fair value of the EGM in relation to the arrangement taken as a whole. The revenue relating to the ongoing obligations is recognised over the period that the obligations are satisfied. The fair values of each element are determined based on the current market price of each of the elements when sold separately. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

(ii) Revenue from gaming operations, on-line 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 or the net win of participating machines.

Rental

Rental income from operating leases is recognised on a straight-line basis over the term of the operating lease contract. Leases where substantially all the risks and rewards of ownership are transferred to the customer are classified as finance leases. The Group recognises selling profit of finance leases, in accordance with the policy followed by the Group for machine sales. Finance income is recognised based on a constant periodic rate of return on the Groups net investment in the finance lease.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(e) Revenue recognition *continued*

(ii) Revenue from gaming operations, on-line and services (continued)

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.

On-line gaming revenue

Revenue from on-line gaming is recognised when the player uses the credits purchased. Amounts not used at period end are included in deferred revenue in the statement of financial position. As Aristocrat is the principal in such transactions, commissions are presented as expenses.

(iii) Interest income

Interest income is recognised using the effective interest method.

(f) Income tax

The income tax expense for the year 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.

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.

Companies within the Group may be entitled to claim special tax deductions in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(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 finance lease liabilities. 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 it is not virtually certain 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.

Notes to the financial statements

for the year ended 30 September 2015

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.

(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 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.

(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 purchases 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.

Notes to the financial statements

for the year ended 30 September 2015

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's 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.

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.

Details on how the fair value of financial instruments is determined are disclosed in Note 1(q).

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(o) Investments and other financial assets *continued*

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.

(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'); (ii) hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions ('cash flow hedges'); or (iii) hedges of a net investment in a foreign operation (net investment 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. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(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) *Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge 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 profit or loss within other income or other expenses. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iv) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(q) Fair value estimation *continued*

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 fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(r) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and 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	25-30 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 the proceeds with the carrying amount. These are included in profit and 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) Technology and software

Technology and software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Technology and software acquired through a business combination is measured at the fair value at acquisition date. Amortisation is calculated using the straight-line method to allocate the value of technology and software over its estimated useful life, which varies from 3 to 10 years.

(iii) Customer relationships and contracts

The customer relationships and contracts were acquired as part of a business combination (see Note 35 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives of 15 years.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(s) Intangible assets *continued*

(iv) Tradename and game names

The tradename and game names were acquired as part of a business combination (see Note 35 for details). Game names are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives of 15 years. The tradename is recognised at its fair value at the date of acquisition and has an indefinite life so is not amortised, and is tested for impairment at each reporting date.

(v) Intellectual property and licences

Intellectual property 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 intellectual property and licences over their estimated useful lives, which vary from 3 to 10 years. Licences which have an indefinite life are not amortised, and are tested for impairment at each reporting date.

(vi) 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.

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 1 to 7 years.

Other development costs that do not meet these criteria are recognised in the profit and 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 the 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(w) Provisions *continued*

(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.

(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.

(iv) *Onerous contracts*

A provision is recognised for contracts where the costs of fulfilling the contract exceed the benefits expected to be received. The provision includes inventory and other purchase commitments.

(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 which is not expected to be settled within 12 months after the end of the period 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 corporate 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 statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve 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, General Employee Share Plan and other arrangements under employee contracts.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(x) Employee benefits - payable *continued*

(iv) *Share-based payments (continued)*

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.

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).

The market value of shares issued to employees for no cash consideration under the General Employee Share Plan is recognised as an employee benefits expense with a corresponding increase in reserves.

(v) *Bonus plans*

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

(vi) *Employee benefit on-costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(y) Contributed equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental cost (net of income taxes) is recognised directly in equity.

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(aa) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST or other relevant taxes, 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 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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ac) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ad) Parent entity financial information

The financial information for the parent entity, Aristocrat Leisure Limited, disclosed in Note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

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.

Notes to the financial statements

for the year ended 30 September 2015

Note 1. Summary of significant accounting policies *continued*

(ad) Parent entity financial information *continued*

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 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and may affect Aristocrat's accounting for financial assets and liabilities. Aristocrat does not expect the standard will have a significant impact on its financial statements. The standard is not applicable until 1 January 2018 but is available for early adoption.

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The Group has commenced consideration of the impact of the new rules on its revenue recognition policies and will continue this assessment during the 2016 financial year. The standard will not be applicable until 1 January 2018 but is available for early adoption.

(af) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the income statement.

Notes to the financial statements

for the year ended 30 September 2015

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 a Term Loan B facility. 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. At 30 September 2015 all debt was solely denominated in US dollars.

The Group manages its cash flow interest rate risk by using floating to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The weighted average interest rate on the Group's borrowings at 30 September 2015 was 4.75% (2014: 1.4%).

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 Euro.

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(h) 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.

Notes to the financial statements

for the year ended 30 September 2015

Note 2. Financial risk management *continued*

Hedge of net investment in foreign entity

In 2015, the Group entered into a Term Loan B amounting to US\$1,300,000,000 which was taken out to acquire an American Subsidiary and is denominated in United States Dollars (USD). At 30 September 2015, US\$290,000,000 of this loan, held within the Australian company has been designated as a hedge of the net investment in this American subsidiary. The fair value and carrying amount of the borrowing at 30 September 2015 was \$1,779,000,000 (30 September 2014:\$nil). The foreign exchange loss of \$29,249,000 (2014:\$nil) on translation of the borrowing to Australian dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve within shareholders equity (Note 21). There was no ineffectiveness to be recorded in the profit and loss from net investments in foreign entity hedges.

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's exposure to commodity price risk is indirect and is not considered likely to be material.

(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
2015							
Financial assets							
Cash and cash equivalents	329,005	(3,290)	3,290	345	(282)	-	-
Receivables	525,755	-	-	4,615	(3,776)	-	-
Debt securities held-to-maturity	14,405	(144)	144	-	-	-	-
Other investments	3,422	-	-	-	-	-	-
Financial liabilities							
Payables	404,614	-	-	(1,576)	1,289	-	-
Borrowings	1,779,632	-	(5,888)	-	-	-	-
Progressive jackpot liabilities	21,755	218	(218)	-	-	-	-
Other financial liabilities	8,543	-	-	-	-	-	-
Total increase/(decrease)		(3,216)	(2,672)	3,384	(2,769)	-	-

	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
2014							
Financial assets							
Cash and cash equivalents	285,929	(2,859)	2,859	(290)	238	-	-
Receivables	403,042	-	-	3,464	(2,834)	-	-
Debt securities held-to-maturity	12,208	(122)	122	-	-	-	-
Financial liabilities							
Payables	183,128	-	-	(1,013)	829	-	-
Borrowings	114,627	1,146	(1,146)	-	-	-	-
Progressive jackpot liabilities	9,995	100	(100)	-	-	-	-
Total increase/(decrease)		(1,735)	1,735	2,161	(1,767)	-	-

Notes to the financial statements

for the year ended 30 September 2015

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.

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	
	2015	2014
	\$'000	\$'000
Floating Rate		
- Expiring within one year (bank loans and bank overdrafts)	7,853	16,709
- Expiring beyond one year (bank loans)	100,000	260,740
	107,853	277,449

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 groupings 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.

Notes to the financial statements

for the year ended 30 September 2015

Note 2. Financial risk management *continued*

(c) Liquidity risk *continued*

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Contractual maturities of financial liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group - at 30 September 2015							
Non-derivatives							
Trade payables	107,134	-	-	-	-	107,134	107,134
Other payables	209,778	2,368	-	-	-	212,146	212,146
Contingent consideration	17,142	-	-	-	-	17,142	17,142
Deferred consideration	24,964	-	24,964	21,398	-	71,326	68,192
Borrowings	-	332	8,211	55,658	1,747,921	1,812,122	1,779,632
Borrowings - interest payments	43,506	43,745	87,208	257,115	88,405	519,979	-
Progressive jackpot liabilities	16,732	700	1,221	2,067	1,035	21,755	21,755
Total non-derivatives	419,256	47,145	121,604	336,238	1,837,361	2,761,604	2,206,001
Derivatives							
Net settled (interest rate swaps)	85	-	3,267	4,860	-	8,212	8,212
Gross settled (forward foreign exchange contracts - cash flow hedges)							
- (inflow)	(45,168)	(18,324)	-	-	-	(63,492)	-
- outflow	45,020	18,803	-	-	-	63,823	331
	(148)	479	-	-	-	331	331
Total derivatives	(63)	479	3,267	4,860	-	8,543	8,543
Group - at 30 September 2014							
Non-derivatives							
Trade payables	65,661	-	-	-	-	65,661	65,661
Other payables	104,260	-	571	-	-	104,831	104,831
Contingent consideration	7,143	-	6,507	-	-	13,650	12,636
Borrowings	-	-	114,627	-	-	114,627	114,627
Borrowings - interest payments	802	802	67	-	-	1,671	-
Progressive jackpot liabilities	4,444	1,024	977	2,306	1,244	9,995	9,995
Total non-derivatives	182,310	1,826	122,749	2,306	1,244	310,435	307,750
Derivatives							
Gross settled (forward foreign exchange contracts - cash flow hedges)							
- (inflow)	(28,540)	-	-	-	-	(28,540)	(28,540)
- outflow	27,881	-	-	-	-	27,881	27,881
Total derivatives	(659)	-	-	-	-	(659)	(659)

Notes to the financial statements

for the year ended 30 September 2015

Note 2. Financial risk management *continued*

(d) Fair value measurements

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Group as at 30 September 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Interest rate swap contracts	-	8,212	-	8,212
Derivatives used for hedging	-	331	-	331
Contingent consideration	-	-	17,142	17,142
Total liabilities	-	8,543	17,142	25,685

Group as at 30 September 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging	-	659	-	659
Total assets	-	659	-	659
Liabilities				
Contingent consideration	-	-	12,636	12,636
Total liabilities	-	-	12,636	12,636

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: 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. These instruments are included in Level 1. The Group did not have any Level 1 financial instruments at the end of the current and prior reporting periods.

Level 2: 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 which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for the contingent consideration liability related to Product Madness.

(i) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available.

If all significant inputs required to determine a fair value of an instrument are observable, then the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used include using forward exchange rates at the balance sheet date for derivatives used for hedging, and probability weighted payments for the contingent consideration liability, discounted to present value. Derivatives used for hedging are included in level 2. As the contingent consideration liability was calculated based on unobservable inputs, it is included in level 3. The unobservable inputs include revenue and EBITDA forecasts.

Notes to the financial statements

for the year ended 30 September 2015

Note 2. Financial risk management *continued*

(d) Fair value measurements *continued*

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the full year:

	Contingent consideration liability \$'000
Opening balance - 30 September 2014	12,636
Interest expense	864
Payments made	(8,047)
Adjustments to fair value of liability recognised in expenses	9,358
Foreign exchange movements	2,331
Closing balance - 30 September 2015	17,142

Of the adjustment to fair value included in general and administration expenses, expenses of \$219,000 relates to liabilities no longer held at 30 September 2015. A fair value adjustment to increase the liability amounting to \$9,139,000 relates to liabilities held at 30 September 2015.

(iii) Transfers between levels and changes in valuation techniques

There were no transfers between levels for recurring fair value measurements during the year. There were also no changes to valuation techniques applied as of 30 September 2015.

(iv) Valuation inputs and relationships to fair value

The amounts payable for the contingent consideration liability are based on tiered earn-out bands payable to the former owners of Product Madness. Amounts recorded are accrued based on the upper earn-out bands. Changes in the unobservable inputs would not be expected to lead to a change in the fair value of the liability that is material to the Group.

(v) Valuation processes

The valuation process for the contingent consideration liability uses forecasts developed by finance team members of the Product Madness entities as an input into the valuations. The forecasts are reviewed by group finance team members, including the chief financial officer (CFO), with fair value estimates made following this review that incorporate discounting to present value and probability weighting of earn-out outcomes. Discussions of the results of the valuation processes between the CFO and Audit Committee are held annually, in line with the Group's full year reporting dates.

(vi) Fair values of other financial instruments

The Group also has a number of other financial instruments which are not measured at fair value in the statement of financial position. The carrying value of these financial instruments approximates their fair value.

Notes to the financial statements

for the year ended 30 September 2015

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. 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.

Notes to the financial statements

for the year ended 30 September 2015

Note 4. Segment information

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

Segment revenues and results from continuing operations	The Americas	Australia and New Zealand	Digital	International Class III	Consolidated
12 months to 30 September 2015	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue - continuing					
Revenue from external customers	980,428	307,701	147,612	140,320	1,576,061
Other segment revenue	-	6,366	-	-	6,366
Segment revenue	980,428	314,067	147,612	140,320	1,582,427
Result - continuing					
Segment result	451,344	113,787	50,200	51,677	667,008
Interest revenue not allocated to segments					8,553
Interest expense					(89,858)
Design and development costs					(191,376)
Acquisition, transaction, integration and restructuring costs					(30,676)
Amortisation of acquired intangibles					(70,151)
Other expenses					(64,979)
Profit before income tax expense					228,521
Income tax expense					(71,865)
Profit from continuing operations					156,656
Profit from discontinued operations					29,774
Profit for the year					186,430
Other segment information - continuing					
Non-current assets other than financial and deferred tax assets	2,119,000	90,947	989	20,396	2,231,332
Depreciation and amortisation expense	77,317	10,913	252	2,751	91,233

Segment revenues and results from continuing operations	The Americas	Australia and New Zealand	Digital	International Class III	Consolidated
12 months to 30 September 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue - continuing					
Revenue from external customers	459,731	218,373	50,300	105,261	833,665
Other segment revenue	-	5,417	-	-	5,417
Segment revenue	459,731	223,790	50,300	105,261	839,082
Result - continuing					
Segment result	176,898	89,669	17,000	41,426	324,993
Interest revenue not allocated to segments					5,867
Interest expense					(14,043)
Design and development costs					(122,747)
Acquisition, transaction and restructuring costs					(17,074)
Amortisation of acquired intangibles					(2,392)
Other expenses					(23,814)
Profit before income tax expense					150,790
Income tax expense					(33,812)
Profit from continuing operations					116,978
Loss from discontinued operation					(133,407)
Loss for the year					(16,429)
Other segment information - continuing					
Non-current assets other than financial and deferred tax assets	229,772	76,229	506	20,061	326,568
Depreciation and amortisation expense	33,077	5,792	83	1,900	40,852

Notes to the financial statements

for the year ended 30 September 2015

Note 4. Segment information *continued*

(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 primarily from a geographical perspective. The following reportable segments have been identified:

- The Americas
- Australia and New Zealand
- Digital; and
- International Class III.

Segment results

Digital has been split out from the prior segment Rest of World, with the remainder of Rest of World now termed International Class III as compared to the description in the prior annual financial statements. As Video Gaming Technologies Inc is located in North America, it is included in the Americas segment. The prior year information has been shown in a manner consistent with the current year information.

Segment result represents earnings before interest and tax, and before significant items, charges for design and development expenditure, amortisation of acquired intangibles, selected intercompany charges and corporate costs.

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. The Group also operates within the on-line social gaming and real money wager markets.

Notes to the financial statements

for the year ended 30 September 2015

		Consolidated	
	Notes	12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Note 5. Profit/(loss) for the year - from continuing operations			
(a) Revenue			
Sale of goods and related licences	1(e)(i)	708,705	507,347
Gaming operations, on-line and services	1(e)(ii)	867,356	326,318
Total revenue		1,576,061	833,665
(b) Other income			
Interest		14,919	11,284
Foreign exchange gains		6,821	-
Gain on remeasurement of contingent consideration		-	534
Gain on disposal of property, plant and equipment		-	14
Sundry income		4,072	161
Total other income		25,812	11,993
(c) Expenses			
(i) Depreciation and amortisation			
Depreciation and amortisation of property, plant and equipment			
- Buildings		830	695
- Plant and equipment		79,262	35,877
- Leasehold improvements		4,050	2,565
Total depreciation and amortisation of property, plant and equipment	13	84,142	39,137
Amortisation of intangible assets			
- Customer relationships and contracts		40,541	-
- Game names		674	-
- Computer technology and software		28,060	3,299
- Intellectual property and licences		2,408	298
- Capitalised development costs		5,559	510
Total amortisation of intangible assets	15	77,242	4,107
Total depreciation and amortisation		161,384	43,244
(ii) Employee benefits expense			
Salaries and wages		318,273	206,414
Superannuation costs		10,911	9,032
Post-employment benefits other than superannuation		3,659	3,499
Share-based payments expense	27(e)	16,293	8,506
Total employee benefits expense		349,136	227,451
(iii) Lease payments			
Rental expense relating to operating leases			
- Minimum lease payments		21,579	16,290
(iv) General and administration costs			
General and administration costs excluding significant expense items			
Acquisition related transaction, integration and restructuring costs		189,128	95,076
Fair value adjustments to contingent consideration		30,676	17,074
Amortisation of acquired intangibles included in general and administration costs		9,358	-
		65,471	-
Total general and administration costs		294,633	112,150
(v) Other significant expense items			
- Write down of inventories to net realisable value		21,542	5,646
- Legal costs (excluding acquisition transaction costs)		14,654	8,857
- Net foreign exchange (gain)/loss		(6,821)	5,493

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Note 6. Income tax expense		
Major components of income tax expense are:		
(a) Income tax expense		
Current income tax	88,742	39,502
Deferred income tax	(11,847)	(5,147)
Adjustments in respect of current income tax of previous years	(5,030)	2,431
Income tax expense	71,865	36,786
Income tax expense is attributable to:		
Profit from continuing operations	71,865	33,812
Profit from discontinued operations	-	2,974
Aggregate income tax expense	71,865	36,786
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(11,847)	6,022
(Decrease)/increase in deferred tax liabilities	-	(11,169)
Deferred income tax expense included in income tax expense	(11,847)	(5,147)
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	228,521	150,790
Profit/(loss) from discontinued operations before income tax expense	29,774	(130,433)
Profit before income tax expense	258,295	20,357
Tax at the Australian tax rate of 30% (2014: 30%)	77,489	6,107
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Overseas exempt income and non-creditable taxes	(8,166)	(8,229)
(Gain)/loss on disposal of subsidiaries	(8,095)	15,538
Impairment (reversal)/loss	(5,132)	21,768
Legal and entertainment costs	971	574
Contingent consideration fair value adjustment	3,522	-
Impact of changes in tax rates and law	7,853	-
Other non-deductible expenses	4,450	2,595
Subtotal	72,892	38,353
Research and development tax credit	(2,976)	(2,927)
Previously unrecognised tax losses now recouped to reduce current tax expense	(6,820)	(3,038)
Deferred tax assets not recoverable	-	3,383
Current tax losses not recognised	-	2,057
Difference in overseas tax rates	8,440	2,217
Difference in exchange rates on overseas tax rates	(79)	(956)
Adjustment in respect of previous years income tax:		
Current income tax	(5,030)	2,431
Deferred income tax	5,438	(4,734)
Income tax expense	71,865	36,786
Average effective tax rate	27.82%	180.70%
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited or (debited) to equity		
Net deferred tax - credited/(debited) directly to equity	2,345	3,792
Aggregate current and deferred tax arising in the reporting period directly credited or (debited) to equity	2,345	3,792

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
Note 6. Income tax expense <i>continued</i>		
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	822	6,109
Unused gross capital tax losses for which no deferred tax asset has been recognised	101,266	101,266
	102,088	107,375
Potential tax benefit	30,704	32,789

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	-	29,439
	-	29,439

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.

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated 12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Note 7. Dividends		
Ordinary shares		
Final dividends paid		
- 2014 - 8.0 cents, unfranked, per fully paid share paid on 19 December 2014	50,401	-
- 2013 - 7.5 cents, unfranked, per fully paid share paid on 20 December 2013	-	41,297
Interim dividends paid		
- 2015 - 8.0 cents, unfranked, per fully paid share paid on 3 July 2015	50,683	-
- 2014 - 8.0 cents, unfranked, per fully paid share paid on 27 June 2014	-	44,084
Total dividends paid and provided during the year	101,084	85,381
Dividends paid were satisfied as follows:		
Paid in cash	101,108	82,534
Dividend received by Aristocrat Employee Equity Plan Trust	(24)	(82)
Paid through the Dividend Reinvestment Plan	-	2,929
	101,084	85,381

Dividends not recognised at year end

Since the end of the year, the Directors have recommended the payment of a final dividend of 9.0 cents (2014: 8.0 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend expected to be paid on 18 December 2015 out of retained earnings at 30 September 2015, but not recognised as a liability at the end of the year is \$57,341,000.

Franked dividends

	Consolidated 2015 \$'000	2014 \$'000
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2014: 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.

Notes to the financial statements

for the year ended 30 September 2015

Consolidated
2015 2014
\$'000 \$'000

Note 8. Cash and cash equivalents

Cash at bank and in hand	329,005	285,929
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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	404,026	297,884
Provision for impairment of receivables	(13,268)	(4,497)
	390,758	293,387
Other receivables	48,962	34,984
	439,720	328,371

Current receivables are non-interest bearing and are generally on 30-120 day terms from the date of billing. Some customers may be provided with terms that are longer than this range, based on an assessment of the overall transaction with the customer.

Non-current

Trade receivables	79,001	71,641
Other receivables	7,034	3,030
	86,035	74,671

(a) Trade receivables - current

At year 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
2015 Consolidated	404,026	353,882	33,406	4,963	1,953	9,822
2014 Consolidated	297,884	255,324	21,941	4,034	4,415	12,170

Amounts shown as current in the above table represent receivables that are within their trading terms. As of 30 September 2015, trade receivables of \$7,250,000 (2014: \$1,966,000) were past due and considered impaired and trade receivables of \$42,894,000 (2014: \$40,594,000) 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
2015 Consolidated	42,894	-	33,201	4,912	1,823	2,958
2014 Consolidated	40,594	-	21,714	3,825	4,231	10,824

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.

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000

Note 9. Trade and other receivables *continued*

(a) Trade receivables - current *continued*

Movements in the provision for impairment of receivables is as follows:

At start of the year	(4,497)	(5,322)
Provision for impairment recognised during the year	(8,360)	(289)
Foreign currency exchange differences	(1,042)	(332)
Provisions no longer required	631	1,446
At end of the year	(13,268)	(4,497)

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 \$6,600,000 (2014:\$3,573,000) 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 (2014: \$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) Fair value risk - current

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(f) Fair value - non-current

The fair values of non-current receivables approximate their discounted carrying values, which are discounted to present value.

Notes to the financial statements

for the year ended 30 September 2015

Note 9. Trade and other receivables *continued*

(h) 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	
	2015	2014
	\$'000	\$'000
US dollars	352,154	239,542
Australian dollars	137,901	123,691
Other ⁽¹⁾	35,700	39,809
	525,755	403,042
Current receivables	439,720	328,371
Non-current receivables	86,035	74,671
	525,755	403,042

(1) Other refers to a basket of currencies (Japanese Yen, Euro, South African Rand, New Zealand Dollars).

Details regarding interest rate and foreign exchange risk exposure are disclosed in Note 2(a)(i) and (ii).

(i) 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	
	2015	2014
	\$'000	\$'000
Trade receivables ⁽²⁾ with guarantees	14,265	11,426
Trade receivables ⁽²⁾ without guarantees	455,494	353,602
	469,759	365,028

(2) Includes current and non-current trade receivables, net of provision for impairment of receivables.

(j) 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	
	2015	2014
	\$'000	\$'000
Minimum lease payments under finance leases are receivable as follows:		
Within one year	9,372	8,435
Later than one year but not later than five years	4,577	2,134
Gross investment in leases	13,949	10,569
Unearned finance income		
Within one year	227	532
Later than one year but not later than five years	449	601
	676	1,133
The present value of minimum lease payments is as follows:		
Within one year	9,145	7,903
Later than one year but not later than five years	4,128	1,533
	13,273	9,436
Lease receivables are classified as follows:		
Current	9,145	7,903
Non-current	4,128	1,533
	13,273	9,436

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
Note 10. Inventories		
Current		
Raw materials and stores - at cost	85,118	83,488
Provision for obsolescence and impairment losses	(34,502)	(39,874)
	50,616	43,614
Work in progress - at cost	6,920	4,979
Finished goods - at cost	43,631	27,810
Provision for obsolescence and impairment losses	(3,511)	(2,560)
	40,120	25,250
Inventory in transit - at cost	4,537	1,997
	102,193	75,840

Inventory expense

Inventories recognised as an expense during the year ended 30 September 2015 amounted to \$317,240,000 (2014: \$205,169,000).

Note 11. Financial assets and financial liabilities

	2015	2014
	\$'000	\$'000
Financial assets		
Current		
Debt securities held-to-maturity	10,082	7,681
Derivatives used for hedging	-	659
	10,082	8,340
Non-current		
Debt securities held-to-maturity	4,323	4,527
Other investments	3,422	-
	7,745	4,527

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. 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.

	Notes	2015	2014
		\$'000	\$'000
Financial liabilities			
Current			
Derivatives used for hedging		331	-
Non-current			
Interest rate swap contracts – cash flow hedges		8,212	-

Note 12. Other assets

Current			
Intellectual property rights	1(n)	237	2,026
Other current assets		1,927	-
		2,164	2,026

Notes to the financial statements

for the year ended 30 September 2015

Consolidated
2015 2014
\$'000 \$'000

Note 13. Property, plant and equipment

Land and buildings

Land and buildings - at cost	16,633	13,727
Leasehold improvements - at cost	53,848	34,889
Accumulated amortisation and impairment losses	(25,675)	(22,183)
	28,173	12,706
Total land and buildings	44,806	26,433

Plant and equipment

Plant and equipment owned - at cost	386,368	254,354
Accumulated depreciation and impairment losses	(227,718)	(159,351)
Total plant and equipment	158,650	95,003
	203,456	121,436

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 October 2013	13,567	15,053	78,293	106,913
Additions	49	995	68,460	69,504
Disposals	-	(149)	(120)	(269)
Impairment losses	-	(226)	(2,703)	(2,929)
Transfers	(17)	(239)	(15,411)	(15,667)
Depreciation and amortisation - continuing operations	(695)	(2,565)	(35,877)	(39,137)
Depreciation and amortisation - discontinued operations	-	-	(819)	(819)
Foreign currency exchange differences	823	(163)	3,180	3,840
Carrying amount at 30 September 2014	13,727	12,706	95,003	121,436
Additions	412	669	119,288	120,369
Additions from acquisitions	-	14,994	33,217	48,211
Assets included in disposal group classified as held for sale and other disposals	(17)	(56)	(927)	(1,000)
Impairment losses	-	46	(4,145)	(4,099)
Transfers	-	-	(36,812)	(36,812)
Depreciation and amortisation - continuing operations	(830)	(4,050)	(79,262)	(84,142)
Depreciation and amortisation - discontinued operations	-	-	(394)	(394)
Foreign currency exchange differences	3,341	3,864	32,682	39,887
Carrying amount at 30 September 2015	16,633	28,173	158,650	203,456

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.

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
Note 14. Deferred tax assets and liabilities		
The balance comprises temporary differences attributable to:		
Gross deferred tax assets		
Employee benefits	25,842	11,563
Accruals and other provisions	18,003	8,310
Provision for stock obsolescence	13,141	8,240
Financial liabilities	3,019	-
Share based equity	4,758	9,616
Unrealised foreign exchange losses	14,170	2,031
Tax losses	2,185	34,378
Other	18,744	10,290
Gross deferred tax assets	99,862	84,428
Set-off of deferred tax liabilities pursuant to set-off provisions:		
Plant, equipment and intangible assets	(18,528)	(4,311)
Subtotal	81,334	80,117
Deferred tax assets on entity held for sale	(151)	-
Net deferred tax assets	81,183	80,117
Movements		
Balance at start of year	80,117	75,001
Credited to profit and loss	11,847	5,147
Credited to other comprehensive income	15,554	-
Credited directly to equity	2,345	3,792
Tax losses utilised	(32,299)	(3,372)
Tax losses recognised	101	-
Deferred tax liability on disposal of subsidiary	-	1,058
Other deferred tax liabilities	-	(2,170)
Deferred tax assets on entity held for sale	(151)	-
Foreign exchange currency movements	3,669	661
Closing balance at year end	81,183	80,117
Net deferred tax assets to be utilised within 12 months	94,178	76,239
Net deferred tax assets to be utilised after more than 12 months	(12,995)	3,878
	81,183	80,117

Notes to the financial statements

for the year ended 30 September 2015

Consolidated
2015 2014
\$'000 \$'000

Note 15. Intangible assets

Goodwill	1,088,974	94,026
Customer relationships and contracts	703,138	-
Accumulated amortisation	(44,372)	-
	658,766	-
Tradenames and game names	29,387	-
Accumulated amortisation	(738)	-
	28,649	-
Intellectual property and licences	11,554	9,328
Accumulated amortisation and impairment	(2,294)	(6,418)
	9,260	2,910
Capitalised development costs	16,087	14,944
Accumulated amortisation	(4,625)	(510)
	11,462	14,434
Technology and software	200,410	60,375
Accumulated amortisation and impairment	(55,680)	(41,284)
	144,730	19,091
Total	1,941,841	130,461

Capitalised development costs are costs incurred on internal development projects where the criteria in Note 1(s)(vi) are met.

	Goodwill \$'000	Customer relationships and contracts \$'000	Tradename and game names \$'000	Intellectual property and licences \$'000	Capitalised development costs \$'000	Technology and software \$'000	Total \$'000
Consolidated							
Carrying amount at 1 October 2013	106,122	-	-	9,394	7,269	28,343	151,128
Additions	12,586	-	-	565	14,802	4,411	32,364
Disposals	(32,399)	-	-	-	(2,088)	(6,968)	(41,455)
Impairment losses	-	-	-	(5,602)	(4,397)	(145)	(10,144)
Transfers	-	-	-	(1,143)	-	-	(1,143)
Amortisation charge - continuing operations	-	-	-	(298)	(510)	(3,299)	(4,107)
Amortisation charge - discontinued operations	-	-	-	-	(642)	(3,720)	(4,362)
Foreign currency exchange movements	7,717	-	-	(6)	-	469	8,180
Carrying amount at 30 September 2014	94,026	-	-	2,910	14,434	19,091	130,461
Additions	-	-	-	2,591	2,587	14,241	19,419
Additions on acquisition of subsidiaries	783,884	561,773	23,478	-	-	112,036	1,481,171
Transfers	(8,264)	-	-	8,264	-	-	-
Assets included in disposal group classified as held for sale	(468)	-	-	-	-	-	(468)
Impairment losses	-	-	-	(2,533)	-	-	(2,533)
Amortisation charge - continuing operations	-	(40,541)	(674)	(2,408)	(5,559)	(28,060)	(77,242)
Amortisation charge - discontinued operations	-	-	-	-	-	(29)	(29)
Foreign currency exchange movements	219,796	137,534	5,845	436	-	27,451	391,062
Carrying amount at 30 September 2015	1,088,974	658,766	28,649	9,260	11,462	144,730	1,941,841

The intangible assets of the Group increased primarily as a result of the acquisition of Video Gaming Technologies Inc. Refer to Note 35 for further information on this acquisition.

The tradename acquired which has a carrying value of \$17,689,000 at 30 September 2015 has an indefinite useful life. The factors that determined that this asset had an indefinite useful life included the history of the business and tradename, the market position, stability of the industry and the expected usage.

Notes to the financial statements

for the year ended 30 September 2015

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:

	2015 \$'000	2014 \$'000
Americas (excluding VGT)	81,295	73,139
Product Madness	25,502	20,426
South Africa	-	461
VGT	982,177	-
	1,088,974	94,026

In the years ended 30 September 2015 and 30 September 2014, the recoverable amount of the Group's CGUs were determined based upon a value-in-use calculation.

Goodwill of \$468,000 relating to South Africa forms part of the assets classified as held for sale in the statement of financial position.

(b) Key assumptions used for value-in-use calculations

A discounted cash flow model has been used based on operating and investing cash flows (before borrowing costs and tax impacts) in valuing the Group's CGUs that contain intangible assets. The following inputs and assumptions have been adopted:

1. Financial budgets and strategic plans, approved by the Board to 2016 and management projections from 2017 to 2020. 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 have been taken into account in the projections. Refer below for terminal growth rates used for each CGU.

2. A pre-tax annual discount rate of:

	2015	2014
Americas (excluding VGT)	14.5%	14.6%
Product Madness	14.3%	14.6%
VGT	9.8%	Not applicable
Japan	Not applicable	16.4%

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

	2015	2014
Americas (excluding VGT)	3.0%	3.0%
Product Madness	3.0%	3.0%
VGT	2.0%	Not applicable
Japan	Not applicable	2.0%

4. An allocation of head office assets.

In the 2014 year, following a review of impairment calculations for the Japan Pachislot business, an impairment loss before tax of \$72,560,000 was recorded, and non recoverable deferred tax assets of \$5,440,000 recorded as a tax expense.

(c) Impact of possible changes in key assumptions

With regard to the assessment of the value-in-use of the CGUs, management do 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.

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
Note 16. Trade and other payables		
Current		
Trade payables	107,134	65,661
Contingent consideration	17,142	6,253
Deferred consideration	24,964	-
Other payables	212,146	104,260
	361,386	176,174
Non-current		
Contingent consideration	-	6,383
Deferred consideration	43,228	-
Other payables	-	571
	43,228	6,954

(a) Foreign currency risk

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

US dollars	301,533	100,077
Australian dollars	94,628	63,974
Other ⁽¹⁾	8,453	19,077
	404,614	183,128

(1) Other refers to a basket of currencies (Japanese Yen, Euro, South African Rand, New Zealand Dollars).

(b) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes to the financial statements

for the year ended 30 September 2015

	Notes	Consolidated 2015 \$'000	2014 \$'000
Note 17. Borrowings			
Current			
<i>Secured</i>			
Bank loans		-	114,260
Lease liabilities		124	124
		124	114,384
Non-current			
<i>Secured</i>			
Bank loans		1,779,207	-
Lease liabilities		301	243
		1,779,508	243

(a) Financing arrangements

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

Credit standby arrangements			
Total facilities			
- Bank overdrafts	(i)	7,853	7,285
- Bank loans	(ii)	1,879,207	375,000
- Other	(iii)	-	10,000
		1,887,060	392,285
Used at reporting date			
- Bank overdrafts		-	576
- Bank loans		1,779,207	114,260
- Other		-	-
		1,779,207	114,836
Unused at reporting date			
- Bank overdrafts		7,853	6,709
- Bank loans		100,000	260,740
- Other		-	10,000
		107,853	277,449

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

(ii) The loan facilities were structured as follows:

Syndicated Facility

- US \$1,270 million fully underwritten 7 year US Term Loan B debt facility maturing 20 October 2021.
- AUD \$100 million 5 year Revolving facility maturing 20 October 2019.

These facilities are provided by a syndicate of banks and financial institutions. These secured facilities are supported by guarantees from certain members of the Company's wholly owned subsidiaries and impose various affirmative and negative covenants on the Company, including restrictions on encumbrances, and customary events of default. As part of the corporate facility, the Group is subject to certain customary financial covenants measured on a six-monthly basis.

Borrowings are at a floating rate with a 1% LIBOR floor as specified in the Term Loan B Syndicated Facility Agreement. A portion of the interest rate exposure has been fixed under separate interest rate swap arrangements.

(iii) Other facilities relate to an uncommitted money market borrowing line with Westpac Banking Corporation.

Notes to the financial statements

for the year ended 30 September 2015

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 2015 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/EUR	0.6276	18,324	-	(478)
AUD/USD	0.6958	44,554	-	140
AUD/ZAR	9.6500	466	-	7
Total		63,344	-	(331)

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

(2) The net fair value of the derivatives above is included in receivables/(payables)

(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.

(ii) Off-statement of financial position

At 30 September 2015, 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	
	2015 \$'000	2014 \$'000
US dollars	1,779,632	114,260
Australian dollars	-	280
Japanese yen	-	87
	1,779,632	114,627

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

Notes to the financial statements

for the year ended 30 September 2015

	Notes	Consolidated 2015 \$'000	2014 \$'000
Note 18. Provisions			
Current			
Employee benefits	1(x)	10,515	9,740
Make good allowances	1(w)	128	-
Progressive jackpot liabilities	1(w)	17,431	5,467
Warranties	1(w)	50	374
Onerous contracts	1(w)	-	32,410
		28,124	47,991
Non-current			
Employee benefits	1(x)	1,812	4,767
Make good allowances	1(w)	8,550	3,867
Progressive jackpot liabilities	1(w)	4,324	4,528
		14,686	13,162

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	Onerous contracts \$'000	Total \$'000
Consolidated - current and non-current					
Carrying amount at 1 October 2014	3,867	9,995	374	32,410	46,646
Payments	-	(2,302)	-	(11,800)	(14,102)
Acquisition of subsidiary	3,419	-	-	-	3,419
Additional provisions recognised	680	11,578	142	5,900	18,300
Assets included in a disposal group classified as held for sale	-	-	(193)	-	(193)
Disposal of subsidiaries	(140)	-	-	(25,100)	(25,240)
Reversal of provisions recognised	-	-	(285)	(2,600)	(2,885)
Foreign currency exchange differences	852	2,484	12	1,190	4,538
Carrying amount at 30 September 2015	8,678	21,755	50	-	30,483

Note 19. Other liabilities

	Consolidated 2015 \$'000	2014 \$'000
Current		
Deferred revenue	40,063	33,128
Non-current		
Deferred revenue	9,320	6,262
Other non-current liabilities	3,995	8,331
	13,315	14,593

Notes to the financial statements

for the year ended 30 September 2015

	Notes	2015 Shares	Consolidated 2014 Shares	2015 \$'000	Consolidated 2014 \$'000
Note 20. Contributed equity					
Ordinary shares, fully paid		637,119,632	630,022,253	693,834	641,603
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	630,022,253	551,418,047	641,603	233,137
Shares issued during the year		7,097,379	78,604,206	52,231	413,463
Less: Transaction costs arising on shares issued (net of tax)		-	-	-	(4,997)
Ordinary shares at the end of the financial year		637,119,632	630,022,253	693,834	641,603

(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. Holders of ordinary shares are entitled to one vote per share at meetings of the Company.

There is no current on-market buy back.

(b) Capital management

The Group's overall strategic capital management objective is to maintain a 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:

	2015	2014
Gross debt/bank EBITDA*	3.1x	0.5x
Net debt/(cash)/bank EBITDA*	2.6x	(0.8)x
Interest coverage ratio (bank EBITDA*/interest expense**)	7.4x	16.9x

*Bank EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement for 2015 and other credit agreements for 2014. Bank EBITDA and interest for the period ended 30 September 2015 is calculated on a pro forma basis assuming a full year of ownership of VGT.

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

Notes to the financial statements

for the year ended 30 September 2015

	Notes	Consolidated 2015 \$'000	2014 \$'000
Note 21. Reserves and retained earnings			
(a) Reserves			
Foreign currency translation reserve	(i)	62,795	(51,290)
Share-based payments reserve	(ii)	(34,891)	235
Interest rate hedge reserve	(iii)	(5,193)	-
Non-controlling interest reserve	(iv)	(7,050)	(7,050)
		15,661	(58,105)

(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		(51,290)	(73,305)
Realised exchange differences on net investment in foreign operation	36	7,170	10,299
Net exchange differences on translation of foreign operations - discontinued operation		(282)	2,556
Net exchange differences on translation of foreign operations and net investment in foreign operations - continuing operations		136,446	9,160
Net investment hedge		(41,784)	-
Deferred tax on net investment hedge		12,535	-
Foreign currency translation reserve at the end of the financial year		62,795	(51,290)

(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, as well as purchases of shares by the Aristocrat Employee Share Trust.

Share-based payments reserve at the beginning of the financial year		235	(4,780)
Share-based payments expense		16,293	8,506
Issues of shares to and purchases of shares by the Aristocrat Employee Share Trust		(54,455)	(5,083)
Share-based tax and other adjustments		3,036	1,592
Net movement in share-based payments reserve		(35,126)	5,015
Share-based payments reserve at the end of the financial year		(34,891)	235

Notes to the financial statements

for the year ended 30 September 2015

		Consolidated 2015	2014
	Notes	\$'000	\$'000

Note 21. Reserves and retained earnings *continued*

(a) Reserves *continued*

(iii) Interest rate hedge reserve

The interest rate hedge reserve is used to record gains or losses on interest rate hedges that are recognised in other comprehensive income.

Interest rate hedge reserve at the beginning of the year		-	-
Movement in fair value of interest rate hedges		(8,212)	-
Deferred tax		3,019	-
Interest rate hedge reserve at the end of the financial year		(5,193)	-

(iv) Non-controlling interest reserve

The non-controlling interest reserve is used to record transactions with non-controlling interest that do not result in the loss of control.

Non-controlling interest reserve at the beginning of the year		(7,050)	-
Transactions with non-controlling interests during the year	30	-	(7,050)
Non-controlling interest reserve at the end of the financial year		(7,050)	(7,050)

(b) Retained earnings

Retained earnings at the beginning of the financial year		122,582	224,392
Net profit/(loss) attributable to owners of Aristocrat Leisure Limited		186,430	(16,429)
Dividends paid or provided for	7	(101,084)	(85,381)
Retained earnings at the end of the year		207,928	122,582

Note 22. Net tangible assets per share

Net tangible assets per share		\$(1.61)	\$0.91
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A large proportion of the Group's assets are intangible in nature, including goodwill and identifiable intangible assets relating to businesses acquired. These assets are excluded from the calculation of net tangible assets per share, which results in a negative amount.

Net assets per share at 30 September 2015 were \$1.44 (2014: \$1.12).

Notes to the financial statements

for the year ended 30 September 2015

Note 23. Events occurring after reporting date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial reporting periods.

Refer to Note 7 for information regarding dividends declared after reporting date.

Note 24. Contingent liabilities

The Group and parent entity have contingent liabilities at 30 September 2015 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; and

(iv) 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 33.

Notes to the financial statements

for the year ended 30 September 2015

	Consolidated	
	2015	2014
	\$'000	\$'000

Note 25. Commitments

Capital commitments

Significant capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Intangible assets - Technology and software	2,590	1,099
Property, plant and equipment	1,520	-

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	20,988	16,054
Later than one year but not later than five years	62,406	48,446
Later than five years	23,531	15,855

Commitments not recognised in the financial statements	106,925	80,355
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Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases

	7,122	8,272
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Notes to the financial statements

for the year ended 30 September 2015

Note 26. Subsidiaries

	Notes	Country of incorporation	Equity holding	
			2015 %	2014 %
Ultimate parent entity				
Aristocrat Leisure Limited		Australia	-	-
Controlled entities				
Aristocrat Technical Services Pty Ltd		Australia	100	100
Aristocrat Properties Pty Ltd		Australia	100	100
Aristocrat (Holdings) Pty Ltd		Australia	100	100
Aristocrat Technologies Australia Pty Ltd		Australia	100	100
ASSPA Pty Ltd		Australia	100	100
Aristocrat Technology Gaming Systems Pty Limited		Australia	100	100
System 7000 Pty Ltd		Australia	100	-
Aristocrat International Pty Ltd		Australia	100	100
Aristocrat Leisure Cyprus Limited		Cyprus	100	100
Aristocrat Gaming LLC		Russia	100	100
Aristocrat (Argentina) Pty Limited		Australia	100	100
AI (Puerto Rico) Pty Limited		Australia	100	100
Aristocrat (Latin America) Pty Ltd		Australia	100	100
Aristocrat Technologies Mexico, S.A. DE C.V.		Mexico	100	100
Aristocrat Service Mexico, S.A. DE C.V.		Mexico	100	100
Aristocrat Hanbai KK		Japan	100	100
Aristocrat (Asia) Pty Limited		Australia	100	100
Aristocrat (Macau) Pty Limited		Australia	100	100
Aristocrat (Philippines) Pty Limited		Australia	100	100
Aristocrat (Singapore) Pty Limited		Australia	100	100
Aristocrat (Cambodia) Pty Limited		Australia	100	100
Aristocrat (Malaysia) Pty Limited		Australia	100	100
Aristocrat Leisure Technology Development (Beijing) Co. Ltd		China	100	100
Aristocrat Technologies Europe (Holdings) Limited		UK	100	100
ASSPA (UK) Limited		UK	100	100
Aristocrat Technologies LLC		Russia	100	100
Product Madness (UK) Limited		UK	100	100
Aristocrat Technologies Europe Limited		UK	100	100
Aristocrat Technologies Spain S.L.		UK	100	100
Aristocrat Technologies NZ Limited		New Zealand	100	100
Aristocrat Technologies, Inc.		USA	100	100
Aristocrat Funding Corporation Pty Ltd		Australia	100	100
Aristocrat Technologies Canada, Inc.		Canada	100	100
Product Madness Inc.		USA	100	100
Video Gaming Technologies, Inc.	35	USA	100	-
Red Ball Gaming, S. de R.L. de C.V.		USA	100	-
Servicios Técnicos a Máquinas de Juego, S. de R.L. de C.V.		USA	100	-
VGT Manufacturing, Inc.		USA	100	-
VGT LLC		USA	100	-
VGT-Oklahoma LLC		USA	100	-
OKM LLC (Tennessee)		USA	100	-
Aristocrat C.A.		Venezuela	100	100
Aristocrat Research & Development (Africa) Pty Ltd		South Africa	100	100
Aristocrat Africa (Pty) Ltd	30	South Africa	100	100
Aristocrat Technologies Africa (Pty) Ltd	30	South Africa	100	100
KK Aristocrat Technologies	36	Japan	-	100
KK Spiky	36	Japan	-	100
Aristocrat Technologies India Private Ltd		India	100	100
Aristocrat Technologies Hong Kong Limited		Hong Kong	100	100
Other controlled entities				
Aristocrat Employee Equity Plan Trust		Australia	100	100

Notes to the financial statements

for the year ended 30 September 2015

Note 27. 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 2015, 14 employees (2014: 13) were entitled to 4,156,763 (2014: 5,654,286) 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 2015 and 30 September 2014 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 2015					
Series 28A	1 October 2014	30 September 2017	TSR	27 February 2015	5.07
Series 28B	1 October 2014	30 September 2017	EPSP	27 February 2015	6.91
Series 28C	1 October 2014	30 September 2017	Service	27 February 2015	6.91
Series 29A	1 October 2014	30 September 2017	TSR	27 February 2015	5.07
Series 29B	1 October 2014	30 September 2017	EPSP	27 February 2015	6.91
Series 29C	1 October 2014	30 September 2017	Strategic	27 February 2015	6.91
Issued 2014					
Series 25A	1 October 2013	30 September 2016	TSR	20 February 2014	2.83
Series 25B	1 October 2013	30 September 2016	EPSP	20 February 2014	4.52
Series 26A	1 October 2013	30 September 2016	TSR	20 February 2014	2.83
Series 26B	1 October 2013	30 September 2016	EPSP	20 February 2014	4.52

(1) TSR - Total Shareholder Return; EPSP - Earnings Per Share Growth

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

Notes to the financial statements

for the year ended 30 September 2015

Note 27. 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 & Young (EY) using Total Shareholder Return ('TSR'), Earnings Per Share Growth ('EPSG'), service condition and strategic objective condition models.

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

EY 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.

(ii) Earnings Per Share Growth ('EPSG') model, service condition and strategic objective condition

EY has utilised a Binomial Tree 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 2015 and year ended 30 September 2014 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:
 - 2015: \$7.44
 - 2014: \$4.91
- (e) price volatility of the Company's shares:
 - 2015: 30%
 - 2014: 30%
- (f) dividend yield:
 - 2015: 2.7%
 - 2014: 3.2%
- (g) risk-free interest rate:
 - 2015: 1.77%
 - 2014: 2.87%

The expected price volatility is based on the two year historical volatility of the share price of the Company due to the long-term nature of the underlying share rights.

Notes to the financial statements

for the year ended 30 September 2015

Note 27. Share-based payments *continued*

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

Performance Share Rights are detailed in the tables below:

Consolidated - 2015

Right series	Grant date	Performance period expiry date	Rights at start of year Number	Add: new rights issues Number	Less: rights vested Number	Less: rights lapsed Number	Rights at end of year Number
PSP							
Series 20A	2 May 2012	31 December 2014	405,000	-	405,000	-	-
Series 20B	2 May 2012	31 December 2014	945,000	-	770,175	174,825	-
Series 21A	1 January 2012	31 December 2014	337,111	-	337,111	-	-
Series 21B	1 January 2012	31 December 2014	786,597	-	641,076	145,521	-
Series 22A	20 February 2013	30 September 2015	229,850	-	-	-	229,850
Series 22B	20 February 2013	30 September 2015	536,150	-	-	-	536,150
Series 23A	1 October 2012	30 September 2015	319,646	-	-	4,230	315,416
Series 23B	1 October 2012	30 September 2015	745,005	-	-	9,900	735,105
Series 25A	20 February 2014	30 September 2016	130,500	-	-	-	130,500
Series 25B	20 February 2014	30 September 2016	304,500	-	-	-	304,500
Series 26A	1 October 2013	30 September 2016	274,478	-	-	26,125	248,353
Series 26B	1 October 2013	30 September 2016	640,449	-	-	60,957	579,492
Series 28A	1 October 2014	30 September 2017	-	236,778	-	31,303	205,475
Series 28B	1 October 2014	30 September 2017	-	236,778	-	31,302	205,476
Series 28C	1 October 2014	30 September 2017	-	315,446	-	58,556	256,890
Series 29A	27 February 2015	30 September 2017	-	122,867	-	-	122,867
Series 29B	27 February 2015	30 September 2017	-	122,867	-	-	122,867
Series 29C	27 February 2015	30 September 2017	-	163,822	-	-	163,822
			5,654,286	1,198,558	2,153,362	542,719	4,156,763

Consolidated - 2014

Right series	Grant date	Performance period expiry date	Rights at start of year Number	Add: new rights issues Number	Less: rights vested Number	Less: rights lapsed Number	Rights at end of year Number
PSP							
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	210,234	-	210,234	-	-
Series 19B	1 January 2011	31 December 2013	490,547	-	-	490,547	-
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	350,471	-	-	13,360	337,111
Series 21B	1 January 2012	31 December 2014	817,771	-	-	31,174	786,597
Series 22A	20 February 2013	30 September 2015	229,850	-	-	-	229,850
Series 22B	20 February 2013	30 September 2015	536,150	-	-	-	536,150
Series 23A	1 October 2012	30 September 2015	356,300	-	-	36,654	319,646
Series 23B	1 October 2012	30 September 2015	829,700	-	-	84,695	745,005
Series 25A	20 February 2014	30 September 2016	-	130,500	-	-	130,500
Series 25B	20 February 2014	30 September 2016	-	304,500	-	-	304,500
Series 26A	1 October 2013	30 September 2016	-	274,478	-	-	274,478
Series 26B	1 October 2013	30 September 2016	-	640,449	-	-	640,449
			6,191,023	1,349,927	516,234	1,370,430	5,654,286

Notes to the financial statements

for the year ended 30 September 2015

Note 27. Share-based payments *continued*

(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*.

(c) Deferred equity employee plan

Certain eligible employees are offered incentives of being granted share rights that are based on individual and company performance, subject to continued employment. Should the performance criteria be met an amount of share rights are granted. As a result of the meeting of performance criteria in the 2013 and 2014 financial years, 361,903 performance shares rights are outstanding as at 30 September 2015. These rights are subject to the respective employees remaining with the Group until October 2015 and October 2016.

(d) Deferred short term incentive plan

Upon the vesting of short term incentives, Executive Leadership Team members receive the incentives as 50% cash, with 50% deferred as performance share rights. These share rights are expensed over the vesting periods, being two and three years. The number of rights outstanding at 30 September 2015 was 622,649.

(e) Share-based payments expense

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

	Consolidated	
	12 months to 30 September 2015	12 months to 30 September 2014
	\$'000	\$'000
Performance Share Plan	5,547	3,127
General Employee Share Plan	541	90
Deferred Short Term Incentive Plan	4,164	703
Deferred Equity Employee Plan	1,158	2,459
Other grants	4,883	2,127
	16,293	8,506

Notes to the financial statements

for the year ended 30 September 2015

Note 28. 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	
	12 months to 30 September 2015	12 months to 30 September 2014
	\$	\$
Short-term employee benefits	7,274,304	7,333,413
Post-employment benefits	149,291	164,381
Long-term benefits	41,077	75,672
Termination benefits	-	614,493
Share-based payments	4,877,547	2,907,774
	12,342,219	11,095,733

Detailed remuneration disclosures are provided in the remuneration report.

Note 29. Remuneration of auditors

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

	Consolidated	
	12 months to 30 September 2015	12 months to 30 September 2014
Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	632,262	516,080
Fees paid to related practices of PricewaterhouseCoopers Australian firm	1,233,541	894,280
Total remuneration for audit services	1,865,803	1,410,360
Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm	72,311	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	89,370	87,241
Total remuneration for other assurance services	161,681	87,241
Total remuneration for assurance services	2,027,484	1,497,601
Advisory services		
Fees paid to PricewaterhouseCoopers Australian firm	6,500	343,581
Fees paid to related practices of PricewaterhouseCoopers Australian firm	132,084	403,010
Total remuneration for advisory services	138,584	746,591

It is the group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Notes to the financial statements

for the year ended 30 September 2015

Note 30. Related parties

(a) Other transactions with key management personnel

Refer to Note 28 for disclosures relating to key management personnel.

(b) Transactions with non-controlling interest

On 26 August 2013, the Group signed a contract to acquire 28% of the ordinary shares and the sole preference share of Aristocrat Africa (Pty) Limited. This resulted in Aristocrat Africa (Pty) Limited becoming 100% owned by the Group in April 2014 following satisfaction of the conditions to close. Details of the transactions with the non-controlling interest that were recognised in a reserve in the prior period are shown below:

	Consolidated	
	2015	2014
	\$'000	\$'000
Carrying amount of non-controlling interests at start of year	-	(4,015)
Consideration paid to non-controlling interests	-	(3,016)
Foreign currency exchange movements	-	(19)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	-	(7,050)

(c) Subsidiaries

Interests in subsidiaries are set out in Note 26.

Notes to the financial statements

for the year ended 30 September 2015

Consolidated
12 months to
30 September 2015

12 months to
30 September 2014

Note 31. Earnings per share

	2015 Cents	2014 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	24.8	20.6
From discontinued operation	4.7	(23.5)
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>29.5</u>	<u>(2.9)</u>
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	24.6	20.5
From discontinued operation	4.7	(23.4)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>29.3</u>	<u>(2.9)</u>
	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	632,332,667	566,801,580
Effect of Performance Share Rights	3,564,364	3,741,521
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>635,897,031</u>	<u>570,543,101</u>
	2015 \$'000	2014 \$'000
Reconciliation of earnings used in calculating basic and diluted earnings per share		
Net profit/(loss) attributable to members of Aristocrat Leisure Limited		
From continuing operations	156,656	116,978
From discontinued operation	29,774	(133,407)
Earnings used in calculating basic and diluted earnings per share	<u>186,430</u>	<u>(16,429)</u>

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 27.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights are 949,762 (2014: 557,485) Performance Share Rights that had lapsed during the year.

(b) Share-based payments trust

Shares purchased on-market and issued shares 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. At the end of the reporting period, there were 3,574,752 shares held in the share trust (2014: 441,810).

Notes to the financial statements

for the year ended 30 September 2015

Note 32. Reconciliation of profit/(loss) for the year after income tax to net cash flow from operating activities

	Consolidated 12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Profit/(loss) for the year	186,430	(16,429)
Depreciation and amortisation	162,624	48,425
Impairment (reversal)/loss	(10,483)	72,560
Equity-settled share-based payments	16,293	8,506
Net loss/(gain) on sale and impairment of property, plant and equipment	2,344	(3)
Net foreign currency exchange differences	27,322	3,785
(Gain)/loss on sale of subsidiaries	(20,301)	43,367
Non-cash borrowing costs amortisation	8,834	-
Change in operating assets and liabilities, net of effects of acquisition/disposal of controlled entities:		
- Increase in receivables and deferred revenue	(96,718)	(10,788)
- Decrease/(increase) in inventories	32,316	(10,147)
- Decrease in other operating assets	331	2,196
- Increase in payables	111,403	11,080
- Increase in other provisions	1,335	765
- Movement in tax balances	15,913	5,513
Net cash inflow from operating activities	437,643	158,830

Notes to the financial statements

for the year ended 30 September 2015

Note 33. 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.

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

	12 months to 30 September 2015 \$'000	12 months to 30 September 2014 \$'000
Revenue	451,383	306,835
Other income	3,046	8,175
Cost of revenue and other expenses	(184,525)	(138,138)
Employee benefits expense	(146,967)	(117,623)
Finance costs	(22,595)	(11,532)
Depreciation and amortisation expense	(10,640)	(7,661)
Profit before income tax	89,702	40,056
Income tax expense	(26,229)	(23,580)
Profit for the year	63,473	16,476
Other comprehensive income		
Changes in fair value of interest rate hedge	(1,674)	-
Other comprehensive income, net of tax	(1,674)	-
Total comprehensive income for the year	61,799	16,476

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	47,400	116,387
Profit for the year	63,473	16,476
Dividends paid	(101,108)	(85,463)
Retained earnings at the end of the financial year	9,765	47,400

Notes to the financial statements

for the year ended 30 September 2015

Note 33. Deed of cross guarantee (continued)

	2015 \$'000	2014 \$'000
Set out below is a consolidated statement of financial position of the Closed Group:		
Current assets		
Cash and cash equivalents	166,856	215,622
Trade and other receivables	123,755	114,895
Inventories	37,755	16,692
Tax assets	2,627	3,523
Total current assets	330,993	350,732
Non-current assets		
Trade and other receivables	19,102	78,801
Investments	749,046	257,877
Property, plant and equipment	17,264	19,152
Deferred tax assets	52,694	66,864
Intangible assets	38,536	28,339
Total non-current assets	876,642	451,033
Total assets	1,207,635	801,765
Current liabilities		
Trade and other payables	122,939	77,432
Borrowings	124	124
Provisions	10,624	9,878
Other liabilities	9,025	8,929
Total current liabilities	142,712	96,363
Non-current liabilities		
Trade and other payables	5,522	4,753
Borrowings	407,408	155
Provisions	6,010	4,845
Other liabilities	6,959	5,491
Total non-current liabilities	425,899	15,244
Total liabilities	568,611	111,607
Net assets	639,024	690,158
Equity		
Contributed equity	693,833	641,603
Reserves	(64,574)	1,155
Retained earnings	9,765	47,400
Total equity	639,024	690,158

Notes to the financial statements

for the year ended 30 September 2015

Note 34. Parent entity financial information

(a) Summary financial information

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

	2015 \$'000	2014 \$'000
Statement of financial position		
Current assets	3,426	3,616
Total assets	661,071	554,221
Current liabilities	2,088	2,088
Total liabilities	2,088	2,088
<i>Shareholders' equity</i>		
Contributed equity	693,833	641,603
Reserves	98,619	82,326
Accumulated losses	(133,469)	(171,796)
	658,983	552,133
Profit for the year after tax	139,435	43,124
Total comprehensive income after tax	139,435	43,124

(b) Guarantees entered into by the parent entity

Cross guarantees given by the parent entity are set out in Note 33.

(c) Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are set out in Note 24.

Notes to the financial statements

for the year ended 30 September 2015

Note 35. Business combinations

(a) Business combination during the year

On 20 October 2014 the Group acquired 100% of Video Gaming Technologies Inc (VGT). VGT is a leading provider of Class II gaming machines for the leased tribal gaming market in North America. VGT has a complementary product offering to Aristocrat, and has provided the opportunity to accelerate growth in the recurring revenue market.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2015 \$'000
Purchase consideration	
Cash paid	1,491,908
Deferred consideration	52,656
Total purchase consideration	<u>1,544,564</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash	53,567
Receivables	28,151
Inventory	8,320
Property, plant and equipment	48,211
Intangible assets: Customer contracts and relationships	561,773
Intangible assets: Technology	112,036
Intangible assets: Trade name and game names	23,478
Other assets	3,761
Payables	(75,108)
Provisions	(4,445)
Net identifiable assets acquired	<u>759,744</u>
Add: goodwill	784,820
Net assets acquired	<u>1,544,564</u>

The goodwill is attributable to key employees, tax benefits and synergies from combining operations with Video Gaming Technologies Inc. The goodwill is deductible for tax purposes.

(i) Acquisition related costs

Acquisition related costs of \$17,568,000 are included in general and administration costs in the statement of comprehensive income for the year and \$18,360,000 in operating cash flows in the statement of cash flows.

(ii) Acquired receivables

The fair value of trade and other receivables on acquisition was \$28,151,000, all of which were trade receivables. The gross contractual amount for trade receivables due was \$29,101,000. The fair value of the receivables have been recovered from customers.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$357,197,000 and a net profit of \$27,951,000 to the Group for the period from 20 October 2014 to 30 September 2015.

Had the acquisition occurred on 1 October 2014, the revenue and profit of the Group would not be materially different to the amounts as included in the statement of comprehensive income.

Notes to the financial statements

for the year ended 30 September 2015

Note 35. Business combinations (continued)

	2015 \$'000
<i>(iv) Purchase consideration - cash outflow</i>	
Outflow of cash to acquire subsidiary	1,491,908
Less: Cash acquired	(53,567)
Add: Contingent consideration paid on Product Madness acquisition	8,047
Outflow of cash - investing activities	<u>1,446,388</u>

(b) Business combination in the prior reporting period

In the prior period, the Group acquired assets and liabilities of complementary gaming products and systems supplier Paltronics Inc. for a purchase consideration of \$11,223,000. The identifiable net assets acquired were \$6,901,000 with goodwill of \$4,322,000 being recognised.

During the year, the acquisition accounting for Paltronics Inc. was completed, resulting in \$8,264,000 being transferred from goodwill to intellectual property and licences intangible assets. A purchase price adjustment of \$936,000 was received during the year.

Notes to the financial statements

for the year ended 30 September 2015

Note 36. Discontinued operations

(a) Discontinued operation during the year

(i) Description

On 29 May 2015, the Group sold the subsidiaries K.K Aristocrat Technologies and K.K Spiky. The results from these entities are shown in the statement of comprehensive income as a discontinued operation. Financial information relating to the discontinued operation is set out below.

(ii) Financial performance

	Consolidated	
	2015	2014
	\$'000	\$'000
Revenue	29,934	13,889
Other income	434	84
Impairment reversal/(loss)	13,016	(72,560)
Expenses	(33,911)	(25,572)
Profit/(loss) before income tax	9,473	(84,159)
Income tax expense	-	(3,730)
Profit/(loss) after income tax of discontinued operation	9,473	(87,889)
Gain on sale after income tax and reclassification of foreign currency translation reserve (see iv) below	18,589	-
Profit/(loss) from discontinued operation	28,062	(87,889)

(iii) Cash flow information

Net cash inflow from operating activities	9,223	12,223
Net cash outflow from investing activities	(9,820)	(6,530)
Net cash outflow from financing activities	(88)	(15,923)
Net cash decrease generated by the discontinued operation	(685)	(10,230)

The cash outflow from investing activities includes the payments on disposal of the entities and assets less the cash disposed.

(iv) Details of the sale

Net consideration paid - cash	(72)	-
Carrying amount of net liabilities sold	26,317	-
Costs of disposal	(486)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	25,759	-
Reclassification of foreign currency translation reserve to profit and loss	(7,170)	-
Income tax expense	-	-
Gain on disposal after income tax	18,589	-

The carrying amounts of assets and liabilities as at the date of sale were:

	29 May 2015
	\$'000
Cash and cash equivalents	8,082
Trade and other receivables	8,403
Current tax assets	133
Total assets	16,618
Trade and other payables	16,021
Provisions	26,914
Total liabilities	42,935
Net liabilities	(26,317)

Notes to the financial statements

for the year ended 30 September 2015

Note 36. Discontinued operations

(b) Discontinued operation in the prior reporting period

(i) Description

In the prior year, the Group sold Aristocrat Lotteries AB and Aristocrat Lotteries Italia S.r.L, together with related intellectual property assets. The results from these entities are shown in the statement of comprehensive income as a discontinued operation. The result for the current period primarily represents a purchase price adjustment following the sale in the prior year. Financial information relating to the discontinued operation is set out below.

(ii) Financial performance

	Consolidated	
	2015	2014
	\$'000	\$'000
Revenue	-	17,329
Other income	1,757	104
Expenses	(45)	(20,340)
Profit/(loss) before income tax	1,712	(2,907)
Income tax benefit	-	756
Profit/(loss) after income tax of discontinued operation	1,712	(2,151)
Gain on sale after income tax and reclassification of foreign currency translation reserve (see iv) below	-	(43,367)
Profit/(loss) from discontinued operation	1,712	(45,518)

(iii) Cash flow information

Net cash outflow from operating activities	-	(225)
Net cash inflow from investing activities	1,712	13,267
Net cash increase generated by the discontinued operation	1,712	13,042

The cash inflow from investing activities includes the proceeds on disposal of the entities and assets.

(iv) Details of the sale

Consideration received - cash	1,757	13,772
Carrying amount of net assets sold	-	(46,568)
Costs of disposal	(45)	(272)
Loss on sale before income tax and reclassification of foreign currency translation reserve	1,712	(33,068)
Reclassification of foreign currency translation reserve	-	(10,299)
Income tax expense	-	-
Gain/(loss) on disposal after income tax	1,712	(43,367)

The carrying amounts of assets and liabilities as at the date of sale were:

	29 September 2014	
	\$'000	
Cash and cash equivalents	230	
Trade and other receivables	9,287	
Inventory	524	
Plant and equipment	92	
Intangible assets	40,102	
Total assets	50,235	
Trade and other payables	2,760	
Other liabilities	907	
Total liabilities	3,667	
Net liabilities	46,568	

(c) Reconciliation to consolidated statement of comprehensive income

	2015	2014
	\$'000	\$'000
Profit/(loss) from operation discontinued during the year	28,062	(87,889)
Profit/(loss) from operation discontinued in the prior reporting period	1,712	(45,518)
Profit/(loss) from discontinued operations	29,774	(133,407)

Notes to the financial statements

for the year ended 30 September 2015

Note 37. Disposal group classified as held for sale

In August 2015, the Group decided to sell the subsidiary Aristocrat Technologies Africa (Pty) Ltd to align the Group's strategic objectives to achieve Broad Based Black Economic Empowerment specifications. The sale is expected to be completed before the end of September 2016. Following the sale, Aristocrat will sell into South Africa using a distributor.

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 30 September 2015:

	2015 \$'000
Current assets held for sale	
Cash and cash equivalents	3,694
Trade and other receivables	9,157
Inventories	1,764
Non current assets held for sale	
Trade and other receivables	26
Property, plant and equipment	49
Deferred tax assets	151
Intangible assets	468
Total assets of disposal group held for sale	<u>15,309</u>
Current liabilities directly associated with assets classified as held for sale	
Trade and other payables	1,232
Current tax liabilities	(517)
Provisions	193
Total liabilities of disposal group held for sale	<u>908</u>

Directors' declaration

for the year ended 30 September 2015

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 67 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

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

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

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



I Blackburne
Chairman

Sydney
25 November 2015



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 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aristocrat (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 consolidated 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.

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

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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (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 7 to 35 of the directors' report for the year ended 30 September 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aristocrat Leisure Limited for the year ended 30 September 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Stephen Humphries
Partner

Sydney
25 November 2015

Scott Walsh
Partner

Sydney
25 November 2015



Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 30 September 2015, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.

A handwritten signature in black ink that reads 'Steve Humph' followed by a large, sweeping flourish.

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
25 November 2015