



ARISTOCRAT LEISURE LIMITED

ABN 44 002 818 368

2014 HALF YEAR  
PROFIT ANNOUNCEMENT

RESULTS TO BE RELEASED  
TO THE MARKET

HALF YEAR INFORMATION GIVEN TO THE ASX  
UNDER LISTING RULE 4.2A

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

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## 2014 HALF YEAR PROFIT ANNOUNCEMENT CONTENTS

**Appendix 4D - Results for announcement to the market**

**Review of Operations**

**2014 Half-year financial statements**

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes

**Directors' Declaration**

**Auditor's Review Report to Members**

**Directors' Report**

**Auditor's Independence Declaration**

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## ARISTOCRAT LEISURE LIMITED

A.B.N. 44 002 818 368

### APPENDIX 4D

#### Half-Year Report

Half-year ended: 31 March 2014

Previous corresponding period: 31 March 2013

### Results for announcement to the market

				March 2014 \$'000
<b>Statutory results</b>				
Revenue from ordinary activities	up	7.7%	to	409,899
Profit from ordinary activities after tax	up	7.9%	to	57,379
Profit for the period attributable to members	up	9.2%	to	57,379

### Dividends

	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
<b>Current year – 2014:</b>			
- Interim dividend	8.0c	0.0c	4 June 2014
<b>Previous year – 2013:</b>			
- Interim dividend	7.0c	0.0c	7 June 2013
- Final dividend	7.5c	0.0c	5 December 2013

### Dividend Reinvestment Plan (DRP)

The Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will not operate in respect of the 2014 interim dividend.

### Net tangible assets

	March 2014	March 2013
Net tangible assets per security	\$ 0.42	\$ 0.35

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

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**Review of Operations  
for the 6 months to 31 March 2014  
Aristocrat Leisure Limited  
ABN 44 002 818 368**

Key performance indicators for the current and prior corresponding period are set out below:

A\$ million	Constant currency <sup>1</sup> 6 months to 31 March 2014	6 months to 31 March 2014	6 months to 31 March 2013	Variance vs 6 months to 31 March 2013	
				Constant currency <sup>1</sup> %	Reported %
<b>Reported results</b>					
Total segment revenue from ordinary activities	375.4	412.5	383.2	(2.0)	7.6
Earnings before interest, tax and depreciation (EBITDA)	86.2	99.9	95.4	(9.6)	4.7
Earnings before interest and tax (EBIT)	64.8	76.1	75.3	(13.9)	1.1
Profit after tax	48.3	57.4	53.2	(9.2)	7.9
Profit after tax and non-controlling interest	48.3	57.4	52.6	(8.2)	9.1
Earnings per share (fully diluted)	8.7c	10.4c	9.5c	(8.4)	9.5
Total dividend per share	8.0c	8.0c	7.0c	14.3	14.3
<b>Balance sheet/cash flow</b>					
Net working capital/revenue	26.6%	28.8%	21.4%	5.2pts	7.4pts
Operating cash flow	52.6	61.0	45.6	15.4	33.8
Cash flow per share (fully diluted)	9.5c	11.0c	8.3c	14.5	32.5
Closing net debt	223.0	233.7	185.1	20.5	26.3

<sup>1</sup> Results for 6 months to 31 March 2014 adjusted for translational exchange rates using rates applying in 2013.  
The information presented in this document has not been audited in accordance with the Australian Auditing Standards.

### Group performance summary

The Group's performance for the reporting period was ahead of the prior corresponding period with reported profit after tax and non-controlling interest of \$57.4 million representing a 9.1% increase (8.2% decrease in constant currency), compared to \$52.6 million in the prior period. Reported fully diluted earnings per share of 10.4 cents represent a 9.5% increase on the prior corresponding period.

Operating cash flow of \$61.0 million was 33.8% higher than the prior corresponding period, predominantly reflecting higher revenues and cash management initiatives. The Group has continued to invest in its gaming operations install base and paid higher dividends (\$41.3 million).

Net gearing has increased from 1.0 times to 1.2 times.

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

<b>A\$ million</b>	<b>6 months to 31 March</b>	
Profit after tax and non-controlling interest - 2013	52.6	
North America Gaming Operations	5.5	↑
Online	3.5	↑
Australia	(5.7)	↓
Other regions and segments	(3.7)	↓
D&D increase	(2.5)	↑
Interest reduction	1.2	↓
Income tax movement	1.9	↓
Net foreign exchange movements	4.6	↑
<b>Profit after tax and non-controlling interest - 2014</b>	<b>57.4</b>	

The first half of the 2014 fiscal year was another period of strong operational delivery – including incremental share growth in the critical US gaming operations market, share growth in both the US and Australian outright sales markets, maintenance of our leading position in Asia Pacific markets and continued growth in Product Madness profitability, monetisation rates and daily active user numbers. In Australia, earnings were lower due to one-off licensing revenues in the prior corresponding period however product performance continued to improve, further strengthening the Group's number one position in NSW and achieving the number one position in QLD in the March quarter based on ship share. Significant share was reclaimed during the half as the Group's games portfolio for the Australian market was rolled out.

The result was also impacted by fewer outright sales into secondary markets in North America combined with lower expansion activity in Asia Pacific.

The Group's strategic investments in talent and technology are starting to deliver more competitive product in key markets and segments in line with our strategy.

During the year, the Group increased investment in design and development (D&D) to further drive its product-led growth strategy.

The Group successfully deployed *E\*series*<sup>™</sup> game content into North America with strong penetration and performance and invested further in technology to further enable its digital distribution.

Foreign exchange had a favourable impact on the Group's earnings of \$4.6 million. This comprised \$9.1m of translational impact from the higher USD/AUD rate and offset by \$4.5m of transactional foreign exchange losses relating to the significant devaluation of the Argentinian peso during the period.

## Performance highlights

Operational improvement continued as evidenced by the following key deliveries across the Group's core segments during this reporting period:

1. Americas
  - The business delivered operational improvements across key business segments demonstrated by improved average selling price (ASP) and significant growth in the Group's gaming operations footprint.
  - Further share growth in the gaming operations segment with the gaming operations install base increasing 18.6% to a record 8,207 units.
  - Average fee per day (FPD) improvement was driven by new game releases.
  - Achieved incremental ship share in the outright sales segment on the strength of new and improved game content, specifically with *E\*series*<sup>™</sup>, and continued *Viridian WS*<sup>™</sup> penetration.
  - With six new installs during the last six months, the *OASIS*<sup>™</sup> customer base increased to 294 sites compared to 287 in the prior corresponding period despite increased competitive pressures.
2. Australia and New Zealand
  - Strong, product led momentum with significant ship share gains in the key markets of NSW and QLD. Aristocrat extended its market leadership in NSW and achieved market leadership in QLD in the March quarter.
  - The *Viridian WS*<sup>™</sup> cabinet became the best performing cabinet in the NSW market.
  - *Players Choice*<sup>™</sup> *Diamond* was the number one new game in NSW in both clubs and hotels with over 1,300 units in the field.
  - Compared to the prior corresponding period, at the end of March 2014, the number of Aristocrat games ranking in the top 50 has increased from 8 to 13 (+62.5%) in NSW and from 2 to 11 (+450%) in QLD.
  - Launch of new systems value added modules: *nVision*<sup>™</sup> (business intelligence) and *emPower*<sup>™</sup> (voluntary pre-commitment).
3. Rest of World
  - Maintained number one market share position across the Asia Pacific region.
  - Release of one game in Japan (*Mouko Hanagata*<sup>™</sup>).
  - Successful launch of *E\*series*<sup>™</sup> in Europe.
4. Online
  - Continued growth in Product Madness profitability driven by growth of *Heart of Vegas*<sup>™</sup> and launch of a second Facebook application, *Jackpot Dreams*<sup>™</sup>.
  - Monetisation rates and daily active user numbers (547,897), ahead of expectations.
  - Overall average revenue per daily active user (ARPDau) currently US 21c.

Operational performance by region is summarised below. Reference to profit/(loss) represents earnings before interest and tax, charges for D&D expenditure and corporate costs.

*Americas:* In local currency, North American revenue was consistent with the prior corresponding period, and profit was up 4.6% to US\$72.4 million. Latin America revenue decreased by 12.0% to US\$11.7 million and profit was down 20.8% to US\$3.8 million, driven by a decrease in units sold.

While total North American unit sales decreased 9.9% over the prior corresponding period, excluding sales to secondary markets, unit sales increased 3.9% with new unit sales growing by 6.5%. Unit sales revenue was down 5.8%, driven by the volume decrease offset partially by an improvement in

ASP driving improved margins. On a comparable basis, ship share grew compared to the prior corresponding period. The gaming operations install base grew 18.6% with average FPD increasing by 6.1% to US\$43.27. The increase in FPD was largely a result of strong performance from the continuing success of the *Tarzan®* franchise, the introduction of *Walking Dead™* and the continued roll out of proprietary brands *Buffalo Stampede™* and *Cash Express Gold Class™*. Systems revenue was down slightly, 2.1% on the prior corresponding period, driven by the smaller average size of new installs offset partially by increases in same store sales and maintenance which drove improved profitability.

*Australia and New Zealand:* On a constant currency basis, in the 6 months to 31 March 2014, revenue decreased by 5.5% to A\$90.2 million, and segment profit decreased 16.5% to A\$33.5 million, primarily due to one-off licence income received in the prior period. Excluding licence income, revenue was flat in a market which was down 2-3%.

*Rest of World (ROW):* Segment revenue decreased by 1.0%, in constant currency terms, to A\$90.8 million and profit decreased 2.3% to A\$29.8 million.

Revenue in the International – Class III segment was down 17.2% to A\$55.8 million and profits were down 20.2% to A\$25.6 million in constant currency terms. The decline in revenue was primarily driven by less expansion activity throughout the Asia Pacific region and tighter European markets. This was partially offset by the business securing a higher share of Macau operator purchases during the period.

In Japan, the Group released one game into the market this reporting period, in line with the prior corresponding period. *Mouko Hanagata™* released in October 2013 generated sales of 3,462 units versus 4,600 units sold in the prior period. Despite the decrease of 19.9% in revenue in local currency, profits increased by Yen 63.0 million to Yen 92.2 million as a result of improved mix and cost savings.

## Profit and loss

Results in the current period and prior corresponding period are as reported and do not include any transactions or adjustments considered abnormal.

### Summary profit and loss

A\$ million	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Segment revenue</b>				
Australia and New Zealand	91.0	95.5	(4.5)	(4.7)
Americas	222.7	196.0	26.7	13.6
Rest of World	98.8	91.7	7.1	7.7
<b>Total segment revenue</b>	<b>412.5</b>	<b>383.2</b>	<b>29.3</b>	<b>7.6</b>
<b>Segment profit</b>				
Australia and New Zealand	33.7	40.1	(6.4)	(16.0)
Americas	84.0	71.2	12.8	18.0
Rest of World	32.5	30.5	2.0	6.6
<b>Total segment profit</b>	<b>150.2</b>	<b>141.8</b>	<b>8.4</b>	<b>5.9</b>
<b>Unallocated expenses</b>				
Group D&D expense	(62.6)	(55.5)	(7.1)	(12.8)
Foreign exchange	(4.8)	0.9	(5.7)	(633.3)
Corporate	(6.7)	(11.9)	5.2	43.7
<b>Total unallocated expenses</b>	<b>(74.1)</b>	<b>(66.5)</b>	<b>(7.6)</b>	<b>(11.4)</b>
<b>EBIT</b>	<b>76.1</b>	<b>75.3</b>	<b>0.8</b>	<b>1.1</b>
Interest	(4.4)	(6.0)	1.6	26.7
<b>Profit before tax</b>	<b>71.7</b>	<b>69.3</b>	<b>2.4</b>	<b>3.5</b>
Income tax	(14.3)	(16.1)	1.8	11.2
<b>Profit after tax</b>	<b>57.4</b>	<b>53.2</b>	<b>4.2</b>	<b>7.9</b>
Non-controlling interest	-	(0.6)	0.6	100.0
<b>Profit after tax and non-controlling interest</b>	<b>57.4</b>	<b>52.6</b>	<b>4.8</b>	<b>9.1</b>

Key metrics	% of revenue		Variance Pts
	6 months to 31 March 2014	6 months to 31 March 2013	
<b>Segment profit margin</b>			
Australia and New Zealand	37.0	42.0	(5.0)
Americas	37.7	36.3	1.4
Rest of World	32.9	33.3	(0.4)
<b>Overall segment profit margin</b>	<b>36.4</b>	<b>37.0</b>	<b>(0.6)</b>
Group D&D expense	15.2	14.5	0.7
Earnings before interest and tax	18.4	19.7	(1.3)
Profit after tax and non-controlling interest	13.9	13.7	0.2
Effective tax rate (%)	20.0	23.2	(3.2)



## Revenue

Segment revenue increased \$29.3 million or 7.6% in reported currency (decreased 2.0% in constant currency). Underlying revenue growth was predominantly driven by the North American gaming operations segment and Online.

## Earnings

Segment profit increased \$8.4 million in reported currency, 5.9% compared with the prior corresponding period (decreased 3.7% in constant currency).

Stronger earnings from North America and Online were offset by Australia and Asia Pacific.

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 15.2% (15.7% on a constant currency basis) compared to 14.5% of revenues in the prior corresponding period. Total reported spend increased \$7.1 million or 12.8% (increased 5.9% in constant currency). The Group continued to increase its leverage of D&D spend with further utilisation of the Aristocrat Indian Development Centre (AIDC).

Cost control remains a key focus for the Group, with further actions undertaken in the current period to reduce the Group's fixed cost base. Corporate costs declined compared to the prior corresponding period predominantly due to the timing of employee costs and lower depreciation expense.

The downward trend in net interest expense was maintained and is representative of the Group's conservative gearing metrics. Net interest expense has decreased \$1.6 million or 26.7%. This was principally due to reduced borrowing costs.

The effective tax rate (ETR) for the reporting period was 20.0% compared to 23.2% in the prior corresponding period. The decrease in ETR is mainly driven by the earnings mix.

## Balance sheet and cash flows

### Balance sheet

The balance sheet can be summarised as follows:

<b>A\$ million</b>	<b>31 Mar 2014</b>	<b>30 Sept 2013</b>	<b>31 Mar 2013</b>
Net working capital	242.6	213.1	174.1
Other current/non-current assets	85.9	90.4	82.1
Property, plant and equipment	112.4	106.9	94.8
Intangibles	156.4	151.1	123.2
Other current/non-current liabilities	(56.5)	(59.7)	(53.8)
Net tax balances	79.5	81.8	83.2
<b>Funds employed</b>	<b>620.3</b>	<b>583.6</b>	<b>503.6</b>
Net debt	(233.7)	(208.2)	(185.1)
<b>Total equity</b>	<b>386.6</b>	<b>375.4</b>	<b>318.5</b>

Significant balance sheet movements from 30 September 2013 are:

*Net working capital:* Net working capital increased to 28.8% of annual revenue from 26.2%, driven mainly by an increase in trade receivables. Trade receivables have been particularly impacted by the timing of revenues, influenced by the Macau regulatory environment and growth in the March quarter in the Americas driven by new product releases.

*Other current/non-current assets:* The \$4.5 million decrease primarily relates to the reclassification of non-current trade debtors to current.

*Property, plant and equipment:* The \$5.5 million increase primarily relates to gaming operations investment in North America.

*Intangible assets:* The \$5.3 million increase relates primarily to investment in technology.

## Statement of cash flows

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

A\$ million	6 months to 31 March 2014	6 months to 31 March 2013
<b>Net debt - opening balance (30 September)</b>	<b>(208.2)</b>	<b>(191.8)</b>
<b>Net cash inflow from operating activities</b>	<b>61.0</b>	<b>45.6</b>
Investing cash flows	(38.7)	(26.8)
Financing cash flows	(46.9)	(11.0)
<b>Movement in net cash</b>	<b>(24.6)</b>	<b>7.8</b>
Effect of exchange rate changes on net debt	(0.9)	(1.1)
<b>Net debt - closing balance (31 March)</b>	<b>(233.7)</b>	<b>(185.1)</b>

Fully diluted operating cash flow per share increased from 8.3 cents to 11.0 cents.

The key driver for the increase in operating cash flows compared to the prior corresponding period was higher receipts from the customers on higher revenues and cash management initiatives.

The net cash outflow from investing activities primarily represents investments in property, plant and equipment particularly the investment incurred in driving growth in the Group's gaming operations footprint.

The net cash flow from financing activities relates mainly to the payments of higher dividends. Dividend payments in the prior corresponding period were lower as well as funded by way of a DRP (Dividend Reinvestment Plan).

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

Net debt at 31 March 2014 was \$233.7 million which was an increase of \$48.6 million from 31 March 2013. Gross debt increased \$43.9 million from 31 March 2013.

The Group remains committed to prudently managing its borrowing and gearing levels.

## Bank facilities

The Group had committed bank facilities of \$375.0 million at 31 March 2014, of which \$253.0 million was drawn compared to \$210.2 million at 31 March 2013. Net debt at 31 March 2014 increased by \$48.6 million over the 12 months to \$233.7 million.

The Group's facilities are summarised as follows:

Term Debt	31 March 2014	31 March 2013
Drawn	A\$253.0m	A\$210.2m
Limit	A\$375.0m	A\$375.0m
Maturity date	October 2015	October 2015

## Debt ratios

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

Ratio	31 March 2014	31 March 2013
EBITDA*/interest expense**	14.4X	10.6X
Debt/EBITDA*	1.3X	1.2X
Net debt/EBITDA*	1.2X	1.0X

\*EBITDA and interest expense are based on the preceding 12 month results. EBITDA represents bank EBITDA, which is inclusive of interest received but excludes the impact of abnormal items.

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

## Dividends

The Directors have authorised an interim dividend in respect of the half year ended 31 March 2014 of 8.0 cents per share (\$44.1 million). The interim dividend represents a payout ratio of (76.9%) of normalised earnings.

The dividend will be unfranked and is expected to be declared and paid on 27 June 2014 to shareholders on the register at 5.00pm on 4 June 2014. 100% of the unfranked dividend will be paid out of conduit foreign income. The Dividend Reinvestment Plan (DRP) will not operate in respect of this dividend.

The Group's ability to pay franked dividends is primarily influenced by its mix of earnings and agreed positions with various taxation authorities around the world. Based on the current mix of earnings and the impact of prior period abnormal items, dividends paid over the medium term are not expected to be fully franked.

## Foreign exchange

Given the extent of the Group's global operations and the percentage of its earnings derived from overseas, its reported results are impacted by movements in foreign exchange rates.

In the 6 months to 31 March 2014, the Australian dollar was, on average, weaker against the US dollar, however, marginally stronger against the Yen when compared to the prior corresponding period. The impact of translating foreign currency (translational impact) increased revenue by \$37.1 million while increasing reported profit after tax and non-controlling interest by \$9.1 million on a weighted average basis when compared with rates prevailing in the respective months in the prior year. This was partially offset by transactional foreign exchange losses of \$4.5 million relating mainly to the significant 38% devaluation of the Argentinian peso during the period.

In addition, as at 31 March 2014, the cumulative effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was \$74.8 million (compared to \$104.9 million as at 31 March 2013 and \$73.3 million as at 30 September 2013).

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 \$1.0 million translational impact on the Group's annual reported profit after tax. 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\$:	31 March 2014	30 Sept 2013	31 March 2013	6 months to	6 months to
				31 March 2014	31 March 2013
				Average <sup>1</sup>	Average <sup>1</sup>
USD	0.9221	0.9309	1.0426	0.9076	1.0381
NZD	1.0661	1.1248	1.2464	1.0947	1.2532
JPY	94.83	91.13	98.08	92.63	90.90
EUR	0.6707	0.6900	0.8155	0.6631	0.7922
GBP	0.5544	0.5760	0.6890	0.5522	0.6604
SEK	6.0004	5.9878	6.8064	5.8858	6.7701
ZAR	9.7818	9.4114	9.6518	9.5374	9.1715
ARS	7.3776	5.3894	5.3395	6.4085	5.1296

<sup>1</sup> Average of monthly exchange rates only. No weighting applied.

## Regional segment review

In this review, segment profit/(loss) represents earnings before interest and tax, and before abnormal items, charges for D&D expenditure and corporate costs. The total amount of these items is disclosed in the Group's statement of comprehensive income. Constant currency amounts refer to 2014 results restated using exchange rates applying in 2013.

### Americas

US\$ million	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Revenue</b>				
North America	190.3	190.3	0.0	0.0
Latin America	11.7	13.3	(1.6)	(12.0)
<b>Total</b>	<b>202.0</b>	<b>203.6</b>	<b>(1.6)</b>	<b>(0.8)</b>

US\$ million	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Profit</b>				
North America	72.4	69.2	3.2	4.6
Latin America	3.8	4.8	(1.0)	(20.8)
<b>Total</b>	<b>76.2</b>	<b>74.0</b>	<b>2.2</b>	<b>3.0</b>
Margin	37.7%	36.3%	-	1.4 pts

North America	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Volume</b>				
- Platforms	4,979	5,527	(548)	(9.9)
- Conversions	2,733	3,327	(594)	(17.9)
Average US\$ price/unit	15,542	14,881	661	4.4
Average US\$ price/unit (excluding rebuilds into secondary market)	15,734	15,570	164	1.1
Gaming operations units	8,207	6,922	1,285	18.6
Gaming operations US\$/day	43.27	40.80	2.47	6.1

Latin America	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Volume</b>				
- Platforms	688	1,198	(510)	(42.6)
- Conversions	0	65	(65)	(100.0)
Average US\$ price/unit	12,259	9,446	2,813	29.8

In local currency, North American revenue was in line with the prior corresponding period and profits increased by 4.6%. Overall profit margin increased 1.7 points to 38.0%, on continued operational improvements across all key business segments: outright sales; gaming operations; and systems.

In a highly competitive market, the Group improved share. 4,979 units were sold in the period, representing a 9.9% decrease compared to the prior corresponding period. The size of the market and one-off sales into secondary markets in the prior corresponding period drove the unit decline but were partially offset by a 6.5% growth in new units. ASP increased for new and rebuild units with the overall ASP increasing 4.4% to US\$15,542 per unit, compared to the prior corresponding period. Sales of software conversions decreased 17.9% to 2,733 units on lower Class II and III software sales.

The Group also continued to grow its gaming operations footprint realising strong share growth driven by a successful mix of both licensed and proprietary new titles including *Walking Dead*<sup>TM</sup>, *Cash Express Gold Class*<sup>TM</sup> and *Buffalo Stampede*<sup>TM</sup> and the continued popularity of the *Tarzan*<sup>®</sup> franchise. The install base grew by 18.6% when compared with the prior corresponding period to 8,207 units. Average FPD increased 6.1% to US\$43.27 for the 6 months to 31 March 2014 compared to an average of US\$40.80 in the prior corresponding period. The key driver of the increase in average FPD has been the success of *Walking Dead*<sup>TM</sup> and *Buffalo Stampede*<sup>TM</sup>. The Group's ability to maintain its legacy footprint while continuing to aggressively grow its install base with new higher yielding average FPD product supports share growth in this highly competitive segment of the market. Average FPD will improve with continued expansion of the Group's install base through the placement of new product on our *Wonder Wheels*<sup>TM</sup> platform and in particular MSP (multi-site progressive) product, expanding on the *Tarzan*<sup>®</sup> and *Walking Dead*<sup>TM</sup> footprints and releasing new themes such as *Batman*<sup>TM</sup> and *Superman 1978*<sup>TM</sup>.

During the period, the business installed 6 *OASIS*<sup>TM</sup> Casino Management Systems into new sites offset by the loss of 6 sites to competitive conversions, keeping the total number of properties which use the *OASIS*<sup>TM</sup> Casino Management System in North America, at 294. The number of new installations was broadly in line with the prior corresponding period (5 new installations); however, prior period revenues were higher based on the size of the installations whilst systems maintenance revenue grew on the cumulative impact of the larger install base. As a result, total systems profitability improved by 2 percentage points.

Despite the competitive market environment, the Group is targeting growth in unit sales through entry into the entertainment and jackpot segments whilst continuing to maintain a strong foothold in the core segment. The first *E\*series*<sup>TM</sup> games were launched this period and were very well received by the market. The release of the new *Legends*<sup>TM</sup>, *Wonder 4*<sup>TM</sup> and *Jackpot*<sup>TM</sup> series will continue to drive core market growth. In addition, new gaming operations products including *Tarzan*<sup>®</sup> of the Apes and *Rolling Stones*<sup>TM</sup>, *Batman*<sup>TM</sup> and *Superman 1978*<sup>TM</sup> on the *Wonder Wheels*<sup>TM</sup> platform are expected to drive continued growth in the install base and average FPD. The business also expects growth from its systems business with more new installations planned and continued same store sales.

In Latin America, platform sales volume was down 42.6%, while overall ASP increased by 29.8% due to a shift in customer buying trends towards new units. Total revenue decreased 12.0% in local currency and profit decreased 20.8% due to the decline in unit sales.

## Australia and New Zealand

A\$ million	Constant currency 6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Revenue</b>				
Australia	84.2	90.0	(5.8)	(6.4)
New Zealand	6.0	5.5	0.5	9.1
<b>Total</b>	<b>90.2</b>	<b>95.5</b>	<b>(5.3)</b>	<b>(5.5)</b>

A\$ million	Constant currency 6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
<b>Profit</b>				
Australia	32.2	39.6	(7.4)	(18.7)
New Zealand	1.3	0.5	0.8	160.0
<b>Total</b>	<b>33.5</b>	<b>40.1</b>	<b>(6.6)</b>	<b>(16.5)</b>
Margin	37.1%	42.0%	-	(4.9) pts

Australia	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
Volume				
- Platforms	2,627	2,634	(7)	(0.3)
- Conversions	3,150	2,636	514	19.5
Average A\$ price/unit	15,986	16,847	(861)	(5.1)
Average A\$ price/unit (new platforms only)	17,210	17,720	(510)	(2.9)

New Zealand	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
Volume				
- Platforms	180	140	40	28.6
- Conversions	203	196	7	3.6
Average NZ\$ price/unit	19,769	19,305	464	2.4

Australia and New Zealand revenue and profit fell 5.5% and 16.5% respectively to \$90.2 million and \$33.5 million compared to the prior corresponding period. This predominantly reflects one-off licence revenue received in the prior period. Excluding licence income, revenue was flat in a market which declined 2-3%. The underlying new average selling price (ASP) in Australia decreased 2.9% as a result of product and market mix.

In the 6 months to 31 March 2014, the Group has experienced impressive ship share gains in both of the key markets of NSW and QLD, delivering a combined revenue increase of 16.2% and profit increase of 13.1% in these markets. These markets have benefited from a broader portfolio and the market improvement has been led by major releases across key priority segments, including *Players Choice™ Diamond Edition*, *Cash Explosion™ / Dynamite Cash™*, *Jackpot Streak™* and *Jackpot Reel Power™*. This has led to the *Viridian WS™* being the best performing cabinet in NSW. These new and exciting titles will be taken to other markets in the second half of this year. This performance



demonstrates the benefit of our D&D investment, including world-class creative and technical capability focused on key Australian market segments.

The New Zealand result improved as a result of improved product performance. Key products have been *Lucky Strike™ Silver & Gold™*; *Players Choice™*; *Golden Pyramids™ Legends* and more recently *White Tiger™ Jackpot Reel Power™*.

## Rest of World

A\$ million	Constant currency		Variance	Variance %
	6 months to 31 March 2014	6 months to 31 March 2013		
<b>Revenue</b>				
International - Class III	55.8	67.4	(11.6)	(17.2)
Japan - Pachislot	15.5	16.4	(0.9)	(5.5)
Lotteries and Online	19.5	7.9	11.6	146.8
<b>Total</b>	<b>90.8</b>	<b>91.7</b>	<b>(0.9)</b>	<b>(1.0)</b>

A\$ million	Constant currency		Variance	Variance %
	6 months to 31 March 2014	6 months to 31 March 2013		
<b>Profit</b>				
International - Class III	25.6	32.1	(6.5)	(20.2)
Japan - Pachislot	1.8	0.0	1.8	100.0
Lotteries and Online	2.4	(1.6)	4.0	250.0
<b>Total</b>	<b>29.8</b>	<b>30.5</b>	<b>(0.7)</b>	<b>(2.3)</b>
Margin	32.8%	33.3%	-	(0.5) pts

	6 months to 31 March 2014	6 months to 31 March 2013	Variance	Variance %
Volume - Class III Platforms	3,182	3,648	(466)	(12.8)
Volume - Pachislots	3,665	4,606	(941)	(20.4)
Total VLTs in operation	5,291	5,999	(708)	(11.8)
Pachislot average ¥ price/unit	345,339	340,311	5,028	1.5

The Rest of World (ROW) segment result was down on the prior corresponding period, predominantly driven by Asia Pacific and Europe. Revenue and profit decreased by 1.0% and 2.3% respectively in constant currency.

### *International - Class III*

Revenues in Asia Pacific were down 18.0% in constant currency due largely to less expansion activity across the region. Buying activity across Macau increased in the later part of the period and the business was able to secure a higher share of operator purchases during the period. Excluding new openings and expansions, revenues grew 3% as the Group continued to broaden its presence in the region and expand its product portfolio.

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Europe's revenue decline in local currency terms of 28.5% was due to the continuation of the poor economic conditions throughout the region and in particular France where the business had experienced strong growth in the prior corresponding period. *E\*series*<sup>™</sup> has recently been successfully launched and continued growth in these markets will be supported by the Group's ability to leverage and rapidly deploy US product into the region.

In South Africa, revenue increased 5.5% in local currency terms. This was driven by an improved mix with unit volume stable while operator capital remained constrained.

#### *Japan - Pachislot*

The Group released one game into the Japanese market this reporting period, in line with the corresponding period. *Mouko Hanagata*<sup>™</sup> was released in October 2013 selling 3,462 units compared with 4,600 units of *Zettai Shogeki 2*<sup>™</sup> sold in the prior period. This drove a 19.9% decline in revenue in local currency. Profit increased Yen 63.0 million to Yen 92.2 million through improved product margins and cost control. The Group continues to target a two to three game per annum distribution strategy for this market with the timing of game releases continuing to contribute to volatility in performance between reporting periods. One key licenced game is planned to be released in the second half.

#### *Lotteries & Online*

Aristocrat Online revenues increased five-fold to \$16.1 million in constant currency (\$18.4 million in reported currency). The Online segment result increased to \$5.0 million in constant currency (\$5.6 million in reported currency terms). Correspondingly Online EBITDA increased to \$5.4 million in constant currency (\$6.1 million in reported currency terms).

Product Madness saw sustained growth in the *Heart of Vegas*<sup>™</sup> Facebook application throughout the period. Higher monetization rates were driven by the injection of Aristocrat's premium land based content throughout the year. As a result of its performance *Heart of Vegas*<sup>™</sup> was awarded one of Facebook's Top New Games of 2013. Overall ARPDAU was US 21c at period end while *Heart of Vegas*<sup>™</sup> is monetising ahead at US 32c. Product Madness also launched a new Facebook application, *Jackpot Dreams*<sup>™</sup> in the period, utilising Gimme Games content. The business will launch both applications on mobile in the second half.

The Group continues to broaden its other European online distribution network through strategic content licensing partnerships. We have taken a strong position in Italy where our content is being received favourably with major operators. At the end of the half, the Group had over 220 live game deployments across a network of 38 operators. The best performing games continue to be *Choy Sun Doa*<sup>™</sup>, *Where's the Gold*<sup>™</sup>, *50 Lions*<sup>™</sup> and *Lucky 88*<sup>™</sup>.

Lotteries revenues reduced due to a lower VLT install base which declined by 11.8% to 5,291 units compared with the prior corresponding period driven by a decrease in the Cogetech network.

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# Aristocrat



Financial statements for the half-year ended 31 March 2014

**These financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 September 2013 and any public announcements made by Aristocrat Leisure Limited during the reporting period and up to the date of these financial statements, in accordance with the continuous disclosure requirements of the Corporations Act 2001.**

Aristocrat Leisure Limited ABN 44 002 818 368

## Contents

Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
<b>Notes to the consolidated financial statements:</b>	
1 Basis of preparation of half-year report	7
2 Segment information	8
3 Profit for the half-year	10
4 Dividends	11
5 Events occurring after reporting date	12
6 Earnings per share	12
7 Borrowings	13
8 Fair value measurement of financial instruments	14
9 Contingent liabilities	15
Directors' declaration	16

## Consolidated statement of comprehensive income

for the half-year ended 31 March 2014

	Notes	Six months to 31 March 2014 \$'000	Six months to 31 March 2013 \$'000
Revenue	3	409,899	380,486
Cost of revenue		(188,550)	(170,909)
<b>Gross profit</b>		<b>221,349</b>	209,577
Other income	3	6,591	7,362
Design and development costs		(62,602)	(55,488)
Sales and marketing costs		(34,667)	(31,085)
General and administration costs		(51,878)	(52,205)
Finance costs		(7,069)	(8,923)
<b>Profit before income tax expense</b>		<b>71,724</b>	69,238
Income tax expense		(14,345)	(16,071)
<b>Profit after income tax expense for the half-year</b>		<b>57,379</b>	53,167
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,512)	(7,319)
Changes in fair value of interest rate hedge		-	1,073
<b>Other comprehensive income for the half-year, net of tax</b>		<b>(1,512)</b>	(6,246)
<b>Total comprehensive income for the half-year</b>		<b>55,867</b>	46,921
Profit is attributable to:			
Owners of Aristocrat Leisure Limited		57,379	52,554
Non-controlling interest		-	613
		<b>57,379</b>	53,167
Total comprehensive income is attributable to:			
Owners of Aristocrat Leisure Limited		55,867	46,308
Non-controlling interest		-	613
		<b>55,867</b>	46,921
<b>Earnings per share for profit attributable to ordinary equity holders of the Company</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	6	10.4	9.6
Diluted earnings per share	6	10.4	9.5

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

# Consolidated statement of financial position

as at 31 March 2014

	31 March 2014 \$'000	30 September 2013 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	20,401	29,689
Trade and other receivables	361,084	351,768
Inventories	76,077	64,808
Financial assets	6,178	6,233
Other assets	3,788	4,852
Current tax assets	2,683	6,770
<b>Total current assets</b>	<b>470,211</b>	<b>464,120</b>
<b>Non-current assets</b>		
Trade and other receivables	67,815	70,777
Financial assets	5,045	5,345
Property, plant and equipment	112,396	106,913
Deferred tax assets	76,852	75,001
Intangible assets	156,358	151,128
<b>Total non-current assets</b>	<b>418,466</b>	<b>409,164</b>
<b>Total assets</b>	<b>888,677</b>	<b>873,284</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	139,295	163,239
Borrowings	1,124	124
Provisions	14,106	14,352
Other liabilities	59,296	39,190
<b>Total current liabilities</b>	<b>213,821</b>	<b>216,905</b>
<b>Non-current liabilities</b>		
Trade and other payables	6,767	11,915
Borrowings	252,990	237,759
Provisions	13,202	14,130
Other liabilities	15,349	17,146
<b>Total non-current liabilities</b>	<b>288,308</b>	<b>280,950</b>
<b>Total liabilities</b>	<b>502,129</b>	<b>497,855</b>
<b>Net assets</b>	<b>386,548</b>	<b>375,429</b>
<b>EQUITY</b>		
Contributed equity	233,137	233,137
Reserves	(83,048)	(78,085)
Retained earnings	240,474	224,392
<b>Capital and reserves attributed to owners</b>	<b>390,563</b>	<b>379,444</b>
<b>Non-controlling interest</b>	<b>(4,015)</b>	<b>(4,015)</b>
<b>Total equity</b>	<b>386,548</b>	<b>375,429</b>

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

## Consolidated statement of changes in equity

for the half-year ended 31 March 2014

Attributable to owners of Aristocrat Leisure Limited

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>Balance at 1 October 2012</b>	233,137	(121,580)	166,735	278,292	(1,768)	276,524
Profit for the half-year	-	-	52,554	52,554	613	53,167
Other comprehensive income	-	(6,246)	-	(6,246)	-	(6,246)
<b>Total comprehensive income for the half-year</b>	-	(6,246)	52,554	46,308	613	46,921
<b>Transactions with owners in their capacity as owners:</b>						
Net movement in share-based payments reserve	-	7,749	-	7,749	-	7,749
Dividends provided for or paid	-	-	(11,008)	(11,008)	(1,388)	(12,396)
Net movement in reserves attributable to non-controlling interest	-	-	-	-	(262)	(262)
	-	7,749	(11,008)	(3,259)	(1,650)	(4,909)
<b>Balance at 31 March 2013</b>	233,137	(120,077)	208,281	321,341	(2,805)	318,536
<b>Balance at 1 October 2013</b>	<b>233,137</b>	<b>(78,085)</b>	<b>224,392</b>	<b>379,444</b>	<b>(4,015)</b>	<b>375,429</b>
Profit for the half-year	-	-	57,379	57,379	-	57,379
Other comprehensive income	-	(1,512)	-	(1,512)	-	(1,512)
<b>Total comprehensive income for the half-year</b>	-	<b>(1,512)</b>	<b>57,379</b>	<b>55,867</b>	-	<b>55,867</b>
<b>Transactions with owners in their capacity as owners:</b>						
Net movement in share-based payments reserve	-	(3,451)	-	(3,451)	-	(3,451)
Dividends provided for or paid	-	-	(41,297)	(41,297)	-	(41,297)
	-	<b>(3,451)</b>	<b>(41,297)</b>	<b>(44,748)</b>	-	<b>(44,748)</b>
<b>Balance at 31 March 2014</b>	<b>233,137</b>	<b>(83,048)</b>	<b>240,474</b>	<b>390,563</b>	<b>(4,015)</b>	<b>386,548</b>

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

## Consolidated statement of cash flows

for the half-year ended 31 March 2014

	Six months to 31 March 2014	Six months to 31 March 2013
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	433,042	395,223
Payments to suppliers and employees (inclusive of goods and services tax)	(363,662)	(340,293)
	69,380	54,930
Other income	124	846
Interest received	5,047	5,415
Interest paid	(5,442)	(7,278)
Income taxes paid	(8,152)	(8,285)
<b>Net cash inflow from operating activities</b>	<b>60,957</b>	<b>45,628</b>
<b>Cash flows from investing activities</b>		
Payment for acquisition of subsidiary, net of cash acquired	-	(9,636)
Payments for property, plant and equipment	(26,806)	(11,372)
Payments for intangibles	(11,930)	(7,005)
Proceeds from sale of available-for-sale financial assets	-	503
Loan repayments received from non-controlling interest	-	663
Proceeds from sale of property, plant and equipment	2	20
<b>Net cash outflow from investing activities</b>	<b>(38,734)</b>	<b>(26,827)</b>
<b>Cash flows from financing activities</b>		
Payments for shares acquired by the Aristocrat Employee Share Trust	(4,938)	-
Proceeds from borrowings	140,653	131,091
Repayment of borrowings	(124,813)	(134,236)
Finance lease payments	(79)	-
Dividends paid to company's shareholders	4 (41,297)	(11,008)
Dividends paid to non-controlling shareholder	(614)	(1,388)
<b>Net cash outflow from financing activities</b>	<b>(31,088)</b>	<b>(15,541)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(8,865)</b>	<b>3,260</b>
Cash and cash equivalents at the beginning of the half-year	29,689	22,612
Effects of exchange rate changes on cash and cash equivalents	(423)	(811)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>20,401</b>	<b>25,061</b>

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



# Notes to the consolidated financial statements

for the half-year ended 31 March 2014

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 March 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 September 2013 and any public announcements made by Aristocrat Leisure Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. Comparative information is reclassified where appropriate to enhance comparability.

### (a) Changes in accounting policy

The Group has changed some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing 1 October 2013. *AASB 10 Consolidated Financial Statements* and *AASB 11 Joint Arrangements* are new accounting standards in the current period. As a result of the introduction of AASB 10 the Group has reassessed whether it has control over its investees and therefore whether these are consolidated. These new standards have not had an impact on the reported amounts in the Group's financial statements, as all of its investees are wholly owned, and the Group does not currently have any joint arrangements.

*AASB 12 Disclosure of Interests in Other Entities* and *AASB 13 Fair Value Measurement* are applicable for the first time in the 2014 financial year. AASB 13 has impacted disclosure in the half-financial statements, but has not impacted the Group's accounting policies or the amounts recognised in the financial statements. AASB 12 is only applicable to the annual financial statements, with changes in disclosure only. This standard is not expected to have a material impact on disclosures in the financial statements.

### (b) Impact of standards issued but not yet applied by the group

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and may affect Aristocrat's accounting for financial assets and liabilities. Aristocrat does not expect the standard will have a significant impact on its financial statements. The standard is not applicable until 1 January 2017 but is available for early adoption.

# Notes to the consolidated financial statements

for the half-year ended 31 March 2014

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## Note 2. Segment information

### Description of segments

Operating segments are reported based on the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors and the Executive Leadership Team, who have determined operating segments based on a geographical perspective and have identified the following reportable segments:

- The Americas;
- Australia and New Zealand;
- Japan; and
- Rest of world.

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

Segment revenues are allocated based on the country in which the customer is located. Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment revenues, expenses and results exclude transfers between segments. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of comprehensive income.

The activities of the entities in the Group are predominantly within a single business which is the design, development and distribution of gaming content, platforms and systems. The Group also operates within the on-line and social gaming and real money wager markets.

Reportable segments are reconciled to the consolidated financial statements on the following page.

# Notes to the consolidated financial statements

for the half-year ended 31 March 2014

## Note 2. Segment information

	Australia and New Zealand	The Americas	Japan	Rest of world	Consolidated
<b>Six months to 31 March 2014</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues from external customers	88,444	222,738	13,752	84,965	409,899
Other segment revenue from external customers	2,590	-	-	-	2,590
<b>Segment revenue</b>	<b>91,034</b>	<b>222,738</b>	<b>13,752</b>	<b>84,965</b>	<b>412,489</b>
Segment result	33,652	84,032	970	31,508	150,162
Interest revenue not allocated to segments					2,718
Interest expense					(7,069)
Design and development expenditure					(62,602)
Other					(11,485)
<b>Consolidated profit before tax</b>					<b>71,724</b>
	Australia and New Zealand	The Americas	Japan	Rest of world	Consolidated
<b>Six months to 31 March 2013</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues from external customers	92,839	196,013	16,401	75,233	380,486
Other segment revenue from external customers	2,700	-	-	-	2,700
<b>Segment revenue</b>	<b>95,539</b>	<b>196,013</b>	<b>16,401</b>	<b>75,233</b>	<b>383,186</b>
Segment result	40,075	71,204	(20)	30,555	141,814
Interest revenue not allocated to segments					2,904
Interest expense					(8,923)
Design and development expenditure					(55,488)
Other					(11,069)
<b>Consolidated profit before tax</b>					<b>69,238</b>

## Notes to the financial statements

for the half-year ended 31 March 2014

	Six months to 31 March 2014 \$'000	Six months to 31 March 2013 \$'000
<b>Note 3. Profit for the half-year</b>		
<b>(a) Revenue</b>		
Sale of goods	261,297	262,199
Gaming operations, on-line and services	148,602	118,287
<b>Total revenue</b>	<b>409,899</b>	<b>380,486</b>
<b>(b) Other income</b>		
Interest	5,308	5,604
Net foreign exchange gains	-	893
Gain on disposal of property, plant and equipment	2	19
Remeasurement of contingent consideration	1,157	-
Sundry income	124	846
<b>Total other income</b>	<b>6,591</b>	<b>7,362</b>
<b>(c) Expenses</b>		
<b>(i) Depreciation and amortisation</b>		
Depreciation and amortisation of property, plant and equipment		
- Buildings	354	303
- Plant and equipment	18,133	15,028
- Leasehold improvements	1,261	1,247
<b>Total depreciation and amortisation of property, plant and equipment</b>	<b>19,748</b>	<b>16,578</b>
Amortisation of intangible assets		
- Computer technology	3,572	3,086
- Licences	151	132
- Development costs	386	321
<b>Total amortisation of intangible assets</b>	<b>4,109</b>	<b>3,539</b>
<b>Total depreciation and amortisation</b>	<b>23,857</b>	<b>20,117</b>
<b>(ii) Employee benefits expense</b>		
<b>Total employee benefits expense</b>	<b>109,492</b>	<b>101,868</b>
<b>(iii) Lease payments</b>		
Rental expense relating to operating lease		
- Minimum lease payments	9,092	8,238
<b>(iv) Other significant items</b>		
- Write down of inventories to net realisable value	1,887	1,147
- Legal costs	4,156	3,878
- Net foreign exchange (loss)/gain	(5,271)	893

# Notes to the consolidated financial statements

for the half-year ended 31 March 2014

Six months to 31 March 2014 \$'000	Six months to 31 March 2013 \$'000
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## Note 4. Dividends

### Dividends provided for or paid during the half-year:

- 7.5 cents, unfranked, per fully paid share, paid on 20 December 2013	41,297	-
- 2.0 cents, unfranked, per fully paid share, paid on 21 December 2012	-	11,008
Total dividends provided for or paid during the half-year	41,297	11,008

### Dividends paid were satisfied as follows:

Paid in cash	38,368	10,234
Paid through the dividend reinvestment plan	2,929	774
Total dividends paid during the half-year	41,297	11,008

### Dividends not recognised at the end of the period

Since the end of the half-year the directors have recommended the payment of an interim dividend of 8.0 cents (2013 - 7.0 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed interim dividend expected to be paid on 27 June 2014, but not recognised as a liability at the end of the half-year is:

	44,113	38,599
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### Dividend Reinvestment Plan (DRP)

The Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will not operate in respect of the 2014 interim dividend.

# Notes to the consolidated financial statements

for the half-year ended 31 March 2014

## Note 5. Events occurring after reporting date

Since 31 March 2014, the repurchase of the non-controlling interest in Aristocrat Africa (Pty) Limited was completed. As a result the Group now owns 100% of the entity. No profits were allocated to the non-controlling interest during the period, as the purchase agreement provided for a cessation of the entitlement to a share of profit from June 2013.

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

	Six months to 31 March 2014	Six months to 31 March 2013
	Cents	Cents

## Note 6. Earnings per share

Basic earnings per share	10.4	9.6
Diluted earnings per share	10.4	9.5

	2014 Number	2013 Number
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### Weighted average number of ordinary shares used as the denominator for diluted earnings per share

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	550,775,861	550,222,545
Effect of share based payment arrangements	3,481,590	2,369,542

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	554,257,451	552,592,087
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	Six months to 31 March 2014 \$'000	Six months to 31 March 2013 \$'000
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### Reconciliation of earnings used in calculating diluted earnings per share

Profit attributable to members of Aristocrat Leisure Limited	57,379	52,554
Earnings used in calculating diluted earnings per share	57,379	52,554

## Information concerning the classification of securities

### (a) Share based payments

Rights granted to employees under share based payment arrangements are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share.

### (b) Share-based payments trust

Shares purchased on-market through the Aristocrat Employee Equity Plan Trust have been treated as shares bought back and cancelled for the purpose of the calculation of the weighted average number of ordinary shares used as the denominator in calculating basic earnings per share. During the period, 1,114,547 shares were purchased for the share trust and 1,471,921 shares were allocated to employees in relation to rights that vested.

## Notes to the consolidated financial statements

for the half-year ended 31 March 2014

### Note 7. Borrowings

#### Available facilities

This committed bank facility is secured by a negative pledge that imposes certain financial covenants. The Group was in compliance with the imposed covenants at reporting date.

The bank loan facility arrangements are structured as follows:

- Facility A - \$355,000,000 tranche maturing 30 October 2015.
- Facility B - \$20,000,000 tranche maturing 30 October 2015.

Borrowings are at a floating rate. A portion of the interest rate exposure was fixed in the comparative period under separate interest rate swap arrangements. The interest rate swap expired in June 2013.

The bank overdraft facilities (\$5,000,000 and US\$2,000,000) are subject to annual review. Other facilities relate to an uncommitted money market borrowing line with Westpac Banking Corporation.

#### Undrawn borrowing facilities

The Group's undrawn borrowing facilities were as follows:

	31 March 2014 \$'000	31 March 2013 \$'000
Floating rate		
- Expiring within one year (bank overdrafts, loans and other facilities)	14,006	32,056
- Expiring beyond one year	122,316	164,812
	<b>136,322</b>	196,868

# Notes to the financial statements

for the half-year ended 31 March 2014

## Note 8. Fair value measurement of financial instruments

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

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

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

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

### (b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the half-year ended 31 March 2014:

	<b>Contingent consideration liability \$'000</b>
<b>Opening balance - 30 September 2013</b>	<b>12,435</b>
Interest expense	665
Adjustments to fair value of liability recognised in other income	(1,157)
Foreign exchange movements	277
<b>Closing balance - 31 March 2014</b>	<b>12,220</b>

The adjustment to fair value included in other income relates to liabilities held at 31 March 2014.

### (i) Transfers between level 2 and 3 and changes in valuation techniques

There were no transfers between levels of the fair value hierarchy in the six months ended 31 March 2014. There were also no changes to valuation techniques applied as of 30 September 2013.

### (ii) Valuation inputs and relationships to fair value

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

### (iii) Valuation processes

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

### (c) Fair values of other financial instruments

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



## Notes to the financial statements

for the half-year ended 31 March 2014

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### Note 9. Contingent liabilities

The Group had contingent liabilities at 31 March 2014 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; and
- (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.

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## Directors' declaration

for the half-year ended 31 March 2014

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 15 are in accordance with the *Corporations Act 2001* including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance, for the half-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.

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



Dr ID Blackburne  
Chairman

Sydney  
Date: 28 May 2014



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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Aristocrat Leisure Limited, which comprises the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Aristocrat Leisure Limited (the consolidated entity). The consolidated entity comprises both Aristocrat Leisure Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aristocrat Leisure Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aristocrat Leisure Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Humphries

Stephen Humphries  
Partner

28 May 2014  
Sydney

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**Directors' report  
for the 6 months ended 31 March 2014  
Aristocrat Leisure Limited  
ABN 44 002 818 368**

The directors present their report together with the financial statements of Aristocrat Leisure Limited (the 'Company') and its controlled entities (the 'Consolidated Entity') for the six months ended 31 March 2014. The financial statements have been reviewed and approved by the directors on the recommendation of the Company's Audit Committee.

This report should be read in conjunction with the 30 September 2013 Annual Financial Report of the Company and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

This report is made on 28 May 2014.

**Directors**

The directors of the Company during the six months under review and up to the date of this report, unless otherwise stated, are:

- ID Blackburne (Non-Executive Chairman)
- JR Odell (Managing Director and Chief Executive Officer)
- DCP Banks (Non-Executive Director)
- RA Davis (Non-Executive Director)
- RV Dubs (Non-Executive Director)
- SW Morro (Non-Executive Director)
- LG Flock (Non-Executive Director) (retired 19 February 2014)
- KM Conlon (received regulatory approval 21 February 2014)

**Review and results of operations**

A review of the operations of the Consolidated Entity for the half-year ended 31 March 2014 is set out in the attached Review of Operations which forms part of this Directors' Report. The operating result of the Consolidated Entity attributable to shareholders for the half-year ended 31 March 2014 was a profit of \$57.4 million after tax and minority interest (six months to 31 March 2013: \$52.6 million).

**Auditor's Independence Declaration**


The Auditor's Independence Declaration as required by section 307C of the Corporations Act 2001 is included at the end of this report.

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## **Rounding of amounts to nearest thousand dollars**

The Company is of a kind referred to in Australian Securities & Investments Commission Class Order 98/0100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) relating to the 'rounding off' of amounts in the Directors' Report and Financial Statements. Amounts in the Directors' Report and Financial Statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



**ID Blackburne**  
**Chairman**  
**28 May 2014**



## Auditor's Independence Declaration

As lead auditor for the review of Aristocrat Leisure Limited for the half-year ended 31 March 2014, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink that reads 'S. Humphries' followed by a large, stylized flourish.

Stephen Humphries  
Partner  
PricewaterhouseCoopers

Sydney  
28 May 2014

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