ARISTOCRAT LEISURE LIMITED

ABN 44 002 818 368

2016 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

2016 PROFIT ANNOUNCEMENT
CONTENTS

ARISTOCRAT LEISURE LIMITED

A.B.N. 44 002 818 368

APPENDIX 4E

Preliminary Final Report
Period ended: 30 September 2016
Previous corresponding period: 30 September 2015

Results for announcement to the market

Statutory results				**2016 $'m**
Revenue from ordinary activities	up	34.5%	to	2,128.7
Profit from ordinary activities after tax	up	88.0%	to	350.5

Dividends

	Amount per security	**Franked amount per security**	**Record date for determining entitlements to dividends**
Current year – 2016:			
- Interim dividend	10.0c	0.0c	2 June 2016
- Final dividend	15.0c	0.0c	6 December 2016
Previous year – 2015:			
- Interim dividend	8.0c	0.0c	2 June 2015
- Final dividend	9.0c	0.0c	2 December 2015

Dividend Reinvestment Plan

The Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will not operate in respect of the 2016 final dividend.

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

Audit

This report is based on accounts which have been audited. The audit report, which is unqualified, will be made available with the Company's financial report as part of the Company's Annual Report which will be released on or before 31 December 2016.

Operating and Financial Review

Aristocrat at a Glance

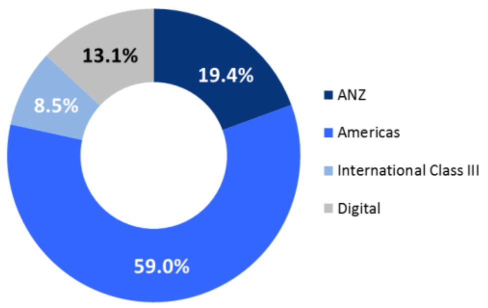
Revenue

$2.1 billion

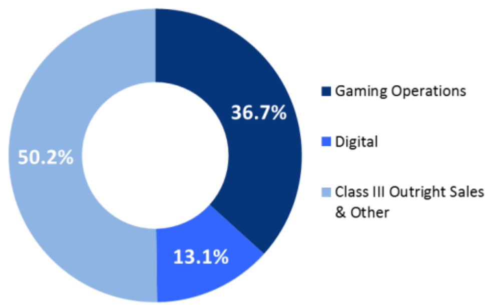
Licensed Jurisdictions

240

Revenue by segment



Revenue by strategic segment

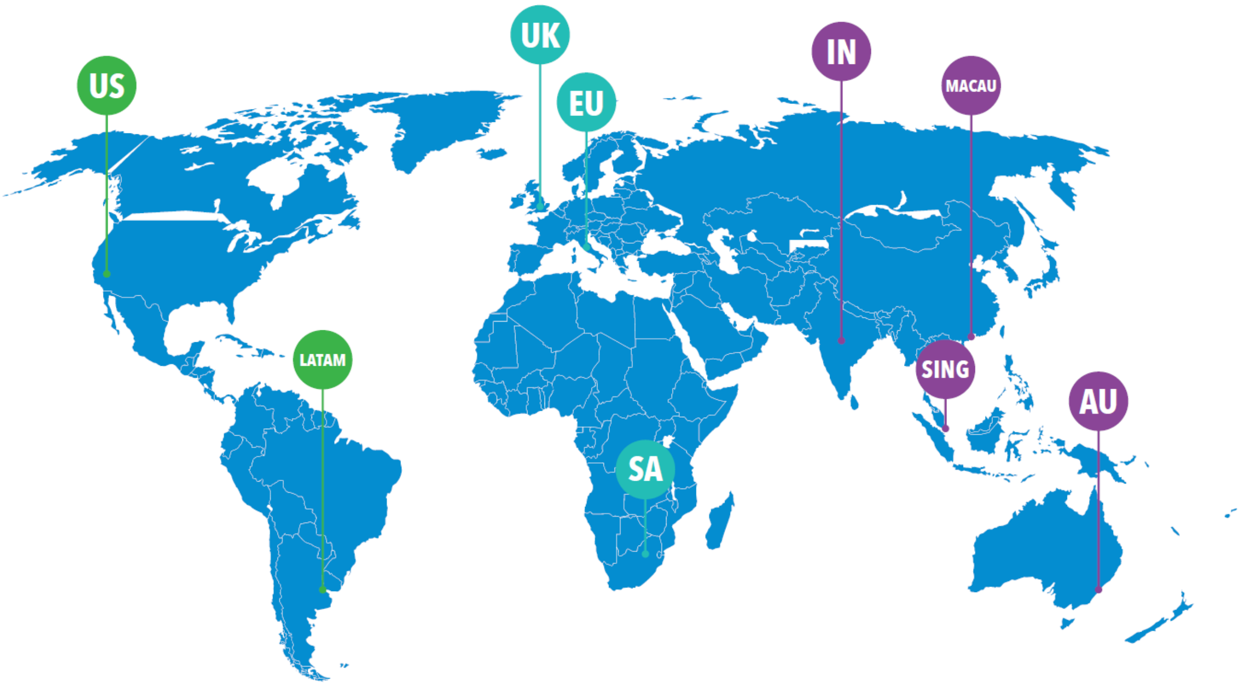


Countries

90

Employees

3,200



Operating and Financial Review

Business Strategy

" the business has refreshed our ambitions for our next phase of growth and identified priority opportunities in new markets and in product adjacencies."

Business strategies and prospects for future financial years

Aristocrat's consistent focus has been on delivering high quality, sustainable growth, with a successful strategy built on three pillars:

- Core momentum - driving a more competitive core business.
- Industry and business transformation – leveraging leading edge technology and content in the most promising channel opportunities. Continuously improving our systems and processes.
- People and culture – attracting, retaining and developing the best talent globally, promoting a high performance culture built on constructive values.

With performance momentum well established across our core segments in Class II, Class III and Digital social gaming, the business has refreshed our ambitions for our next phase of growth and identified priority opportunities in new markets and in product adjacencies.

Early progress was demonstrated at the key North American tradeshow G2E in 2016, with Aristocrat showcasing new Class III Stepper, Video Lottery Terminal ('VLT') and Class II video products to positive customer feedback. Aristocrat has almost no presence in each of these adjacent segments, and our increased capabilities and momentum give us new confidence to attack these with focus and vigour over the coming years.

In the Digital business, we have launched a new application in FY17 - *Cashman Casino* – as we continue to scale in this important segment. These efforts will be incremental to ongoing investment in our existing businesses and a resolute focus on protecting our core while continuing to drive share.

Clearly, organic growth opportunities may be augmented by accretive and strategic M&A. Aristocrat's strong balance sheet and growing recurring revenues give us broad optionality to consider both organic and inorganic opportunities that accelerate progress towards our leadership aspirations and create value for our shareholders.

Delivering against these ambitions will require a step up in targeted and disciplined D&D spend. For example, we are investing to create 'centres of excellence' to ensure we have access to the top creative and technology talent required to execute our plans. A second development centre in Gurgaon, India, has already been commissioned, and is providing support to Aristocrat's development teams around the world. In addition, we are expanding our creative hub in Austin, Texas, to provide more support to our Platforms, Digital, Class II video and VLT teams, while further investment in our facility in Reno, Nevada, will focus on Class II and Stepper content development.

It will naturally take some time for these initiatives to contribute to revenue and profit performance, however our organisation is fully focused on capturing them and energised to unlock Aristocrat's full potential.

Review of Operations

Group Performance

Earnings Summary

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. There are no significant items or discontinued operations reported this year. Refer to page 8 for a reconciliation of statutory profit to normalised profit after tax and before amortisation of acquired intangibles.

A$ million	Constant currency[2] Full Year 2016	Full Year 2016	Full Year 2015	Variance vs full year to 30 September 2015: Constant currency[2] %	Variance vs full year to 30 September 2015: Reported %
Normalised Results					
Operating revenue	2,065.3	2,128.7	1,582.4	30.5	34.5
EBITDA	774.0	806.0	523.1	48.0	54.1
EBITA	645.8	673.4	431.0	49.8	56.2
NPAT	**336.1**	**350.5**	**191.5**	**75.5**	**83.0**
NPATA	**381.6**	**398.2**	**236.1**	**61.6**	**68.7**
Earnings per share (fully diluted)	52.7c	54.9c	30.1c	75.1	82.4
EPS before amortisation of acquired intangibles (fully diluted)	59.8c	62.4c	37.1c	61.2	68.2
Total dividend per share	25.0c	25.0c	17.0c	47.1	47.1
Reported Results					
Profit after tax	**336.1**	**350.5**	**186.4**	**80.3**	**88.0**
NPATA	**381.6**	**398.2**	**231.0**	**65.2**	**72.4**
Balance sheet and cash flow					
Net working capital/revenue	5.9%	5.7%	9.0%	3.1pts	3.3pts
Operating cash flow	653.4	680.5	437.6	49.3	55.5
Normalised operating cash flow[1]	653.4	680.5	449.3	45.4	51.5
Normalised operating cash flow conversion[1]	171.2%	170.9%	190.3%	(19.1)pts	(19.4)pts
Closing (net debt)/cash	(1,097.3)	(1,004.6)	(1,450.6)	24.4	30.7
Gearing (net debt/consolidated EBITDA[3])	n/a	1.2	2.6	n/a	53.8

(1) Normalised 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 Japan Pachislot business which was sold on 29 May 2015.

(2) Results for 12 months to 30 September 2016 adjusted for translational exchange rates using rates applying in 2015 as referenced in the table on page 12.

(3) Consolidated EBITDA as defined by the Credit Agreement

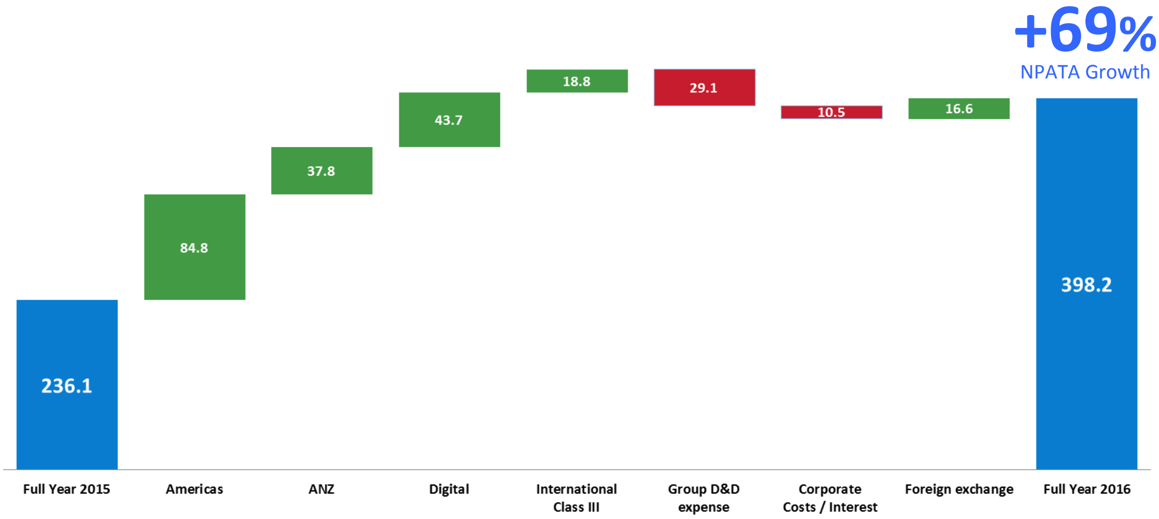
The information presented in this Operating and Financial Review has not been audited in accordance with the Australian Auditing Standards.

Performance Summary

Normalised profit after tax and before amortisation of acquired intangibles ('NPATA') of $398 million for the period represented a 69% increase (62% in constant currency) compared to $236 million in the prior corresponding period. There are no significant items or discontinued operations reported this period. Revenue increased by more than 34% (30% in constant currency) driven by growth across all key segments in broadly flat markets. Normalised fully diluted earnings per share before amortisation of acquired intangibles of 62.4c represents a 68% increase on the prior corresponding period.

Normalised operating cash flow increased by more than 50% and net gearing reduced to 1.2x from 2.6x compared to the prior corresponding period reflecting the strong performance across the business as well as the continued focus on cash management.

NPATA movement FY2015 to FY2016 ($m)



- Strong growth in our **Americas** business drove an $84.8 million improvement in post-tax profit compared to the prior period. This growth was supported by improved outright sales share, growth in Class II gaming operations footprint and significant share, fee per day ('FPD') and profit growth from the Class III premium gaming operations business.
- The **ANZ** business delivered significant share gains across all market segments driven by the top performing *Helix*™ cabinet, penetration of the *Lightning Link*™ and *Player's Choice*™ family of games and continued performance of the broader Aristocrat game portfolio .
- **Digital** delivered strong earnings growth due to the continued success of *Heart of Vegas*™ on Facebook and iOS and the growth in mobile since the Android launch late in the prior corresponding period.
- **International Class III** drove an $18.8 million improvement in post-tax profit compared to the prior period driven by market churn and two large openings in Macau where market leading share was achieved.
- The Group's **strategic investments** in talent and technology, represented in higher D&D spend, are delivering strong competitive product across all key markets and segments in line with its strategy.
- The impact of **foreign exchange** delivered a $16.6 million benefit which was partially offset by an increase in interest and corporate costs, representing higher variable employee compensation and increased legal spend.

Group Profit and Loss

Results in the current period and prior corresponding period are at reported currency and normalised for significant items and discontinued operations. There are no significant items or discontinued operations in the current period. Segment profit is stated before amortisation of acquired intangibles.

A$ million	Full Year 2016	Full Year 2015	Variance %
Segment revenue			
Australia and New Zealand	412.7	314.1	31.4
Americas	1,255.2	980.4	28.0
International Class III	181.1	140.3	29.1
Digital	279.7	147.6	89.5
Total segment revenue	**2,128.7**	**1,582.4**	**34.5**
Segment profit			
Australia and New Zealand	169.1	113.8	48.6
Americas	600.3	451.3	33.0
International Class III	80.5	51.7	55.7
Digital	118.1	50.2	135.3
Total segment profit	**968.0**	**667.0**	**45.1**
Unallocated expenses			
Group D&D expense	(239.2)	(191.4)	(25.0)
Foreign exchange	(1.0)	1.0	(200.0)
Corporate	(54.4)	(45.6)	(19.3)
Total unallocated expenses	**(294.6)**	**(236.0)**	**(24.8)**
EBIT before amortisation of acquired intangibles (EBITA)	**673.4**	**431.0**	**56.2**
Amortisation of acquired intangibles	(76.3)	(70.2)	(8.7)
EBIT	**597.1**	**360.8**	**65.5**
Interest	(89.9)	(81.3)	(10.6)
Profit before tax	**507.2**	**279.5**	**81.5**
Income tax	(156.7)	(88.0)	(78.1)
Profit after tax	**350.5**	**191.5**	**83.0**
Amortisation of acquired intangibles after tax	47.7	44.6	7.0
Profit after tax and before amortisation of acquired intangibles (NPATA)	**398.2**	**236.1**	**68.7**

Revenue

Segment revenue increased $546 million or 34% in reported currency (30% in constant currency) with growth across all three of our strategic segments: Gaming Operations; Digital and Class III Outright Sales & Other.

In Gaming Operations, the Premium Class III install base grew 39%, the Class II footprint grew 4% and overall average fee per day grew 13%.

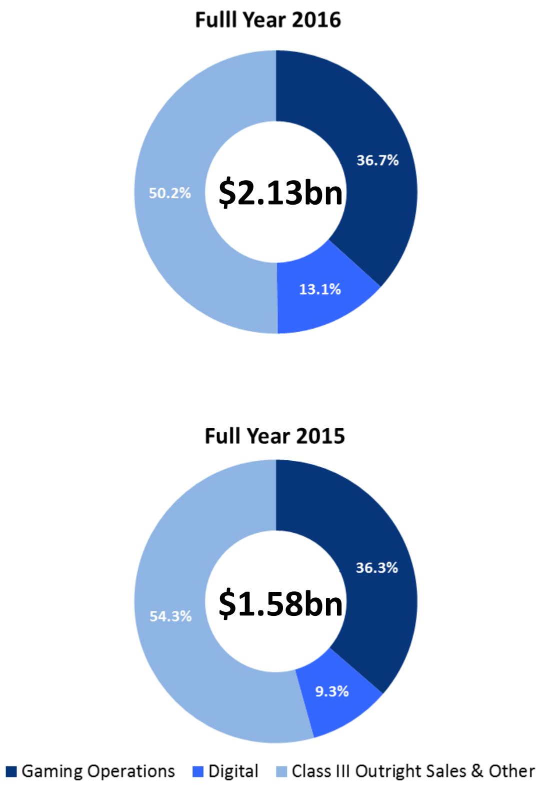
Digital revenue grew 82% to $269 million in constant currency terms due to continued growth in daily active users following the launch of iOS and Android and the continued strength in Facebook.

In Class III Outright Sales, overall North American ship share increased in a relatively flat market compared to the prior corresponding period. Unit sales revenue was up 25%, driven by the sales volume increase and an improvement in average selling price (‘ASP’) due to favourable product mix.

In Australia & New Zealand, revenue increased by 31% to $412 million in constant currency terms, due to strong ship share across all market segments, increasing units sold to 13,784 in the year. ASP increased due to a more favourable product mix with penetration of the *Lightning Link*™ and *Player's Choice*™ family of games.

In International Class III, revenue was up over 29% to $182 million in constant currency terms, driven by strong openings in Asia Pacific and market churn.

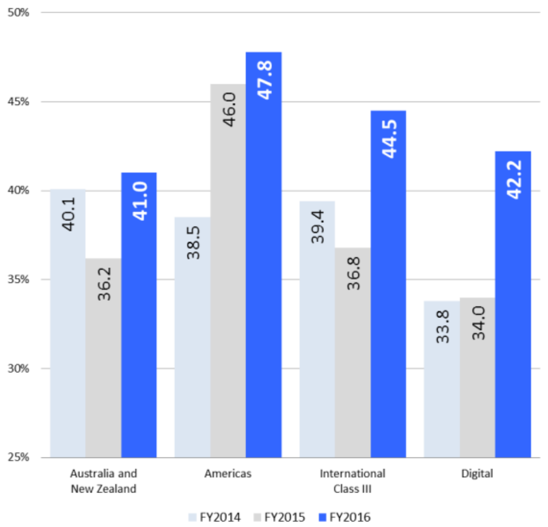
Revenue by Strategic Segment



Earnings

Segment profit increased $301 million in reported currency, up 45% compared with the prior corresponding period (40% in constant currency) ahead of revenue delivery primarily due to improved margins across all businesses from a combination of higher average selling prices and operating leverage.

Segment Profit Margin % of Revenue



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 11.2% compared to 12.1% of revenues in the prior corresponding period. Total reported spend increased $47.8 million or 25% (22% in constant currency).

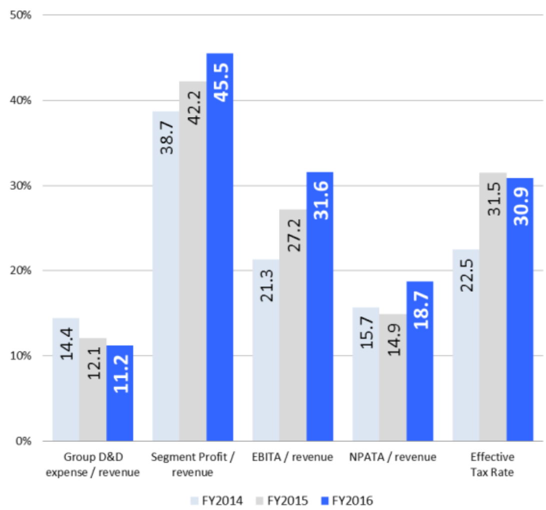
Corporate costs increased by $8.8 million compared to the prior corresponding period mainly driven by higher variable employee compensation and higher legal costs. Corporate costs as a percentage of revenue reduced to 2.6% compared to 2.9% in the prior corresponding period.

Amortisation of acquired intangibles increased by $6.1 million, driven by the incremental days in the period due to the acquisition of the VGT business on 20th October 2014.

Net interest expense increased $8.6 million to $89.9 million, reflecting the incremental days of interest and amortisation of upfront fees on the US$1.3 billion Term Loan B facility drawn down on 20th October 2014 and unfavourable foreign exchange, partially offset by reduced debt levels.

The effective tax rate (ETR) for the reporting period was 30.9% compared to 31.5% in the prior corresponding period.

Other Key Margins % of Revenue



Reconciliation of statutory profit to NPATA

A$ million	Full Year 2016	Full Year 2015
Statutory profit as reported in the financial statements	350.5	186.4
Amortisation of acquired intangibles (tax effected)	47.7	44.6
Reported profit after tax before amortisation of acquired intangibles (Reported NPATA)	**398.2**	**231.0**
Add back (profit) from discontinued operations - Japan	0.0	(28.0)
Add back (profit) from discontinued operations - Lotteries	0.0	(1.7)
Add back net loss from significant items	0.0	34.8
Normalised Profit After Tax before amortisation of acquired intangibles (Normalised NPATA)	**398.2**	**236.1**

Discontinued Operations in the prior corresponding period:

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 an impairment charge in fiscal 2014.

Significant Items in the prior corresponding period:

During the prior corresponding period the following were classified as significant items:

- Acquisition related transaction, integration and restructuring costs ($19.0 million);
- Contingent consideration related to the acquisition of Product Madness ($8.4 million); and
- Impairment of legacy inventory in North America following the successful launch of *Helix*™ cabinet ($7.4 million).

Balance Sheet

The balance sheet can be summarised as follows:

A$ million	30 Sep 2016	31 Mar 2016	30 Sep 2015	Variance %
Cash and cash equivalents	283.2	337.5	329.0	(13.9)
Property, plant and equipment	217.5	204.2	203.5	6.9
Intangible assets	1,736.5	1,747.0	1,941.8	(10.6)
Other assets	750.5	704.9	744.4	0.8
Total assets	**2,987.7**	**2,993.6**	**3,218.7**	**(7.2)**
Current borrowings	-	0.1	0.1	(100.0)
Non current borrowings	1,287.8	1,566.4	1,779.5	(27.6)
Payables, provisions and other liabilities	624.4	471.3	521.7	19.7
Total equity	**1,075.5**	**955.8**	**917.4**	**17.2**
Total liabilities and equity	**2,987.7**	**2,993.6**	**3,218.7**	**(7.2)**
Net working capital	122.3	182.5	142.7	(14.3)
Net working capital % revenue	5.7	9.6	9.0	(36.7)
Normalised net working capital % revenue	7.3	11.9	14.4	(49.3)
Net debt / (cash)	1,004.6	1,229.0	1,450.6	(30.7)

Significant balance sheet movements from 30 September 2015 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 decreased to 7% from 14%. This was due to the higher recurring revenue mix from the inclusion of VGT for the full twelve months and the growth in the Class III premium gaming operations and Digital businesses, in addition to continued focus on improved cash management.

Intangible assets: The decrease relates primarily to the impact of foreign exchange on the US dollar denominated assets combined with amortisation of the acquired intangibles of the VGT business – predominantly customer relationships and technology.

Non-current borrowings: The reduction in non-current borrowings primarily relates to the repayment of US$270 million of the Term Loan B facility during the reporting period and the impact of foreign exchange on the US dollar denominated loan facility.

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

Statement of cash flows

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

Operating cash flow

A$ million	Full Year 2016	Full Year 2015	Change %
EBITDA	**806.0**	**523.1**	**54.1**
Change in net working capital	20.4	54.2	(62.4)
Interest and tax	(152.3)	(90.9)	(67.5)
Other cash and non-cash movements	6.4	(48.8)	n/a
Operating cash flow	**680.5**	**437.6**	**55.5**
One off and discontinued items	0.0	11.7	(100.0)
Operating cash flow (normalised)	**680.5**	**449.3**	**51.5**
Operating cash flow (normalised) less capex	**487.9**	**309.8**	**57.5**
Operating cash flow (normalised) % NPATA	170.9	190.3	(10.2)
Operating cash flow (normalised) % EBITDA	84.4	85.9	(1.7)

Consolidated cash flow

A$ million	Full Year 2016	Full Year 2015	Change %
Operating cash flow	**680.5**	**437.6**	**55.5**
Capex	(192.6)	(139.5)	(38.1)
Acquisitions and divestments	(16.7)	(1,452.8)	98.9
Investing cash flow	**(209.3)**	**(1,592.3)**	**86.9**
Proceeds from borrowings	0.0	1,446.8	(100.0)
Repayment of borrowings	(359.1)	(153.5)	(133.9)
Payments for loans advanced	(13.5)	0.0	n/a
Dividends and share payments	(133.8)	(103.3)	(29.5)
Financing cash flow	**(506.4)**	**1,190.0**	**n/a**
Net (decrease) / increase in cash	**(35.2)**	**35.3**	**n/a**

Normalised operating cash flow increased 51% compared to the prior corresponding period.

The increase in operating cash flows is due to the strong performance across the business with higher mix of recurring revenues as well as continued focus on cash management.

Net interest paid at $67.7 million was $15.5 million higher than the prior corresponding period due to an additional 19 days interest and timing of the loan repayments with an additional quarterly payment in the first half of 2016.

Taxes paid in the year increased from $38.7 million to $84.6 million driven by the growth in the US business.

Capital expenditure increased 38% to $193 million primarily due to investment in hardware to support the 39% growth in the Class III premium gaming operations installed base.

During the period, US$270 million of the Term Loan B facility was repaid.

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

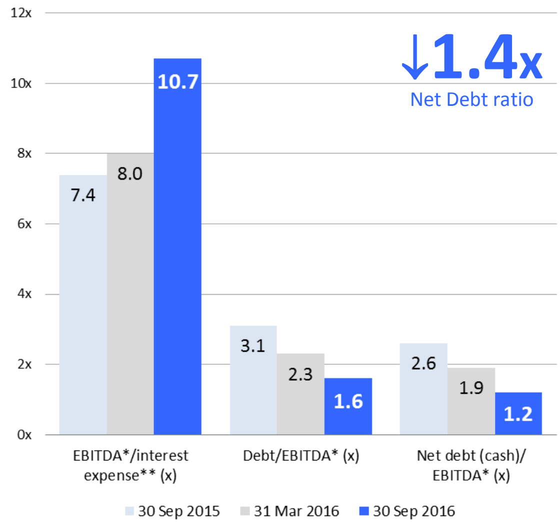
Funding and Liquidity

The Group had committed loan facilities of $1.4 billion as at 30 September 2016, comprising a US$1.0 billion Term Loan B facility maturing in October 2021 and a $100 million Revolving facility maturing in October 2019. The Group repaid US$270 million of the Term Loan B facility during the period, reflecting the Group's strong cash balance and liquidity position providing it with flexibility to repay debt.

The Group's facilities are summarised as follows:

Facility	Drawn as at 30 Sep 2016	Limit	Maturity date
Term Loan B facility	US$1.00bn	US$1.00bn	Oct 2021
Revolving facility	A$0.0m	A$100.0m	Oct 2019
Overdraft facilities	A$0.0m	A$7.6m	Annual Review

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



* EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement (also referred to as Bank EBITDA). EBITDA and interest for the period ended 30 September 2015 are 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.

The Group's leverage ratio (net debt / EBITDA) continued to decline in the reporting period, falling from 2.6x as at 30 September 2015 to 1.2x as at 30 September 2016. The reduction in gearing 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 in 2014.

As at 30 September 2016, 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 to 30 September 2016 of 15.0 cents per share ($95.6 million). Total dividends in respect of the 2016 year amount to 25.0 cents per share ($159.3 million) and represent an increase of 47.1% (or 8.0 cents), 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 20 December 2016 to shareholders on the register at 5.00pm on 6 December 2016. 100% of the unfranked dividend will be paid out of conduit foreign income.

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 2016, 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 $63.4 million while increasing normalised profit after tax and before amortisation of acquired intangibles by $16.6 million on a weighted average basis when compared with rates prevailing in the respective months in the prior period. In addition, as at 30 September 2016, the cumulative effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was a debit balance of $11.1 million (compared to a credit balance of $62.8 million as at 30 September 2015).

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 results in an estimated $4 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 2016	31 Mar 2016	30 Sept 2015	Full Year 2016 Average[1]	Full Year 2015 Average[1]
USD	0.7663	0.7669	0.7010	0.7383	0.7790
NZD	1.0517	1.1062	1.0998	1.0706	1.0789
EUR	0.6817	0.6766	0.6236	0.6675	0.6815
GBP	0.5903	0.5332	0.4623	0.5251	0.5046
ZAR	10.5100	11.4359	9.7079	10.8931	9.3584
ARS	11.7692	11.2006	6.5999	10.1781	6.8948

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

Review of Operations

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. There are no significant items or discontinued operations in the current period. Constant currency amounts refer to 2016 results restated using exchange rates applying in 2015.

Americas

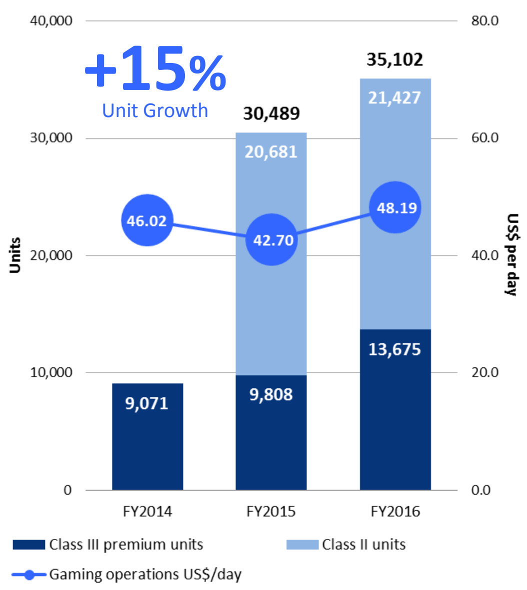
Total America's revenue increased by 23% and profits increased by 28% compared to the prior corresponding period.

Summary Profit and Loss

US$ million	Full Year 2016	Full Year 2015	Variance %
Revenue			
North America	890.1	709.4	25.5
Latin America	38.0	42.9	(11.4)
Total Revenue	**928.1**	**752.3**	**23.4**
Profit			
North America	434.0	338.4	28.3
Latin America	9.9	8.8	12.5
Total Profit	**443.9**	**347.2**	**27.9**
Margin	47.8%	46.2%	1.6 pts

In local currency, North American profits increased by 28%, or US$96m to US$434m driven by strong performance in the premium gaming operations and growth in outright sales with improved cabinet mix.

North America Gaming Operations Units



The Group realised significant share gains in the Class III premium gaming operations footprint. The growth was fuelled through the mix in both proprietary and licensed titles, *Lightning Link*™, *Buffalo Grand*™, *Game of Thrones*™, *Britney*™ and *Walking Dead II*™. The continued penetration of leading-edge hardware configurations including the *Arc*™ Double and *Behemoth*™, coupled with the top performing *Helix*™ upright cabinet, supported growth in the install base. Continued strong performance of legacy products like *Cash Express Gold Class*™ and *Buffalo Stampede*™ sustained revenues and profitability while new products and hardware stimulated growth.

" Class III premium gaming operations install base grows 39% in the year. "

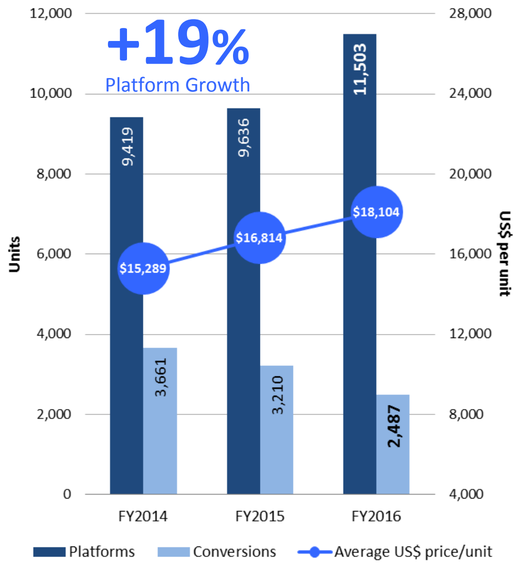
The Class III premium gaming operations install base will continue to be supported by a strong product portfolio across a diverse range of products segments with *Tim Mcgraw*™, *Downton*

Abbey™ and *5 Dragons Grand*™ on *Arc*™ Double, *Fast Cash*™ on *Helix+*™ and *Dragon Link*™ on *Arc*™ Single. This will be further supported with new and innovative future hardware (*Flame 55*™ and *Edge X*™) along with entry into the adjacent premium stepper segment with *Relm XL*™ .

In Class II gaming operations, the install base grew 4% to 21,427 units with gains in the Midwest as well as new casino openings and expansions driving the increase.

Average FPD across Class II and Class III increased 13% driven by game performance across the portfolio and further penetration of the new form factors which have driven substantial uplift in the fee per day.

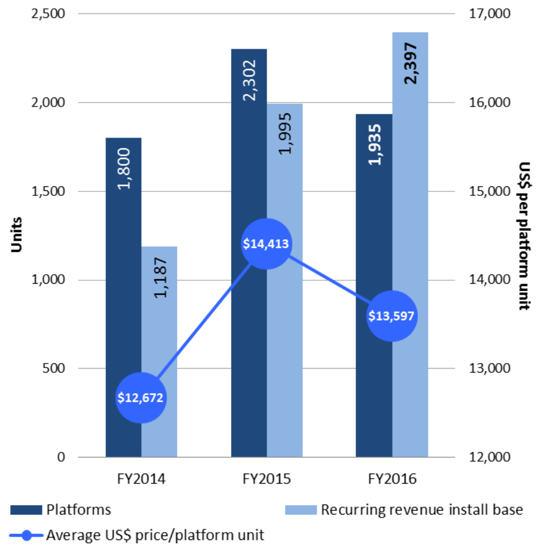
North America Outright Sales units and Average US$ Price / unit



In outright sales, the Group was able to grow total market ship share over 3 percentage points in a market that was relatively flat. Video ship share grew at around 5 percentage points. Unit sales increased 19% compared to the prior corresponding period driven by strong product performance on both the *Arc*™ Single and *Helix*™ form factors. ASP increased 8% to US$18,104 per unit, compared to prior corresponding period driven by strong sales of *Arc*™ Single and *Helix*™ cabinets. Sales of Class III conversions decreased 23% compared to the prior period as a result of strong unit sales.

The *Arc*™ Single continues to drive strong performance with a portfolio of proprietary brands including *Buffalo Gold*™, *Gold Stacks*™, *5 Dragons Gold*™ and *Wonder 4 Tower*™. The *Helix*™ gained further market penetration during the period supported by a strong portfolio of games in all key segments. The core portfolio included *Extra Bonus Wilds*™, *Wonder 4*™, *Wicked Winnings*™ *Legends*™ and *Mega Line Power*™. The *J-Series*™ segment portfolio includes *Gold Stacks*™, *Gold Pays*™ and *Sugar Hits Jackpots*™. In the *E-Series*™ segment *Sacred Guardians*™, *Coyote Queen*™, *Rainbow Warriors*™, *Sky Rider 2*™ and *Mistress of Magic*™ provided further depth in the games library.

Latin America Outright Sales units, Average US$ Price / unit and Recurring Revenue install base



The business placed a higher proportion of recurring revenue units this period driving a shift in mix from outright sales. Profitability improved year on year driven by the increase in recurring revenue combined with cost efficiencies.

Continued penetration was achieved in the market with high performing *Helix*™ cabinet supported by strong *J* Series*™ and *M* Series*™ games and the successful introduction of *Lightning Link*™ in the latter part of the year.

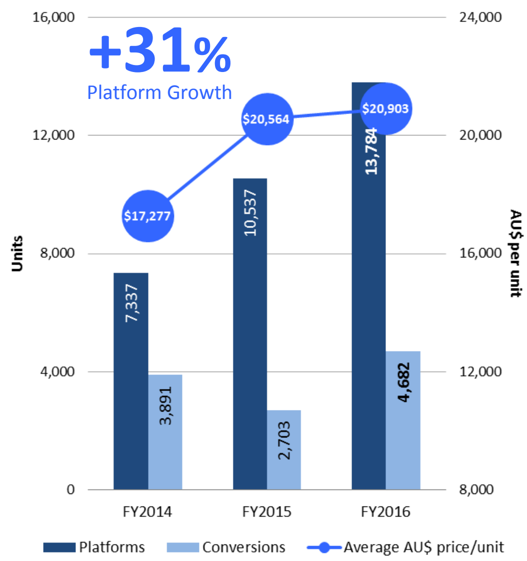
Australia and New Zealand

Summary Profit and Loss

A$ million	Constant currency Full Year 2016	Full Year 2015	Variance %
Revenue	412.4	314.1	31.3
Profit	**169.0**	**113.8**	**48.5**
Margin	41.0%	36.2%	4.8 pts

ANZ revenue and profit increased 31% and 48% respectively to $412 million and $169 million compared to the prior corresponding period. This reflects a significant growth in ship share in a market that declined by circa 5%.

ANZ Outright Sales units and Average A$ Price / unit



The ship share gains were the result of the continued strength of a portfolio of games and cabinet offerings for all customer groups. The most successful games in the portfolio continue to be *Lightning Link*™, *Lightning Cash*™ and *Player's Choice*™.

This year also marked the launch of the ACCESS recurring revenue model, a premium and innovative offering new to the ANZ market.

Segment margin increased to 41% from 36% due to a combination of higher ASP and higher contribution from sales of conversions which are at a higher margin, the absence of one time launch costs related to the new cabinet rollout, partially offset by the weaker Australian dollar that impacted US dollar denominated cost of goods.

International Class III

A$ million	Constant currency Full Year 2016	Full Year 2015	Variance %
Revenue	181.9	140.3	29.7
Profit	**79.1**	**51.7**	**53.0**
Margin	43.5%	36.8%	6.7 pts
Class III Platforms	5,978	4,457	34.1

International Class III revenue and profit increased 30% and 53% respectively to $182 million and $79.1 million compared to the prior corresponding period.

Asia Pacific performance was strong, driven by market churn and two large openings where market leading ship share was achieved together with increased expansion activity outside of Macau.

Europe experienced strong growth over the period with stronger margins due to product mix.

Segment margin increased to 43.5% due to the combination of mix and operating leverage.

Good Fortune™ link and *Five Dragons*™ continue to perform above floor in all venues in Asia Pacific. Continued penetration of the *Helix*™ cabinet throughout International Class III rest of world markets and strong performance of premium content in selected markets on new cabinets, *Arc*™ Double, *Arc*™ Single, and *Behemoth*™.

Digital

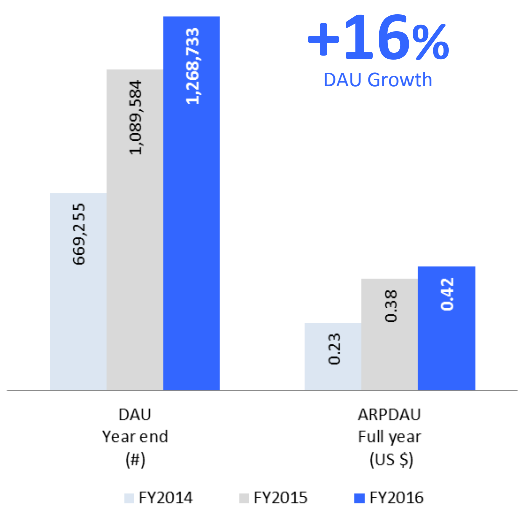
Summary Profit and Loss

A$ million	Constant currency Full Year 2016	Full Year 2015	Variance %
Revenue	268.7	147.6	82.0
Profit	**114.0**	**50.2**	**127.1**
Margin	42.4%	34.0%	8.4 pts

Digital revenues increased by 82% to $269 million in constant currency ($280 million in reported currency) driven by the ongoing success of *Heart of Vegas*™ throughout the period.

Segment profit outpaced revenue as the Digital business continued to build scale with margin growing by 8 points to 42% driven by a moderation of user acquisition costs as a percentage of revenue and improved operating leverage.

Daily Average Users (DAU) and Average US$ net revenue per DAU (ARPDAU)



Closing DAUs increased 16% in fiscal 2016, to 1,269k, primarily driven by the Android platform launched in August 2015.

The shift toward mobile continued throughout 2016, with users on mobile channels representing 68% of average DAUs, up from 36% in 2015.

Higher monetisation rates were driven by increasingly sophisticated product and marketing features.

Principal Risks

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 inherent risks remain, many of which are not directly within 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 'Extreme' and 'Very High' business risks which, once identified, are also captured on the global risk register. Extreme and Very High business risks are regularly reported to the Board via the Board Audit and Risk Committee along with treatment plans and controls.

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.

Litigation and contingent liabilities

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities 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 and 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; and

(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 licences 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 pay down 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 2016

Introduction

The financial report covers the financial statements for the consolidated entity consisting of Aristocrat Leisure Limited and its subsidiaries (together referred to as 'the Group').

During the current financial year, the content and structure of the financial report has been reviewed for opportunities to make it less complex and more relevant to users. The financial report has been streamlined with immaterial information removed and notes grouped in a logical order to make it easier for readers to access information and understand its relevance. Diagrams, tables and graphs have been used where relevant to improve the communication of the financial information. The purpose of these changes is to provide users with a clearer understanding of what drives the financial performance and financial position of the Group and linkage to the Group's strategy, whilst still complying with relevant legislation.

For details on the corporate information, the basis of preparation and principles of consolidation, please refer to Section 6-7.

What's new in 2016

Structural change

The notes to these financial statements have been organised into logical groupings to help users find and understand the information they need. An introduction has been included at the start of each section to explain its purpose and content. Accounting policies and critical accounting judgements and estimates applied to the preparation of the financial statements have been moved to where the related accounting balance is presented.

The notes are grouped under six key headings:

- Business performance
- Operating assets and liabilities
- Capital and financial structure
- Group structure
- Employee benefits
- Other disclosures

The Group has included information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Immaterial disclosures have been removed where they may undermine the usefulness of the financial report by obscuring important information.

Key judgements and estimates

Key accounting judgements applied to the preparation of the financial statements have been moved to where the related accounting balance or financial statement matter is discussed. They are highlighted and can be found at the end of the following notes:

Note	Key judgements and estimates	Page
1-4	Income tax provision	13
2-2	Carrying value of inventory	17
2-3	Recoverable amount of intangible assets	20

Significant changes in reporting period

During the year, the Group disposed of its South Africa operations and commenced selling in this region using a distributor. There were no other significant changes or events in the current reporting period. For a detailed discussion of the Group's financial performance and position, refer to the Operating and Financial Review.

CONTENTS

Statement of profit or loss and other comprehensive income
for the year ended 30 September 2016

Consolidated	Note	2016 $'m	2015 $'m
Continuing operations			
Revenue	1-2	2,128.7	1,582.4
Cost of revenue		(872.7)	(679.1)
Gross profit		1,256.0	903.3
Other income	1-2	11.6	19.4
Design and development costs		(239.2)	(191.4)
Sales and marketing costs		(119.5)	(118.3)
General and administration costs	1-3	(301.5)	(294.5)
Finance costs		(100.2)	(89.9)
Profit before income tax expense		507.2	228.6
Income tax expense	1-4	(156.7)	(71.9)
Profit from continuing operations		350.5	156.7
Profit from discontinued operations	4-3	-	29.7
Profit for the year		350.5	186.4
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	3-3	(92.5)	136.3
Net investment hedge	3-3	18.6	(29.2)
Changes in fair value of interest rate hedge	3-3	(5.7)	(5.2)
Other comprehensive (loss)/income for the year, net of tax		(79.6)	101.9
Total comprehensive income for the year		270.9	288.3
Total comprehensive income arises from:			
Continuing operations		270.9	258.6
Discontinued operations		-	29.7
Total comprehensive income for the year		270.9	288.3
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	1-5	55.1	24.8
Diluted earnings per share	1-5	54.9	24.6
Earnings per share attributable to ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	1-5	55.1	29.5
Diluted earnings per share	1-5	54.9	29.3

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet
as at 30 September 2016

Consolidated	Note	2016 $'m	2015 $'m
ASSETS			
Current assets			
Cash and cash equivalents		**283.2**	329.0
Trade and other receivables	2-1	**432.9**	441.9
Inventories	2-2	**124.3**	102.2
Financial assets	3-2	**7.0**	10.1
Current tax assets		**27.7**	-
		875.1	883.2
Assets classified as held for sale	4-2	**-**	15.3
Total current assets		**875.1**	898.5
Non-current assets			
Trade and other receivables	2-1	**96.9**	86.0
Financial assets	3-2	**6.6**	7.7
Property, plant and equipment	2-4	**217.5**	203.5
Intangible assets	2-3	**1,736.5**	1,941.8
Deferred tax assets	1-4	**55.1**	81.2
Total non-current assets		**2,112.6**	2,320.2
Total assets		**2,987.7**	3,218.7
LIABILITIES			
Current liabilities			
Trade and other payables	2-5	**371.1**	361.5
Borrowings	3-1	**-**	0.1
Current tax liabilities		**81.8**	11.4
Provisions	2-6	**32.5**	28.1
Financial liabilities	3-2	**-**	0.3
Deferred revenue		**63.8**	40.1
		549.2	441.5
Liabilities directly associated with assets classified as held for sale	4-2	**-**	0.9
Total current liabilities		**549.2**	442.4
Non-current liabilities			
Trade and other payables	2-5	**37.5**	43.2
Borrowings	3-1	**1,287.8**	1,779.5
Provisions	2-6	**13.4**	14.7
Financial liabilities	3-2	**10.8**	8.2
Deferred revenue		**10.3**	9.3
Other liabilities		**3.2**	4.0
Total non-current liabilities		**1,363.0**	1,858.9
Total liabilities		**1,912.2**	2,301.3
Net assets		**1,075.5**	917.4
EQUITY			
Contributed equity	3-4	**693.8**	693.8
Reserves	3-3	**(55.7)**	15.7
Retained earnings	3-3	**437.4**	207.9
Total equity		**1,075.5**	917.4

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the year ended 30 September 2016

Consolidated	Note	Contributed equity $'m	Reserves $'m	Retained earnings $'m	Total equity $'m
Balance at 1 October 2014		641.6	(58.1)	122.6	706.1
Profit for the year ended 30 September 2015		-	-	186.4	186.4
Other comprehensive income		-	101.9	-	101.9
Total comprehensive income for the year		-	101.9	186.4	288.3
Foreign currency translation reserve transferred to the profit or loss on disposal of foreign operation	3-3	-	7.2	-	7.2
Foreign currency translation reserve on discontinued operation	3-3	-	(0.3)	-	(0.3)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	3-4	52.2	-	-	52.2
Net movement in share-based payments reserve	3-3	-	(35.0)	-	(35.0)
Dividends provided for and paid		-	-	(101.1)	(101.1)
		52.2	(28.1)	(101.1)	(77.0)
Balance at 30 September 2015		**693.8**	**15.7**	**207.9**	**917.4**
Profit for the year ended 30 September 2016		**-**	**-**	**350.5**	**350.5**
Other comprehensive income		**-**	**(79.6)**	**-**	**(79.6)**
Total comprehensive income for the year		**-**	**(79.6)**	**350.5**	**270.9**
Transactions with owners in their capacity as owners:					
Net movement in share-based payments reserve	3-3	**-**	**8.2**	**-**	**8.2**
Dividends provided for and paid*	1-6	**-**	**-**	**(121.0)**	**(121.0)**
		-	**8.2**	**(121.0)**	**(112.8)**
Balance at 30 September 2016		**693.8**	**(55.7)**	**437.4**	**1,075.5**

*Payment of dividends relates to the 2015 final dividend and 2016 interim dividend.

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

Cash flow statement

for the year ended 30 September 2016

Consolidated	Note	2016 $'m	2015 $'m
Cash flows from operating activities			
Receipts from customers		2,251.6	1,619.7
Payments to suppliers and employees		(1,420.1)	(1,076.8)
		831.5	542.9
Other income		1.3	4.0
Interest received		9.1	10.6
Interest paid		(76.8)	(62.8)
Transaction costs relating to acquisition of businesses		-	(18.4)
Income tax paid		(84.6)	(38.7)
Net cash inflow from operating activities	1-7	680.5	437.6
Cash flows from investing activities			
Payments for property, plant and equipment		(182.5)	(121.4)
Proceeds from sale of property, plant and equipment		-	0.1
Payments for intangibles		(10.1)	(18.1)
Payment for acquisition of subsidiaries (net of cash acquired)		(30.2)	(1,446.4)
Proceeds from sale of subsidiaries (net of cash disposed)		13.5	1.7
Payments made for sale of subsidiary (net of cash disposed)		-	(8.2)
Net cash outflow from investing activities		(209.3)	(1,592.3)
Cash flows from financing activities			
Payments for shares acquired by the employee share trust		(12.8)	(2.2)
Repayments of borrowings		(359.0)	(153.3)
Proceeds from borrowings		-	1,446.8
Payments for loans advanced		(13.5)	-
Finance lease payments		(0.1)	(0.2)
Dividends paid		(121.0)	(101.1)
Net cash (outflow)/inflow from financing activities		(506.4)	1,190.0
Net (decrease)/increase in cash and cash equivalents		(35.2)	35.3
Cash and cash equivalents at the beginning of the year		332.7	285.9
Effects of exchange rate changes		(14.3)	11.5
Cash and cash equivalents at the end of year		283.2	332.7
Included in cash and equivalents per the balance sheet		283.2	329.0
Included in the assets of the disposal group	4-2	-	3.7

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Business performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year.

Details on the primary operating assets used and liabilities incurred to support the Group's operating activities are set out in Section 2 while the Group's financing activities are outlined in Section 3.

1-1 Segment performance

(a) Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors and the Executive Steering Committee. 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.

(b) Segment results

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

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 profit or loss and other 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 online social gaming and real money wager markets.

	The Americas $'m		Australia and New Zealand $'m		Digital $'m		International Class III $'m		Consolidated $'m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue - continuing										
Revenue from external customers	1,255.2	980.4	412.7	314.1	279.7	147.6	181.1	140.3	2,128.7	1,582.4
Result - continuing										
Segment results	600.3	451.3	169.1	113.8	118.1	50.2	80.5	51.7	968.0	667.0
Interest revenue									10.3	8.6
Interest expense									(100.2)	(89.9)
Design and development costs									(239.2)	(191.4)
Acquisition, transaction, integration and restructuring costs									-	(30.7)
Amortisation of acquired intangibles									(76.3)	(70.2)
Other expenses									(55.4)	(64.8)
Profit before income tax expense									507.2	228.6
Income tax expense									(156.7)	(71.9)
Profit from continuing operations									350.5	156.7
Profit from discontinued operations									-	29.7
Profit for the year									350.5	186.4
Other segment information - continuing										
Non-current assets other than financial and deferred tax assets	1,931.7	2,119.0	106.7	90.9	0.8	1.0	11.7	20.4	2,050.9	2,231.3
Depreciation and amortisation expense	107.4	77.3	17.1	10.9	0.3	0.2	3.5	2.8	128.3	91.2

Notes to the financial statements
Business performance (continued)

1-2 Revenues

Revenue	2016 $'m	2015 $'m
Sale of goods and related licences	910.5	715.1
Gaming operations, online and services	1,218.2	867.3
Total revenue	2,128.7	1,582.4
Other income		
Interest	10.3	8.6
Foreign exchange gains	-	6.8
Sundry income	1.3	4.0
Total other income	11.6	19.4

Interest income is recognised using the effective interest method.

Recognition and measurement
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.

Revenue type	Revenue stream	Recognition
Revenue from sale of goods and related licences	Machine sales	When significant risks and rewards have transferred, usually upon delivery of goods to the customer.
	Licence income	When all obligations in accordance with the agreement have been met, which may be at the time of sale or over the life of the agreement.
	Systems contracts	On installation of the system or customer acceptance if significant risk that customer will not accept the installed system.
	Multiple element arrangements	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. Where there is a discount on the arrangement, such discount is allocated proportionally between the elements.
Revenue from gaming operations, online and services	Participation revenue	Amount of revenue recognised monthly is calculated by either: - multiplying a daily fee by the total number of days the machine has been operating on the venue floor; or - an agreed fee based upon a percentage of turnover or the net win of participating machines.
	Rental income	Operating leases rental income is recognised on a straight line basis over the term of the lease contract. Selling profit on finance leases is recognised in accordance with machine sales. Finance income is recognised based on a constant periodic rate of return on the remaining balance of the finance lease investment.
	Service revenue	Recognised evenly over the period of the service agreement or as services are performed. Revenue received in advance on prepaid service contracts is included in deferred revenue.
	Online gaming revenue	Recognised when the player uses the credits purchased. Amounts not used at period end are included in deferred revenue.

Notes to the financial statements

Business performance (continued)

1-3 Expenses

	2016 $'m	2015 $'m
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment		
- Buildings	0.9	0.8
- Plant and equipment	110.3	79.3
- Leasehold improvements	4.4	4.1
Total depreciation and amortisation of property, plant and equipment	115.6	84.2
Amortisation of intangible assets		
- Customer relationships and contracts	44.5	40.5
- Game names	0.7	0.7
- Technology and software	31.4	28.1
- Intellectual property and licences	2.1	2.4
- Capitalised development costs	10.3	5.5
Total amortisation of intangible assets	89.0	77.2
Total depreciation and amortisation	204.6	161.4
Employee benefits expense		
Remuneration, bonuses and on-costs	355.6	318.3
Superannuation costs	12.4	10.9
Post-employment benefits other than superannuation	5.8	3.7
Share-based payments expense	19.3	16.3
Total employee benefits expense	393.1	349.2
Lease payments		
Rental expense relating to operating leases		
- Minimum lease payments	24.2	21.6
General and administration costs		
General and administration costs excluding significant expense items	226.8	188.9
Acquisition related transaction, integration and restructuring costs	-	30.7
Fair value adjustments to contingent consideration	-	9.4
Amortisation of acquired intangibles included in general and administration costs	74.7	65.5
Total general and administration costs	301.5	294.5
Other expense items		
Write down of inventories to net realisable value	11.4	21.5
Legal costs (excluding acquisition transaction costs)	23.4	14.7
Net foreign exchange loss/(gain)	1.0	(6.8)

Recognition and measurement

Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease. 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 rental obligation cost is charged to profit or loss over the lease period.

Finance and borrowing costs

Finance costs comprise interest expense on borrowings, the costs to establish financing facilities (which are expensed over the term of the facility) and finance lease interest charges.

Notes to the financial statements

Business performance (continued)

1-4 Taxes

	2016 $'m	2015 $'m
Major components of income tax expense are:		
(a) Income tax expense		
Current income tax expense		
Current year	146.2	88.7
Adjustment for prior years	(9.4)	(5.0)
Deferred income tax expense		
Temporary differences	13.6	(17.2)
Adjustment for prior years	6.3	5.4
Income tax expense	156.7	71.9
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	19.9	(11.8)
Deferred income tax expense included in income tax expense	19.9	(11.8)
(b) Tax reconciliation		
Profit from continuing operations before tax	507.2	228.6
Profit from discontinued operations before tax	-	29.7
Profit before tax	507.2	258.3
Tax at the Australian tax rate of 30% (2015: 30%)	152.2	77.5
Impact of changes in tax rates and law	7.7	7.9
Exempt income	(7.2)	(21.4)
Non-deductible expenses	3.7	8.9
Research and development tax credit	(6.4)	(3.0)
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(6.8)
Difference in overseas tax rates	9.8	8.4
Adjustment in respect of previous years income tax	(3.1)	0.4
Income tax expense	156.7	71.9
Average effective tax rate	30.9%	27.8%
(c) Amounts recognised directly in equity		
Net deferred tax - credited directly to equity	7.1	2.3
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	1.0	0.8
Unused gross capital tax losses for which no deferred tax asset has been recognised	204.8	101.3
Revenue and capital tax losses	205.8	102.1
Potential tax benefit	61.7	30.6

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

Current taxes

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 and unused tax losses/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.

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.

Notes to the financial statements
Business performance (continued)

1-4 Taxes (continued)

(e) Deferred tax	2016 $'m	2015 $'m
Gross deferred tax assets		
Employee benefits	27.1	25.8
Accruals and other provisions	17.1	18.0
Provision for stock obsolescence	9.8	13.1
Financial liabilities	3.6	3.0
Share-based equity	6.8	4.8
Unrealised foreign exchange losses	3.0	14.2
Tax losses	-	2.2
Other	16.2	18.7
Gross deferred tax assets	83.6	99.8
Set-off of deferred tax liabilities pursuant to set-off provisions:		
Plant, equipment and intangible assets	(28.5)	(18.5)
Subtotal	55.1	81.3
Deferred tax assets on entity held for sale	-	(0.1)
Net deferred tax assets	55.1	81.2
Movements		
Balance at the start of the year	81.2	80.1
(Charged)/credited to profit or loss	(19.9)	11.8
(Charged)/credited to other comprehensive income	(14.9)	15.5
Credited directly to equity	7.1	2.3
Tax losses utilised	(13.7)	(32.3)
Tax losses recognised	-	0.1
Reclassification to current tax provision	16.6	-
Deferred tax assets on entity held for sale	(0.2)	(0.1)
Foreign exchange currency movements	(1.1)	3.8
Balance at the end of the year	55.1	81.2

Deferred taxes

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:
- taxable temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither taxable income nor accounting profit;
- taxable temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates using tax laws that are expected to apply the year when the asset is utilised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are not recognised in the profit or loss.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

1-4 Taxes (continued)

Tax consolidation

The Company and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. Aristocrat Leisure Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Aristocrat Leisure Limited and each of the entities in the tax-consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. Each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

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 balance sheet.

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.

Key judgements and estimates: Income tax provision

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.

1-5 Earnings per share

	2016 Cents	2015 Cents
Basic earnings per share		
From continuing operations	55.1	24.8
From discontinued operations	-	4.7
Total basic earnings per share	55.1	29.5
Diluted earnings per share		
From continuing operations	54.9	24.6
From discontinued operations	-	4.7
Total diluted earnings per share	54.9	29.3

Basic earnings per share
The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

Diluted earnings per share
The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	636,383,164	632,332,667
Effect of Performance Share Rights	1,486,325	3,564,364
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	637,869,489	635,897,031

	2016 $'m	2015 $'m
Reconciliation of earnings used in calculating basic and diluted earnings per share		
Net profit attributable to members of Aristocrat Leisure Limited		
From continuing operations	350.5	156.7
From discontinued operations	-	29.7
Earnings used in calculating basic and diluted earnings per share	350.5	186.4

Information concerning the classification of securities

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. Details relating to the rights are set out in Note 5-2.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights are 380,902 (2015:949,762) Performance Share Rights that had lapsed during the year.

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 in calculating basic earnings per share. At the end of the reporting period, there were 1,097,867 shares held in the share trust (2015: 3,574,752).

1-6 Dividends

Ordinary shares	2016 Final	2016 Interim	2015 Final	2015 Interim
Dividend per share (cents)	15.0c	10.0c	9.0c	8.0c
Franked/Unfranked	Unfranked	Unfranked	Unfranked	Unfranked
Cost ($'m)	95.6	63.7	57.3	50.7
Payment date	20 December 2016	1 July 2016	18 December 2015	3 July 2015

Franking credits
The franking account balance at 30 September 2016 is $nil (2015: $nil).

Recognition and measurement
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. The final 2016 dividend had not been declared at the reporting date and therefore is not reflected in the financial statements.

Dividends not recognised at year end
Since the end of the year, the Directors have recommended the payment of a final dividend of 15.0 cents (2015: 9.0 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend expected to be paid on 20 December 2016 out of retained earnings at 30 September 2016, but not recognised as a liability at the end of the year is $95.6m.

Notes to the financial statements
Business performance (continued)

1-7 Reconciliation of net operating cash flows

	2016 $'m	2015 $'m
Profit for the year	350.5	186.4
Non-cash items		
Depreciation and amortisation	208.9	162.6
Impairment loss/(reversal)	-	(10.5)
Equity-settled share-based payments	19.3	16.3
Net loss on sale and impairment of property, plant and equipment	11.0	2.3
Net foreign currency exchange differences	(32.2)	27.5
Gain on sale of subsidiaries	(0.1)	(20.3)
Non-cash borrowing costs amortisation	13.0	8.8
Change in operating assets and liabilities, net of effects of acquisition/disposal of businesses:		
(Increase)/decrease in assets		
- Receivables and deferred revenue	49.0	(96.7)
- Inventories	(5.4)	32.3
- Other operating assets	(5.3)	0.3
Increase/(decrease) in liabilities		
- Payables	(2.5)	111.4
- Other provisions	3.0	1.3
- Tax balances	71.3	15.9
Net cash inflow from operating activities	680.5	437.6

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank overdrafts, deposits held at call with financial institutions and 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.

Notes to the financial statements

2. Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Group which contribute to the business platform for generating revenues and profits.

2-1 Trade and other receivables

	2016 $'m	2015 $'m
Current		
Trade receivables	387.1	404.0
Provision for impairment	(14.7)	(13.3)
Loan receivables	3.3	-
Other receivables	57.2	51.2
Total current receivables	432.9	441.9
Non-current		
Trade receivables	55.2	79.0
Loan receivables	11.4	-
Other receivables	30.3	7.0
Total non-current receivables	96.9	86.0
Movements in the provision for impairment of receivables is as follows:		
At the start of the year	(13.3)	(4.5)
Provision recognised during the year	(4.5)	(8.4)
Foreign currency exchange differences	1.1	(1.0)
Provisions no longer required	2.0	0.6
At the end of the year	(14.7)	(13.3)

The above provision relates to $6.6m (2015: $7.3m) of trade receivables past due and considered impaired. Included in the provision is $7.7m (2015: $6.6m) relating to Latin America trade receivables.

Trade receivables past due but not impaired	2016	2015
Under 3 months	41.3	39.9
3 months and over	1.7	3.0
Total receivables past due but not impaired	43.0	42.9

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment. Current trade receivables are non-interest bearing and generally have terms of up to 120 days.

Impairment of trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. 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. 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.

With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Other receivables

These include prepayments, other receivables and long-term deposits incurred under normal terms and conditions and which do not earn interest. They do not contain impaired assets and are not past due.

Fair value

Due to their short-term nature, the carrying amount of current receivables are estimated to represent their fair value. Non-current receivables are carried at discounted carrying values which are estimated to represent their fair value.

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:

	Minimum lease payments $'m		Unearned finance income $'m		Present value of minimum lease payments $'m	
	2016	2015	2016	2015	2016	2015
Current - Under one year	6.3	9.4	0.7	0.2	5.6	9.2
Non-current - Between one and five years	1.7	4.6	-	0.4	1.7	4.2
	8.0	14.0	0.7	0.6	7.3	13.4

Notes to the financial statements
Operating assets and liabilities (continued)

2-2 Inventories

	2016 $'m	2015 $'m
Current		
Raw materials and stores	109.5	85.2
Work in progress	9.8	6.9
Finished goods	21.0	43.6
Inventory in transit	9.3	4.5
Provision for obsolescence and impairment	(25.3)	(38.0)
Total inventories	124.3	102.2

Inventory expense
Inventories recognised as an expense during the year ended 30 September 2016 amounted to $376.6m (2015: $317.2m).

Recognition and measurement
Inventories are valued 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 to sell.

Key judgements and estimates: Carrying value of inventory
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
Operating assets and liabilities (continued)

2-3 Intangible assets

$'m	Goodwill	Customer relationships and contracts	Tradename and game names	Intellectual property and licences	Capitalised development costs	Technology and software	Total
Cost	1,089.0	703.1	29.4	11.6	16.1	200.4	2,049.6
Accumulated amortisation	-	(44.4)	(0.8)	(2.3)	(4.6)	(55.7)	(107.8)
Net carrying amount	1,089.0	658.7	28.6	9.3	11.5	144.7	1,941.8
Carrying amount at 1 October 2014	94.0	-	-	2.9	14.4	19.1	130.4
Additions	-	-	-	2.6	2.6	14.2	19.4
Additions on acquisition of subsidiaries	783.9	561.8	23.5	-	-	112.0	1,481.2
Transfers	(8.3)	-	-	8.3	-	-	-
Assets included in disposal group classified as held for sale	(0.5)	-	-	-	-	-	(0.5)
Impairment losses	-	-	-	(2.5)	-	-	(2.5)
Amortisation charge - continuing operations	-	(40.5)	(0.7)	(2.4)	(5.5)	(28.1)	(77.2)
Foreign currency exchange movements	219.9	137.4	5.8	0.4	-	27.5	391.0
Carrying amount at 30 September 2015	1,089.0	658.7	28.6	9.3	11.5	144.7	1,941.8

$'m	Goodwill	Customer relationships and contracts	Tradename and game names	Intellectual property and licences	Capitalised development costs	Technology and software	Total
Cost	**996.2**	**643.2**	**26.9**	**36.3**	**24.5**	**196.2**	**1,923.3**
Accumulated amortisation	**-**	**(83.5)**	**(1.4)**	**(4.2)**	**(14.9)**	**(82.8)**	**(186.8)**
Net carrying amount	**996.2**	**559.7**	**25.5**	**32.1**	**9.6**	**113.4**	**1,736.5**
Carrying amount at 1 October 2015	**1,089.0**	**658.7**	**28.6**	**9.3**	**11.5**	**144.7**	**1,941.8**
Additions	**-**	**-**	**-**	**25.5**	**8.4**	**10.1**	**44.0**
Transfers	**-**	**-**	**-**	**-**	**-**	**(0.9)**	**(0.9)**
Amortisation charge - continuing operations	**-**	**(44.5)**	**(0.7)**	**(2.1)**	**(10.3)**	**(31.4)**	**(89.0)**
Foreign currency exchange movements	**(92.8)**	**(54.5)**	**(2.4)**	**(0.6)**	**-**	**(9.1)**	**(159.4)**
Carrying amount at 30 September 2016	**996.2**	**559.7**	**25.5**	**32.1**	**9.6**	**113.4**	**1,736.5**

Notes to the financial statements
Operating assets and liabilities (continued)

2-3 Intangible assets (continued)

Intangible assets	Useful life	Amortisation method	Recognition and measurement
Goodwill	Indefinite	Not amortised	Goodwill acquired in a business combination is measured at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired.
Technology and software	3 - 10 years	Straight line	Technology and software 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 and is subsequently amortised.
Customer relationships and contracts acquired	15 years	Straight line	Customer relationships and contracts acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses.
Tradename	Indefinite	Not amortised	The tradename was acquired as part of a business combination and recognised at its fair value at the date of acquisition. It has an indefinite life so is not amortised, but rather tested for impairment at each reporting date. 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.
Game names	15 years	Straight line	Game names recognised on the balance sheet were acquired as part of a business combination. Game names are recognised at their fair value at the date of acquisition and are subsequently amortised.
Intellectual property and licences	3 - 10 years	Straight line	Intellectual property and licences are carried at cost less accumulated amortisation and impairment losses.
Capitalised design and development costs	1 - 7 years	Straight line	Capitalised development costs are costs incurred on internal development projects. Only development costs relating to the creation of an asset that can be used or sold to generate benefits and can be reliably measured are capitalised as intangible assets. Design expenditure and other development costs that do not meet these criteria are recognised in the profit or loss as incurred.

Notes to the financial statements
Operating assets and liabilities (continued)

2-3 Intangible assets (continued)

(a) Impairment tests

Goodwill and other intangibles are allocated to the Group's cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A summary of the goodwill allocation by CGU is presented below:	**2016 $'m**	2015 $'m
Americas (excluding VGT)	**74.4**	81.3
Product Madness	**23.3**	25.5
VGT	**898.5**	982.2
Total goodwill at the end of the year	**996.2**	1,089.0

The VGT CGU also includes $16.2m relating to a tradename that is not amortised, and is tested for impairment annually.

(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:

Inputs	Assumptions		
Cash flow projections	Financial budgets and strategic plans approved by the Board to 2017 and management projections from 2018 to 2021. 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.		
Pre-tax annual discount rate		**2016**	2015
	Americas (excluding VGT)	**12.0%**	14.5%
	Product Madness	**15.2%**	14.3%
	VGT	**11.0%**	9.8%
Terminal growth rate		**2016**	2015
	Americas (excluding VGT)	**3.0%**	3.0%
	Product Madness	**3.0%**	3.0%
	VGT	**2.0%**	2.0%
Allocation of head office assets	The Group's head office assets do not generate separate cash inflows and are utilised by more than one CGU. Head office assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the head office assets are allocated.		

(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 lead to a material impairment charge.

Key judgements and estimates: Recoverable amount of intangible assets

The Group tests annually whether goodwill and other intangible assets that are not amortised have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. The above note details these assumptions and the potential impact of changes to the assumptions.

Notes to the financial statements

Operating assets and liabilities (continued)

2-4 Property, plant and equipment

	Land and buildings $'m		Leasehold improvements $'m		Plant and equipment $'m		Total $'m	
	2016	2015	2016	2015	2016	2015	2016	2015
Cost	20.7	23.3	51.5	53.8	468.4	386.4	540.6	463.5
Accumulated depreciation/amortisation	(6.6)	(6.7)	(26.6)	(25.6)	(289.9)	(227.7)	(323.1)	(260.0)
Net carrying amount	14.1	16.6	24.9	28.2	178.5	158.7	217.5	203.5
Carrying amount at the start of the year	16.6	13.7	28.2	12.7	158.7	95.0	203.5	121.4
Additions	0.1	0.4	2.7	0.7	180.0	119.3	182.8	120.4
Additions from acquisitions	-	-	-	15.0	-	33.2	-	48.2
Disposals	0.3	-	(0.1)	-	(3.7)	-	(3.5)	-
Assets included in disposal group classified as held for sale and other disposals	-	-	-	(0.1)	-	(0.9)	-	(1.0)
Impairment losses	(0.8)	-	-	-	(6.6)	(4.1)	(7.4)	(4.1)
Transfers*	-	-	-	-	(23.4)	(36.8)	(23.4)	(36.8)
Depreciation and amortisation - continuing operations	(0.9)	(0.8)	(4.4)	(4.1)	(110.3)	(79.3)	(115.6)	(84.2)
Depreciation and amortisation - discontinued operations	-	-	-	-	-	(0.4)	-	(0.4)
Foreign currency exchange differences	(1.2)	3.3	(1.5)	4.0	(16.2)	32.7	(18.9)	40.0
Carrying amount at the end of the year	14.1	16.6	24.9	28.2	178.5	158.7	217.5	203.5

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

Recognition and measurement

All property, plant and equipment are stated at historical cost less accumulated depreciation/amortisation and impairment.

The expected useful lives and depreciation and amortisation methods are listed below:

Asset	Useful life	Depreciation method
Buildings	25-30 years	Straight line
Leasehold improvements	2-10 years	Straight line
Plant and equipment	1-10 years	Straight line
Land	Indefinite	No depreciation

During the reporting period the Group has reassessed the useful lives of some of its Gaming Operations machines. This change in estimate has increased depreciation expense by $25.1m in the current year.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or disposed, or when its use is expected to bring no future economic benefits. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the asset and are recognised within 'other income' in the profit or loss in the period the disposal occurs.

2-5 Trade and other payables

	2016 $'m	2015 $'m
Current		
Trade payables	104.9	107.1
Contingent consideration	-	17.1
Deferred consideration	22.8	25.0
Other payables	243.4	212.3
Total current payables	371.1	361.5
Non-current		
Deferred consideration	18.3	43.2
Other payables	19.2	-
Total non-current payables	37.5	43.2

Recognition and measurement

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30-120 days of recognition. Other payables include short-term employee benefits.

The carrying amounts of trade and other payable are estimated to represent their fair value.

Notes to the financial statements

Operating assets and liabilities (continued)

2-6 Provisions

	Employee benefits $'m		Make good allowances $'m		Progressive jackpot liabilities $'m		Warranties $'m		Onerous contracts $'m		Total $'m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Current	11.5	10.5	0.2	0.1	20.8	17.5	-	-	-	-	32.5	28.1
Non-current	1.8	1.8	8.6	8.6	3.0	4.3	-	-	-	-	13.4	14.7
Carrying amount at the end of the year	13.3	12.3	8.8	8.7	23.8	21.8	-	-	-	-	45.9	42.8

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Make good allowances $'m		Progressive jackpot liabilities $'m		Warranties $'m		Onerous contracts $'m	
	2016	2015	2016	2015	2016	2015	2016	2015
Carrying amount at the start of the year	8.7	3.9	21.8	10.0	-	0.4	-	32.4
Acquisition of subsidiary	-	3.4	-	-	-	-	-	-
Payments	-	-	(6.3)	(2.3)	-	-	-	(11.8)
Additional provisions recognised	0.6	0.7	10.2	11.7	-	0.1	-	5.9
Assets included in disposal group classified as held for sale	-	-	-	-	-	(0.2)	-	-
Disposal of subsidiaries	-	(0.2)	-	-	-	-	-	(25.1)
Reversal of provisions recognised	(0.1)	-	-	-	-	(0.3)	-	(2.6)
Foreign currency exchange differences	(0.4)	0.9	(1.9)	2.4	-	-	-	1.2
Carrying amount at the end of the year	8.8	8.7	23.8	21.8	-	-	-	-

Recognition and measurement

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.

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.
Provision is made for the estimated cash flows expected to be required to settle the obligation based on a percentage of jackpot funded revenue.

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.

Make good allowances

Provision is made for the estimated discounted cash flows expected to be required to satisfy the make good clauses in the lease contracts.

3. Capital and financial structure

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

The Directors review the Group's capital structure and dividend policy regularly and do so in the context of the Group's ability to invest in opportunities that grow the business, enhance shareholder value and continue as a going concern.

3-1 Borrowings

	2016 $'m	2015 $'m
Current		
Secured		
Lease liabilities	-	0.1
Total current borrowings	-	0.1
Non-current		
Secured		
Bank loans	1,287.3	1,779.2
Lease liabilities	0.5	0.3
Total non-current borrowings	1,287.8	1,779.5

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the borrowings.

The fair value of borrowings approximates the carrying amount.

The carrying amounts of the Group's borrowings are denominated in USD.

For an analysis of the sensitivity of borrowings to interest rate and foreign exchange risk, refer to Note 3-6.

Financing arrangements

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

Credit standby arrangements	Notes	2016 $'m		2015 $'m	
Total facilities		Total	Unused	Total	Unused
- Bank overdrafts	(i)	7.6	7.6	7.9	7.9
- Bank loans	(ii)	1,387.3	100.0	1,879.2	100.0
Total facilities		1,394.9	107.6	1,887.1	107.9

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

(ii) Syndicated loan facilities:

- US$1,000 million fully underwritten 7 year US Term Loan B debt facility maturing 20 October 2021.
- A$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 0.75% LIBOR floor as specified in the Term Loan B Syndicated Facility Agreement. The LIBOR floor was renegotiated as part of an overall renegotiation that was effective from 10 August 2016. A portion of the interest rate exposure has been fixed under separate interest rate swap arrangements.

Notes to the financial statements

Capital and financial structure (continued)

3-2 Financial assets and financial liabilities

	2016 $'m	2015 $'m
Financial assets		
Current		
Debt securities held-to-maturity	5.9	10.1
Derivatives used for hedging	1.1	-
Total current financial assets	7.0	10.1
Non-current		
Debt securities held-to-maturity	3.5	4.3
Other investments	3.1	3.4
Total non-current financial assets	6.6	7.7
Financial liabilities		
Current		
Derivatives used for hedging	-	0.3
Total current financial liabilities	-	0.3
Non-current		
Interest rate swap contracts - cash flow hedges	10.8	8.2
Total non-current financial liabilities	10.8	8.2

(a) Classification

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group 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.

(b) 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 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.

(c) Measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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.

Further information on financial assets and liabilities is disclosed in Note 3-6.

(d) 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.

All held-to-maturity investments are denominated in US dollars. Details regarding interest rate and foreign exchange risk exposure are disclosed in Note 3-6. There is no exposure to price risk as the investments will be held to maturity. 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.

Notes to the financial statements

Capital and financial structure (continued)

3-3 Reserves and retained earnings

$'m	Retained earnings	Foreign currency translation reserve	Share-based payments reserve	Interest rate hedge reserve	Non-controlling interest reserve	Total reserves
Balance at 1 October 2014	122.6	(51.2)	0.2	-	(7.1)	(58.1)
Profit for the year	186.4	-	-	-	-	-
Currency translation differences - continuing operations	-	136.3	-	-	-	136.3
Net investment hedge	-	(41.7)	-	-	-	(41.7)
Deferred tax	-	12.5	-	3.0	-	15.5
Movement in fair value of interest rate hedges	-	-	-	(8.2)	-	(8.2)
Total comprehensive income for the year	186.4	107.1	-	(5.2)	-	101.9
Foreign currency translation reserve transferred to the profit or loss on disposal of foreign operation	-	7.2	-	-	-	7.2
Foreign currency translation reserve on discontinued operation	-	(0.3)	-	-	-	(0.3)
Transactions with owners in their capacity as owners						
Dividends paid or provided for	(101.1)	-	-	-	-	-
Share-based payments expense	-	-	16.3	-	-	16.3
Issues of shares to and purchases of shares by the Aristocrat Employee Share Trust	-	-	(54.5)	-	-	(54.5)
Share-based tax and other adjustments	-	-	3.2	-	-	3.2
Balance at 30 September 2015	207.9	62.8	(34.8)	(5.2)	(7.1)	15.7
Balance at 1 October 2015	**207.9**	**62.8**	**(34.8)**	**(5.2)**	**(7.1)**	**15.7**
Profit for the year	**350.5**	**-**	**-**	**-**	**-**	**-**
Currency translation differences - continuing operations	**-**	**(92.5)**	**-**	**-**	**-**	**(92.5)**
Net investment hedge	**-**	**31.1**	**-**	**-**	**-**	**31.1**
Deferred tax	**-**	**(12.5)**	**-**	**(2.4)**	**-**	**(14.9)**
Movement in fair value of interest rate hedges	**-**	**-**	**-**	**(3.3)**	**-**	**(3.3)**
Total comprehensive (loss)/income for the year	**350.5**	**(73.9)**	**-**	**(5.7)**	**-**	**(79.6)**
Transactions with owners in their capacity as owners						
Dividends paid or provided for	**(121.0)**	**-**	**-**	**-**	**-**	**-**
Share-based payments expense	**-**	**-**	**19.3**	**-**	**-**	**19.3**
Issues of shares to and purchases of shares by the Aristocrat Employee Share Trust	**-**	**-**	**(12.8)**	**-**	**-**	**(12.8)**
Share-based tax and other adjustments	**-**	**-**	**1.7**	**-**	**-**	**1.7**
Balance at 30 September 2016	**437.4**	**(11.1)**	**(26.6)**	**(10.9)**	**(7.1)**	**(55.7)**

Nature and purpose of reserves:

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.

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.

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.

Non-controlling interest reserve

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

Notes to the financial statements

Capital and financial structure (continued)

3-4 Contributed equity

	Shares 2016	Shares 2015	$'m 2016	$'m 2015
Ordinary shares, fully paid	637,119,632	637,119,632	693.8	693.8
Movements in ordinary share capital				
Ordinary shares at the beginning of the year	637,119,632	630,022,253	693.8	641.6
Shares issued during the year	-	7,097,379	-	52.2
Ordinary shares at the end of the financial year	637,119,632	637,119,632	693.8	693.8

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.

Recognition and measurement

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. There is no current on-market buy back.

3-5 Net tangible assets per share

	2016 $	2015 $
Net tangible assets per share	(1.04)	(1.61)

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 2016 were $1.69 (2015: $1.44).

3-6 Capital and financial risk management

(a) 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:

	2016	2015
Gross debt/bank EBITDA*	1.6x	3.1x
Net debt/(cash)/bank EBITDA*	1.2x	2.6x
Interest coverage ratio (bank EBITDA*/interest expense**)	10.7x	7.4x

* Bank EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement.
** Interest expense includes ongoing finance fees relating to bank debt facility arrangements, such as line fees.

This section explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

(b) Financial risk management

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.

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.

Notes to the financial statements

Capital and financial structure (continued)

3-6 Capital and financial risk management (continued)

Risk	Exposure arising from	Measurement	Management
Market risk: Interest rate	Floating rate borrowings drawn under a Term Loan B facility	Sensitivity analysis	Floating interest rate risk - by using floating to fixed interest rate swaps. Cash flow and fair value 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, 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. Under the Group Treasury policy, the mix between fixed and floating rate debt is reviewed on a regular basis. At 30 September 2016 all debt was solely denominated in US dollars.
Market risk: Foreign exchange	Future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency	Sensitivity analysis & cash flow forecasts	The Group's foreign exchange hedging policy reduces the foreign exchange risk associated with transactional exposures, primarily over a 12-month horizon. Unrealised gains or losses on outstanding foreign exchange contracts are taken to the Group's profit or loss on a monthly basis.
Market risk: Price risk	The Group's exposure to commodity price risk is indirect and is not considered likely to be material	Nil	Nil
Credit risk	Cash and cash equivalents, trade and other receivables, derivative financial instruments and held-to-maturity investments	Ageing analysis & credit ratings	There are no significant concentrations 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 and limits the amount of credit exposure to any one financial institution. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. For all cash and cash equivalents these are held with counterparties which are rated 'A' or higher.
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts and debt covenants	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.

Hedge of net investment in foreign entity

In 2015, the Group entered into a Term Loan B amounting to US$1,300.0m which was taken out to acquire an American subsidiary and is denominated in United States Dollars (US$). At 30 September 2016, US$130.0m 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 2016 was $1,287.8m (2015: $1,779.5m). The foreign exchange loss of $10.6m (2015: $29.2m) 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 3-3). There was no ineffectiveness to be recorded in the profit or loss from net investments in foreign entity hedges.

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:

	Carrying amount		Interest rate risk				Foreign exchange risk			
	$'m		-1% Profit $'m		+1% Profit $'m		-10% Profit $'m		+10% Profit $'m	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets										
Cash and cash equivalents	283.2	329.0	(2.8)	(3.3)	2.8	3.3	0.6	0.3	(0.5)	(0.3)
Receivables	529.8	527.9	-	-	-	-	4.4	4.6	(3.6)	(3.8)
Debt securities held-to-maturity	9.4	14.4	(0.1)	(0.1)	0.1	0.1	-	-	-	-
Other investments	4.2	3.4	-	-	-	-	-	-	-	-
Financial liabilities										
Payables	408.6	404.7	-	-	-	-	(2.6)	(1.6)	2.1	1.3
Borrowings	1,287.8	1,779.6	1.3	-	(13.1)	(5.9)	-	-	-	-
Progressive jackpot liabilities	23.8	21.8	0.2	0.2	(0.2)	(0.2)	-	-	-	-
Other financial liabilities	10.8	8.5	-	-	-	-	-	-	-	-
Total increase/(decrease)			(1.4)	(3.2)	(10.4)	(2.7)	2.4	3.3	(2.0)	(2.8)

3-6 Capital and financial risk management (continued)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings as follows:
(i) based on their contractual maturities:
- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows.

(ii) based on the remaining period to the expected settlement date:
- 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.

Contractual maturities of financial liabilities	Less than 1 year $'m		Between 1 to 5 years $'m		Over 5 years $'m		Total contractual cash flows $'m		Carrying amount (assets)/liabilities $'m	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Non-derivatives										
Trade payables	**104.9**	107.1	**-**	-	**-**	-	**104.9**	107.1	**104.9**	107.1
Other payables	**243.4**	212.3	**19.2**	-	**-**	-	**262.6**	212.3	**262.6**	212.3
Contingent consideration	**-**	17.1	**-**	-	**-**	-	**-**	17.1	**-**	17.1
Deferred consideration	**22.8**	25.0	**19.6**	46.4	**-**	-	**42.4**	71.4	**41.1**	68.2
Borrowings	**-**	0.3	**-**	63.9	**1,305.0**	1,747.9	**1,305.0**	1,812.1	**1,287.8**	1,779.6
Borrowings - interest payments	**46.2**	87.3	**185.4**	344.3	**2.5**	88.4	**234.1**	520.0	**-**	-
Progressive jackpot liabilities	**20.8**	17.5	**1.8**	3.3	**1.2**	1.0	**23.8**	21.8	**23.8**	21.8
Total non-derivatives	**438.1**	466.6	**226.0**	457.9	**1,308.7**	1,837.3	**1,972.8**	2,761.8	**1,720.2**	2,206.1
Derivatives										
Net settled (interest rate swaps)	**-**	0.1	**10.8**	8.1	**-**	-	**10.8**	8.2	**10.8**	8.2
Gross settled (forward foreign exchange contracts)								-		
- (inflow)	**(43.6)**	(63.5)	**-**	-	**-**	-	**(43.6)**	(63.5)	**(1.1)**	-
- outflow	**42.5**	63.8	**-**	-	**-**	-	**42.5**	63.8	**-**	0.3
Total (inflow)/outflow	**(1.1)**	0.3	**-**	-	**-**	-	**(1.1)**	0.3	**(1.1)**	0.3
Total derivatives	**(1.1)**	0.4	**10.8**	8.1	**-**	-	**9.7**	8.5	**9.7**	8.5

(c) Foreign currency risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:	**2016 $'m**	2015 $'m
US dollars	**320.0**	352.1
Australian dollars	**156.0**	140.1
Other(1)	**53.8**	35.7
Total carrying amount	**529.8**	527.9

The carrying amounts of the Group's current and non-current payables are denominated in the following currencies:		
US dollars	**307.1**	301.6
Australian dollars	**90.8**	94.6
Other(1)	**10.7**	8.5
Total carrying amount	**408.6**	404.7

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

(d) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer above 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:	**2016 $'m**	2015 $'m
Trade receivables with guarantees	**13.0**	14.2
Trade receivables without guarantees	**414.6**	455.5
Total trade receivables	**427.6**	469.7

3-6 Capital and financial risk management (continued)

(e) 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 2016 on the net fair value of the Group's existing foreign exchange hedge contracts:

Currency pair	Weighted average exchange rate	Maturity profile(1) 1 year or less $'m	Maturity profile(1) 1 to 7 year(s) $'m	Net fair value gain/(loss)(2) $'m
AUD/EUR	0.6232	12.8	-	1.0
AUD/USD	0.7677	(22.1)	-	0.1
AUD/NZD	1.0504	6.2	-	-
AUD/ZAR	10.8770	1.4	-	-
Total		(1.7)	-	1.1

(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).

(f) 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 below the table.

	Level 1 $'m		Level 2 $'m		Level 3 $'m		Total $'m	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Derivatives used for hedging	-	-	1.1	-	-	-	1.1	-
Total assets at the end of the year	-	-	1.1	-	-	-	1.1	-
Liabilities								
Interest rate swap contracts	-	-	10.8	8.2	-	-	10.8	8.2
Derivatives used for hedging	-	-	-	0.3	-	-	-	0.3
Contingent consideration	-	-	-	-	-	17.1	-	17.1
Total liabilities at the end of the year	-	-	10.8	8.5	-	17.1	10.8	25.6

Fair value hierarchy levels	Recognition	Valuation technique
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.	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.	Derivatives used for hedging are valued using forward exchange rates at the balance sheet date.
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 was the case for the contingent consideration liability related to Product Madness until it was settled during the year.	Contingent consideration was valued using probability of weighted payments discounted to present value.

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

	Contingent consideration liability $'m
Opening balance - 1 October 2015	17.1
Payments made	(16.7)
Adjustments to fair value of liability recognised in other income	(0.1)
Foreign exchange movements	(0.3)
Closing balance - 30 September 2016	-

The adjustment to fair value included in other income relates to liabilities no longer held.

(ii) Transfers between levels and changes in valuation techniques

There were no transfers between levels of the fair value hierarchy during the year and no changes to valuation techniques applied as of 30 September 2016.

(iii) Valuation inputs and relationships to fair value

The amounts payable for the contingent consideration liability were based on tiered earn-out bands payable to the former owners of Product Madness. Amounts recorded were weighted towards the upper earn-out bands.

(iv) Valuation processes

The valuation process for the contingent consideration liability used forecasts developed by finance team members of the Product Madness entities as an input into the valuations. The forecasts were 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 were held annually, in line with the Group's full year reporting dates. The contingent consideration liability has now been fully paid.

(v) 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 balance sheet. The carrying value of these financial instruments approximates their fair value.

Notes to the financial statements

4. Group structure

This section explains significant aspects of the Group structure, including its controlled entities and how changes affect the Group structure. It provides information on business acquisitions and disposals made during the financial year and the impact they had on the Group's financial performance and position.

4-1 Business combinations

Business combination in the prior reporting period

In the prior period, the Group acquired 100% of Class II gaming provider, Video Gaming Technologies Inc (VGT) for a purchase consideration of $1,544.5m including a deferred consideration of $52.7m. The identifiable net assets acquired were $759.7m with goodwill of $784.8m being recognised.

Recognition and measurement

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.

4-2 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 was completed on 30 April 2016. Following the sale, Aristocrat now sells into South Africa using a distributor.

4-3 Discontinued operations

Recognition and measurement

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 statement of profit or loss and other comprehensive income.

Discontinued operation during the prior year

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 profit or loss and other comprehensive income as a discontinued operation. Financial information relating to the discontinued operation is set out below.

Financial performance	2016 $'m	2015 $'m
Revenue	-	29.9
Other income	-	0.4
Impairment reversal	-	13.0
Expenses	-	(33.9)
Profit before income tax	-	9.4
Income tax expense	-	-
Profit after income tax of discontinued operation	-	9.4
Gain on sale after income tax and reclassification of foreign currency translation reserve	-	18.6
Profit from discontinued operation	-	28.0
Cash flow information		
Net cash inflow from operating activities	-	9.2
Net cash outflow from investing activities	-	(9.8)
Net cash outflow from financing activities	-	(0.1)
Net cash decrease generated by the discontinued operation	-	(0.7)

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

During the year ended 30 September 2014, the Group sold Aristocrat Lotteries AB and Aristocrat Lotteries Italia S.r.L, together with related intellectual property assets with the results reported in the financial statements for the year ended 30 September 2014 as a discontinued operation. The result from the year ended 30 September 2015 represents a purchase price adjustment following the sale.

Reconciliation to statement of profit or loss and other comprehensive income

Profit from discontinued operations - K.K Aristocrat Technologies and K.K Spiky	-	28.0
Profit from discontinued operations - Aristocrat Lotteries AB and Aristocrat Lotteries Italia S.r.L	-	1.7
Profit from discontinued operations	-	29.7

Notes to the financial statements

Group structure (continued)

4-4 Subsidiaries

The controlled entities of the Group listed below were wholly owned during the current and prior year, unless otherwise stated:

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

*Ownership interest at 30 September 2016: 0% (2015:100%)

5. Employee benefits

This section provides a breakdown of the various programs the Group uses to reward and recognise employees and key executives, including Key Management Personnel.

5-1 Key management personnel

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. During the year ended 30 September 2016, 5 Executive Directors and Senior Executives (2015: 3 Executive Directors and Senior Executives) were designated as key management personnel.

	2016 $	2015 $
Short-term employee benefits	9,767,083	7,274,304
Post-employment benefits	195,928	149,291
Long-term benefits	50,712	41,077
Termination benefits	-	-
Share-based payments	6,976,860	4,877,547
Key management personnel compensation	16,990,583	12,342,219

Detailed remuneration disclosures are provided in the remuneration report.

Recognition and measurement

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date. The amounts are measured at the amounts expected to be paid when the liabilities are settled.

Long-term benefits

The liability for long service 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. 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.

Retirement benefits

The Group pays contributions to approved defined contribution funds. Contributions are recognised as an expense when they become payable.

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.

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.

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 provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes to the financial statements

5-2 Share-based payments

The Remuneration Report, presented in the Directors' Report, also provides detailed disclosure on share-based payments.

Plan	Description	Shares outstanding at the end of the year
Performance share plan ("PSP")	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.	19 employees (2015: 14) were entitled to 3,135,423 rights (2015: 4,156,763).
Deferred equity employee plan	Certain eligible employees are offered incentives of 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. The shares outstanding at 30 September 2016 result from the meeting of performance criteria in the 2014 and 2015 financial years. These rights are subject to the respective employees remaining with the Group until October 2016 and October 2017.	593,681 (2015: 361,903)
Deferred short-term incentive plan	Upon the vesting of short-term incentives, Executives 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.	631,834 (2015: 622,649)
General employee share plan ("GESP")	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. The number of shares issued to participants in the Plan is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five days immediately before the date of the offer.	Nil (2015: Nil)

(a) 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:

	2016 $'m	2015 $'m
Performance Share Plan	5.3	5.5
General Employee Share Plan	0.5	0.5
Deferred Short-Term Incentive Plan	5.5	4.2
Deferred Equity Employee Plan	3.9	1.2
Other grants	4.1	4.9
	19.3	16.3

Recognition and measurement

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 3-3.

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.

Notes to the financial statements
Employee benefits (continued)

5-2 Share-based payments (continued)

(b) Performance Share Plan ('PSP')

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 2016 and 30 September 2015 are as follows:

Performance Share Right series	Performance period start date	Performance period expiry date	Performance condition	Accounting valuation date	Accounting valuation
Issued 2016					
Series 30A	1 October 2015	30 September 2018	TSR	3 March 2016	7.16
Series 30B	1 October 2015	30 September 2018	EPSG	3 March 2016	9.59
Series 30C	1 October 2015	30 September 2018	Strategic	3 March 2016	9.59
Series 31A	1 October 2015	30 September 2018	TSR	3 March 2016	7.16
Series 31B	1 October 2015	30 September 2018	EPSG	3 March 2016	9.59
Series 31C	1 October 2015	30 September 2018	Service	3 March 2016	9.59
Issued 2015					
Series 28A	1 October 2014	30 September 2017	TSR	27 February 2015	5.07
Series 28B	1 October 2014	30 September 2017	EPSG	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	EPSG	27 February 2015	6.91
Series 29C	1 October 2014	30 September 2017	Strategic	27 February 2015	6.91

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 EY using Total Shareholder Return ('TSR'), Earnings Per Share Growth ('EPSG'), service condition and strategic objective condition models. Performance Share Rights with a market vesting condition (for example, TSR) incorporates the likelihood that the vesting condition will be met. The accounting valuation of Performance Share Rights with a non-market vesting condition (for example, EPSG) does not take into account the likelihood that the vesting condition will be met.

(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 2016 and year ended 30 September 2015 included:

Input	Consideration	
Share rights granted	Zero consideration and have a three year life.	
	2016	**2015**
Share price at grant date	**$10.21**	$7.44
Price volatility of Company's shares	**25.0%**	30.0%
Dividend yield	**2.3%**	2.7%
Risk-free interest rate	**1.9%**	1.8%

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
Employee benefits (continued)

5-2 Share-based payments (continued)

Performance Share Rights are detailed in the tables below:

Consolidated - 2016 **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 22A	20 February 2013	30 September 2015	229,850	-	229,850	-	-
Series 22B			536,150	-	493,254	42,896	-
Series 23A	1 October 2012		315,416	-	315,416	-	-
Series 23B			735,105	-	676,305	58,800	-
Series 25A	20 February 2014	30 September 2016	130,500	-	-	-	130,500
Series 25B			304,500	-	-	-	304,500
Series 26A	1 October 2013		248,353	-	-	-	248,353
Series 26B			579,492	-	-	-	579,492
Series 28A	1 October 2014	30 September 2017	205,475	-	-	16,912	188,563
Series 28B			205,476	-	-	16,912	188,564
Series 28C			256,890	-	-	22,549	234,341
Series 29A	27 February 2015		122,867	-	-	-	122,867
Series 29B			122,867	-	-	-	122,867
Series 29C			163,822	-	-	-	163,822
Series 30A	3 March 2016	30 September 2018	-	84,778	-	-	84,778
Series 30B			-	84,778	-	-	84,778
Series 30C			-	113,036	-	-	113,036
Series 31A	3 March 2016		-	210,558	-	39,867	170,691
Series 31B			-	210,558	-	39,867	170,691
Series 31C			-	280,738	-	53,158	227,580
			4,156,763	**984,446**	**1,714,825**	**290,961**	**3,135,423**

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			945,000	-	770,175	174,825	-
Series 21A	1 January 2012		337,111	-	337,111	-	-
Series 21B			786,597	-	641,076	145,521	-
Series 22A	20 February 2013	30 September 2015	229,850	-	-	-	229,850
Series 22B			536,150	-	-	-	536,150
Series 23A	1 October 2012		319,646	-	-	4,230	315,416
Series 23B			745,005	-	-	9,900	735,105
Series 25A	20 February 2014	30 September 2016	130,500	-	-	-	130,500
Series 25B			304,500	-	-	-	304,500
Series 26A	1 October 2013		274,478	-	-	26,125	248,353
Series 26B			640,449	-	-	60,957	579,492
Series 28A	1 October 2014	30 September 2017	-	236,778	-	31,303	205,475
Series 28B			-	236,778	-	31,302	205,476
Series 28C			-	315,446	-	58,556	256,890
Series 29A	27 February 2015		-	122,867	-	-	122,867
Series 29B			-	122,867	-	-	122,867
Series 29C			-	163,822	-	-	163,822
			5,654,286	**1,198,558**	**2,153,362**	**542,719**	**4,156,763**

Notes to the financial statements

6. Other disclosures

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

6-1 Commitments and contingencies

(a) Commitments	2016 $'m	2015 $'m
Capital commitments		
Significant capital expenditure contracted for at the reporting date but not recognised as liabilities:		
Intangible assets - Technology and software	0.4	2.6
Property, plant and equipment	0.5	1.5
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 are as follows:		
Under one year	21.2	21.0
Between one and five years	54.1	62.4
Over five years	13.5	23.5
Commitments not recognised in the financial statements	88.8	106.9
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	5.4	7.1

(b) Contingent liabilities

The Group and parent entity have contingent liabilities at 30 September 2016 in respect of the following matters:

(i) a contingent liability may exist in relation to certain guarantees and indemnities given in the ordinary course of business by the Group;

(ii) controlled entities within the Group are and become parties to various legal actions in the ordinary course of business and from time to time. The Directors consider that any liabilities arising from this type of legal action are unlikely to have a material adverse effect on the Group;

(iii) controlled entities within the Group are and become parties to various legal actions concerning intellectual property claims. Intellectual property claims can include challenges to the Group's patents on various products or processes and/or assertions of infringement of third party patents.

Most intellectual property claims involve highly complex issues. Often, these issues are subject to substantial uncertainties and therefore the probability of damages, if any, being sustained and an estimate of the amount of damages is difficult to ascertain. Based on the information currently available, the Directors consider that current claims are unlikely to have a material adverse effect on the Group;

(iv) Aristocrat Leisure Limited, Aristocrat International Pty Ltd, Aristocrat Technologies Australia Pty Ltd, Aristocrat (Holdings) Pty Limited, 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 6-6; and

(v) A notice of action has been filed against a company in the Group by an individual in relation to the operation of its Dolphin Treasure electronic gaming machines in Australia. No damages are being sought. Aristocrat will vigorously defend the action.

Notes to the financial statements
Other disclosures (continued)

6-2 Events occurring after reporting date

On 9 November 2016, the Group announced that CEO and Managing Director Jamie Odell intends to depart the business on 28 February 2017 and that the Board has appointed Trevor Croker as CEO (Elect), subject to the receipt of any necessary regulatory pre-approvals.

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

Refer to Note 1-6 for information regarding dividends declared after reporting date.

6-3 Remuneration of auditors

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

	2016	2015
Audit or review of financial reports	$	$
Australia	585,019	632,262
Overseas	1,307,230	1,233,541
Total remuneration for audit/review services	1,892,249	1,865,803
Other assurance services		
Australia	-	72,311
Overseas	-	89,370
Total remuneration for other assurance services	-	161,681
Total remuneration for assurance services	1,892,249	2,027,484
Advisory services		
Australia	5,000	6,500
Overseas	101,950	132,084
Total remuneration for advisory services	106,950	138,584

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' 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.

6-4 Related parties

(a) Other transactions with key management personnel
There were no other related party transactions aside from disclosures under key management personnel. Refer to Note 5-1.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 4-4.

6-5 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:	2016 $'m	2015 $'m
Balance sheet		
Current assets	67.2	3.4
Total assets	742.8	661.1
Current liabilities	82.8	2.1
Total liabilities	82.8	2.1
Net assets	660.0	659.0
Shareholders' equity		
Contributed equity	693.8	693.8
Reserves	117.9	98.6
Accumulated losses	(151.7)	(133.4)
Total equity	660.0	659.0
Profit for the year after tax	102.8	139.4
Total comprehensive income after tax	102.8	139.4

(b) Guarantees entered into by the parent entity
Cross guarantees given by the parent entity are set out in Note 6-6.

(c) Contingent liabilities of the parent entity
Contingent liabilities of the parent entity are set out in Note 6-1.

Recognition and measurement
The financial information for the parent entity, Aristocrat Leisure Limited, disclosed above has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries where they are accounted for at cost less impairment charges in the financial statements of Aristocrat Leisure Limited.

Notes to the financial statements
Other disclosures (continued)

6-6 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 the statement of profit or loss and other comprehensive income of the Closed Group:

	2016 $'m	2015 $'m
Revenue	601.3	451.4
Other income	5.8	3.0
Cost of revenue and other expenses	(47.1)	(184.5)
Employee benefits expense	(148.6)	(147.0)
Finance costs	(23.0)	(22.6)
Depreciation and amortisation expense	(17.1)	(10.6)
Profit before income tax	371.3	89.7
Income tax expense	(102.4)	(26.2)
Profit for the year	268.9	63.5
Other comprehensive income		
Changes in fair value of interest rate hedge	(0.5)	(1.7)
Other comprehensive income net of tax	(0.5)	(1.7)
Total comprehensive income for the year	268.4	61.8

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

	2016 $'m	2015 $'m
Retained earnings at the beginning of the financial year	9.8	47.4
Profit for the year	268.9	63.5
Dividends paid	(121.1)	(101.1)
Retained earnings at the end of the financial year	157.6	9.8

6-6 Deed of cross guarantee (continued)

Set out below is the balance sheet of the Closed Group:

	2016 $'m	2015 $'m
Current assets		
Cash and cash equivalents	170.5	166.9
Trade and other receivables	130.0	123.7
Inventories	55.9	37.8
Tax assets	-	2.6
Total current assets	356.4	331.0
Non-current assets		
Trade and other receivables	53.7	19.1
Investments	705.3	749.0
Property, plant and equipment	14.1	17.3
Deferred tax assets	45.6	52.7
Intangible assets	38.5	38.5
Total non-current assets	857.2	876.6
Total assets	1,213.6	1,207.6
Current liabilities		
Trade and other payables	144.0	122.9
Borrowings	-	0.1
Current tax liabilities	81.8	-
Provisions	11.7	10.7
Other liabilities	16.9	9.0
Total current liabilities	254.4	142.7
Non-current liabilities		
Trade and other payables	5.1	5.5
Borrowings	166.0	407.4
Provisions	6.4	6.0
Other liabilities	8.6	7.0
Total non-current liabilities	186.1	425.9
Total liabilities	440.5	568.6
Net assets	773.1	639.0
Equity		
Contributed equity	693.8	693.8
Reserves	(78.3)	(64.6)
Retained earnings	157.6	9.8
Total equity	773.1	639.0

6-7 Basis of preparation

Corporate information

Aristocrat Leisure Limited is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of Aristocrat Leisure Limited and its subsidiaries (together referred to as the Group). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report and the Operating and Financial Review. The financial report was authorised for issue in accordance with a resolution of directors on 30 November 2016.

The Group's registered office and principal place of business is:

Aristocrat Leisure Limited
Building A, Pinnacle Office Park
85 Epping Road
North Ryde NSW 2113
Australia

The Group ensures that it's corporate reporting is timely, complete and available globally. All press releases, financial statements, and other information are available in the investor information section of the Company's website: www.aristocratgaming.com

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Corporations Act 2001. The report presents information on a historical cost basis, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value and for classes of property, plant and equipment which have been measured at deemed cost. Amounts have been rounded off to the nearest whole number of million dollars and one decimal place representing hundreds of thousands of dollars, or in certain cases, the nearest dollar in accordance with the relief provided under the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 as issued by the Australian Securities and Investments Commission.

Policies have been applied consistently for all years presented, unless otherwise stated.

Comparative information is reclassified where appropriate to enhance comparability or to reflect the impact of discontinued operations.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of Aristocrat Leisure Limited (the Company) and its subsidiaries as at 30 September 2016.

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 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.

In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised gains have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has formed a trust to administer the Group’s employee share scheme. This trust is consolidated as it is controlled by the Group.

Foreign currency

The consolidated financial statements are presented in Australian dollars. 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 results and financial position of foreign operations are translated into Australian dollars at the reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Historical date

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss, except for qualifying cash flow hedges which are deferred to equity.

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

Notes to the financial statements
Other disclosures (continued)

6-7 Basis of preparation (continued)

New accounting standards and interpretations
A number of new accounting standards and interpretations have been published that are not mandatory for 30 September 2016 reporting periods and have not been early adopted by the Group. The status of the Group's assessment of the impact of these new standard and interpretations is set out below:

Reference	Description	Application of standard (financial year)	Impact on the Group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also includes an expected loss impairment model and a reformed approach to hedge accounting.	2019	The Group does not expect the standard to have significant impact on its financial statements. A full assessment of the potential impact will be conducted prior to the implementation of the standard.
AASB 15 *Revenue from Contracts with Customers*	The new standard is based on the principle that revenue is recognised when control of goods or services transfers to the customer. The notion of control replaces the existing notion of risks and rewards. AASB 15 replaces existing revenue recognition standards including AASB 118 Revenue and AASB 111 Construction Contracts.	2019	The Group has commenced consideration of the impact of the new standard on its revenue recognition policies and will continue this assessment during the 2017 financial year.
AASB 16 *Leases*	AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee. The lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the balance sheet.	2020	Many of the operating leases disclosed in Note 6-1 as commitments will be recognised on the balance sheet on adoption. The Group has not yet completed a full assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 16.

Directors' declaration

for the year ended 30 September 2016

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 41 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 2016 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 6-6 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 6-6.

Note 6-7 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
30 November 2016