22 December 2016

Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Aristocrat Leisure Limited
2016 Annual Report

Please find attached the Company's Annual Report for the twelve months ended 30 September 2016.

The Annual Report together with the Notice of Meeting for the Annual General Meeting to be held on 27 February 2017 are expected to be despatched to shareholders on or around 24 January 2017.

The Annual Report is available on the Group's website at www.aristocrat.com

Yours sincerely

A Korsanos
Chief Financial Officer &
Company Secretary

Aristocrat Leisure Limited **abn** 44 002 818 368
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PO Box 361, North Ryde BC NSW 1670, Australia
Telephone +61 2 9013 6000 **fax** +61 2 9013 6200 **web** www.aristocrat.com

I'm proud to lead a dedicated, hardworking, quality focused team that builds the world's greatest games | I strive to exceed our customers' expectations and ensure they have a positive Aristocrat experience everyday | We are consistently creating innovating ideas and concepts | I love developing games, so I try to

ARISTOCRAT

ANNUAL REPORT 2016

I’m proud to lead a dedicated, hardworking, quality focused team that builds the world's greatest games | I strive to exceed our customers’ expectations and ensure they have a positive Aristocrat experience everyday | We are consistently creating innovating ideas and concepts | I love developing games, so I try to reflect that passion in my work” | “We have the best team, making sure the art, game design and software all combine to create an unforgettable gaming experience for our customers” | “I help acquire the best talent in the industry, creating a fun work environment and developing our people so they are set up forI’m proud to lead a dedicated, hardworking, quality focused team that builds the world's greatest games | I strive to exceed our customers’ expectations and ensure they have a positive Aristocrat experience everyday | We

2016 ANNUAL REPORT

This 2016 Aristocrat Leisure Limited Annual Report for the financial year ended 30 September 2016 complies with reporting requirements and contains statutory financial statements.

This document is not a concise report prepared under section 314 (2) of the Corporations Act. The Aristocrat Group has not prepared a concise report for the 2016 financial year.

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at 11.00am on Monday, 27 February 2017 at the Aristocrat Head Office, Building A, Pinnacle Office Park, 85 Epping Road, North Ryde, 2113.

Details of the business of the meeting will be contained in the notice of Annual General Meeting, to be sent to shareholders separately.

2016 CORPORATE GOVERNANCE STATEMENT

The 2016 Corporate Governance Statement can be found on the Group's website: www.aristocrat.com

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COMPANY PROFILE

Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Company is licensed by over 200 regulators and its products and services are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines and casino management systems. The Group also operates within the online social gaming and real money wager markets. For further information visit the Group's website at www.aristocrat.com

KEY DATES*

2016

Record date for Final 2016 Dividend	6 December 2016
Payment date for Final 2016 Dividend	20 December 2016

2017

2017 Annual General Meeting	27 February 2017
Interim Results Announcement (6 months ending 31 March 2017)	25 May 2017
Full Year Results Announcement (12 months ending 30 September 2017)	30 November 2017

* Dates subject to change.

MESSAGE FROM THE CHAIRMAN AND CEO

Welcome to Aristocrat's 2016 Annual Report.

Our earnings release for the fiscal year reported further outstanding performance, and represented Aristocrat's 11th consecutive period of high quality growth. NPATA (net profit after tax and before amortisation of acquired intangibles) of $398 million represented an increase of 69% in reported terms and 62% in constant currency, compared to the twelve months to 30 September 2015. Group revenue increased by more than 34% in reported terms and 30% in constant currency, to a record for our business of over $2 billion.

The Group's industry leading talent, content, hardware and technology, coupled with effective in-market execution, once again drove market-leading share growth and improved returns across our core segments in Class II, Class III and Digital social gaming. This momentum was achieved despite highly competitive and generally flat conditions in most of our major markets.

Notably, Aristocrat also further increased the contribution of recurring revenue in our overall revenue mix. By 30 September 2016, 50% of total Group revenues derived from recurring sources, up from 24% only two years ago. The Group continued to both grow and diversify its revenue base in order to reduce performance volatility and generate superior, sustainable returns and cashflow over the long term.

A key highlight of the 2016 result was the swift progress Aristocrat made in reducing gearing levels, on the back of outstanding free cash generation and sustained earnings growth. The Group's leverage ratio improved to 1.2 times at year end, from 2.6 times as at 30 September 2015. Our robust balance sheet ensures Aristocrat can continue to promote shareholders' longer-term interests by investing for growth both organically and in compelling M&A that meets our rigorous criteria.

During the year, Aristocrat also refreshed our strategic priorities, identifying new opportunities in our core and in key adjacencies that will help sustain our growth over the longer term.

The Group's established momentum, strong cash flows and swift progress in reducing gearing levels over the course of the year allowed the Board to deliver a significant increase in dividends per share. This is consistent with our commitment to lift returns over time, and ensure shareholders are appropriately rewarded for their support.

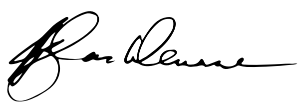
Over the course of the calendar year the Board made excellent progress in implementing its plan to renew in an orderly way, and to expand the Board's overall skill set. We welcomed Arlene Tansey, Sylvia Summers Couder and Pat Ramsey, who collectively contribute valuable expertise in strategy, corporate and investment banking, high tech industry, digital technology and gaming, particularly in the Group's largest market of North America. Renewal will continue for a further year or two as the Board prepares for retirements of its longer serving Directors.

People and culture are at the heart of Aristocrat's success. Relevant highlights for 2016 included a further increase in global staff engagement and the rollout of significant leadership and organisational development initiatives to support the Group's growth ambitions. Pleasingly, staff engagement at Aristocrat is now tracking at levels above the average for Fortune 500 companies.

While coming after the end of the 2016 fiscal year, it is relevant to note the CEO leadership transition announced in early November. The Board was delighted to name Trevor Croker CEO (Elect), effective 1 March 2017, to build on Jamie's extraordinary achievements and legacy. The appointment of a highly regarded internal leader to succeed Jamie underlines both the quality of Aristocrat's executive ranks and the importance the Board places in ensuring appropriate continuity in terms of strategy, momentum and culture, in the interests of shareholders and other key stakeholders. The response to Trevor's appointment from shareholders, customers and staff has been very positive. An orderly transition process is underway, with Trevor preparing to relocate to North America – our single largest market and source of strategic opportunities – in the new calendar year.

In short, fiscal year 2016 has been another highly successful and rewarding year for Aristocrat. Across our global footprint, Aristocrat people are energised by our opportunities and fully focused on delivery to further extend our track record of growth and fulfil our mission to deliver the world's greatest gaming experience, every day.

Thank you for your support.



Ian Blackburne
Chairman

Jamie Odell
Chief Executive Officer

DIRECTORS' REPORT

For the 12 months ended 30 September 2016

The Directors present their report together with the financial statements of the Company and its subsidiaries (the Group) for the 12 months ended 30 September 2016 (the financial year). The information in this report is current as at 30 November 2016 unless otherwise specified.

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

Review and results of operations

A review of the operations of the Group for the financial year is set out in the Operating and Financial Review which forms part of this Directors' Report.

Financial results

The reported result of the Group attributable to shareholders for the 12 months ended 30 September 2016 was a profit of $350.5 million after tax (2015: profit of $186.4 million after tax).

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

Dividends

Since the end of the financial year, the Directors have recommended the payment of a final dividend of 15.0 cents (2015: 9.0 cents) per fully paid ordinary share. Details of the dividends paid and declared during the financial year are set out in Note 1-6 to the financial statements.

Remuneration Report

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

Sustainability

Further detail on sustainability can be found on the Company's website and forms part of this Directors' Report and integrates a wider range of non-financial management issues as the Group moves to improve its sustainable reporting standards.

DIRECTORS' REPORT

Directors' particulars, experience and special responsibilities

Current Directors

The Directors of the Company throughout the financial year and up to the date of this report are:

Director	Experience and other directorships	Special responsibilities
ID Blackburne BSc (Hons), MBA, PhD	Nominated December 2009. Appointed September 2010. – Former Chairman, Recall Holdings Limited, CSR Limited and Australian Nuclear Science and Technology Organisation – Former Director, Teekay Corporation (listed on the NYSE), Suncorp-Metway Limited and Symbion Health Limited – Former Managing Director, Caltex Australia Limited	Non-Executive Chairman Member of each Board Committee
JR Odell MBA	Nominated December 2008. Appointed May 2009. – Former Managing Director, Australia, Asia and Pacific, Foster's Group Limited – Former Executive, Allied Domecq in the UK and Asia Pacific – Former Managing Director, Lyons Tetley Australia	Managing Director and Chief Executive Officer
DCP Banks BBus (Mgt)	Nominated October 2010. Appointed July 2011. – Former Group Chief Operating Officer of Galaxy Entertainment Group (Macau) – Former Chief Executive (Casinos Division) of Tabcorp Holdings Limited – Former Chief Executive Officer of Star City Holdings Limited – Former President, Australasian Casinos Association – Former Director, Australian Gaming Council	Chair, Audit and Risk Committee Member, Regulatory and Compliance Committee
KM Conlon BEc, MBA	Nominated January 2014. Appointed February 2014. – Director of REA Group Limited and Lynas Corporation Limited – Member of Chief Executive Women, Chair of Audit Committee for the Commonwealth Department of Health and Director of the Benevolent Society – Former President of the NSW Council, former Director of CSR Limited and former National Board Member of the Australian Institute of Company Directors – Former Partner and Director, Boston Consulting Group (BCG)	Chair, Human Resources and Remuneration Committee Member, Regulatory and Compliance Committee

DIRECTORS' REPORT

Director	Experience and other directorships	Special responsibilities
RA Davis BEc (Hons), M Philosophy	Nominated November 2004. Appointed June 2005. – Consulting Director Investment Banking, Rothschild Australia Limited – Chairman, Bank of Queensland Limited – Director, Argo Investments Limited, AIG Australia Limited and Ardent Leisure Management Limited – Former Chairman, Centric Wealth Advisors Limited and Charter Hall Office REIT – Former Director, Territory Insurance Office and Trust Company Limited – Former Senior Executive, Citicorp and CitiGroup Inc in the United States and Japan – Former Group Managing Director, ANZ Banking Group Limited	Member, Audit and Risk Committee Member, Human Resources and Remuneration Committee
RV Dubs BSc (Hons), Dr ès Sc, FTSE, FAICD	Nominated December 2008. Appointed June 2009. – Director, ASC Pty Ltd, ANU Enterprise Pty Ltd, and Astronomy Australia Ltd – Former Chair, Space Industry Innovation Council – Former Deputy Vice-Chancellor (External Relations), University of Technology Sydney – Former VP Operations, Thales ATM SA (France) – Former Director, Structural Monitoring Systems Plc, Thales ATM Pty Limited, Thales ATM Inc (USA) and Thales ATM Navigation GmbH (Germany) – Former Chairman, Thales ATM spA (Italy)	Chair, Regulatory and Compliance Committee Member, Audit and Risk Committee
SW Morro BA, Business Administration	Nominated December 2009. Appointed December 2010. – Former Chief Operating Officer and President, IGT Gaming Division	Lead US Director Member, Regulatory and Compliance Committee Member, Human Resources and Remuneration Committee
PJ Ramsey BA, Economics, MBA	Nominated September 2016. Appointed October 2016. – Former Chief Digital Officer, Aristocrat Leisure Limited – Former Director & CEO, Multimedia Games – Various senior roles at Caesars Entertainment (formerly Harrah's)	N/A, formally appointed to the Board in October 2016

DIRECTORS' REPORT

Director	Experience and other directorships	Special responsibilities
S Summers Couder Dip Electrical Engineering, Masters in Electrical Engineering and Computer Sciences Cycle de Perfectionnement Option (Equivalent MBA)	Nominated August 2016. Appointed September 2016. – Director, Semtech Corporation and Headwaters Inc. – Former Director, Alcatel-Lucent SA. – Former Chief Executive Officer of Trident Microsystems Inc.	N/A, formally appointed to the Board in September 2016
AM Tansey BBA, MBA, Juris Doctor	Nominated March 2016. Appointed July 2016. – Director, Adelaide Brighton Ltd, Primary Health Care Ltd, Lend Lease Investment Management Limited and Infrastructure New South Wales – Member of Chief Executive Women and Fellow of the Australian Institute of Company Directors	Member, Audit and Risk Committee

DIRECTORS' REPORT

Directors' attendance at Board and committee meetings during the financial year

The attendance of members of the Board at Board meetings and attendance of members of committees at committee meetings of which they are voting members is set out below.

(Meetings attended/held)

Director	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Regulatory and Compliance Committee
ID Blackburne	14/14	4/4	4/4	4/4
JR Odell	14/14	-	-	-
DCP Banks	14/14	4/4	-	4/4
KM Conlon	14/14	-	4/4	4/4
RA Davis	13/14	3/4	3/4	-
RV Dubs	14/14	4/4	-	4/4
SW Morro	14/14	-	4/4	4/4
S Summers Couder*	2/2	-	-	-
AM Tansey**	8/8	-	-	-

* Mrs Summers Couder was nominated by the Board on 26 August 2016 as a Non-Executive Director, subject to receipt of all relevant regulatory pre-approvals. Pending regulatory approval, Mrs Summers Couder was a Director (Elect). Necessary regulatory pre-approvals were received and Mrs Summers Couder's appointment as a Non-Executive Director was confirmed by the Board on 22 September 2016.
** Mrs Tansey was nominated by the Board on 31 March 2016 as a Non-Executive Director, subject to receipt of all relevant regulatory pre-approvals. Pending regulatory approval, Mrs Tansey was a Director (Elect). Necessary regulatory pre-approvals were received and Mrs Tansey's appointment as a Non-Executive Director was confirmed by the Board on 21 July 2016.

Company Secretary

Mrs A Korsanos was Company Secretary during the financial year.

Principal activities

The principal activities of the Group during the financial year were the design, development and distribution of gaming content, platforms and systems. The Group also operates within the online social gaming and real money wager markets. The Company's objective is to be the leading global provider of gaming solutions. There were no significant changes in the nature of those activities during the financial year.

Significant changes in the state of affairs

Except as noted on page 57 of this Annual Report, and outlined below and elsewhere in this Directors' Report, there were no significant changes in the state of affairs of the Group during the financial year.

Events after balance 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 necessary regulatory pre-approvals.

Other than the matter above, there has not arisen in the interval between the end of the financial 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, 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.

DIRECTORS' REPORT

Likely developments and expected results

Likely developments in the operations of the Group in future financial years and the expected results of operations are referred to in the Operating and Financial Review which forms part of this Directors' Report.

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

Options over share capital

No options over Company shares were granted to executives or Directors during the financial year. There were no unissued shares or interests in the Company subject to options at the date of this Directors' Report and no Company shares or interests issued pursuant to exercised options during or since the end of the financial year.

Indemnities and insurance premiums

The Company's Constitution provides that the Company will indemnify each officer of the Company against any liability incurred by that officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of that officer's duties to the extent permitted by law.

An officer for the purpose of this provision includes any Director or Secretary of the Company or the Company's subsidiaries, executive officers or employees of the Company or its subsidiaries and any person appointed as a trustee by, or acting as a trustee at the request of, the Company, and includes former Directors.

In accordance with the Company's Constitution, the Company has entered into deeds of access, indemnity and insurance and deeds of indemnity for identity theft with each Director and nominated officers of the Company. No amount has been paid pursuant to those indemnities during the financial year to the date of this Directors' Report.

The Company has paid a premium in respect of a contract insuring officers of the Company and its related bodies corporate against any liability incurred by them arising out of the conduct of the business of the Company or in or arising out of the discharge of their duties.

In accordance with normal commercial practices, under the terms of the insurance contracts, the details of the nature and extent of the liabilities insured against and the amount of premiums paid are confidential.

Environmental regulation

The Group's operations have a limited impact on the environment. The Group is subject to a number of environmental regulations in respect of its integration activities. The Company does not manufacture gaming machines, it only integrates (assembles) machines and systems in Australia, the USA, Macau, the UK, South Africa and New Zealand. The Company uses limited amounts of chemicals in its assembly process. The Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the financial year.

Based on current emission levels, the Company is not required to register and report under the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act). However, the Company continues to receive reports and monitors its position to ensure compliance with the NGER Act.

The Company is committed to not only complying with the various environmental laws to which its operations are subject, but also to achieving a high standard of environmental performance across all its operations. The Company is aware of, and continues to plan for, any new Australian regulatory requirements on climate change. It is the Company's view that climate change does not pose any significant risks to its operations in the short to medium term. Throughout the Group, new programs and initiatives have been introduced to ensure the Company is well prepared for new regulatory regimes and to reduce its carbon footprint.

Proceedings on behalf of the Company

No proceedings have been brought on behalf of the Company under section 236 of the Act nor has any application been made in respect of the Company under section 237 of the Act.

Auditor

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

DIRECTORS' REPORT

Non-audit services provided by the auditor

The Company, with the prior approval of the Chair of the Audit and Risk Committee, may decide to employ PricewaterhouseCoopers, the Company's auditor, on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. The Company has a Charter of audit independence which specifies those non-audit services which cannot be performed by the Company auditor. The Charter also sets out the procedures which are required to be followed prior to the engagement of the Company's auditor for any non-audit related service.

Details of the amounts paid or payable to the Company's auditor, for audit and non-audit services provided during the financial year, are set out in Note 6-3 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services as set out in Note 6-3 to the financial statements is compatible with the general standard of independence for auditors imposed by the Act for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration is attached to this Directors' Report.

Loans to Directors and executives

No Director or executive held any loans with the Company during the financial year.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 as issued by the Australian Securities and Investments Commission. Amounts in the Directors' report and the financial statements 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 that class order.

This report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors.

Dr ID Blackburne
Chairman

30 November 2016

ARISTOCRAT AT A GLANCE

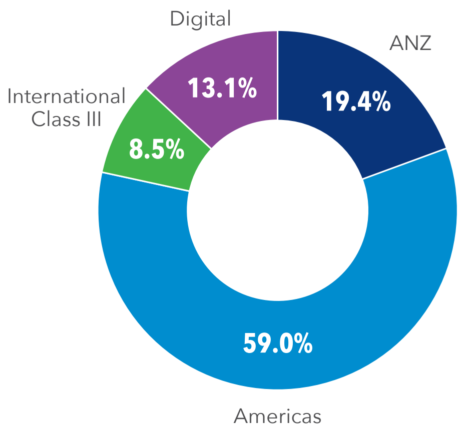
REVENUE

$2.1 BILLION

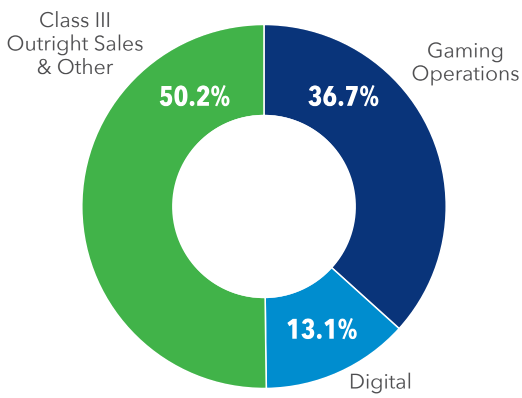
LICENSED JURISDICTIONS

240

Revenue by Segment



Revenue by Strategic Segment

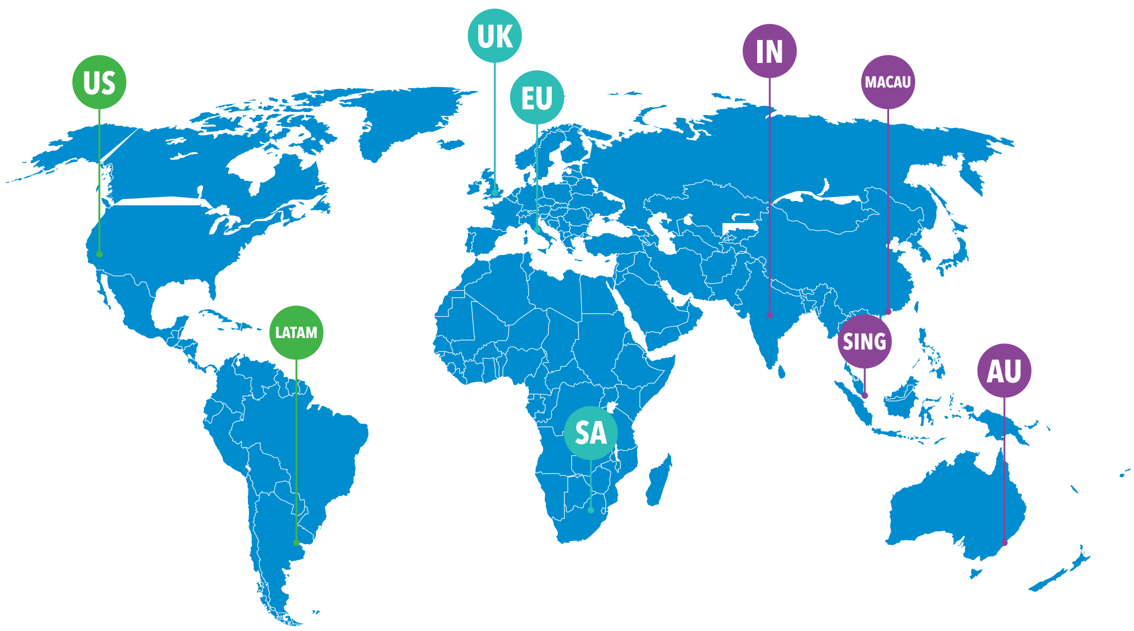


COUNTRIES

90

EMPLOYEES

3,200+



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 17 for a reconciliation of statutory profit to normalised profit after tax and before amortisation of acquired intangibles.

				Variance vs 2015	
A$ million	Constant currency[2] 2016	2016	2015	Constant currency[2] %	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 21.
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.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

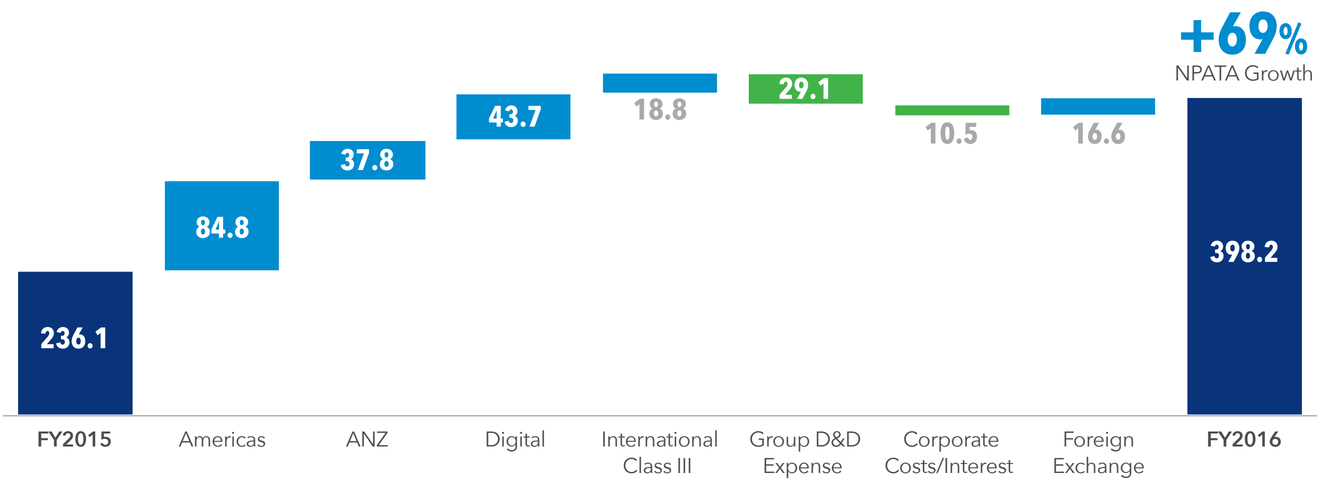
GROUP PERFORMANCE

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.

REVIEW OF OPERATIONS

GROUP PERFORMANCE

GROUP PROFIT OR 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	2016	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

REVIEW OF OPERATIONS

GROUP PERFORMANCE

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%.

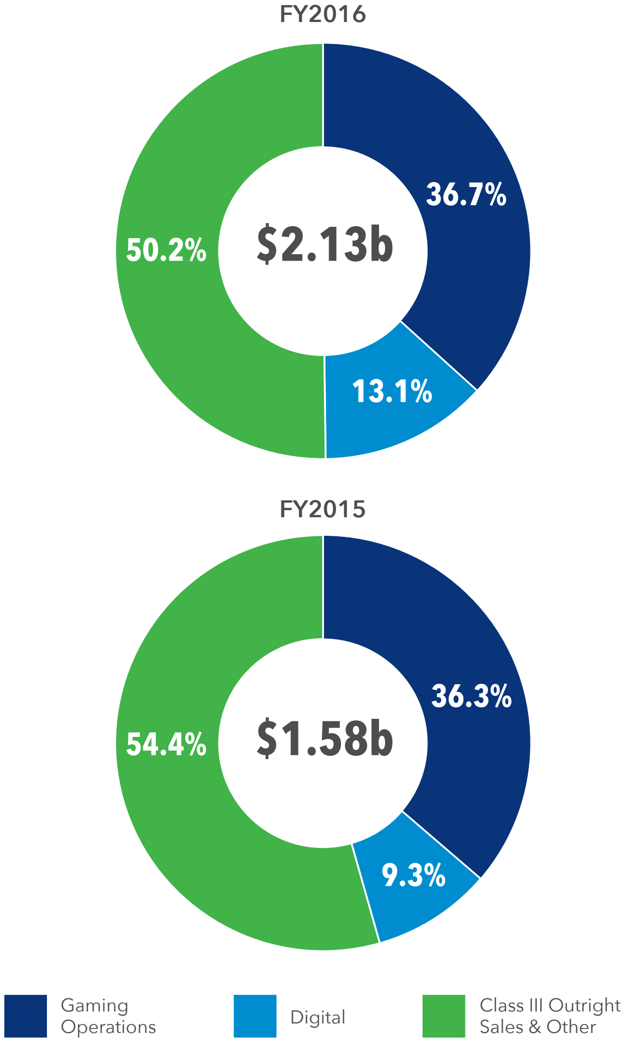
Digital revenue grew 82% to $269 million in constant currency terms due to continued growth in daily active users following the launch of iOS and Android and the continued strength in Facebook.

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 and 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



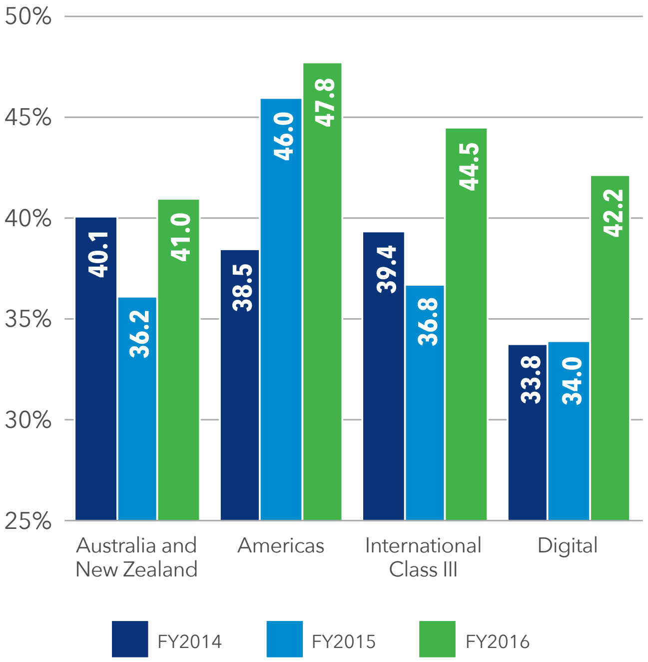
REVIEW OF OPERATIONS

GROUP PERFORMANCE

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).

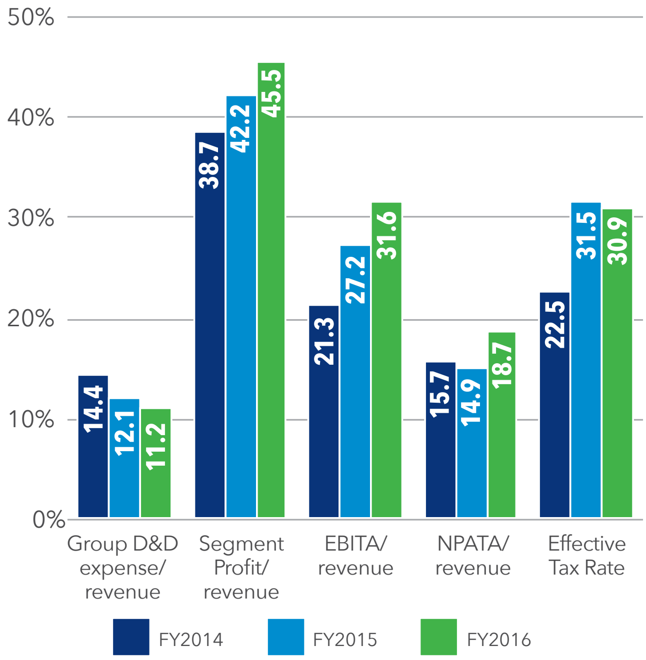
Corporate costs increased by $8.8 million compared to the prior corresponding period mainly driven by higher variable employee compensation and higher legal costs. Corporate costs as a percentage of revenue reduced to 2.6% compared to 2.9% in the prior corresponding period.

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 20 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 20 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



REVIEW OF OPERATIONS

GROUP PERFORMANCE

RECONCILIATION OF STATUTORY PROFIT TO NPATA

A$ million	2016	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	-	(28.0)
Add back (profit) from discontinued operations - Lotteries	-	(1.7)
Add back net loss from significant items	-	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).

REVIEW OF OPERATIONS

GROUP PERFORMANCE

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.

REVIEW OF OPERATIONS

GROUP PERFORMANCE

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	2016	2015	Variance %
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	-	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	2016	2015	Variance %
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	-	1,446.8	(100.0)
Repayment of borrowings	**(359.1)**	(153.5)	(133.9)
Payments for loans advanced	**(13.5)**	-	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.

REVIEW OF OPERATIONS

GROUP PERFORMANCE

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.

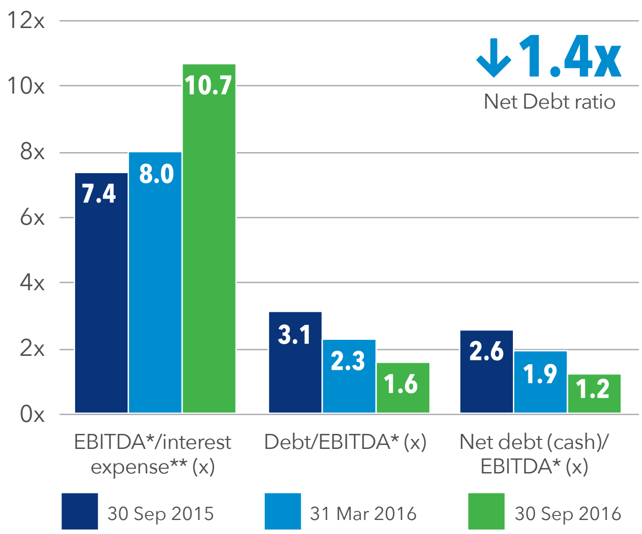
FUNDING AND LIQUIDITY

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$1.00b	US$1.00b	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.

REVIEW OF OPERATIONS

GROUP PERFORMANCE

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 Sep 2016	31 Mar 2016	30 Sep 2015	2016 Average[1]	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

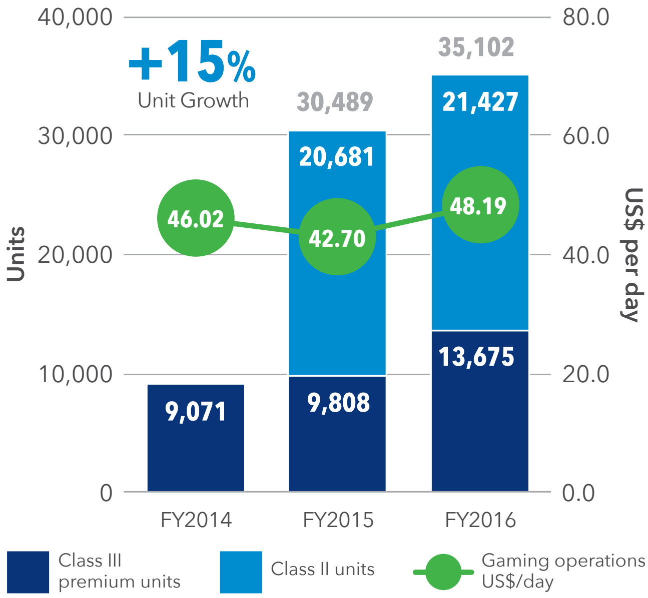
Total Americas revenue increased by 23% and profits increased by 28% compared to the prior corresponding period.

Summary Profit or Loss

US$ million	2016	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$96 million to US$434 million 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."

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

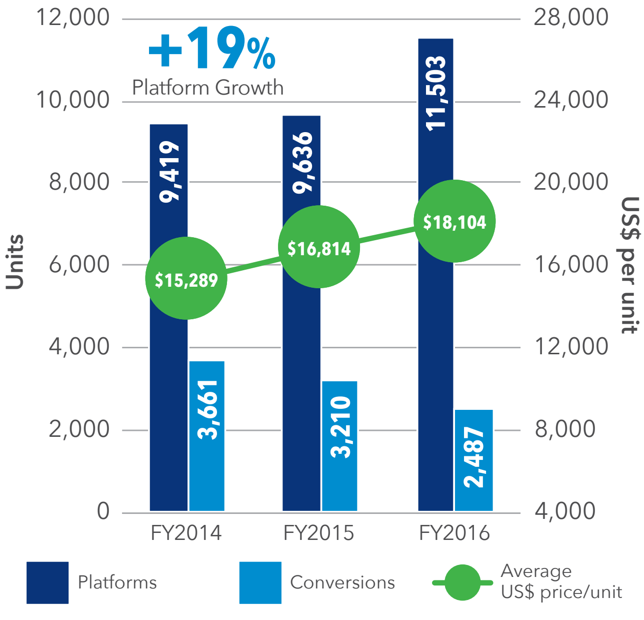
REGIONAL SEGMENT REVIEW

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

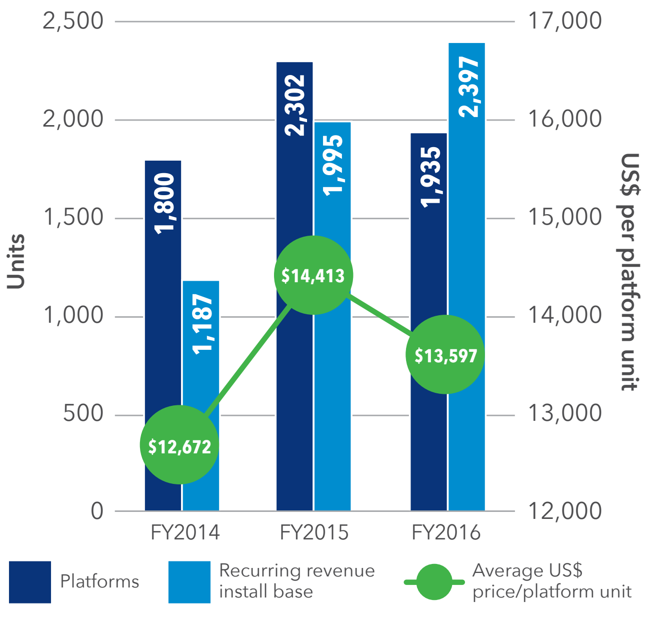


In outright sales, the Group was able to grow total market ship share over 3 percentage points in a market that was relatively flat. Video ship share grew at around 5 percentage points.

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



REVIEW OF OPERATIONS

REGIONAL SEGMENT REVIEW

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.

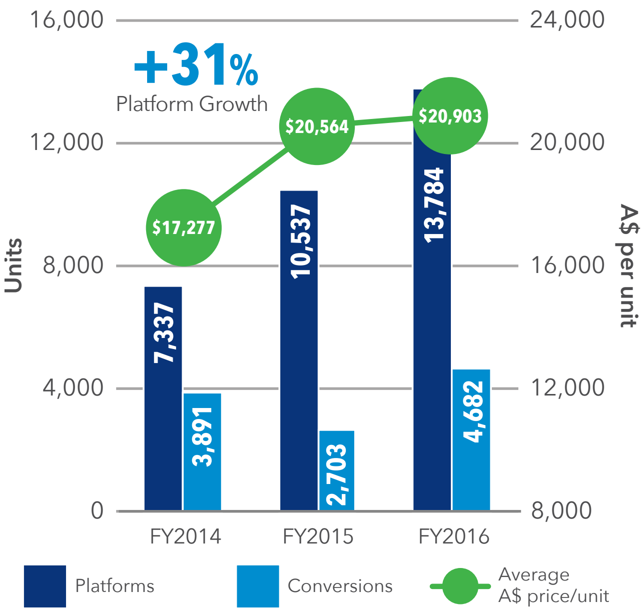
AUSTRALIA AND NEW ZEALAND

Summary Profit or Loss

A$ million	Constant currency 2016	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

Summary Profit or Loss

A$ million	Constant currency 2016	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 *5 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*™.

REVIEW OF OPERATIONS

REGIONAL SEGMENT REVIEW

DIGITAL

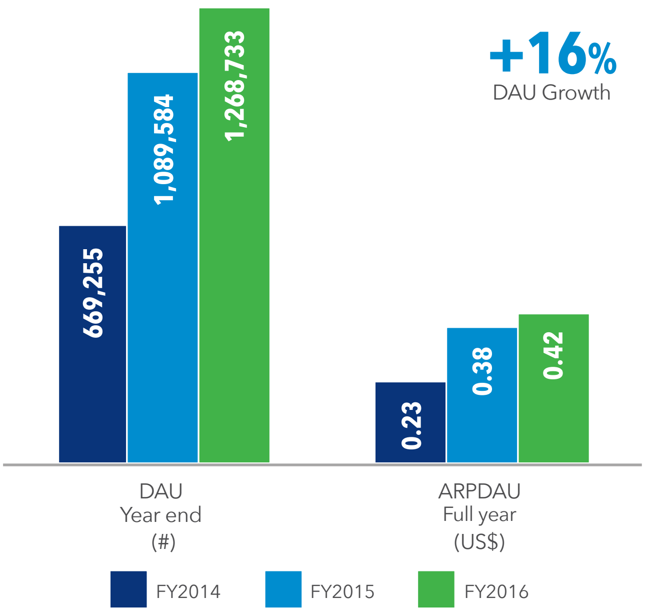
Summary Profit or Loss

A$ million	Constant currency 2016	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.

OPERATING AND FINANCIAL REVIEW

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 advisors, 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.

PRINCIPAL RISKS

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 licences 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

PRINCIPAL RISKS

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.

REMUNERATION REPORT

This Remuneration Report for the 12 months ended 30 September 2016 (Reporting Period or FY2016) forms part of the Directors' Report and has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth) (the Act).

SECTION 1 KEY MESSAGES

The Board is committed to a remuneration strategy and framework that is competitive, transparent, drives a performance culture, links Senior Executive remuneration to the achievement of Aristocrat's business strategy and objectives and, ultimately, delivers sustainable and superior shareholder returns.

The Board regularly reviews our executive remuneration strategy and framework to ensure it continues to drive shareholder value and enables us to attract, motivate, reward and retain the talent we need. The Board is confident that Aristocrat's remuneration strategy and framework continues to support and drive its business strategy and Group performance. Aristocrat's remuneration philosophy is based on a 'pay for performance' philosophy and we believe that remuneration outcomes clearly reflect this alignment.

STI outcome

Senior Executives received on average 192.6% of their STI target award, supported by NPATA increasing by 69% to $398.2m (in reported currency) from the prior corresponding period and improved FCF of 136% (versus 124% for the prior corresponding period).

LTI outcome

Based on sustained long term performance over the three year period to 30 September 2016, 100% of PSRs awarded under the 2014 LTI Grant vested following testing in November 2016, and converted into shares.

The Relative TSR component (30% of total grant) vested as Aristocrat's annual compounded TSR of 263.1%, with Aristocrat the leader of its Peer Comparator Group.

The Relevant EPS component (70% of total grant) vested at 100% based on the delivery of a three year EPS CAGR of 47.6%.

No change to CEO remuneration

There was no increase to Mr Odell's total target remuneration during the Reporting Period, which remained fixed at $5.7 million.

REMUNERATION REPORT

SECTION 2 REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (the Act) for Aristocrat Leisure Limited and its controlled entities (Group) for the year ended 30 September 2016.

Table 1 below outlines the KMP and their movements during FY2016

KMP	Position	Term as KMP
Non-Executive Directors		
ID Blackburne	Chair; Director	Full financial year
DCP Banks	Director	Full financial year
KM Conlon	Director	Full financial year
RA Davis	Director	Full financial year
RV Dubs	Director	Full financial year
SW Morro	Lead US Director[1]	Full financial year
AM Tansey	Director[2]	Nominated on 31 March 2016
S Summers Couder	Director[3]	Nominated on 26 August 2016
Executive KMP		
JR Odell	CEO and Managing Director	Full financial year
A Korsanos	CFO, Global Services and Company Secretary	Full financial year
M Sweeny	Chief Commercial Officer	Full financial year
T Croker	Chief Digital Officer/Executive VP - Global Products and Insights	Full financial year
J Sevigny	President, Video Gaming Technologies	Full financial year

1. One Non-Executive Director acts as the Lead US Director. The Lead US Director assists the Board with review and oversight of Aristocrat's North American business, which accounts for approximately 70% of Group revenue.
2. Mrs Tansey was nominated by the Board on 31 March 2016 as a Non-Executive Director, subject to receipt of all relevant regulatory pre-approvals. Pending regulatory approval, Mrs Tansey was a Director (Elect). Necessary regulatory pre-approvals were received and Mrs Tansey's appointment as a Non-Executive Director was confirmed by the Board on 21 July 2016.
3. Mrs Summers Couder was nominated by the Board on 26 August 2016 as a Non-Executive Director, subject to receipt of all relevant regulatory pre-approvals. Pending regulatory approval, Mrs Summers Couder was a Director (Elect). Necessary regulatory pre-approvals were received and Mrs Summers Couder's appointment as a Non-Executive Director was confirmed by the Board on 13 September 2016.

This Remuneration Report includes two new Executive KMP - Jay Sevigny (President, VGT) and Trevor Croker (Chief Digital Officer/Executive VP - Global Products and Insights) - in addition to those listed in FY2015 (being JR Odell, A Korsanos and M Sweeny).

REMUNERATION REPORT

SECTION 3 SENIOR EXECUTIVE[1] REMUNERATION PHILOSOPHY AND FRAMEWORK

3.1 Core principles

The following three core principles guide Aristocrat's Senior Executive remuneration strategy and a 'pay for performance' framework:

Alignment to shareholder interests

Provide a common interest between Senior Executives and shareholders by aligning the rewards that accrue to management to Aristocrat's performance and, ultimately, the creation of sustainable shareholder returns.

Market competitive

As a global organisation, be competitive in the markets in which Aristocrat operates to attract, motivate and retain high calibre people.

Annual performance-based

Support the short, medium and long-term financial targets and business strategies of the Group as set out in the strategic business plans endorsed by the Board.

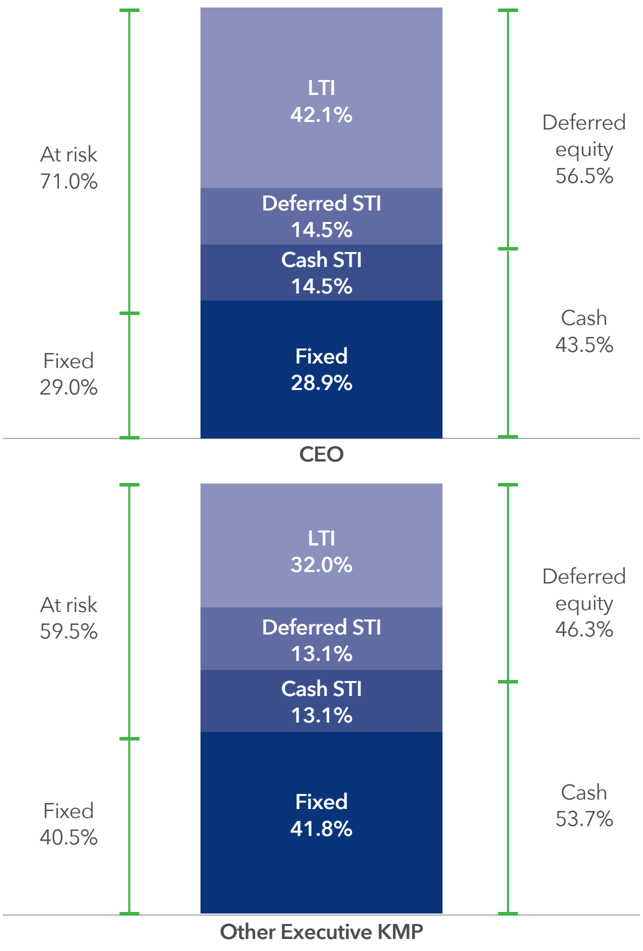
3.2 Executive remuneration mix

Total remuneration includes both a fixed component and an at-risk or performance related component (governing both short term and long term incentives). The approach is consistent with generally accepted Australian corporate practice.

The Board views the at-risk component as an essential driver of a high performance culture and superior shareholder returns.

The following illustration shows the remuneration mix for the Executive KMP in FY2016. It has been modelled on the average of the Executive KMP's target opportunity (but excluding any contractual severance entitlements).

The Board aims to achieve a balance between fixed and performance related components of remuneration. The actual remuneration mix for the Executive KMP will vary depending on the level of performance achieved at a Group, business unit and individual level.



1. 'Senior Executives' comprise Executive KMP as well as other members of Aristocrat's Executive Leadership Team (details of which can be found on www.aristocrat.com)

REMUNERATION REPORT

Table 2 Senior Executive Remuneration structure and framework

SENIOR EXECUTIVE REMUNERATION STRUCTURE

Fixed Between 29-63% of total target remuneration	**At risk** Between 71-37% of total target remuneration	
Fixed remuneration Base salary, superannuation and other benefits	**Short-term incentive (STI)** Reward for strong individual and company performance during the Performance Period	**Long-term incentive (LTI)** Reward for longer-term company performance
Value determined by		
Individual's skills, performance, experience and contribution to Aristocrat with reference to similar roles in global competitors and companies within a range of Aristocrat's market capitalisation. Onerous probity requirements by regulators also considered	Achievement of both annual financial and non-financial performance at a: – Group level – Business unit level – Individual level	– Relative TSR - 30% weighting – Relevant EPSA - 30% weighting – Strategic objectives (for CEO) - 40% weighting – Service based objectives (for other Executive KMP) - 40% weighting
Delivered as		
Cash and superannuation	50% cash 25% deferred for 12 months as an award of PSRs 25% deferred for 24 months as an award of PSRs	Award of PSRs vesting over 36 months
Why it is paid?		
Provides competitive ongoing remuneration in recognition of day to day accountabilities	Supports annual delivery of key strategic targets and to recognise and reward individual performance Deferral into equity supports sustained performance and more closely aligns the interests of executives and shareholders	Focuses on multi-year metrics that support sustained shareholder value creation

REMUNERATION REPORT

3.3 Elements of executive remuneration

3.3.1 Fixed remuneration

Executive KMP receive a competitive fixed remuneration comprising cash salary, superannuation and other benefits which make up the 'fixed remuneration' component of their total remuneration package.

Executive KMP have the choice to have a combination of benefits including additional superannuation contributions and the provision of a vehicle provided from their fixed remuneration. Executive KMP also (in certain instances) receive other benefits, including salary continuance, trauma, death and disability insurance. Executives are able to maintain memberships to appropriate professional associations. As appropriate, expatriate executives receive additional support including accommodation allowances, travel and life insurance and taxation advice.

Executive KMP do not receive retirement benefits other than those disclosed in Table 7.

3.3.2 STI Plan

What is the STI Plan?

Senior Executives have the opportunity to earn an annual incentive award which is delivered in cash and deferred equity awards (in the form of PSRs). The STI Plan recognises and rewards short-term performance.

How much can Senior Executives earn?

A target opportunity is set for each Executive KMP, which is earned if Group and individual performance is on target. For certain Senior Executives, in a region or business unit, a target opportunity is set which is earned if regional performance and individual performance is on target.

Senior Executives (other than the CEO) (on average) have a target STI of between 33% and 69% of fixed remuneration, and a maximum STI opportunity of (on average) 105% of fixed remuneration. The CEO has a target STI of 100% of fixed remuneration.

Participants have the opportunity to earn up to 200% of their target STI opportunity for achieving stretch performance.

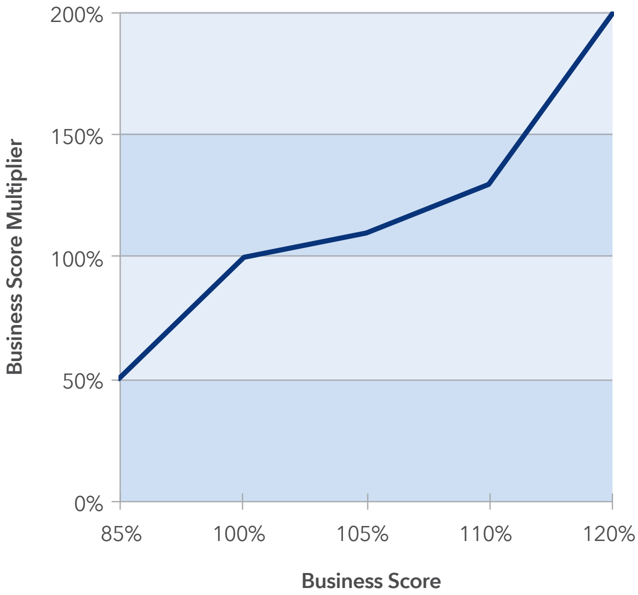
What are the financial performance conditions?

No payment is made unless the STI gateway of the Business Score Threshold (being 85% of the Business Score Goals) is met.

For employees whose role is multi-regional or global in nature – including all Executive KMP – their 'Business Score Goal' is the result that is based on the actual financial performance of Aristocrat in a financial year, calculated by reference to NPATA and FCF as follows:

- NPATA – 70% weighting
- FCF – 30% weighting

The Business Score is converted into the Business Score Multiplier according to the following chart:



What are the non-financial performance conditions?

A ratings scale of "Exceeds Requirements", "Meets Requirements", "Meets Most Requirements" and "Underperforms" is used to assess individual performance. No payment is made unless the relevant Executive KMP achieves a minimum Individual Performance Rating of "Meets Most Requirements".

Senior Executives are assessed on delivery against (non-financial) KPOs of the Group such as product quality, product innovation, great game content and driving a high performing culture through development, retention and succession planning.

Individual Performance Rating is converted into Individual Performance Multiplier according to the following ranges:

Rating	Outcome
Underperforms	0%
Meets Most Requirements	60% - 90%
Meets Requirements	80% - 120%
Exceeds Requirements	120% - 150%

REMUNERATION REPORT

The Individual Performance Multiplier is then used to determine the quantum of STI payment the Executive KMP will receive.

Once the Business Score Multiplier and Individual Performance Multiplier are determined, an individual's STI award is calculated as follows:

Individual STI Payment

=

Individual STI Target

×

Business Score Multiplier

×

Individual Performance Multiplier

Why were these performance conditions chosen?

The Board considers these performance measures to be appropriate as they are aligned with Aristocrat's objectives of delivering sustainable growth and sustainable superior returns to shareholders. In addition, Senior Executives have a clear line of sight to the targets and are able to affect results through their actions.

Performance measures and conditions are reviewed annually and are subject to change as considered appropriate. The Board has discretion to review and amend the Business Score Goals during the performance period (up or down) where significant unforeseen events have occurred which are outside of the control of management.

Who assesses performance and when?

The Board assesses performance of the CEO and Managing Director against the performance conditions with the benefit of advice from the HR and Remuneration Committee.

The CEO and Managing Director assesses the other Executive KMP's performance against the performance conditions and makes recommendations to the HR and Remuneration Committee which advises the Board in relation to the CEO and Managing Director's recommendations and the review process.

Special mitigating circumstances may be accepted, determined or approved on a case by case basis by the CEO and Managing Director, and subject to approval by the HR and Remuneration Committee and the Board.

Are there deferral terms?

Yes - if the STI award is between 50% and 100% of target STI, then 50% of the target STI is delivered in cash and a minimum of 50% of the award is deferred as an equity award of PSRs, with half of these PSRs vesting after 12 months and the remaining half vesting 24 months after the end of the performance period. The Board has discretion to determine the percentage which will be deferred as an equity award if the award is less or greater than target.

No additional performance conditions apply to vesting of the PSRs to the Senior Executive, with the exception of the continued employment by the relevant Senior Executive.

The number of PSRs is calculated using the volume-weighted average price (VWAP) over the five trading days immediately prior to and including the last day of the performance period (for awards under the 2016 STI Plan this was 30 September 2016).

Are Senior Executives eligible for dividends?

An amount (based upon dividends paid by Aristocrat during the deferral period) accrues on the PSRs and is paid in cash at the end of the deferral period to the extent that the PSRs vest.

What happens if a Senior Executive leaves?

Unvested PSRs will be forfeited if the Senior Executive ceases to be employed, although the Board has discretion to determine otherwise for reasons such as death, redundancy or if the participant is a 'good leaver'.

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

Is there a clawback?

Yes - in the event of a material misstatement of performance, or other factors deemed by the Board to be materially significant, the Board has the discretion to clawback STI payments from deferred amounts and (if necessary) future earnings of the Senior Executive.

REMUNERATION REPORT

3.3.3 LTI Plan

This section summarises the terms of LTI grants made in FY2016.

What is the LTI Plan and who participates?

Under the LTI Plan, annual grants of PSRs are made to eligible participants to align remuneration with the creation of shareholder value over the long-term.

Executive KMP as well as any employee of the Group who is invited by the Board is eligible to participate. Non-Executive Directors are not eligible to participate in the LTI Plan.

How is the LTI award calculated?

The actual number of PSRs to be granted to a Senior Executive will be determined by calculating the Face Value of Aristocrat's shares and dividing the LTI Opportunity by the Face Value and rounding to the nearest whole figure. In determining the 'LTI Opportunity', the Board will take into account the nature of the position, the context of the current market, the function and purpose of the long-term component and other relevant information.

What are the vesting conditions?

Three vesting conditions apply to LTI grants made during FY2016:

- Relative TSR
- Relevant EPSA
- Strategic objectives/service (time) based vesting conditions

Relative TSR – 30% weighting

Relative TSR performance is assessed over a three year period which will commence at the start of the financial year during which the PSRs are granted.

For any PSRs to vest pursuant to the Relative TSR vesting condition, Aristocrat's compound TSR (calculated by reference to share price appreciation plus dividends) must be equal to or greater than the median ranking of constituents of the Peer Comparator Group. The Peer Comparator Group is made up of constituents of the S&P/ASX100 Index, defined at the commencement of the performance period.

The percentage of PSRs that may vest is determined based on the following vesting schedule:

Aristocrat's TSR ranking relative to Peer Comparator Group	PSRs subject to Relative TSR vesting condition that vest (%)
Below the median ranking	0%
At the median ranking	50%
Above the median ranking but below the 75th percentile	Between 50% and 100%, increasing on a straight line basis
At or above the 75th percentile	100%

The Board may adjust the TSR vesting conditions to ensure that an executive is neither advantaged nor disadvantaged by matters outside of management's control that affect achievement of the vesting conditions.

Relevant EPSA - 30% weighting

The Relevant EPSA vesting condition is measured by comparing Aristocrat's compound annual EPSA growth rate (CAGR) over a three year period (1 October 2015 to 30 September 2018 in respect of LTI grants in FY2016) against the 'minimum' EPSA growth and the 'maximum' EPSA growth thresholds, as set by the Board at the beginning of the performance period.

Relevant EPSA performance will be measured using the most recent financial year-end prior to the award as the base year, and the final financial year in the three year performance period as the end year.

The percentage of PSRs that may vest is determined based on the following vesting schedule:

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

The Board may adjust the Relevant EPSA vesting conditions to ensure that an executive is neither advantaged nor disadvantaged by matters outside of management's control that affect achievement of the vesting conditions.

Strategic Objectives for CEO - 40% weighting

The Board agreed an aggressive strategy with the CEO and used key elements of this strategy to determine selected CEO Strategic Objectives which will deliver the platform for Aristocrat's key long term strategic objectives in the areas of 'successful development of a compelling strategic plan', 'managing and improving cost efficiency as a proportion of revenue' and 'development, retention and succession planning across all management levels and for creative talent' which set the foundations to drive sustained shareholder value. As is our practice, these objectives and the Board's assessment of Aristocrat's achievement of these objectives will be disclosed in the Remuneration Report published in respect of the year in which PSR vesting is tested.

Service (time) based vesting conditions for all other participants - 40% weighting

The service (time) based element of the LTI Plan will vest subject to the participant being employed by a member of the Group for the entire performance period, and having maintained at least a "Meets Most" individual performance rating (Service/Time Based Conditions).

Why were these vesting conditions chosen?

Relative TSR

- Ensures alignment between comparative shareholder return and remuneration
- Provides relative, objective, external, market-based performance measure against those companies with which Aristocrat competes for capital and talent
- Is widely understood and accepted by key stakeholders

Relevant EPSA

- Is a relevant indicator of increases in shareholder value
- Neutralises the tax effected amortisation expense of acquired intangibles (most notably VGT), which is a non-cash charge and not representative of underlying performance of the business and cash flow generation
- Is a target that provides a suitable line of sight for executives

Strategic Objectives (CEO)

- Are objective, rigorous, will deliver the platform for Aristocrat's key long term strategic objectives and contribute to sustained shareholder value

Service (Time) Based (others)

- Ensure the LTI Plan is competitive to global peers who have elements of service based vesting (restricted stock). This is particularly relevant to our peers in the US with whom Aristocrat competes for talent

Who assesses performance and when?

Relative TSR and Relevant EPSA results are calculated by Aristocrat and the external remuneration advisor tests these TSR results as soon as practicable after the end of the relevant performance period. The calculations are considered by the Board to determine vesting outcomes.

The vesting conditions are therefore tested only at the end of the performance period. There is no re-testing of vesting conditions.

Vesting

If PSRs vest, the Board has discretion to either issue new shares or to acquire shares on-market to satisfy the vestings.

Shares allocated on vesting of the PSRs are subject to the terms of Aristocrat's Share Trading Policy, and carry full dividend and voting rights upon allocation.

Are PSRs eligible for dividends?

Holders of LTI PSRs are not entitled to dividends until the PSRs have vested and converted into shares.

What happens if a Senior Executive leaves?

If a participant ceases employment during the first 12 months of the performance period then, regardless of the reason, any unvested PSRs lapse.

If a participant ceases employment after the first 12 months of the performance period, the Board has the express discretion to determine that some or all PSRs vest or lapse.

Where a participant acts fraudulently, dishonestly, joins a competitor or is, in the Board's opinion, in breach of obligations owed to Aristocrat, then any unvested PSRs will lapse and unallocated shares are forfeited.

What happens in the event of a change of control?

There is no automatic vesting of PSRs on a change of control. The Board will (in its discretion) determine the appropriate treatment regarding PSRs in the event of a change of control. Where the Board does not exercise this discretion, there will be a pro rata vesting of PSRs based on the proportion of the performance period that has passed at the time of the change of control event.

No transfer or hedging

PSRs granted under the plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of unvested PSRs.

SECTION 4 REMUNERATION OUTCOMES IN FY2016 AND LINK TO BUSINESS STRATEGY AND GROUP PERFORMANCE

4.1 Senior Executive remuneration

Senior Executive remuneration outcomes disclosed in this Remuneration Report are linked and aligned to delivery of shareholder value over the short and longer term, rewarding the strong results delivered across the relevant STI and LTI performance periods (including in FY2016).

Remuneration strategy and link to business strategy and Group performance in connection with FY2016 remuneration outcomes

This Remuneration Report discloses the outcome of awards made under the 2014 LTI Grant, which had Relative TSR (30% weighting) and Relevant EPS (70% weighting) vesting conditions.

For subsequent awards, including those made in FY2016 under the 2016 LTI Plan, the following three vesting conditions apply:

- a Relative TSR vesting condition (30% weighting);
- a Relevant EPSA vesting condition (30% weighting); and
- a Strategic Objectives (for CEO) and Service (Time) Based (for others) vesting condition (40% weighting).

The reasons for these changes were disclosed in detail in last year's Remuneration Report.

Table 3 below discloses outcomes in connection with awards made under the 2014 LTI Grant and alignment to business strategy and Group performance

Business strategy and objectives…	Are reflected in LTI and STI performance measures…	So, Aristocrat's actual performance…	Directly affects remuneration outcomes
Financial performance	**STI performance measure of NPATA** Measures profitability across the Group **STI performance measure of FCF** Measures free cash flow generated by the Group **LTI performance measure of Relative TSR** Measures the benefit delivered to shareholders over three years, including dividend payments and movement in the share price over and above a market benchmark **LTI performance measure of Relevant EPS** Measures profitability across the Group on a per share basis	**EXCEEDED** NPATA increasing by 69% to $398.2m significantly exceeded STI target FCF of 136% well above STI target Aristocrat achieved a TSR of 263.1% over the 2014 LTI grant performance period, making it the leader of its Peer Comparator Group Compounded EPS growth rate of 47.6% exceeded set targets Revenue increased by more than 34% to a record level above $2b	Total LTI vesting outcome in FY2016 = 100% of target
Grow recurring revenue base	**STI Individual performance rating** Measures include sustainable growth in US Gaming Operations	**EXCEEDED** 50% of revenues now derive from recurring sources, up from 24% only 2 years ago, representing achievement of a significant strategic milestone	
Market share – continue momentum	**STI Individual performance rating** Measures include sustainability of strong market position in Australia and growth in North American market share	**EXCEEDED** Increase in ANZ market share, market-leading Class III share maintained in Asia Pacific and achievement of a new record Class III gaming operations installed base in North America Growth and increase in market share in a flat North American gaming market	
Cost efficiencies	**STI Individual performance rating** Measures include managing and improving cost efficiency as a proportion of revenue	**MET** Increased ROI in both D&D and corporate expenses, and consolidation of suppliers driving efficiencies in supply chain	CEO STI outcome in FY2016 = 200% of target
Product quality, product innovation and great game content	**STI Individual performance rating** Measures include product quality and delivery and product innovation and great game content Measures also include attracting, developing and retaining gaming design talent	**EXCEEDED** Product Madness received EGR North American Award for Acquisition Strategy of the Year 2016; Product Madness named 2015's "Social Operator of the Year" by eGaming Review North America Slot managers cite "Buffalo" as the #1 performing game and Aristocrat as "having the most anticipated profitable games" this year (Goldman Sachs US Slot Survey, July 2016) Eilers-FANTINI Q2 & Q3 2016 Surveys ranked Lightning Link as the #1 performing Premium Leased Game in North America Aristocrat voted industry's top G2E supplier for the 3rd year in a row	Average STI outcome in FY2016 for other Executive KMP = 196% of target
High performing People and Culture	**STI Individual performance rating** Measures include development, retention and succession planning across all management levels and for creative talent	**MET** Improvement in overall year-on-year Global Employee Survey Results; Aristocrat's results higher on average when benchmarked against many Fortune 500 organisations Increased level of talent and capability across the Group, with focus on critical talent retention Intensive leadership program undertaken by extended leadership team	

REMUNERATION REPORT

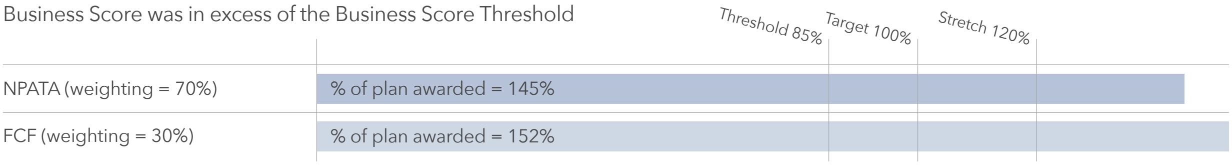
4.2 Performance and remuneration outcomes in FY2016

2016 STI grant outcomes

175.8% of Group target STI was awarded in FY 2016.

STI gateway (Business Score Threshold) achieved

Business Score was in excess of the Business Score Threshold



2014 LTI Grant vesting outcomes

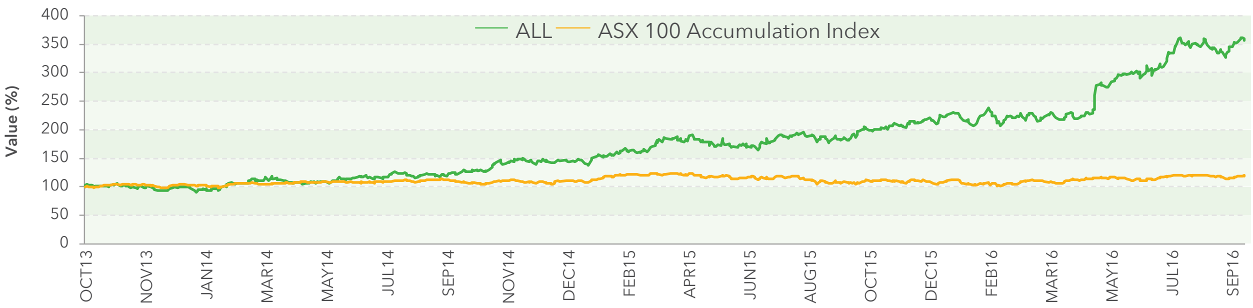
This Remuneration Report discloses the outcome of the 2014 LTI Grant (tested over the three year performance period ended 30 September 2016).

30 September 2016: Three year performance period ends for 2014 LTI Grants. Performance is tested in November 2016 for Relative TSR and Relevant EPS

Relative TSR (30% weighting)

Aristocrat's TSR performance versus that of the Peer Comparator Group over the 2014 LTI Grant performance period 1 October 2013 to 30 September 2016:

Aristocrat TSR Performance v Peer Comparator Group (%)



With a TSR performance of 263.1%, Aristocrat was the top performer (equivalent to 100th percentile) of its Peer Comparator Group.

100% of the PSRs linked to the Relative TSR measure vested

+

Relevant EPS (70% weighting)

100% of the Relevant EPS component vested given that Aristocrat's actual EPS CAGR across the consecutive three year performance period was 47.6%.

Relevant EPS				
1 Oct 2013 to 30 Sept 2016	Threshold EPS Target	Maximum EPS Target	Actual Outcome	Relevant EPS Achievement
3 year CAGR	7.5%	12.5%	47.6%	100%

100% of the PSRs linked to the Relative TSR measure vested

=

100% vesting of the total 2014 LTI Grant awards

REMUNERATION REPORT

4.3 Alignment between remuneration and Group performance

Numerous elements of Aristocrat's remuneration strategy and framework are directly linked to Group performance.

The table below sets out information about movements in shareholder wealth for the financial years ended 30 September 2012 to 30 September 2016, highlighting alignment between Aristocrat's remuneration strategy and framework and Group performance over the past 5 years.

Further details about the Group's performance over this period can be found in the Five Year Summary contained in this Annual Report.

Table 4 Summary of movement in shareholder wealth

	12 months to 30 Sept 2016	12 months to 30 Sept 2015	12 months to 30 Sept 2014	12 months to 30 Sept 2013	9 months to 30 Sept 2012[1]
Share price as at financial year-end (A$)	**15.81**	8.61	5.84	4.62	2.69
Total dividends paid (cps)	**25.0**	17.0	16.0	14.5	6.0
EPS (fully diluted)/EPSA (fully diluted) (cps)[2]	**54.9/62.4**	30.1/37.1	22.8/23.1	19.4	8.3
TSR (%)	**263%**	50%	30%	77%	25%
Short term cash incentives (% of Group target)	**176%**	170%	110%	66%	100%
LTI (% vesting)	**100%**	94%	30%	0%	0%

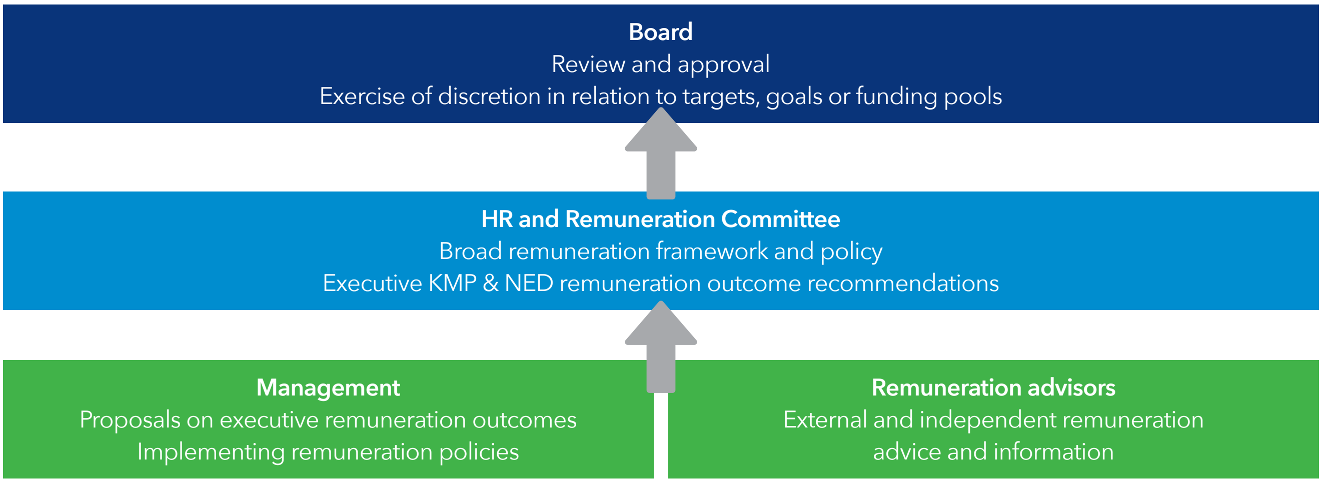
1. For comparative purposes, the percentage of short term cash incentives and long term incentives disclosures relates to the 2012 STI award and 2010 LTI awards tested following the end of the performance period, being 31 December 2012.
2. Excluding the effect of significant items which are not representative of the underlying operational performance of the Group.

REMUNERATION REPORT

SECTION 5 REMUNERATION GOVERNANCE

5.1 Overview

The following diagram represents Aristocrat's remuneration decision making structure.



Details of the composition and responsibilities of the Human Resources (HR) and Remuneration Committee are set out in the Corporate Governance Statement (and can be found at www.aristocrat.com).

5.2 Use of remuneration advisors

In making recommendations to the Board, the HR and Remuneration Committee seeks advice from external advisors from time to time to assist in its deliberations. The HR and Remuneration Committee appointed Ernst & Young (EY) as Aristocrat's 'Remuneration Consultant' for the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011.

Remuneration advisors are engaged by the Chairperson of the HR and Remuneration Committee with an agreed set of protocols that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there can be no undue influence by Executive KMP to whom any recommendations may relate.

No remuneration recommendations, as defined by the Act , were made by the remuneration advisors during the Reporting Period.

5.3 Service agreements

The remuneration and other terms of employment for the Executive KMP are formalised in service agreements, which have no specified term. Each of these agreements provide for performance related bonuses under the STI program, and participation, where eligible, in the Group's LTI program. Other major provisions of the service agreements of the Executive KMP are as follows:

Table 5 Service agreements

	Notice to be given by Executive	Notice to be given by Group[1]	Termination payment	Post-employment restraint
CEO and Managing Director				
JR Odell	6 months	12 months	12 months (fixed remuneration)	12 months
Other Executive KMP				
A Korsanos	6 months	6 months	12 months (fixed remuneration)	12 months
M Sweeny	3 months	-	12 months (fixed remuneration)	12 months
J Sevigny	2 months	-	12 months (fixed remuneration)	12 months
T Croker	3 months	3 months	9 months (fixed remuneration)	12 months

1. Payments may be made in lieu of notice period.

5.4 Disclosures under Listing Rule 4.10.22

A total of 815,504 securities were acquired on-market by the Aristocrat Employee Equity Trust during the Reporting Period (at an average price per security of $15.7332) to satisfy Aristocrat's obligations under various equity and related plans.

No securities were issued to the Aristocrat Employee Equity Trust during the Reporting Period to satisfy Aristocrat's obligations under the various equity and related plans.

No securities were purchased or allocated by Aristocrat for or to any Director or related party during the Reporting Period.

5.5 Share trading policy

Aristocrat's share trading policy prohibits the use of Derivatives (as defined in the policy) in relation to unvested equity instruments, including PSRs and vested securities which are subject to disposal restrictions. Derivatives may be used in relation to vested positions which are not subject to disposal restrictions, subject to compliance with the other provisions of the share trading policy.

Senior Executives are strictly prohibited from entering into a margin loan or similar funding arrangement to acquire Aristocrat's securities and from using Aristocrat securities as security for a margin loan or similar funding arrangements.

Breaches of Aristocrat's share trading policy are regarded very seriously and may lead to disciplinary action being taken (including termination of employment).

REMUNERATION REPORT

SECTION 6 NON-EXECUTIVE DIRECTOR REMUNERATION

Details of the Non-Executive Directors of Aristocrat during the Reporting Period are provided in the Directors' Report.

6.1 Overview of policy

The remuneration of the Non-Executive Directors is not linked to the performance of the Group in order to maintain their independence and impartiality. In setting fee levels, the HR and Remuneration Committee, which makes recommendations to the Board, obtains advice from an independent remuneration advisor and takes into account the demands and responsibilities associated with the Directors' roles and the global scope and highly regulated environment in which the Group operates. The Board will continue to review its approach to Non-Executive Director remuneration to ensure it remains in line with high standards of corporate governance.

6.2 Components and details of Non-Executive Director remuneration

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

Table 6 Non-Executive Director fees payable during the Reporting Period

Board fees per annum[1]		Amount (inclusive of all statutory superannuation obligations and committee service)
Chairman		$460,000
Non-Executive Director		$215,000
Lead US Director		Additional $40,000
Committee Fees		
Board Audit and Risk Committee	Chair	$25,000
	Member	No additional fee
HR and Remuneration Committee	Chair	$25,000
	Member	No additional fee
Regulatory and Compliance Committee	Chair	$25,000
	Member	No additional fee

1. Fees paid to Australian-based Non-Executive Directors are paid in AUD. Fees paid to US-based Non-Executive Directors are paid in USD converted at a rate of A$1 to US$1. Inclusive of statutory superannuation obligations made on behalf of Australian-based Non-Executive Directors.

There were no increases in Board or Committee fees for the Reporting Period.

The regulatory requirements of the environment in which Aristocrat operates impose a considerable burden on the Non-Executive Directors and their families who are required to disclose detailed personal and financial information and submit to interviews, including in foreign jurisdictions. These requirements are taken into account in determining the fees payable to Non-Executive Directors. Regard was also had to time commitments required of Non-Executive Directors in connection with the number of Board and Committee meetings that Non-Executive Directors attend each year.

Non-Executive Directors are entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.

Aristocrat does not make sign-on payments to new Non-Executive Directors and the Board does not provide for retirement allowances for Non-Executive Directors.

6.3 Aggregate fee pool approved by shareholders

Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of A$2,750,000 approved by shareholders at the AGM in February 2016. Prior to this, the annual fee cap was A$2,000,000.

REMUNERATION REPORT

SECTION 7 STATUTORY REMUNERATION TABLES AND DATA

7.1 Details of Executive KMP remuneration

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

As required by the Accounting Standards, the table includes credits for PSRs which were forfeited during the year and the amortised value of PSRs that may vest in future reporting periods.

The change from 2015 to 2016 in Table 7 below includes the addition of two new Executive KMP in 2016, being T Croker and J Sevigny.

Table 7 Statutory Executive KMP remuneration table

		Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments [5]		Total	% of share-based remuneration (LTI PSRs)
		Cash salary[1]	Cash bonuses[2]	Non-monetary benefits[3]	Superannuation	Termination	Long service leave[4]	STI PSRs[6]	LTI PSRs[7]		
		$	$	$	$	$	$	$	$	$	%
CEO and Managing Director											
JR Odell	**2016**	**1,617,205**	**1,650,000**	**17,497**	**32,795**	**-**	**27,010**	**1,430,000**	**2,136,896**	**6,911,403**	**30.9**
	2015	1,617,205	1,650,000	3,234	32,795	-	26,939	1,322,500	2,065,058	6,717,731	30.7
Other Executive KMP											
A Korsanos	**2016**	**695,616**	**495,000**	**150**	**19,385**	**-**	**14,399**	**422,250**	**613,347**	**2,260,147**	**27.1**
	2015	661,746	480,000	-	19,045	-	14,138	421,370	556,471	2,152,770	25.8
M Sweeny	**2016**	**804,760**	**521,989**	**-**	**-**	**-**	**-**	**613,472**	**479,706**	**2,419,927**	**19.6**
	2015	765,124	433,248	-	-	-	-	330,118	182,030	1,710,520	10.6
J Sevigny[8]	**2016**	**767,522**	**443,690**	**-**	**-**	**-**	**-**	**327,842**	**256,129**	**1,795,183**	**14.3**
	2015	-	-	-	-	-	-	-	-	-	-
T Croker[9]	**2016**	**557,000**	**330,000**	**103,303**	**30,000**	**-**	**9,303**	**315,000**	**382,218**	**1,726,824**	**22.1**
	2015	-	-	-	-	-	-	-	-	-	-
2016 Total		**4,442,103**	**3,440,679**	**120,950**	**82,180**	**-**	**50,712**	**3,108,564**	**3,868,296**	**15,113,484**	**25.6**
2015 Total		3,044,075	2,563,248	3,234	51,840	-	41,077	2,073,988	2,803,559	10,581,021	26.5

1. Amounts shown as cash salary and fees include amounts sacrificed in lieu of other benefits at the discretion of the individual. To the extent that benefits are paid and subject to Fringe Benefits Tax (FBT), the above amount includes FBT.
2. Amounts reflect the non-deferred cash component of the 2016 STI incentives.
3. Non-monetary benefits include insurance and travel costs, relocation costs, expatriate related costs and associated FBT.
4. The amounts provided for by the Group during the financial year in relation to accruals for long service leave.
5. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual Executive KMP may ultimately realise should the equity instruments vest. An independent accounting valuation for each tranche of PSRs at their respective grant dates has been performed by EY. In undertaking the valuation of the PSRs, EY has used a TSR model and an EPSA model. These models are described below:
   TSR model – EY uses the Monte-Carlo simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.
   EPSA model – The Binomial Tree model was used to determine the fair value of PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, the risk-free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the expected level of vesting over the performance period. For the purposes of remuneration packaging, the 'face value' (volume-weighted average price for the 5 trading days up to and including the day before the start of the performance period) is adopted for determining the total number of PSRs to be allocated as this valuation best reflects the fair value of PSRs to each executive at that time. The requirements of AASB 2 in relation to the treatment of non-market vesting conditions, such as earnings per share growth and share-based remuneration requiring shareholder approval, results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.

6. A component of STI awards payable to Executive KMP will be satisfied by the grant of deferred share rights. Half will vest after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions. The accounting expense for STI share rights represents the expense attributable to the service period that has been completed for each deferred award. Therefore, the amounts reflected for the 12 months to 30 September 2016 include the accounting accruals attributable to deferred share rights pursuant to the 2013, 2014 and 2015 STI awards.
7. The share-based payments expense includes the impact of PSRs that were granted in previous years that are being expensed for accounting purposes over the vesting period, as well as the PSRs that were granted in the reporting period. Remuneration in the form of PSRs includes credits for the earnings per share (EPS) component of 2014 LTI grant forfeited during the period.
8. Mr Sevigny was not an Executive KMP during FY2015.
9. Mr Croker was not an Executive KMP during FY2015.

Table 8 Details of 2016 short term awards paid and deferred

For the 12 months ended 30 September 2016	Total award[1] $	Cash payment[2] $	Deferred component[3] $	No. Share Rights vesting 1 Oct 2017[3]	No. Share Rights vesting 1 Oct 2018[3]	Total award as % of target STI	% of total award deferred
CEO and Managing Director							
JR Odell	3,300,000	1,650,000	1,650,000	51,842	51,842	200%	50%
Other Executive KMP							
A Korsanos	990,000	495,000	495,000	15,552	15,552	200%	50%
J Sevigny	921,034	460,517	485,021	13,941	13,941	200%	50%
M Sweeny	975,214	487,607	513,552	14,761	14,761	180%	50%
T Croker	660,000	330,000	330,000	10,368	10,368	200%	50%

1. Amounts reflect the value of the total 2016 awards. See footnotes 2 and 3 for an explanation of the cash and deferred components of the total award.
2. Amounts reflect the cash component of the 2016 awards paid to participants. Amounts in USD are translated at the average rate for the year.
3. Amounts reflect the value of 2016 awards deferred into PSRs. Part of the deferred component of awards will vest on 1 October 2017 and the remainder on 1 October 2018. The number of PSRs is determined using the five day VWAP up to and including 30 September 2016, being $15.9137. Amounts in USD are translated at the FX rate on the grant date.

Table 9 Details of LTI PSRs granted to Executive KMP, including their related parties, during the Reporting Period

Performance rights with a three year performance period were granted during the Reporting Period as follows:

	Rights granted	Value of grant ($)
JR Odell	282,592	2,504,047
A Korsanos	76,535	678,175
M Sweeny	100,782	893,028
J Sevigny	57,110	506,052
T Croker	42,624	377,692

The fair value of the rights that were granted on 25 February 2016 are $7.16 for rights with a total shareholder return condition and $9.59 for rights with a service or strategic objectives condition. The values shown in the above table represent the maximum value of the grants made. The minimum value is zero. The performance conditions for the grants are set out in Section 3.3.3.

Table 10 Details of the movement in numbers of LTI PSRs during the Reporting Period

	Balance at 1 October 2015	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited	Balance at 30 September 2016
JR Odell	1,610,556	282,592	(723,104)	(42,896)	1,127,148
A Korsanos	413,107	76,535	(154,340)	(9,160)	326,142
M Sweeny	141,665	100,782	(55,775)	-	186,672
J Sevigny	41,251	57,110	-	-	98,361
T Croker	333,157	42,624	(146,320)	(8,680)	220,781

1. The value of the PSRs granted to Executive KMP during the year (including the aggregate value of PSRs granted) is set out in Table 9. No options were granted during the year to any Executive KMP.
2. The value of each PSR on the date of vesting is the closing price of the Company's shares on the ASX on the preceding trading day.
3. As shares are immediately allocated upon the vesting of PSRs, there will be no instances where PSRs are vested and exercisable, or vested but not yet exercisable.

7.2 Details of Non-Executive Director remuneration

Table 11 Details of Non-Executive Director remuneration for the Reporting Period

		Short-term benefits		Post-employment benefits		Share-based payments	Total
Name	Year	Cash salary and fees[1]	Fees for extra services[2]	Superannuation[3]	Retirement benefits[4]	Options and PSRs	$
ID Blackburne	**2016**	**436,769**	-	**23,231**	-	-	**460,000**
	2015	423,586	25,000	18,914	-	-	467,500
RA Davis	**2016**	**196,347**	-	**18,653**	-	-	**215,000**
	2015	189,498	25,000	18,002	-	-	232,500
RV Dubs	**2016**	**219,178**	-	**20,822**	-	-	**240,000**
	2015	207,763	25,000	19,737	-	-	252,500
SW Morro	**2016**	**345,684**	-	-	-	-	**345,684**
	2015	277,374	25,000	1,324	-	-	303,698
DCP Banks	**2016**	**219,178**	-	**20,822**	-	-	**240,000**
	2015	207,763	25,000	19,737	-	-	252,500
KM Conlon	**2016**	**219,178**	-	**20,822**	-	-	**240,000**
	2015	207,763	25,000	19,737	-	-	252,500
AM Tansey (nominated in FY2016)	**2016**	**98,929**	-	**9,398**	-	-	**108,327**
	2015	-	-	-	-	-	-
S Summers Couder (nominated in FY2016)	**2016**	**28,088**	-	-	-	-	**28,088**
	2015	-	-	-	-	-	-
Total	**2016**	**1,763,351**	-	**113,748**	-	-	**1,877,099**
	2015	1,513,747	150,000	97,451	-	-	1,761,198

1. Amounts shown as cash salary and fees include amounts sacrificed in lieu of other benefits at the discretion of the individual. To the extent that any non-monetary benefits are subject to Fringe Benefits Tax (FBT), amounts shown include FBT.
2. Given the large amount of additional work undertaken by the Board during FY2015, particularly in relation to the diligence, negotiation and execution of the VGT acquisition and associated equity and debt financing, it was determined that each NED would receive a fixed sum of A$25,000.
3. Superannuation contributions include amounts required to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.
4. Non-Executive Directors are not entitled to any retirement benefit.

SECTION 8 SHAREHOLDINGS

8.1 Movement in shares

The number of shares (excluding those unvested under the STI Plan and the LTI Plan) in Aristocrat held during the year ended 30 September 2016 by each Non-Executive Director and Executive KMP, including their personally related entities, are set out below.

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

The following sets out details of the movement in shares in Aristocrat held by Non-Executive Directors or their related parties during the year:

Table 12 Details of Non-Executive Director shareholdings

Non-Executive Directors					
	Type	Balance as at 1 October 2015	Performance shares vested	Other net changes during the year	Balance as at 30 September 2016
ID Blackburne	Beneficially held	-	-	-	-
	Non-beneficially held	137,851	-	-	137,851
DCP Banks	Beneficially held	-	-	-	-
	Non-beneficially held	30,851	-	-	30,851
KM Conlon	Beneficially held	-	-	-	-
	Non-beneficially held	5,418	-	5,096	10,514
RA Davis	Beneficially held	19,335	-	-	19,335
	Non-beneficially held	14,005	-	-	14,005
RV Dubs	Beneficially held	32,851	-	-	32,851
	Non-beneficially held	-	-	-	-
SW Morro	Beneficially held	-	-	-	-
	Non-beneficially held	35,000	-	-	35,000
AM Tansey	Beneficially held	-	-	-	-
	Non-beneficially held	-	-	-	-
S Summers Couder	Beneficially held	-	-	-	-
	Non-beneficially held	-	-	-	-

All equity instrument transactions between the Non-Executive Directors, including their related parties, and Aristocrat during the year have been on arm's length basis.

The following sets out details of the movement in shares in Aristocrat held by Executive KMP or their related parties during the year:

Table 13 Details of Executive KMP shareholdings not held under an employee share plan

Executive Director and other Executive KMP					
	Type	Balance as at 1 October 2015	Performance shares vested	Other net changes during the year	Balance as at 30 September 2016
JR Odell	Beneficially held	1,101,952	922,553	(620,000)	1,404,505
	Non-beneficially held	-	-	-	-
A Korsanos	Beneficially held	289,037	221,316	(150,000)	360,353
	Non-beneficially held	-	-	-	-
M Sweeny	Beneficially held	-	55,775	(23,512)	32,263
	Non-beneficially held	-	-	-	-
J Sevigny	Beneficially held	-	-	-	-
	Non-beneficially held	-	-	-	-
T Croker	Beneficially held	187,099	166,798	(21,000)	332,897
	Non-beneficially held	-	-	-	-

Other than share-based payment compensation effected through an employee share plan, all equity instrument transactions between Executive KMP, including their related parties, and Aristocrat during the year have been on arm's length basis.

8.2 Loans with KMP

No KMP or their related parties held any loans from the Group during or at the end of the year ended 30 September 2016 or prior year.

SECTION 9 GLOSSARY

2014 LTI Grant	Awards made under the LTI Plan during FY2014 (in October 2013) with a three-year performance period 1 October 2013 to 30 September 2016
Aristocrat	Aristocrat Leisure Limited and (where applicable) the Group
Business Score	For Executive KMP and employees in corporate functions - is the result that is based on the actual financial performance of Aristocrat in a financial year, calculated by reference to NPATA and FCF. For Employees in a region or business unit - is the result that is based 50% on the performance of Aristocrat (as above) and 50% on the regional performance, using EBIT in place of NPATA for both profit and FCF calculations
Business Score Goals	Aristocrat's and individual business unit's/region's financial performance goals, approved by the Board at the start of the performance period, that need to be achieved under the STI Plan
Business Score Threshold	The minimum Business Score required to receive payment under the STI Plan (being 85% of the Business Score Goals)
EBIT	Earnings before interest and tax, on a normalised basis excluding significant items and results of discontinued operations as disclosed in the Operating and Financial Review section of the Annual Report
EPS	Fully diluted earnings per share, normalised for significant items and discontinued operations as disclosed in the Operating and Financial Review section of the Annual Report
EPSA	Fully diluted EPS before amortisation of acquired intangibles
Executive KMP	Those KMP who were also part of Aristocrat's Executive Steering Committee during the Reporting Period, being (i) JR Odell (the CEO and Managing Director), (ii) A Korsanos (Chief Financial Officer, Global Services and Company Secretary), (iii) M Sweeny (Chief Commercial Officer), (iv) J Sevigny (President, Video Gaming Technologies) and (v) T Croker (Chief Digital Officer/ Executive VP - Global Products and Insights).
Face Value	The volume-weighted average price of Aristocrat shares for the 5 trading days up to and including the day before the start of the performance period
FCF	In the case of Executive KMP and employees in corporate functions, this is free cash flow (measured as operating cash flow according to the Operating and Financial Review net of capital expenditure on gaming machines). In the case of employees in a region or business unit, EBIT is used in place of NPATA for FCF calculations
KMP	Persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of Aristocrat and the Group during the Reporting Period
LTI Plan	Aristocrat's long-term incentive plan
NPAT	Net profit after tax normalised for significant items and discontinued operations as disclosed in the Operating and Financial Review section of the Annual Report
NPATA	Net profit after tax before amortisation of acquired intangibles, normalised for significant items and discontinued operations as disclosed in the Operating and Financial Review section of the Annual Report
Peer Comparator Group	Constituents of the S&P/ASX100 Index, defined at the commencement of the performance period. For grants made during the Reporting Period, the entities comprising the Peer Comparator Group are the constituents of the S&P/ASX100 Index as at 1 October 2015
PSR	A performance share right that carries an entitlement to receive one ordinary share in Aristocrat when the PSR vests, subject to performance criteria being satisfied

REMUNERATION REPORT

Relative TSR	Aristocrat's compounded TSR measured against the ranking of constituents of the Peer Comparator Group
Relevant EPS	Cumulative EPS over the performance period compared to a target set by the Board at the commencement of the performance period
Relevant EPSA	EPSA for the final financial year of the relevant performance period
Senior Executives	The group of senior executives consisting of: (i) the Executive KMP, and (ii) other members of Aristocrat's Executive Leadership Team (details of which can be found on www.aristocrat.com)
STI Plan	Aristocrat's short-term incentive plan
TSR	Total shareholder return measures the percentage growth in the share price together with the value of dividends received during the relevant three year performance period, assuming all dividends are reinvested into new securities

Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 30 September 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aristocrat Leisure Limited and the entities it controlled during the period.

MK Graham
Partner
PricewaterhouseCoopers

Sydney
30 November 2016

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NEVADA REGULATORY DISCLOSURE

The Nevada Gaming Commission has requested that the following be brought to the attention of shareholders.

Summary of the Nevada Gaming Regulations

The manufacture, sale and distribution of gaming devices, internet and mobile gaming, and cashless wagering systems for use or play in Nevada and the operation of slot machine routes and inter-casino linked systems are subject to:

(i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the "Nevada Act"); and

(ii) various local ordinances and regulations.

Gaming and manufacturing and distribution operations in Nevada are subject to the licensing and regulatory control of the Nevada Gaming Commission ("Nevada Commission"), the Nevada State Gaming Control Board ("Nevada Board") and various other county and city regulatory agencies, collectively referred to as the "Nevada Gaming Authorities".

Nevada Regulatory Disclosure

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things:

(i) the prevention of unsavoury or unsuitable persons from having a direct or indirect involvement with gaming, manufacturing or distributing activities at any time or in any capacity;

(ii) the establishment and maintenance of responsible accounting practices and procedures;

(iii) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;

(iv) the prevention of cheating and fraudulent practices; and

(v) providing a source of state and local revenues through taxation and licensing fees.

Aristocrat Leisure Limited ("the Company") is registered with the Nevada Commission as a publicly traded corporation (a "Registered Corporation") and has been found suitable to directly or indirectly own the stock of two subsidiaries (collectively, the "Operating Subsidiaries"), one subsidiary has been licensed as a manufacturer and a distributor of gaming devices and an Internet Gaming System ("IGS") Service Provider, the other subsidiary has been licensed as a manufacturer and a distributor of gaming devices, an operator of a slot machine route and an IGS Service Provider.

A manufacturer's and distributor's license permits the manufacturing, sale and distribution of gaming devices and cashless wagering systems for use or play in Nevada or for distribution outside of Nevada. A license as an operator of a slot machine route permits the placement and operation of gaming devices upon the business premises of other licensees on a participation basis and also permits the operation of inter-casino linked systems consisting of gaming devices only. The IGS Service Provider license allows the provision of certain services of internet gaming to licensed Internet Operators.

If it were determined that the Nevada Act was violated by the Company or the Operating Subsidiaries, the registration of the Company and the licenses of the Operating Subsidiaries could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Company, the Operating Subsidiaries and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission.

Any beneficial owner of a Registered Corporation's voting securities (in the case of the Company its ordinary shares), regardless of the number of voting securities owned, may be required to file an application, be investigated, and have their suitability as a beneficial owner of the Registered Corporation's voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the state of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires a beneficial ownership of more than 5% of a Registered Corporation's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of a Registered Corporation's voting securities apply to the Nevada

NEVADA REGULATORY DISCLOSURE

Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing.

Under certain circumstances, an "institutional investor", as defined in the Nevada Act, which acquires the beneficial ownership of more than 10%, but not more than 25% of a Registered Corporation's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor that has been granted a waiver by the Nevada Commission may beneficially own more than 25%, but not more than 29%, of the voting securities of a Registered Corporation, only if such additional ownership results from a stock repurchase program conducted by Registered Corporation, and upon the condition that such institutional investor does not purchase or otherwise acquire any additional voting securities of the Registered Corporation that would result in an increase in the institutional investor's ownership percentage. Further, an institutional investor that is subject to NRS 463.643(4) as a result of its beneficial ownership of voting securities of a Registered Corporation and that has not been granted a waiver by the Commission, may beneficially own more than 10%, but not more than 11%, of the voting securities of such Registered Corporation, only if such additional ownership results from a stock repurchase program conducted by the Registered Corporation, upon the condition that such institutional investor does not purchase or otherwise acquire any additional voting securities of the Registered Corporation that would result in an increase in the institutional investor's ownership percentage. Unless otherwise notified by the chairman, such an institutional investor is not required to apply to the commission for a finding of suitability, but shall be subject to reporting requirements as prescribed by the chairman.

The applicant is required to pay all costs of investigation incurred by the Nevada Gaming Authorities.

The Nevada Act provides that any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record holder (in the case of the Company a registered holder) if the record owner, after request, fails to identify the beneficial owner.

Any person found unsuitable and who holds, directly or indirectly, any of the voting securities of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offence under Nevada law. A Registered Corporation can be sanctioned, including the loss of its approvals if, after it receives notice that a person is unsuitable to be the holder of the voting securities of the Registered Corporation or to have any other relationship with the Registered Corporation, it:

(i) pays that person any dividend or interest upon its voting securities,

(ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person,

(iii) pays remuneration in any form to that person for services rendered or otherwise, or

(iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

The Nevada Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it:

(i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever;

(ii) recognises any voting right by such unsuitable person in connection with such securities;

(iii) pays the unsuitable person remuneration in any form; or

(iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

NEVADA REGULATORY DISCLOSURE

A Registered Corporation may not make a public offering of its securities without the prior approval of the Nevada Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On June 21 2001, the Nevada Commission granted the Company prior approval to make public offerings for a period of two years subject to certain conditions ("Shelf Approval"). This approval has been extended and remains in place today. However, the Shelf Approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful. An application to renew the Shelf Approval (which can only be issued for a maximum term of three years) is being lodged with the Commission.

Other Regulatory requirements – Other Gaming Authorities throughout the world may require any person who acquires a beneficial ownership of more than 5% of a Registered Corporation's voting securities to report the acquisition to the Gaming Authority and in some cases, apply to the Gaming Authority for a finding of suitability within thirty days of acquiring more than 5% of the Registered Corporation's voting securities. The applicant is subject to the same rules as in Nevada in relation to an unsuitable finding. The applicant is required to pay all costs of investigation incurred by the Gaming Authorities.

A more complete summary of the Nevada Act is available on request from:

The Secretary, Aristocrat Leisure Limited
Building A, Pinnacle Office Park, 85 Epping Road
North Ryde NSW 2113 Australia
Telephone: +61 2 9013 6000
Fax: +61 2 9013 6274

FIVE YEAR SUMMARY

$'m (except where indicated)	12 months to 30 Sep 2016	12 months to 30 Sep 2015	12 months to 30 Sep 2014	12 months to 30 Sep 2013	9 months to 30 Sep 2012
Profit or loss items					
Revenue [1]	**2,128.7**	1,582.4	839.1	813.8	586.2
EBITDA [2]	**806.0**	523.1	219.2	188.1	95.5
Depreciation and amortisation	**(208.9)**	(162.3)	(43.3)	(42.8)	(28.5)
EBIT [2]	**597.1**	360.8	175.9	145.3	67.0
Net interest expense	**(89.9)**	(81.3)	(8.0)	(11.3)	(13.9)
Profit before income tax expense [2]	**507.2**	279.5	167.9	134.0	53.1
Income tax expense	**(156.7)**	(88.0)	(37.7)	(26.8)	(6.6)
Profit after income tax expense [2]	**350.5**	191.5	130.2	107.2	46.5
Non-controlling interests	**-**	-	-	-	(1.0)
Net profit attributable to members of Aristocrat Leisure Limited	**350.5**	191.5	130.2	107.2	45.5
Significant items and discontinued operations after tax	**-**	(5.1)	(146.6)	-	-
Reported net profit/(loss) attributable to members of Aristocrat Leisure Limited	**350.5**	186.4	(16.4)	107.2	45.5
Total dividend paid - parent entity only	**121.0**	101.1	85.5	49.6	43.7
Balance sheet items					
Contributed equity	**693.8**	693.8	641.6	233.1	233.1
Reserves	**(55.7)**	15.7	(58.1)	(78.1)	(121.5)
Retained earnings	**437.4**	207.9	122.6	224.4	166.7
Non-controlling interest	**-**	-	-	(4.0)	(1.8)
Total equity	**1,075.5**	917.4	706.1	375.4	276.5
Cash and cash equivalents	**283.2**	329.0	285.9	29.7	22.6
Other current assets	**591.9**	569.5	415.6	434.4	331.8
Property, plant and equipment	**217.5**	203.4	121.4	106.9	102.6
Intangible assets	**1,736.5**	1,941.8	130.5	151.1	104.6
Other non-current assets	**158.6**	175.0	159.3	151.1	163.2
Total assets	**2,987.7**	3,218.7	1,112.7	873.2	724.8

FIVE YEAR SUMMARY

$'m (except where indicated)		12 months to 30 Sep 2016	12 months to 30 Sep 2015	12 months to 30 Sep 2014	12 months to 30 Sep 2013	9 months to 30 Sep 2012
Current payables and other liabilities		**434.9**	402.7	209.3	202.4	181.6
Current borrowings		**-**	0.1	114.4	0.1	7.0
Current tax liabilities and provisions		**114.3**	39.5	48.0	14.3	13.5
Non-current borrowings		**1,287.8**	1,779.5	0.2	237.8	207.5
Non-current provisions		**13.4**	14.7	13.2	14.1	14.8
Other non-current liabilities		**61.8**	64.8	21.5	29.1	23.9
Total liabilities		**1,912.2**	2,301.3	406.6	497.8	448.3
Net assets		**1,075.5**	917.4	706.1	375.4	276.5
Other information						
Employees at year end	**Number**	**3,200**	2,912	2,274	2,173	2,135
Return on Aristocrat shareholders' equity (2)	**%**	**32.6**	20.9	18.4	28.6	16.5
Basic earnings per share (2)	**Cents**	**55.1**	30.3	23.0	19.5	8.3
Net tangible assets per share	**$**	**(1.04)**	(1.61)	0.91	0.41	0.31
Total dividends per share - ordinary	**Cents**	**25.0**	17.0	16.0	14.5	6.0
Dividend payout ratio (2)	**%**	**45**	56	70	74	72
Issued shares at year end	**'000**	**637,120**	637,120	630,022	551,418	551,418
Net (cash)/debt (3)	**$'m**	**1,004.6**	1,450.6	(171.3)	208.2	191.8
Net cash (debt)/equity	**%**	**(93.4)**	(158.1)	24.3	(55.5)	(69.4)

(1) Revenue as per segment performance.
(2) Before the impact of abnormal and one-off items that are not representative of the underlying operational performance of the Group. The non-IFRS information presented above has not been audited in accordance with the Australian Auditing Standards.
(3) Current and non-current borrowings net of cash and cash equivalents.

INTRODUCTION TO FINANCIAL STATEMENTS

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'). The financial statements are presented in Australian Dollars.

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. Tables 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 Note 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	69
2-2	Carrying value of inventory	73
2-3	Recoverable amount of intangible assets	76

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 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 the year		**283.2**	332.7
Included in cash and cash 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.

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.

1. BUSINESS PERFORMANCE CONTINUED

1-1 SEGMENT PERFORMANCE CONTINUED

	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

1. BUSINESS PERFORMANCE CONTINUED

1-2 REVENUES

	2016 $'m	2015 $'m
Revenue		
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.

1. 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.

1. 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

	2016 $'m	2015 $'m
(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 substantially 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.

1. BUSINESS PERFORMANCE CONTINUED

1-4 TAXES CONTINUED

	2016 $'m	2015 $'m
(e) Deferred tax		
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.

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.

1. BUSINESS PERFORMANCE CONTINUED

1-4 TAXES CONTINUED

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.

1. BUSINESS PERFORMANCE CONTINUED

1-5 EARNINGS PER SHARE CONTINUED

	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

1. BUSINESS PERFORMANCE CONTINUED

1-6 DIVIDENDS CONTINUED

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.

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.

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		
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.

2. OPERATING ASSETS AND LIABILITIES CONTINUED

2-1 TRADE AND OTHER RECEIVABLES CONTINUED

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

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

2. 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
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**

2. 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.

(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.

2. OPERATING ASSETS AND LIABILITIES CONTINUED

2-3 INTANGIBLE ASSETS CONTINUED

(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.		
		2016	**2015**
Pre-tax annual discount rate	Americas (excluding VGT)	**12.0%**	14.5%
	Product Madness	**15.2%**	14.3%
	VGT	**11.0%**	9.8%
Terminal growth rate	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.

2. 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	**-**	-	**(0.1)**	-	**(3.7)**	-	**(3.8)**	-
Assets included in disposal group classified as held for sale and other disposals	**-**	-	**-**	(0.1)	**-**	(0.9)	**-**	(1.0)
Impairment losses	**(0.5)**	-	**-**	-	**(6.6)**	(4.1)	**(7.1)**	(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. OPERATING ASSETS AND LIABILITIES CONTINUED

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 payables are estimated to represent their fair value.

2. 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 provision

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:

(a) the Group has a present legal or constructive obligation as a result of past events;

(b) it is probable that an outflow of resources will be required to settle the obligation; and

(c) 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:

(a) an annuity paid out over 19 or 20 years after winning; or

(b) 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 Total	2016 $'m Unused	2015 $'m Total	2015 $'m Unused
Total facilities					
– 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.

3. 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.

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-3 RESERVES AND RETAINED EARNINGS

$'m	Retained earnings	Reserves: 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)**

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-3 RESERVES AND RETAINED EARNINGS CONTINUED

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 interest that do not result in the loss of control.

3-4 CONTRIBUTED EQUITY

	2016 Shares	2015 Shares	2016 $'m	2015 $'m
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. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

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.

3. 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 & 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.

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-6 CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

Hedge of net investment in foreign entity

In 2015, the Group entered into a Term Loan B amounting to US$1,300.0m which was taken out to acquire an American subsidiary and is denominated in United States Dollars (US$). 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 and foreign exchange 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)

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.

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-6 CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

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

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

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

	2016 $'m	2015 $'m
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).

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-6 CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

(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

(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 underneath 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

3. CAPITAL AND FINANCIAL STRUCTURE CONTINUED

3-6 CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

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 and Risk 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.

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. GROUP STRUCTURE CONTINUED

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	2016 $'m	2015 $'m
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

4. 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
5-2 Share-based payments

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 and annual leave which is not expected to be settled within 12 months after the end of the period is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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.

5. EMPLOYEE BENEFITS CONTINUED

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

5. EMPLOYEE BENEFITS CONTINUED

5-2 SHARE-BASED PAYMENTS CONTINUED

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.

(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			**TSR**		**7.16**
Series 30B			**EPSG**		**9.59**
Series 30C	**1 October 2015**	**30 September 2018**	**Strategic**	**3 March 2016**	**9.59**
Series 31A			**TSR**		**7.16**
Series 31B			**EPSG**		**9.59**
Series 31C			**Service**		**9.59**
Issued 2015					
Series 28A			TSR		5.07
Series 28B			EPSG		6.91
Series 28C	1 October 2014	30 September 2017	Service	27 February 2015	6.91
Series 29A			TSR		5.07
Series 29B			EPSG		6.91
Series 29C			Strategic		6.91

5. EMPLOYEE BENEFITS CONTINUED

5-2 SHARE-BASED PAYMENTS CONTINUED

The accounting valuation represents the independent valuation of each tranche of Performance Share Rights at their respective grant dates. The valuations have been performed by 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.

5. 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	20 February 2013	30 September 2015	536,150	-	493,254	42,896	-
Series 23A	1 October 2012	30 September 2015	315,416	-	315,416	-	-
Series 23B	1 October 2012	30 September 2015	735,105	-	676,305	58,800	-
Series 25A	20 February 2014	30 September 2016	130,500	-	-	-	130,500
Series 25B	20 February 2014	30 September 2016	304,500	-	-	-	304,500
Series 26A	1 October 2013	30 September 2016	248,353	-	-	-	248,353
Series 26B	1 October 2013	30 September 2016	579,492	-	-	-	579,492
Series 28A	1 October 2014	30 September 2017	205,475	-	-	16,912	188,563
Series 28B	1 October 2014	30 September 2017	205,476	-	-	16,912	188,564
Series 28C	1 October 2014	30 September 2017	256,890	-	-	22,549	234,341
Series 29A	27 February 2015	30 September 2017	122,867	-	-	-	122,867
Series 29B	27 February 2015	30 September 2017	122,867	-	-	-	122,867
Series 29C	27 February 2015	30 September 2017	163,822	-	-	-	163,822
Series 30A	3 March 2016	30 September 2018	-	84,778	-	-	84,778
Series 30B	3 March 2016	30 September 2018	-	84,778	-	-	84,778
Series 30C	3 March 2016	30 September 2018	-	113,036	-	-	113,036
Series 31A	3 March 2016	30 September 2018	-	210,558	-	39,867	170,691
Series 31B	3 March 2016	30 September 2018	-	210,558	-	39,867	170,691
Series 31C	3 March 2016	30 September 2018	-	280,738	-	53,158	227,580
			4,156,763	984,446	1,714,825	290,961	3,135,423

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE BENEFITS CONTINUED

5-2 SHARE-BASED PAYMENTS CONTINUED

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

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

	2016 $'m	2015 $'m
(a) Commitments		
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.

6. 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.

6. 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. OTHER DISCLOSURES CONTINUED

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 its 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.aristocrat.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.

6. OTHER DISCLOSURES CONTINUED

6-7 BASIS OF PREPARATION CONTINUED

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.

6. 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 57 to 104 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.

Dr ID Blackburne
Chairman

Sydney
30 November 2016

Independent auditor's report to the members of Aristocrat Leisure Limited

Report on the financial report

We have audited the accompanying financial report of Aristocrat Leisure Limited (the company), which comprises the balance sheet as at 30 September 2016, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Aristocrat Leisure Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 6-7, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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pwc

Auditor's opinion

In our opinion:

(a) the financial report of Aristocrat Leisure Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 6-7.

Report on the Remuneration Report

We have audited the remuneration report included in pages 29 to 50 of the directors' report for the year ended 30 September 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aristocrat Leisure Limited for the year ended 30 September 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
30 November 2016

Scott Walsh
Partner

Sydney
30 November 2016

SHAREHOLDER INFORMATION

Distribution of equity securities as at 29 November 2016

Size of holding	Holders of Performance Share Rights[1]	Shareholders	Number of shares[2]	% of issued capital
1- 1,000	-	7,418	3,116,952	0.489
1,001- 5,000	47	4,621	10,712,056	1.681
5,001- 10,000	28	800	5,625,940	0.883
10,001- 100,000	27	504	10,858,698	1.704
100,001- over	11	80	606,805,986	95.242
TOTAL	113	13,423	637,119,632	100.000
Less than a marketable parcel of $500.00	-	767	10,701	0.001

1. All share rights are allocated under the Company's incentive programs to take up ordinary shares in the capital of the Company. These share rights are subject to the rules of the relevant program and are unquoted and non-transferable.
2. Fully paid ordinary shares (excludes unvested performance share rights that have not been converted into shares).

Substantial shareholders 29 November 2016

As at 29 November 2016, the following shareholders were registered by the Company as a substantial shareholder, having notified the Company of a relevant interest in accordance with Section 671B of the Corporations Act 2001 (Cth), in the voting shares below:

Name of shareholder	Number of ordinary shares held	% of issued capital	Date of notice
Commonwealth Bank of Australia	49,247,177	7.72%	04/10/2016
Blackrock Group	31,952,666	5.01%	20/09/2016
Bennelong Funds Management Group	34,025,961	5.34%	26/07/2016

SHAREHOLDER INFORMATION

Twenty largest ordinary shareholders as at 29 November 2016

Name of shareholder	Number of ordinary shares held	% issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	202,845,468	31.8379%
CITICORP NOMINEES PTY LIMITED	88,656,053	13.9151%
J P MORGAN NOMINEES AUSTRALIA LIMITED	85,398,789	13.4039%
NATIONAL NOMINEES LIMITED	49,613,767	7.7872%
BNP PARIBAS NOMINEES PTY LTD	39,390,701	6.1826%
WRITEMAN PTY LIMITED	32,323,475	5.0734%
THUNDERBIRDS ARE GO PTY LTD	20,027,754	3.1435%
SERIOSO PTY LTD	20,016,368	3.1417%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	16,612,294	2.6074%
ARMINELLA PTY LIMITED	10,655,500	1.6724%
MAAKU PTY LIMITED	9,839,127	1.5443%
UBS NOMINEES PTY LTD	9,009,320	1.4141%
ECA 1 PTY LIMITED	8,617,713	1.3526%
ARGO INVESTMENTS LIMITED	2,485,130	0.3901%
AMP LIFE LIMITED	1,593,958	0.2502%
BT PORTFOLIO SERVICES LIMITED	1,404,505	0.2204%
BOND STREET CUSTODIANS LIMITED	1,236,953	0.1941%
BNP PARIBAS NOMS (NZ) LTD	1,183,658	0.1858%
INVIA CUSTODIAN PTY LIMITED	776,311	0.1218%
FORSYTH BARR CUSTODIANS LTD	719,399	0.1129%

SHAREHOLDER INFORMATION

Voting Rights

At meetings of shareholders, each shareholder may vote in person or by proxy, attorney or (if the shareholder is a body corporate) corporate representative. On a show of hands, every person present who is a shareholder or a representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy or attorney has one vote for each fully paid ordinary share. Performance share right holders have no voting rights.

Regulatory Considerations affecting Shareholders

Aristocrat Leisure Limited and its subsidiaries could be subject to disciplinary action by gaming authorities in some jurisdictions if, after receiving notice that a person is unsuitable to be a shareholder, that person continues to be a shareholder. Because of the importance of licensing to the Company and its subsidiaries, the Constitution contains provisions that may require shareholders to provide information and also gives the Company powers to divest or require divestiture of shares, suspend voting rights and withhold payments of certain amounts to shareholders or other persons who may be unsuitable.

Shareholder enquiries

You can access information about Aristocrat Leisure Limited and your holdings via the internet. Aristocrat's website, www.aristocrat.com, has the latest information on Company announcements, presentations and reports. Shareholders may also communicate with the Company via its website. In addition, there is a link to the Australian Securities Exchange to provide current share prices. The share registry manages all your shareholding details. Visit www.boardroomlimited.com.au and access a wide variety of holding information, make changes to your holding record and download forms. You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

Dividends

Electronic Funds Transfer

In 2007, the Company introduced a mandatory direct payment of dividends program for shareholders resident in Australia who were requested to complete and submit a Direct Credit of Dividends Form (available from the Company's website) and return it to the Company's share registrar. Shareholders who have not completed and returned this form will receive a notice from the Company's share registrar advising that:

(i) the relevant dividend amount is being held as direct credit instructions have not been received;

(ii) the relevant dividend will be credited to the nominated bank account as soon as possible on receipt of direct credit instructions; and

(iii) no interest is payable on the dividend being withheld.

Such notices are sent to shareholders who have not completed and submitted a Direct Credit of Dividends Form on the record date of the relevant dividend.

Dividend Cheques

Dividend cheques (shareholders resident outside Australia) should be banked as soon as conveniently possible.

Dividend Reinvestment Plan

The Directors consider whether the Company's Dividend Reinvestment Plan (DRP) should operate each time a dividend is declared.

The DRP Rules and the 'Dividend Reinvestment Plan Application or Variation Form' are available from the Company's share registrar, Boardroom Limited on +61 2 9290 9682 or email enquiries@boardroomlimited.com.au

Shareholders should note that: (i) Shareholders who elect to participate in the DRP and who do not revoke their elections will automatically participate on the next occasion the DRP is activated; (ii) the fact that the DRP operated in respect of any dividend does not necessarily mean that the DRP will operate in respect of any further dividends (a separate decision is made for each dividend); and (iii) when the DRP does operate, the DRP rules provide that the number of shares that DRP participants will receive will not be determinable on the Record Date determined by the Board.

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CORPORATE DIRECTORY

Directors

ID Blackburne
Non-Executive Chairman

JR Odell
Chief Executive Officer and Managing Director

DCP Banks
Non-Executive Director

KM Conlon
Non-Executive Director

RA Davis
Non-Executive Director

RV Dubs
Non-Executive Director

SW Morro
Non-Executive Director

AM Tansey
Non-Executive Director

S Summers Couder
Non-Executive Director

PJ Ramsey
Non-Executive Director*

*Appointed 28 October 2016

Company Secretary

A Korsanos

Global Headquarters

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Australia

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Facsimile: + 61 2 9013 6200

The Americas

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Facsimile: + 1 702 270 1001

Video Gaming Technologies, Inc.

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USA

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Facsimile: + 1 615 372 1099

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New Zealand

Aristocrat Technologies NZ Limited

Unit E, 7 Echelon Place
Highbrook, Auckland 2013
New Zealand

Telephone: +649 259 2000
Facsimile: +649 259 2001

Investor Contacts

Share Registry

Boardroom Limited

Grosvenor Place, Level 12
225 George Street
Sydney, NSW 2000, Australia

Telephone: 1300 737 760 (in Australia)
Telephone: +61 2 9290 9600 (international)

Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Auditor

PricewaterhouseCoopers

201 Sussex Street
Sydney NSW 1171 Australia

Stock Exchange Listing

Aristocrat Leisure Limited

Ordinary shares are listed on the Australian Securities Exchange

CODE: ALL

Investor Email Address

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

I'm proud to lead a dedicated, hardworking, quality focused team that builds the world's greatest games | I strive to exceed our customers' expectations and ensure they have a positive Aristocrat experience everyday | We are consistently creating innovating ideas and concepts | I love developing games, so I try to reflect that passion in my work" | "We have the best team, making sure the art, game design and software all combine to create an unforgettable gaming experience for our customers" | "I help acquire the best talent in the industry, creating a fun work environment and developing our people so they are set up forI'm proud to lead a dedicated, hardworking, quality focused team that builds the world's greatest games | I strive to exceed our customers' expectations and ensure they have a positive Aristocrat experience everyday | We