ANNUAL REPORT ARISTOCRAT LEISURE LIMITED

ARISTOCRAT
it's all in the game™

Contents

2014 Annual Report

This 2014 Aristocrat Leisure Limited Annual Report for the financial year ended 30 September 2014 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 2014 financial year.

2014 Online Business Review

The 2014 Online Business Review contains reports from the Chairman and Managing Director on the Group's business and operational highlights, an overview of Group strategy and its sustainability initiatives.

The 2014 Online Business Review can be found on the Group's website: www.aristocratgaming.com.

2015 Annual General Meeting

The 2015 Annual General Meeting will be held at 11.00am on Friday, 27 February 2015 at the Aristocrat Head Office, Building A, Pinnacle Office Park, 85 Epping Road, North Ryde, NSW 2113.

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

2014 Corporate Governance Statement

The 2014 Corporate Governance Statement can be found on the Group's website: www.aristocrat.com.au/Investors/Pages/Governance.aspx

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 Class II and Class III gaming machines and casino management systems. The Group also operates within the on-line social gaming and real money wager markets. For further information visit the Group's website at www.aristocratgaming.com.

Key Dates[1]

2014	
Record date for Final 2014 Dividend	2 December 2014
Payment date for Final 2014 Dividend	19 December 2014
2015	
2015 Annual General Meeting	27 February 2015
Interim Results Announcement (6 months ending 31 March 2015)	26 May 2015
Full Year Results Announcement (12 months ending 30 September 2015)	25 November 2015

1. Dates subject to change.

Directors' Report

For the 12 months ended 30 September 2014

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 2014 (the financial year). The information in this report is current as at 25 November 2014 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 Review of Operations 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 2014 was a loss of $16.4 million after tax and minority interests (2013: profit of $107.2 million).

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

Dividends

Since the end of the financial year, the Directors have recommended the payment of a final dividend of 8.0 cents (2013: 7.5 cents) per fully paid ordinary share. Details of the dividends paid and declared during the financial year are set out in Note 7 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

The Sustainability Report contained within the 2014 Online Business Review integrates a wider range of non-financial management issues as the Group moves to improve its sustainability reporting standards. The 2014 Online Business Review will be available on the Group's website in late December 2014.

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 Age 68	Nominated December 2009. Appointed 17 September 2010. – Chairman, Recall Holdings Limited – Director, Teekay Corporation (listed on the NYSE) – Former Chairman, CSR Limited and Australian Nuclear Science and Technology Organisation – Former Director, Suncorp-Metway Limited and Symbion Health Limited – Former Managing Director, Caltex Australia Limited	Non-Executive Chairman Member of each Board Committee
JR Odell MBA Age 56	Nominated December 2008. Appointed May 2009. – Board Member, American Gaming Association – 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

Current Directors continued

Director	Experience and other directorships	Special responsibilities
DCP Banks BBus (Mgt) Age 62	Nominated October 2010. Appointed 12 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 Committee (from 1 June 2014) Member, Audit Committee (to 31 May 2014) Member, Regulatory and Compliance Committee
RA Davis BEc (Hons), M Philosophy Age 63	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 Committee (from 1 June 2014) Chair, Audit Committee (to 31 May 2014) Member, Human Resources and Remuneration Committee
RV Dubs BSc (Hons), Dr ès Sc, FAICD Age 62	Nominated December 2008. Appointed June 2009. – Director, ASC Pty Ltd and ANU Enterprise Pty 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 (from 1 June 2014) Member, Audit Committee (from 1 June 2014) Chair, Human Resources and Remuneration Committee (to 31 May 2014) Member, Regulatory and Compliance Committee (to 31 May 2014)
SW Morro BA, Business Administration Age 56	Nominated December 2009. Appointed 17 December 2010. – Former Chief Operating Officer and President, IGT Gaming Division	Lead US Director (from 1 June 2014) Member, Regulatory and Compliance Committee (from 1 June 2014) Member, Human Resources and Remuneration Committee Chair, Regulatory and Compliance Committee (to 31 May 2014)

Director	Experience and other directorships	Special responsibilities
K Conlon BEc, MBA Age 51	Nominated January 2014. Appointed 21 February 2014. – Director of CSR Limited, REA Group Limited and Lynas Corporation Limited – President, NSW Council and National Board, Australian Institute of Company Directors – Member, Chief Executive Women – Former Partner and Director, Boston Consulting Group (BCG)	Chair, Human Resources and Remuneration Committee (from 1 June 2014) Member, Regulatory and Compliance Committee (from 1 June 2014) Member, Human Resources and Remuneration Committee (from 21 February to 1 June 2014) Member, Audit Committee (from 21 February to 1 June 2014)

The following Director held office for part of the 12 months ended 30 September 2014:

Director	Experience and other directorships	Special responsibilities
LG Flock BA Age 61	Nominated December 2010. Appointed 29 November 2011. Ceased office on 19 February 2014.	Former Member, Human Resources and Remuneration Committee (to 19 February 2014) Former Member, Audit Committee (to 19 February 2014)

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 Committee[3]	Human Resources and Remuneration Committee[3]	Regulatory and Compliance Committee[3]
ID Blackburne	19/19	4/4	5/5	6/6
JR Odell	19/19	–	–	–
DCP Banks	19/19	4/4	–	6/6
RA Davis	19/19	4/4	4/5	–
SW Morro	19/19	–	5/5	6/6
RV Dubs	19/19	1/1	4/4	6/6
KM Conlon[1]	14/14	2/2	2/2	2/2
LG Flock[2]	3/4	1/2	2/3	–

1. KM Conlon was nominated as a Director in January 2014 and appointed 21 February 2014 following the receipt of all necessary regulatory pre-approvals.
2. LG Flock ceased office on 19 February 2014.
3. Committee membership was reviewed and rotated effective 1 June 2014.

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 on-line 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 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 20 October 2014, the Group completed the purchase of Video Gaming Technologies Inc. The purchase price was US$1,320,000,000, subject to adjustments (refer to Note 34 of the financial statements for further information on the acquisition). As a result of the acquisition, the Group has entered into new financing arrangements (refer to Note 17 of the financial statements for details of these). To the best of their knowledge, the Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

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 Review of Operations 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, Japan, 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.

Non-audit services provided by the auditor

The Company, with the prior approval of the Chair of the Audit 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 services.

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 28 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services as set out in Note 28 to the financial statements is compatible with the general standard of independence for auditors imposed by the Act for the following reasons:

(a) All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.

(b) 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 risks 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 to nearest thousand dollars

The Company is of a kind referred to in Australian Securities and 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 the financial statements. Amounts in the Directors' Report and the 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 and is signed for and on behalf of the Directors.

Dr ID Blackburne
Chairman

25 November 2014

Review of Operations

for the 12 months to 30 September 2014

Key performance for the current period and prior period are set out below on a normalised basis excluding significant items. Refer to pages 13-14 for a reconciliation of Statutory Loss to Normalised Profit After Tax and details of Significant Items excluded.

A$ million	Constant currency[2] 12 months to 30 Sept 2014	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance vs 12 months to 30 September 2014: Constant currency[2] %	Variance vs 12 months to 30 September 2014: Reported %
Normalised results[1]					
Total segment revenue from ordinary activities	827.8	**870.3**	813.8	1.7	6.9
Earnings before interest, tax and depreciation (EBITDA)	194.8	**209.8**	188.1	3.6	11.5
Earnings before interest and tax (EBIT)	149.1	**161.3**	145.3	2.6	11.0
Profit after tax	108.6	**118.1**	107.2	1.3	10.2
Earnings per share (fully diluted)	19.0c	**20.7c**	19.4c	(2.1)	6.7
Total dividend per share	16.0c	**16.0c**	14.5c	10.3	10.3
Reported results					
Profit/(loss) after tax	(28.6)	**(16.4)**	107.2	(126.7)	(115.3)
Balance sheet/cash flow					
Net working capital/revenue	22.9%	**23.2%**	26.2%	(3.3)pts	(3.0)pts
Operating cash flow	147.5	**158.8**	98.2	50.2	61.7
Cash flow per share (fully diluted)	25.9c	**27.8c**	17.8c	45.5	56.2
Closing (net debt)/cash	176.0	**171.3**	(208.2)	na	na

1. Normalised profit (before and after tax) is statutory profit (before and after tax), excluding the impact of certain significant items. 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.
2. Results for 12 months to 30 September 2014 adjusted for translational exchange rates using rates applying in 2013. The information presented in this Review of Operations has not been audited in accordance with the Australian Auditing Standards.

Review of Operations

Group performance summary

The Group's performance for the reporting period was ahead of the prior corresponding period with normalised profit after tax of $118.1 million representing a 10.2% increase (1.3% in constant currency), compared to $107.2 million in the prior period. Normalised fully diluted earnings per share of 20.7 cents represent a 6.7% increase on the prior corresponding period.

Fewer scheduled game releases in Japan impacted Group performance, with revenue up 6.9% (1.7% in constant currency) while normalised EBIT grew 11.0% (2.6% in constant currency). Excluding Japan, revenue increased 13.0% (7.1% in constant currency) and EBIT increased 18.8% (10.2% in constant currency).

Operating cash flow of $158.8 million was 61.7% higher than the prior corresponding period, predominantly reflecting higher receipts from customers on higher revenues and cash management initiatives. The Group has continued to invest in its gaming operations install base as well as in technology and funded higher dividends. The Group was in a net cash position at year end due to the equity raising for the acquisition of Video Gaming Technology Inc ('VGT') which completed on 20 October 2014.

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

A$ million	12 months to 30 Sept
Profit after tax – 2013	107.2
NPAT (excluding Japan) increase	25.4 ↑
Japan decline	(8.9) ↓
D&D increase	(9.2) ↑
Interest reduction	2.6 ↓
Income tax movement	(4.2) ↑
Net foreign exchange movements	5.2 ↑
Profit after tax – 2014	**118.1**

Performance has been driven by strong operational delivery, particularly share growth in the critical North American gaming operations segment, as well as share growth in the North American and Australian outright sales segments and accelerating profitability in the Group's digital business. Subdued conditions however saw the North American outright sales market contract over the reporting period.

The Group's strategic investments in talent and technology are delivering strong competitive product in key markets and segments in line with its strategy. This was clear at the major trade shows in North America and Australia in the September quarter, with compelling, innovative and targeted offerings expected to drive sales and share growth in key markets and segments over 2015.

Review of Operations

Regional performance summary

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

1 **Americas**

- Significant share and profit growth in the gaming operations segment with the install base increasing 20.0% to a record 9,071 units, and average fee per day (FPD) increasing by 10.5% ($4.38) to $46.02.
- Incremental ship share in the outright sales segment, despite a declining market, on the strength of new and improved game content, continued *Viridian WS*™ penetration and roll-out of the new *Helix*™ cabinet.
- Strategic investments in *OASIS*™ with the introduction of *Onelink*™ and *HALo*™ to further complement the systems product offering and expand the portfolio across multiple platforms.

2 **Australia and New Zealand**

- Strong ship share gains in the key markets of NSW and QLD supported by the strong, product-led momentum. Aristocrat extended market leadership in NSW and regained market leadership in QLD.
- Delivered on its promise of a broader and deeper portfolio attacking every major product segment (Core, SAP, Multigame, Link, Licensed and Entertainment).
- Successful launch of the new *Helix*™ cabinet simultaneously into both NSW and QLD markets.
- The *Viridian WS*™ cabinet became the highest performing cabinet in the NSW market prior to the *Helix*™ cabinet launch in September 2014.
- Players Choice Diamond held its position as the number one game in NSW in both clubs and hotels for the past 13 months with over 2,300 units in the field.
- The number of Aristocrat games ranking in the top 50 has increased from 12 to 17 in NSW and from 1 to 12 in QLD.

3 **Rest of World**

- Maintained number one market share position. across the Asia Pacific region.
- Increased ship share in South Africa.
- Launch of Aristocrat *onDemand* into Europe.

4 **Digital**

- Continued growth in Product Madness profitability driven by growth of *Heart of Vegas*™ on Facebook and iPad.
- Daily active user numbers averaged 625,597 and ending 800,895.
- Overall average revenue per daily active user (ARPDAU) was US 20c for the period with *Heart of Vegas*™ ARPDAU during the period of 31c.

Operational performance by region is summarised on the following page. Reference to profit/(loss) represents earnings before interest and tax, charges for Design and Development (D&D) expenditure, corporate costs and significant items.

Review of Operations

Americas: In local currency, North American revenue increased by 1.4% to US$388.8 million, and profit was up 7.7% to US$149.9 million. Latin American revenue decreased by 4.5% to US$29.9 million and profit was down 15.1% to US$10.1 million, driven by a decrease in units sold.

In North America the gaming operations install base grew 20.0% with average FPD increasing by 10.5% to US$46.02. The improvement in FPD was driven by game performance and an increase in the MSP footprint which drove 35% of the install base growth for the year.

Despite an estimated 11% reduction in the outright sales market, the Group grew ship share during the period limiting the decline in unit sales to 7.2% and revenue to 6.6%.

Systems revenue was down 10.6% on the prior corresponding period, driven by the size of prior period installations.

In Latin America, revenue in USD terms decreased 4.5% due to a decrease in rebuild sales volumes partially offset by increased emphasis on recurring revenue with the introduction of premium themes such as *Tarzan*® and new E*Series games.

Australia and New Zealand: On a constant currency basis, in the 12 months to 30 September 2014, revenue increased by 15.7% to A$222.5 million, and segment profit increased 16.2% to A$89.4 million, primarily due to ship share gains in NSW and QLD.

Margins improved as a result of disciplined cost management and an improved mix which drove a 4.3% increase in ASP. New Zealand was impacted by uncertainty in the Class 4 market in relation to changes to the Gambling Amendment Bill (No.3).

Rest of World (ROW) and Japan: Segment revenue decreased by 10.3% in constant currency terms to A$179.0 million and profit decreased 17.5% to A$49.5 million.

Revenue in the International – Class III segment was down 18.4% to A$98.5 million and profits were down 26.6% to A$39.1 million in constant currency terms. The revenue decline was primarily driven by reduced expansion activity across the Asia Pacific region and poor economic conditions in Europe, partially offset by increased ship share in South Africa.

In Japan, the Group released one game into the market this reporting period compared to two in the corresponding period. This drove a 71.9% decrease in revenue in constant currency. The reduced volume caused a decrease in profits of A$14.3 million to a loss of A$4.5 million in constant currency. The key game release of *Black Lagoon 2*™ was deferred to 2015 however its commercialisation has since been further delayed by new regulatory and testing requirements introduced late in the year. The variability of the Japan result highlights the nature of this business with earnings largely dependent on the timing of a very small number of key game releases.

Digital revenues increased compared to the prior corresponding period, due to the increased contribution from the Group's social digital business, Product Madness, reflected in higher monetisation rates and daily active user numbers. The Lotteries business was sold on 29 September 2014.

Review of Operations

Profit and loss

Results in the current period and prior corresponding period are at reported currency and normalised for significant items.

Summary profit and loss

A$ million	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Segment revenue				
Australia and New Zealand	223.8	192.3	31.5	16.4
Americas	459.7	421.9	37.8	9.0
Rest of World and Japan	186.8	199.6	(12.8)	(6.4)
Total segment revenue	**870.3**	**813.8**	**56.5**	**6.9**
Segment profit				
Australia and New Zealand	89.7	77.0	12.7	16.5
Americas	176.9	154.1	22.8	14.8
Rest of World and Japan	51.6	59.9	(8.3)	(13.9)
Total segment profit	**318.2**	**291.0**	**27.2**	**9.3**
Unallocated expenses				
Group D&D expense	(131.8)	(118.9)	(12.9)	(10.8)
Foreign exchange	(7.0)	(1.9)	(5.1)	(268.4)
Corporate	(18.1)	(24.9)	6.8	27.3
Total unallocated expenses	**(156.9)**	**(145.7)**	**(11.2)**	**(7.7)**
EBIT	**161.3**	**145.3**	**16.0**	**11.0**
Interest	(7.9)	(11.3)	3.4	30.1
Profit before tax	**153.4**	**134.0**	**19.3**	**14.4**
Income tax	(35.3)	(26.8)	(8.5)	(31.7)
Profit after tax	**118.1**	**107.2**	**10.9**	**10.2**

Key metrics

Segment profit margin	% of revenue 12 months to 30 Sept 2014	% of revenue 12 months to 30 Sept 2013	Variance Pts
Australia and New Zealand	40.1	40.0	0.1
Americas	38.5	36.5	2.0
Rest of World and Japan	27.6	30.0	(2.4)
Overall segment profit margin	**36.6**	**35.8**	**0.8**
Group D&D expense	15.1	14.6	0.5
Earnings before interest and tax	18.5	17.9	0.6
Profit after tax	13.6	13.2	0.4
Effective tax rate (%)	23.0	20.0	3.0

Review of Operations

Revenue
Segment revenue increased $56.5 million or 6.9% in reported currency (1.7% in constant currency). Revenue growth was predominantly driven by Australia, North America and Digital. This was offset by lower contributions from Japan and Asia Pacific. Revenue increased 13.0% (7.1% in constant currency) excluding Japan.

Earnings
Segment profit increased $27.2 million in reported currency, up 9.3% compared with the prior corresponding period (4.1% in constant currency). Excluding Japan, segment profit increased $42.0 million or 14.9% in reported currency or $26.2 million (9.3%) in constant currency.

Consistent with revenue delivery, stronger earnings from Australia, North America and Digital were offset by Japan and Asia Pacific. This result reinforces the value of a global portfolio where Group EBIT performance grew despite the diversity in operating business results.

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 reflects a full year of cost relating to the exclusive arrangements made with key game designers in the prior corresponding period and further investment in technology to support improvements in quality and future income streams. The Group's investment in D&D spend, as a percentage of revenue, was 15.1% (15.4% on a constant currency basis) compared to 14.6% of revenues in the prior corresponding period. Total reported spend increased $12.9 million or 10.8% (increased 6.9% in constant currency). The Group continues to leverage D&D spend with utilisation of the Aristocrat Indian Development Centre (AIDC) coupled with restructuring in Australia.

Cost control remains a key focus for the Group, with continued management of the Group's fixed cost base. Corporate costs declined 27.3% (21.8% in constant currency) compared to the prior corresponding period driven by headcount efficiencies and employee related costs.

The downward trend in net interest expense was maintained with a decrease of $3.4 million or 30.1%. This was principally due to lower average debt levels and reduced borrowing costs.

The effective tax rate (ETR) for the reporting period was 23.0% compared to 20.0% in the prior corresponding period. The increase in ETR is mainly driven by mix of earnings.

Reconciliation of Statutory Loss to Normalised Profit After Tax

A$ million	12 months to 30 Sept 2014
Statutory loss as reported in the financial statements	(16.4)
Significant items:	
Impairment of Japan Pachislot business	78.0
Loss on disposal of investment in Lotteries	43.4
Acquisition related transaction and restructuring costs	13.1
Normalised Profit After Tax	**118.1**

Significant items

	12 months to 30 Sept 2014	
A$ million	Before tax	After tax
Impairment of Japan Pachislot business	(72.6)	(78.0)
Loss on disposal of investment in Lotteries	(43.4)	(43.4)
Acquisition related transaction and restructuring costs	(17.1)	(13.1)
Net loss from significant items	**(133.1)**	**(134.5)**

Impairment of Japan Pachislot business: The Group's reported result after tax for the year included an abnormal net loss of $78.0 million relating to the impairment of the Japan Pachislot business. Changes recently introduced in the regulatory environment have led to delays in game approvals and releases across the Pachislot market including Aristocrat's key title *Black Lagoon 2*™. In addition, the regulator has signalled further changes to come prior to the introduction of an entirely new set of Pachislot game standards in 2016. This regulatory uncertainty introduces a degree of risk to Aristocrat's product release schedule for Japan going forward. In view of the uncertainty, a cautious approach has been taken and an impairment charge of $78.0 million has been incurred. This relates primarily to inventory and intangible assets.

Review of Operations

Loss on disposal of investment in Lotteries: The Group's reported result after tax for the year included an abnormal net loss of $43.4 million arising from the disposal of its investment in ACE, the Lotteries business. The divestment of ACE is consistent with the Group's strategy to exit non-core businesses and to focus resources on our strategic strengths, in particular, leveraging our premium game content across priority, high value segments and markets, including North American gaming operations, digital and core outright sale markets. Proceeds from this transaction were received during the period.

Acquisition related transaction and restructuring costs: The Group's reported result after tax for the year included an abnormal expense of $13.1 million relating to the acquisition of VGT for US$1.3 billion (announced on 7 July 2014). The Group's effective tax rate has been used to calculate the after tax cost on the significant items of $17.1 million. Costs incurred to date primarily represented legal and consulting costs and restructuring costs arising from organisation changes made in relation to the VGT acquisition. Further related costs will be incurred on completion of the VGT acquisition in the 2015 year.

Balance sheet and cash flows

Balance sheet

The balance sheet can be summarised as follows:

A$ million	30 Sept 2014	31 Mar 2014	30 Sept 2013
Net working capital	201.5	242.6	213.1
Other current/non-current assets	88.9	85.9	90.4
Property, plant and equipment	121.4	112.4	106.9
Intangibles	130.5	156.4	151.1
Other current/non-current liabilities	(88.6)	(56.5)	(59.7)
Net tax balances	81.1	79.5	81.8
Funds employed	**534.8**	**620.3**	**583.6**
Net debt	171.3	(233.7)	(208.2)
Total equity	**706.1**	**386.6**	**375.4**

The balance sheet was impacted by the equity raising in July 2014 in relation to the acquisition of VGT. The transaction closed on 20 October 2014.

Significant balance sheet movements from 30 September 2014 are:

Net working capital: As a percentage of annual revenue, net working capital reduced to 23.2% from 26.2%, due to improved cash management.

Property, plant and equipment: The $14.5 million increase primarily relates to gaming operations investment in North America.

Intangible assets: The $20.6 million decrease relates primarily to the disposal of the Lotteries business and the impairment of the Japan Pachislot business. Excluding the impact of these items, intangible assets increased by $28.0 million due to the acquisition of Paltronics and other investments in technology.

Other current/non-current liabilities: The $28.9 million increase relates primarily to a provision for committed inventory recognised as part of the impairment of the Japan Pachislot business.

Total equity: The change in total equity predominantly reflects the equity raising in July 2014 in relation to the acquisition of VGT. 78.6 million shares were issued during the period, raising net proceeds of $406.3 million.

Statement of cash flows

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

A$ million	12 months to 30 Sept 2014	12 months to 30 Sept 2013
Net debt – opening balance (30 September)	**(208.2)**	**(191.8)**
Net cash inflow from operating activities	**158.8**	**98.2**
Investing cash flows	(85.7)	(53.1)
Financing cash flows	(94.3)	(51.1)
Capital raising	406.3	–
Movement in net cash	**385.1**	**(6.0)**
Effect of exchange rate changes on net debt	(5.6)	(10.4)
Net cash/(debt) – closing balance (30 September)	**171.3**	**(208.2)**

Total net cash inflows were $385.1 million compared to net outflow of $6.0 million in the prior corresponding period. This was largely driven by the equity raised in July 2014 in connection with the VGT acquisition.

Net cash at 30 September 2014 was $171.3 million which was an increase of $379.5 million from 30 September 2013.

Fully diluted operating cash flow per share increased from 17.8 cents to 27.8 cents representing a 56% year on year increase.

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

The net cash outflow from investing activities primarily represents investments in property, plant and equipment, including for gaming operations in North America as well as the acquisition of Paltronics, offset by the proceeds from the disposal of the Lotteries business.

The net cash flow from financing activities relates primarily to dividends. Dividend payments in the prior corresponding period were lower.

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

Bank facilities and Debt ratios

The Group had committed bank facilities of $375.0 million at 30 September 2014, of which $114.3 million was drawn compared to $237.4 million at 30 September 2013. The reduction in drawn facilities primarily reflects the receipt of funds from the equity raising undertaken as part of the financing of the VGT acquisition.

The Group's facilities are summarised as follows:

Term Debt	30 Sep 2014	31 Mar 2014	30 Sep 2013
Drawn	A$114.3m	A$253.0m	A$237.4m
Limit	A$375.0m	A$375.0m	A$375.0m
Maturity date	October 2015	October 2015	October 2015

The above facilities were cancelled and fully repaid on 20th October 2014 when a US$1.3 billion Term Loan B was drawn down to fund the acquisition of VGT. The Term Loan B is covenant-lite and matures in October 2021.

The Group's interest and debt coverage ratios prior to the draw-down of the Term Loan B are as follows:

Ratio	30 Sep 2014	31 Mar 2014	30 Sep 2013
EBITDA[1]/interest expense[2]	16.9X	14.4X	12.4X
Debt/EBITDA[1]	0.5X	1.3X	1.2X
Net debt (cash)/EBITDA[1]	(0.8X)	1.2X	1.1X

1. 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.
2. Interest expense shown above includes ongoing finance fees relating to bank debt facility arrangements, such as line fees.

Pro forma debt coverage ratios under the new credit facility are set out below:

Ratio	30 Sep 2014
Debt/EBITDA[1]	3.4X
Net debt (cash)/EBITDA[1]	3.1X

1. EBITDA is on a pro forma basis assuming a full year of ownership of VGT based on the preceding 12 month results. EBITDA represents Consolidated EBITDA for the new Group according to the definition in the Credit Agreement.

The Group has increased its tolerance for higher gearing to allow for the strategic investment in VGT.

Dividends

The Directors have authorised a final dividend in respect of the full year ended 30 September 2014 of 8.0 cents per share ($50.4 million). Total dividends in respect of the 2014 year amount to 16.0 cents per share and represent a payout ratio of 76.1% of normalised earnings.

The dividend will be unfranked and is expected to be declared and paid on 19 December 2014 to shareholders on the register at 5.00pm on 2 December 2014. 100% of the unfranked dividend will be paid out of conduit foreign income. As a result of the Group's concentration of earnings outside Australia, dividends paid over the medium term will not be franked for the foreseeable future.

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 2014, 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 $42.5 million while increasing normalised profit after tax by $9.5 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 $4.3 million relating mainly to the significant 38% devaluation of the Argentinian peso during the first half.

In addition, as at 30 September 2014, the cumulative effect of the retranslation of the net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was $51.3 million (compared to $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 will result in an estimated $1.5 million translational impact on the Group's annual reported profit after tax after consolidating the VGT result. 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:

				12 months to 30 Sept 2014	12 months to 30 Sept 2013
A$:	30 Sept 2014	31 Mar 2014	30 Sept 2013	Average[1]	Average[1]
USD	0.8752	0.9221	0.9309	0.9159	0.9906
NZD	1.1216	1.0661	1.1248	1.0966	1.2096
JPY	95.73	94.83	91.13	94.13	91.93
EUR	0.6898	0.6707	0.6900	0.6769	0.7534
GBP	0.5384	0.5544	0.5760	0.5524	0.6349
SEK	6.3350	6.0004	5.9878	6.1021	6.4823
ZAR	9.8548	9.7818	9.4114	9.7064	9.2352
ARS	7.4184	7.3776	5.3894	6.9993	5.1376

1. 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 significant 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	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Revenue				
North America	388.8	383.6	5.2	1.4
Latin America	29.9	31.3	(1.4)	(4.5)
Total	**418.7**	**414.9**	**3.8**	**0.9**

US$ million	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Profit				
North America	149.9	139.2	10.7	7.7
Latin America	10.1	11.9	(1.8)	(15.1)
Total	**160.0**	**151.1**	**8.9**	**5.9**
Margin	38.2%	36.4%	–	1.8 pts

North America	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Volume				
– Platforms	9,419	10,146	(727)	(7.2)
– Conversions	5,568	6,216	(648)	(10.4)
Average US$ price/unit	15,289	15,194	95	0.6
Gaming operations units	9,071	7,562	1,509	20.0
Gaming operations US$/day	46.02	41.64	4.38	10.5

Latin America	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Volume				
– Platforms	1,800	2,765	(965)	(34.9)
– Conversions	–	117	(117)	(100.0)
Average US$ price/unit	12,672	9,230	3,442	37.3

Review of Operations

In local currency, North American revenue increased 1.4% and profits increased by 7.7%. Overall profit margin increased 2.3 points to 38.6%, driven primarily by growth in gaming operations.

In a highly competitive market, the Group continued to grow its gaming operations footprint driven by a successful mix of both proprietary and licensed new titles including *Cash Express Gold Class*™, *Buffalo Stampede*™, *Walking Dead*™ and *Batman*™, and the continued popularity of the *Tarzan*® franchise. The install base grew by 20.0% in the period to 9,071 units, driving significant share gains. Average FPD improved 10.5% to US$46.02 for the 12 months to 30 September 2014 compared to an average of US$41.64 in the prior corresponding period. The increase in average FPD was driven by game performance and the increase in MSP footprint which has grown to 18.3% of the closing install base compared to 14.9% for the prior comparable period. Average FPD will further improve with continued expansion of the Group's install base by expanding on the *Wonder Wheels*™ footprint with the release of new MSP themes such as *Superman 1978*™, *Big Bang Theory*™, *Man of Steel*™, *Superman The Movie*™ and *Ted*™.

With fewer new openings and property expansions, overall market demand declined approximately 11% compared to the prior corresponding period. Despite the smaller market size, the Group grew ship share and 9,419 units were sold in the period, representing a decrease in volumes of only 7.2% compared to the prior corresponding period, however less than the estimated market decline. In this smaller market, the Group was able to grow ship share and maintain overall ASP on the strength of the new *E*series*™ and *J*series*™ games and the second half release of the *Helix*™ cabinets. Sales of software conversions decreased 10.4% to 5,568 units.

During the period, the business installed 12 *OASIS*™ Casino Management Systems into new sites, however, these installs were offset by 15 removals for a net decline in the install base to 291 sites. The removals were the result of property closures (five sites), replacement due to property acquisition by a corporate group that was already using a competitor product (six sites) and competitive replacements (four sites). The number of new installations was in line with the prior corresponding period (12 new installations) and consisted of installations at new properties (seven sites) and replacement of competitor systems (five sites); 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 average installed base.

In Latin America, platform sales volume was down 34.9%, however overall ASP increased by 37.3% due to a higher mix of new units. Revenue decreased 4.5% in local currency and profit declined 15.1% due to the lower unit volumes and product mix. Latin America is beginning to see growth in recurring revenue as *E*series*™ and premium gaming operations themes are introduced to the region. The total recurring revenue footprint grew 7.6%. The introduction of *E*series*™ and *J*series*™ products resulted in an improved average fee per day, up 16.6% over the prior year.

Despite an expectation of further market contraction in North America in 2015, the Group is targeting share growth compared to the prior corresponding period through further penetration into the entertainment segment, strong *Helix*™ sales and continued focus on core games. The growth in the entertainment segment has coincided with the imminent release of SAP jackpot configurability across the Group's entire market-leading *E*series*™ range. Further extension of the Legends and Wonder 4 brands is complemented by the addition of *Buffalo Gold*™ and *5 Dragons Gold*™. A number of *J*series*™ games including *Quick Fire*™, *Jackpot Streak*™, *Gold Pays*™ and *Cash Explosion Link*™ will be released in the coming period. In addition, new gaming operations products on the *Wonder Wheels*™ platform are expected to drive continued growth in the installed base and average FPD. Further bolstering gaming operations growth will be the release of the new *Behemoth*™ and *ARC*™ cabinets in the second half of 2015. The business also expects continued same store sales growth from its systems business through the commercialisation of *OASIS*™ *Onelink*™ and *House Advantage HALo*™ products.

Review of Operations

Australia and New Zealand

A$ million	Constant currency 12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Revenue				
Australia	210.6	179.7	30.9	17.2
New Zealand	11.9	12.6	(0.7)	(5.6)
Total	**222.5**	**192.3**	**30.2**	**15.7**

A$ million	Constant currency 12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Profit				
Australia	87.1	74.2	12.9	17.4
New Zealand	2.3	2.8	(0.5)	(17.9)
Total	**89.4**	**77.0**	**12.4**	**16.2**
Margin	40.2%	40.0%	–	0.2 pts

Australia	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Volume				
– Platforms	6,966	5,481	1,485	27.1
– Conversions	3,477	2,886	591	20.5
Average A$ price/unit	17,300	16,590	710	4.3

New Zealand	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Volume				
– Platforms	371	363	8	2.2
– Conversions	414	413	1	0.2
Average NZ$ price/unit	19,795	19,955	(160)	(0.8)

Australian revenue and profit increased 17.2% and 17.4% respectively to $210.6 million and $87.1 million compared to the prior corresponding period. This reflects impressive ship share gains in the key markets of NSW and QLD which increased Aristocrat unit sales by 27.1% in a flat market.

The ship share gains were the result of bringing to market a broader portfolio of games across all segments, including *Players Choice*™ *Diamond Edition, Players Choice*™ *Sapphire Edition, 5 Dragons*™ *Gold, Jackpot Streak*™, *Cash Explosion*™/*Dynamite Cash*™, *Pure Gold*™, *Tarzan*™ and *Sky Rider*™. The performance of these games led to the *Viridian WS*™ being the best performing cabinet in NSW. At the Australasian Gaming Expo ('AGE') the Group showcased *Helix*™, an extension to the cabinet portfolio which was successfully launched into the NSW and QLD markets in September. This cabinet, along with these new and exciting titles, will be taken to other markets in 2015 where similar performance is expected.

Conversions increased 20.5% compared to the prior corresponding period due to the improved game library and cabinet performance.

The New Zealand result continued to be impacted by uncertainty in the Class 4 market with regards to changes to the Gambling Amendment Bill (No.3).

Rest of World and Japan

A$ million	Constant currency 12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Revenue				
International – Class III	98.5	120.7	(22.2)	(18.4)
Japan – Pachislot	15.6	55.6	(40.0)	(71.9)
Lotteries and Digital	64.9	23.3	41.6	178.5
Total	**179.0**	**199.6**	**(20.6)**	**(10.3)**

A$ million	Constant currency 12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Profit				
International – Class III	39.1	53.3	(14.2)	(26.6)
Japan – Pachislot	(4.5)	9.8	(14.3)	(145.9)
Lotteries and Digital	14.9	(3.1)	18.0	(580.6)
Total	**49.5**	**60.0**	**(10.5)**	**(17.5)**
Margin	27.7%	30.1%	–	(2.4) pts

	12 months to 30 Sept 2014	12 months to 30 Sept 2013	Variance	Variance %
Volume – Class III Platforms	4,935	6,269	(1,334)	(21.3)
Volume – Pachislots	3,665	14,458	(10,793)	(74.7)
Pachislot average ¥ price/unit	345,339	346,395	(1,056)	(0.3)

The Rest of World (ROW) segment result was down on the prior corresponding period, predominantly driven by the number of game releases in Japan, reduced casino expansion activity across Asia Pacific and continued poor economic conditions in Europe. This was partially offset by growth within the Group's social online business. ROW segment revenue and profit decreased by 10.3% and 17.5% respectively in constant currency.

Review of Operations

International – Class III
Revenues in International – Class III were down 18.4% in constant currency primarily driven by less expansion activity across the Asia Pacific region. This was partially offset by increased buying activity in Macau as operators commenced refreshing their floors to meet new regulatory requirements. Despite reduced volumes compared to the prior corresponding period, the Group continued to hold share across the Asia Pacific region.

Europe contributed to the revenue decline due to the continuation of the poor economic conditions throughout the region. However, *E*series*™ continues to perform strongly and *J*series*™ was launched in the release of the *Jackpot Streak*™ and *Quickfire Jackpot*™ families.

The overall decline was partially offset by strong performance in South Africa, driven by increased ship share with an improved product mix.

Japan – Pachislot
The Pachislot market shipped an estimated 1.3 million units in the reporting period, a decrease of circa 6.2% on the prior corresponding period. The Group released one game into the Japanese market this reporting period compared to two games in the corresponding period, driving a 74.7% decline in unit volumes and 71.9% decline in revenue (in constant currency). A changing regulatory environment is causing all manufacturers to rework games and has further delayed the release of key title *Black Lagoon 2*™. The uncertainty in the regulatory environment driven by recent changes is expected to have an impact on game releases in 2015.

Lotteries and Digital
Digital revenues increased almost four-fold to $47.5 million in constant currency ($50.3 million in reported currency).

The Digital segment result increased to $15.3 million in constant currency or $16.1 million in reported currency terms. Correspondingly Digital EBITDA increased to $16.2 million in constant currency or $17.1 million in reported currency terms.

Product Madness saw sustained growth in the *Heart of Vegas*™ suite of applications throughout the period. Higher monetisation rates were driven by the injection of Aristocrat's native premium land-based content throughout the year and increasingly sophisticated product features and marketing. *Heart of Vegas*™ was awarded one of Facebook's Top New Games of 2013. Portfolio-wide ARPDAU was US 26c at period end with *Heart of Vegas*™ monetising ahead at US 38c. The business will launch additional applications on mobile in the second half of 2015.

European Online content licensing continues to produce stable and positively trending revenue results. The second half saw broad expansion of our distribution network including a number of major operators as earlier investments in key strategic licensing partnerships have started to mature. Strong performance in Italy is contributing to further uptake of Aristocrat titles across the region as operator demand for our portfolio scales. Our partnerships position us favourably to take advantage of imminent regulation in emerging markets such as Spain, where further growth opportunities will present in 2015. At the end of the year, the Group had over 354 live game deployments across a network of 54 operators. The best performing games continue to be *Choy Sun Doa*™, *Where's the Gold*™, *50 Lions*™ and *Lucky 88*™.

The Lotteries business was sold on 29 September 2014. The sale is consistent with the Group's strategy to exit non-core businesses and to focus resources on our strategic strengths, in particular, leveraging our premium game content across priority, high value segments and markets, including North American gaming operations, digital and core outright sale markets.

Review of Operations

Business strategies and prospects for future financial years

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

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

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

Core momentum

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

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

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

- Traditional Australian Style Content – through brand extension and building new brands.
- Entertainment Style Segment – through purpose-built games and specialist creative talent.
- Recurring Revenue Segment – through securing industry talent and key licensed brands to accelerate growth.
- Jackpot Products – through investments in a new dedicated studio and specialist creative talent.

Industry and business transformation

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

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

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

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

People and culture

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

Material risks to business strategies and prospects for future financial years

Identifying and managing risks which may affect the success of our strategy and financial prospects for future years is an essential part of our governance framework. While the Group has a strong track record of managing a multitude of risks, some risks still remain, many of which are not directly within the control of the Group. Specific risks associated with the acquisition of Video Gaming Technologies Inc. are set out in the Investor Presentation released to the ASX on 7 July 2014 and should be read in conjunction with this document.

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

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

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

Changing economic conditions and other factors affecting the gaming industry

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

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

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

Increasing competition

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

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

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

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

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

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

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

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, Euro and Japanese yen.

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 increase in gearing to fund the acquisition of Video Gaming Technologies Inc. leaves the Group with a level of leverage which is higher than historical periods. Higher gearing levels leave the Group more exposed to movements in interest rates. This will be addressed by implementation and continued assessment of a prudent hedging strategy and a move towards more historic levels of leverage over time.

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

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

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

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

Remuneration Report

for the 12 months ended 30 September 2014

Introduction

The Directors of Aristocrat Leisure Limited (Company) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (the Act) and Corporations Regulation 2M.3.03 for the Aristocrat Group of companies (Group) for the year ended 30 September 2014 (the Reporting Period).

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act. This Remuneration Report forms part of the Directors' Report.

The Remuneration Report details the policy and principles that govern the remuneration of the Company's Non-Executive Directors and the Group's Senior Executives (as that term is defined below), the link between remuneration policy and principles and the Group's performance for the Reporting Period, and the remuneration and service agreements of Senior Executives.

Contents

The Remuneration Report begins with an executive summary which provides a 'plain English' explanation for shareholders as to how the Group's remuneration framework works and the key outcomes and events which occurred during the Reporting Period.

This Remuneration Report is set out in the following sections:

Below is an overview of the components of remuneration of the Senior Executives and Non-Executive Directors. Further details on each remuneration component are set out in the corresponding page in the Remuneration Report.

Table 1 Components of remuneration

Remuneration component		Participants	
		Senior Executives	Non-Executive Directors
Fixed	**Fixed remuneration**	☑ (page 33)	
	Fees		☑ (page 39)
Short Term Incentive		☑ (page 33)	
Long Term Incentive		☑ (page 35)	
Post-employment	**Superannuation**	☑ (page 41)	☑ (page 39)

Key definition

The term 'Senior Executives' is used throughout this Remuneration Report to mean the group of executives consisting of:

- the Chief Executive Officer (CEO) and Managing Director; and
- key management personnel (KMPs) with authority and responsibility for planning, directing and controlling the activities of the Group during the Reporting Period.

Remuneration Report

The following table lists all the Senior Executives referred to in this Remuneration Report.

Table 2 Senior Executives

CEO and Managing Director	
JR Odell	CEO and Managing Director
Executive KMP	
A Korsanos	Chief Financial Officer, Corporate Services and Company Secretary
M Sweeny	Chief Commercial Officer (Commenced on 22 September 2014)
Former KMP – Continuing in office	
TJ Croker	Managing Director, Australia and New Zealand (ANZ) and Asia Pacific (As a result of a change in reporting line from the CEO and Managing Director to the Chief Commercial Officer, TJ Croker ceased to be a KMP within the definition of section 300A(1)(c) of the Act on 22 September 2014)
Former KMP – Cessation of office	
A Bali	President, Americas (Ceased office 31 March 2014)

Section 1 Executive Summary

The Group aims to deliver sustainable, superior returns to its shareholders. The remuneration strategy adopted by the Group is a key driver in achieving these objectives and in attracting, motivating, rewarding and retaining senior management. As such, the Group has developed a remuneration framework that is aligned with the Group's business strategy, is globally relevant, performance and outcome driven, competitive and transparent.

1.1 Implications of the change of financial year-end

As set out in Section 5 of this Remuneration Report, the Group's remuneration framework is aligned to Group performance and value growth for shareholders. As a result, the 'at-risk' component of total target remuneration is linked to Group performance over one or more financial reporting periods. As a result of the change to the Group's financial year-end (the first of which occurred on 30 September 2012 resulting in a nine month reporting period), certain transitional arrangements (as detailed in the 2012 Remuneration Report) were approved by the Board to ensure that remuneration continued to be linked to underlying performance. Other than with respect to the Long Term Incentive (LTI) plan (as set out below), these transitional arrangements have now been completed.

The 2013 Remuneration Report did not reflect the assessment of the 2011 LTI grant as the performance period (being three years to 31 December 2013) concluded after the end of that reporting period. Details of the vesting outcomes of 2011 LTI were announced to the market on 31 January 2014 and are set out in Section 1.4 below.

Similarly, as vesting of the 2012 LTI grant cannot be determined until the conclusion of the performance period (being three years to 31 December 2014), no LTI vesting with regard to this grant is reported in Table 5. Table 16 reflects the accounting accruals for LTI grants made during 2012, 2013 and 2014.

The 2012 Remuneration Report noted that the growth targets set by the Board for the 2012 LTI award (Relevant EPS) will be disclosed in the remuneration report published in respect of the year in which PSR vesting is tested (i.e. the Remuneration Report for the financial year ending 30 September 2015). However, to ensure timely disclosure, an announcement with regard to targets and assessment of the 2012 LTI award will also be made prior to the Annual General Meeting (AGM) in February 2015.

1.2 Remuneration initiatives

The Board and management are mindful of the challenging economic and business environment facing the Group and the extensive public debate on remuneration practices. A review of the Group's remuneration practices, including the variable pay programs, was completed in 2010 in order to align remuneration programs with business goals and outcomes and sustainable superior shareholder returns. These refinements were implemented during the 2010 and 2011 calendar years.

The integrity of the Group's remuneration structure following the implementation of these refinements meant significant changes were not required during the Reporting Period. However, some adjustments to aspects of the Group's remuneration framework and practices were made to further align remuneration structures with Company strategy and enhance remuneration governance. The principal changes were:

STI performance metrics – one of the performance metrics under the 2014 STI plan has been changed from Average Funds Employed (AFE) to Free Cash Flow (FCF) (measured as operating cash flow against an NPAT conversion rate set by the Board). The Board considered an FCF metric to be more appropriate in driving working capital improvement.

Long Term Incentives (LTI) – the methodology for both the Total Shareholder Return (Relative TSR) and Earnings Per Share (Relevant EPS) performance metrics were slightly modified. Relative TSR is measured against the constituents of the ASX100 index at the start of the performance period (rather than the index itself), while the Relevant EPS metric is a compound annual growth rate (CAGR) measured on a point-to-point basis (rather than an aggregate NPAT target). These changes reflect current market practice.

CEO Total Target Remuneration – following a review by the Board, Mr Odell's total target remuneration (TTR) increased during the Reporting Period from $3.48 million to $4.3 million. The Board also amended Mr Odell's pay mix percentages (fixed/short-term/long-term) from 40/20/40 to 38/38/24. This change resulted in the percentage of Mr Odell's 'at risk' compensation increasing from 60% to 62%.

The Group is listed on the ASX. Following the acquisition of Video Gaming Technologies Inc. (VGT), the majority of its revenue will be generated from the United States (U.S.) and a majority of its senior leadership team will be U.S. based. The Board reviewed market data and executive remuneration practices in Australia and the U.S. during the Reporting Period and identified some meaningful differences, primarily in the design of long term incentive programs. The Board concluded that for the 2015 financial year, it would be appropriate to consider taking a balanced approach to these differences in a way that considers the norms of both countries and results in a market-competitive long term incentive plan as a key component of a market-competitive executive remuneration approach.

1.3 Overview of Senior Executive remuneration approach and framework

The key features of the Group's Senior Executive remuneration framework are outlined below. Detail is provided in Section 3 of this Remuneration Report.

Fixed/variable 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.

Market positioning – Senior Executives receive competitive fixed remuneration comprising cash salary, superannuation and other benefits which make up the 'fixed remuneration' component of their total remuneration package. Fixed remuneration is reviewed annually against the external market and compared to similar roles from a specifically identified peer group of companies for each role to ensure competitive positioning.

Short Term Incentive (STI) program – The STI program provides rewards for achievement of financial performance goals (the 'Business Score') and individual performance goals (the 'Individual Performance Score') during the performance period.

Senior Executives can earn between nil and 200% of that Senior Executive's target STI, subject to the satisfaction of business and individual performance objectives.

For Senior Executives participating in the STI program, part of the STI is delivered in cash and the remainder is deferred for up to 24 months as an equity award. As Share Rights are granted at the conclusion of the performance period (i.e. following testing of the performance criteria) and are then used as a retention tool, the Board has determined that an amount (based upon the dividends paid by the Company during the deferral period) will accrue on the Share Rights and will be paid in cash at the end of the deferral period to the extent that the Share Rights vest.

Long Term Incentive (LTI) program – The LTI program provides participants with grants of performance share rights (PSRs) that vest based on the Company's three year:

(i) total shareholder return of the Company relative to the return of the constituents of the S&P/ASX 100 Index at the commencement of the performance period (in relation to thirty percent (30%) of the PSRs granted); and

(ii) growth in normalised earnings per share from operating activities compared to targets set by the Board (in relation to 70% of the PSRs granted).

Any PSRs which vest will be converted automatically into fully paid ordinary shares. Holders of LTI PSRs are not entitled to dividends until the rights have vested and converted into shares.

1.4 Remuneration outcomes for the Reporting Period

2011 LTI outcomes

As set out in Table 3 below, the Relative TSR component of the 2011 LTI (30% of total grant) vested during the Reporting Period as the Group's TSR exceeded the S&P/ASX 100 Index by more than 10% per year compound. The Group's three year EPS CAGR of 20.5% fell short of the Threshold set by the Board and therefore the Relevant EPS component of the 2011 LTI (70% of total grant) was forfeited.

Table 3 Outcomes of 2011 LTI

Relative TSR (30%)

1 Jan 2011 to 31 Dec 2013	Outcomes
Compound annual TSR on the S&P/ASX 100 Accumulation Index	9.26%
Aristocrat compound annual TSR	19.70%
TSR vesting percentage (of the 30%)	**100%**

Relevant EPS (70%)

1 Jan 2011 to 31 Dec 2013	Threshold EPS Target	Maximum EPS Target	Actual Outcome
Compound Annual Growth Rate (CAGR)[1]	33.7%	45%	20.5%
EPS vesting percentage	**50%**	**100%**	**0%**

Total percentage of vesting under the 2011 LTIP	**30%**

1. Based on an aggregate three year NPAT calculated using information reported for the (i) 12 months to 31 December 2011; (ii) 9 months to 30 September 2012; and (iii) 12 months to 30 September 2013, together with management accounts for the 3 months to 31 December 2013.

2014 STI outcomes

110% of Group target STI was awarded for the 12 months to 30 September 2014 and included awards to staff involved with the execution and integration of the acquisition of Video Gaming Technologies Inc. (VGT). This acquisition will enhance shareholder value through delivery of EPS accretion and will also generate significant free cash flows as well as support future investment in growth opportunities.

Table 16 provides full details of the 2014 short term incentive awards for Senior Executives.

Individual key performance objectives are determined for each Senior Executive to deliver the Group's short-term and long-term success, in line with the business plan. The table below sets out an example of key areas of focus during the Reporting Period:

Table 4 Senior Executive KPOs

Key Performance Objective	Commentary
Financial results	Normalised profit after tax $118.1 million representing a 10.2% increase on the prior corresponding period (1.3% in constant currency)
Value-based leadership, behaviours and developing people	Improved organisational culture and internal communications program Increased level of talent and capability across the Group Intensive leadership program undertaken by extended leadership team Focus on cascading the Group's core values and behaviours
Execution of strategic priorities	Announcement of the acquisition of Video Gaming Technologies Inc. which will transform the scale of the Group's gaming operations business, Aristocrat's largest single value opportunity and a key strategic priority. Building a highly complementary product suite across Class III, Casino Management Systems and Class II and preserving the Company's options to pursue future acquisitions in key growth segments (including digital) given the combined strength of free cash flows.
Product innovation and great game content	Strong Global Gaming Expo (G2E) showing – *"Aristocrat had the best overall showing at this year's G2E including both innovative hardware designs and premium leased games …"* (Eilers Research 6 October 2014) *The Walking Dead Slot Game*™ named Casino Product of the Year in the Global Gaming Awards
Product quality and delivery	Appointment of Global Quality Manager Achievement of targeted improvements in delivery in full on time (DIFOT) metrics Improved regional product delivery and go to market capability
Safety, health and environment	Roll-out of OHS training workshops Increased awareness among line managers about their role in safety, particularly timely injury reporting Introduction of lead indicator reporting and measuring systems Reduction in workers' compensation claims

Disclosures under Listing Rule 4.10.22

In accordance with Listing Rule 4.10.22, during the Reporting Period Australian Executor Trustees Limited on behalf of the Aristocrat Employee Equity Plan Trust acquired a total of 1,139,547 Aristocrat Leisure Limited shares at an average price of $4.43 per share. These securities were acquired to satisfy the Company's obligations under the various equity plans. No securities were purchased or allocated by the Company to any Director or related party during the Reporting Period.

1.5 Disclosure of actual payments

Table 5 below sets out the actual value of remuneration received by Senior Executives for the Reporting Period, derived from the various components of their remuneration. The information in the table is different from that which appears in Table 16. Table 16 is prepared in accordance with the Corporations Act and measured in accordance with accounting standards and includes expense amounts for items such as PSRs awarded in the current and prior financial years and other amounts which are expensed over the period in which they vest or before the period paid.

Table 5 Summary of actual payments

	Total fixed remuneration $	Cash STI[1] $	Deferred STI vested[2] $	LTI vested[3] $	Other[4] $	Total $
CEO and Managing Director						
JR Odell						
12 months to 30 Sept 2014	**1,649,822**	**1,622,500**	**945,663**	**1,392,300**	**99,219**	**5,709,504**
12 months to 30 Sept 2013	1,371,497	658,100	140,089	–	44,026	2,213,712
Executive KMP						
A Korsanos						
12 months to 30 Sept 2014	**637,500**	**552,000**	**378,506**	**251,592**	**33,975**	**1,853,574**
12 months to 30 Sept 2013	569,548	290,000	57,787	–	13,063	930,398
M Sweeny[5]						
12 months to 30 Sept 2014	**17,688**	**–**	**–**	**–**	**280,584**	**298,272**
12 months to 30 Sept 2013	–	–	–	–	–	–
Former KMP – Continuing in office						
TJ Croker[6]						
12 months to 30 Sept 2014	**555,404**	**234,740**	**261,664**	**247,943**	**24,590**	**1,324,341**
12 months to 30 Sept 2013	561,972	238,000	43,779	–	9,340	853,091
Former KMP – Cessation of office						
A Bali[7]						
12 months to 30 Sept 2014	**347,651**	**–**	**40,625**	**–**	**685,997**	**1,074,274**
12 months to 30 Sept 2013	559,981	324,376	–	–	22,237	906,594
TOTAL						
12 months to 30 Sept 2014	**3,208,065**	**2,409,240**	**1,626,460**	**1,891,835**	**1,124,365**	**10,259,965**
12 months to 30 Sept 2013	3,062,998	1,510,476	241,655	–	88,666	4,903,795

1. The amount includes the cash component of the VGT incentives. In relation to the '12 months to 30 September 13', as a result of the change to the financial year-end, this figure represents the cash STI awards attributable to an aggregate 21 month period (i.e. awards for both the 12 months to 31 December 2012 and the nine months to 30 September 2013).

   Details of the Group's STI program are outlined in Section 3.2.1.
2. The amount reflects the value of Deferred STI share rights from previous years that have vested in the financial year determined using the closing price of the Company's shares on the vesting date. For this Reporting Period, these amounts reflect the second tranche (50%) of the 2011 Deferred STI share rights and the first tranche (50%) of the 2012 Deferred STI share rights which vested on 31 December 2013 (closing share price $4.69). The grant price of these share rights was $2.27 and $3.13 respectively, determined using the five day VWAP up to and including the end of the relevant performance period, being 31 December 2011 and 31 December 2012.
3. This figure represents the value of long term incentives that have vested during the Reporting Period and determined using the closing price of the Company's shares on the vesting date. For this Reporting Period, these amounts reflect the Relative TSR component of the 2011 LTI which vested on 31 January 2014 (closing share price $4.55). The fair value at the date of grant was $1.58.

   This figure excludes the value of unvested performance share rights issued in respect of long term incentives granted in the 2012, 2013 and 2014 financial years that may vest in future financial years.

   Details of the Group's LTI program are outlined in Section 3.2.2.
4. This figure includes long service leave accruals, non-monetary benefits and the value of any notional dividends in respect of Deferred STI share rights which vest in the Reporting Period.

5. M Sweeny joined the Company on 22 September 2014. Other amounts include $168,350 to compensate M Sweeny for the amount required to be repaid to her former employer due to her resignation and a gross relocation payment of $112,233.
6. Amounts disclosed above only include amounts paid to TJ Croker in his position as KMP (i.e. up until 22 September 2014).
7. A Bali left the Company on 31 March 2014.
   The 'Other' amount includes A Bali's contractual entitlement of 12 months fixed remuneration ($511,468), a contractual entitlement of $103,026 for relocation costs, and cash amounts representing accrued long service leave and annual leave paid to A Bali upon cessation of office.

1.6 Overview of Non-Executive Director remuneration

The key features of the Non-Executive Director remuneration framework are outlined below. Detail is provided in Section 4 of this Remuneration Report.

Market comparisons – Non-Executive Directors are paid a base fee (inclusive of superannuation and committee membership) for service to the Board. The Chair of each committee receives an additional fee for that service. Fees are not linked to the performance of the Group, in order to maintain the independence and impartiality of the Board. The fees are set with consideration to fees paid in companies of a similar size and complexity and the onerous probity requirements placed on Non-Executive Directors by regulators of the global jurisdictions in which the Group operates.

Fee pool – Non-Executive Directors' fees are set by the Board within the maximum annual aggregate amount (fee cap) of $2,000,000 approved by shareholders at the AGM in February 2013. Prior to this, the annual fee cap was $1,750,000.

Other benefits – 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. The Group does not make sign-on payments to new Non-Executive Directors. No retirement allowances are payable to Non-Executive Directors.

Section 2 Human Resources and Remuneration Committee

Details of the composition and responsibilities of the Human Resources (HR) and Remuneration Committee are set out in the Corporate Governance Statement. These responsibilities include making recommendations to the Board on Non-Executive Director and executive remuneration pay, policy and structure.

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

During the Reporting Period, EY provided independent advice to the Board in its review of remuneration arrangements. Remuneration advisers are engaged by the Chairman of the HR and Remuneration Committee with an agreed set of protocols to be followed by the advisers, the HR and Remuneration Committee and management that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there could be no undue influence by KMP for whom any recommendations may relate.

No remuneration recommendations, as defined by the Corporations Act 2001[1], were made by the remuneration advisers during the Reporting Period. The Board is satisfied that the remuneration information received from EY was free from undue influence by Board members or any of the KMP to whom the information relates.

1. A Remuneration Recommendation is a recommendation about (i) how much remuneration should be and/or (ii) what elements the remuneration should have, for members of the Group's key management personnel (KMPs). It does not include the provision of market data, advice about the operation of the law or accounting principles or the provision of information of a general nature relevant to all employees of the Group.

Section 3 Senior Executive remuneration policy and structure

3.1 Board policy on Senior Executive remuneration

Aristocrat's Senior Executive remuneration approach is designed to remunerate executives for increasing shareholder value and achieving financial targets and business strategies. As a global organisation, it is also set to attract, retain and motivate appropriately qualified and experienced executives in each relevant labour market. Accordingly, the Board considers it desirable for remuneration packages of Senior Executives to include 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 HR and Remuneration Committee has recommended, and the Board has adopted, a policy that remuneration will:

(a) 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;

(b) provide a common interest between executives and shareholders by aligning the rewards that accrue to management to the creation of shareholder value; and

(c) be competitive in the markets in which the Group operates in order to attract, motivate and retain high calibre executives.

The Board also considers it important that key employees have ongoing share ownership in the Company through the award of performance share rights (PSRs).

3.2 Components of remuneration for Senior Executives

As indicated above, current remuneration for Senior Executives comprises fixed remuneration, a short term incentive and a long term incentive (as demonstrated diagrammatically below).

Table 6 Components of remuneration

Market competitive	Annual performance-based	Shareholder interest aligned
Attract and retain executive talent in a highly competitive global market	Reward for contribution to annual Group, business unit outcomes and achievement of personal objectives	Reward for long-term shareholder value creation

Total remuneration

Fixed remuneration Between 38-50% of total target annual remuneration	**Performance-based 'at-risk' remuneration** Between 50-62% of total target annual remuneration	
– Comprising cash salary, superannuation and other benefits – Positioned comparably to other companies of similar market capitalisation and global competitors	**Short Term Incentive program** Targets linked to annual performance at a: – Group level – Business unit level – Individual level	**Long Term Incentive program** Performance condition based on: – Total shareholder return – Earnings per share growth

Creation of high performance culture

The Group's remuneration policy requires that remuneration levels properly reflect the duties and responsibilities of Senior Executives. Typically, when Senior Executives meet target levels of performance, the combined elements of remuneration are designed to provide remuneration at the market median. For superior performance, the Group aims to remunerate Senior Executives in the range between the market median and the 75th percentile for total remuneration, in comparison to benchmark companies for each role. Factors such as the comparative size of the role and the individual's experience in the role are considered in setting remuneration levels relative to the policy.

The Board aims to achieve a balance between fixed and performance related components of remuneration. The actual remuneration mix for the Senior Executives will vary depending on the level of performance achieved at a Group, business unit and individual level. Where stretch targets for short term and long term incentives are met, then the proportion of total remuneration derived from at-risk components will be higher. This higher weighting of performance related remuneration reflects the Board's commitment to performance-based rewards.

The relative target proportions of Senior Executive remuneration that are at-risk and those that are fixed are as follows:

Table 7 Details of remuneration: fixed and at-risk as a percentage of target remuneration

Name	Fixed remuneration %	At-risk – STI %	At-risk – LTI[1] %	Total %
CEO and Managing Director				
JR Odell	38	38	24	100
Executive KMP				
A Korsanos	45	32	23	100
M Sweeny	48	29	23	100
Former KMP – Continuing in office				
TJ Croker	50	28	22	100
Former KMP – Cessation of office				
A Bali	40	30	30	100

1. Represents the target remuneration package value at grant assuming all performance conditions have been met, excluding any contractual severance entitlements.

For full details of Senior Executive remuneration for the Reporting Period, refer to Table 16.

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

Fixed remuneration is reviewed annually against the external market and compared to similar roles from a specifically identified peer group of companies. The international nature of the Group's operations and the global responsibilities of the Senior Executives, in addition to the mix of knowledge, skills, experience and performance, are considered when determining remuneration. The onerous probity requirements placed on certain Senior Executives by regulators of the global jurisdictions in which the Group operates are also considered in determining remuneration levels.

Senior Executives have the choice to have a combination of benefits including additional superannuation contributions and the provision of a vehicle provided from their fixed remuneration.

Senior Executives also receive other benefits, including salary continuance, trauma, and 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.

Senior Executives do not receive retirement benefits other than those disclosed in Table 12.

3.2.1 Short Term Incentive (STI) program
What is the STI and who participates?
The STI program is an annual incentive program that, in respect of Senior Executives, may involve a cash and/or equity-based reward, payable subject to the satisfaction of performance conditions.

Participants in the STI include Senior Executives and other employees who hold positions that are identified as being able to directly influence the Group's performance.

What are the maximum and minimum amounts that Senior Executives can earn under the STI?
Senior Executives can earn between nil and 200% of that Senior Executive's target STI, subject to the satisfaction of business and individual performance objectives.

As set out in Table 7, the target STI of a Senior Executive will vary from 28% to 38% of their total remuneration depending on the role, seniority of the individual and geographical location.

No payment is made under the STI program if minimum performance across the Group (i.e. the 'Business Score', as defined below) does not meet the required threshold, being the achievement of a Business Score of 85% or greater. 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.

3.2.1 Short Term Incentive (STI) program continued

What are the maximum and minimum amounts that Senior Executives can earn under the STI? *continued*

Equally, no payment is made unless individual performance objectives are achieved at a satisfactory level, signified by the Board approving an Individual Performance Rating of 'Meets Most Requirements' or better. The Individual Performance Rating is further explained below.

In combination, incentive opportunities increase with improved Business and Individual performance with higher range payments achievable when both the Business and the Individual have performed at a superior level.

What are the performance objectives for Senior Executives participating in the 2014 STI program?

The performance conditions for Senior Executives participating in the 2014 STI program are the 'Group Score' and the Senior Executive's 'Individual Performance Rating'. A matrix of these performance conditions determines the final incentive payable.

For regional participants (below the Executive Leadership Team level), the Business Score is a combination of the Group Score and the Regional Score while for corporate participants the Business Score is the Group Score.

The Business Score is determined as set out in the table below:

Table 8 Business Score

Business Score The Business Score is a combination (average) of the Group Score and the Regional Score.	
Group Score (50%)	**Regional Score** (50%)
– Net Operating Profit After Tax (NOPAT) – Free Cash Flow (conversion rate against NPAT) (FCF)	– Local currency Earnings Before Interest and Tax (EBIT) – Local Free Cash Flow (conversion rate against local EBIT) (RFCF)

The Individual Performance Rating is an assessment of the performance of each Senior Executive against key performance objectives specific to their role and responsibilities. The Individual Performance Score has four ratings and ranges from 'Underperforms' (lowest) to 'Exceeds Requirements' (highest).

The actual award received by a Senior Executive will be based on the following:

- Underperforms = 0% of their Incentive Opportunity
- Meets Most = 40-80% of their Incentive Opportunity
- Meets All = 80-120% of their Incentive Opportunity
- Exceeds = 120–160% of their Incentive Opportunity

What are the Individual Performance Ratings?

The following ratings summary is used to assess individual performance for all STI program participants:

Table 9 Individual Performance Ratings

Underperforms	Meets Most Requirements	Meets Requirements	Exceeds Requirements
– is not meeting many of the inherent requirements of the job and/or delivering the expected results – is not exhibiting some or many of the corporate behaviours	– has achieved most, but not all, of their objectives – exhibiting some of, but not all of, the corporate behaviours – may be new to role and demonstrating strong potential	– meets the expectations of their job – clearly and consistently demonstrates the corporate behaviours	– has achieved all of their stretch objectives at a superior level – role models the corporate behaviours
STI eligibility			
Not eligible for STI. Executive has underperformed.	Limited STI eligibility subject to business performance.	Target range STI eligibility subject to business performance.	Expanded STI eligibility subject to business performance.

Individual key performance objectives are determined for each Senior Executive to deliver the Group's short-term and long-term success, in line with the business plan. See Table 4 for more details.

Why were these performance conditions chosen?
The Board considers these performance measures to be appropriate as they are aligned with the Group's objectives of delivering profitable 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. Financial targets are established following Board review and approval of the annual plan for the following year.

Who assesses performance and when?
In respect of the performance of the CEO and Managing Director, the Board assesses performance against the performance conditions with the benefit of advice from the HR and Remuneration Committee.

In respect of the Senior Executives (other than the CEO and Managing Director), the CEO and Managing Director assesses the Senior Executive'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.

The assessment process as set out above is consistent with current market practice.

Is the STI a cash award and when is it paid?
For Senior Executives participating in the STI program, part of the STI is delivered in cash and the remainder is deferred as an equity award. If an STI award is at target, a minimum of 50% of the award will be deferred as an equity award (Share Rights). The Board has the discretion to determine the percentage which will be deferred as an equity award if the award is less or greater than target. During the deferral period, dividends will be accrued and will be paid at the end of the deferral period to the extent that the Share Rights vest.

Once the HR and Remuneration Committee recommends and the Board determines that the performance conditions have been met, the payment of cash and the grant of rights in the Company's shares (Share Rights) will also then be approved.

Fifty percent (50%) of the Share Rights granted to the Senior Executive will vest after one year and the remaining 50% will vest after two years. There will be no additional performance conditions applicable to the vesting of the Share Rights to the Senior Executive, with the exception of the continued employment by the Senior Executive with the Group (see below for further information on forfeiture of Share Rights).

The Share Rights will be issued at the volume-weighted average price (VWAP) over the five trading days immediately prior to and including the last day of the performance period (for the 2014 STI this was 30 September 2014).

Can the Share Rights be forfeited?
Unvested Share Rights will be forfeited if the Senior Executive leaves the Group's employment. The Board has discretion to determine otherwise for a 'Qualifying Reason' (such as death, redundancy or if the participant is a 'good leaver') or any other reason. 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 the Company.

Specific information relating to the percentage of the STI which was paid and the percentage that was forfeited for the Senior Executives is set out in Table 16.

Is there a clawback mechanism?
The Group's STI program rules contain clawback provisions which apply to awards from the financial year commencing 1 January 2011 onwards. Pursuant to the provisions, 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 claw back STI payments from deferred amounts and (if necessary) future earnings of the CEO and Managing Director and Executive Leadership Team. The Board considers that the clawback provisions enhance the Group's remuneration governance framework by providing an additional control to ensure reward is aligned to performance and shareholder interests.

3.2.2 Long Term Incentive (LTI) program
This section summarises the terms of the 2014 LTI program (Series 25 and 26).

What is the LTI?
The LTI program links reward with ongoing creation of shareholder value through the grant of equity instruments known as 'performance share rights' (PSRs). Each PSR granted will entitle the participant to one ordinary share in the Group, subject to satisfaction of performance conditions.

Details of the grants made to Senior Executives during the 2014 financial year are set out in Table 18.

Who participates in the LTI?
Participants in the LTI program include Senior Executives as well as any employee of the Group who is invited by the Board to participate. Following the most recent review of incentive arrangements across the Group, the Board determined that participation in the LTI program will be limited to the Executive Leadership Team (ELT) in 2014. Details of the ELT can be found on the Group's website www.aristocratgaming.com.

What are the key terms of the PSRs?
PSRs are granted at no cost to the participant. Each PSR granted will entitle the participant to one ordinary share in the Company, subject to satisfaction of performance conditions set by the Board in respect of the grant.

If the relevant performance conditions are satisfied at the end of the performance period, then the PSRs will vest automatically and fully paid shares in the Company will be allocated to the participant at no cost.

3.2.2 Long Term Incentive (LTI) program continued
What are the key terms of the PSRs? *continued*

PSRs granted under the plan are not transferable. Participating Senior Executives are prohibited from entering into hedging arrangements in respect of unvested PSRs.

Performance measures, the designated performance period and the quantity of the PSRs offered to each participant are determined by the Board on advice from the HR and Remuneration Committee. Further information in relation to the performance conditions and performance periods is set out below.

Why does the Board consider the LTI to be an appropriate incentive?
The LTI facilitates share ownership by the Senior Executives and other key employees and links a significant proportion of their potential remuneration with the key performance drivers which underpin sustainable and superior shareholder returns.

How is the number of PSRs determined?
The actual number of PSRs to be granted to a Senior Executive will be determined by dividing their 'LTI Opportunity' in current dollar terms by the Estimated Fair Value of the rights at the start of the performance period (being 1 October 2013 for the 2014 LTI grant).

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.

The Estimated Fair Value is based on an accounting valuation performed by an independent third party. The Estimated Fair Value will not be equal to the market value of a share at the commencement of the performance period as PSRs are contingent rights to shares in the future. The Estimated Fair Value at the commencement of a performance period is influenced by the Company's share price, the volatility of the underlying shares, the risk-free rate of return, the expected dividend yield, the time to maturity and the likelihood that vesting conditions will be met.

What are the performance conditions for the PSRs?
The Board has determined that the following performance metrics will apply to 2014 PSR grants:

- total shareholder return of the Company relative to the return of the constituents of the S&P/ASX 100 Index at the commencement of the performance period (Relative TSR) in relation to thirty percent (30%) of the PSRs granted; and
- earnings per share growth compared to a target set by the Board at the commencement of the performance period (Relevant EPS) in relation to 70% of the PSRs granted.

Series 25 and 26 PSRs were granted in 2014. The performance period for Series 25 and 26 is 1 October 2013 to 30 September 2016.

Table 18 sets out further information on the PSRs granted to Senior Executives in 2014.

How is the number of vested PSRs determined?
Series A – Relative TSR performance condition (30% of total PSRs)
Relative TSR performance will be assessed over a three year period which will commence at the start of the financial year during which the PSRs are granted.

In order for any of the PSRs to vest pursuant to the Relative TSR performance condition, the Company's compound TSR (calculated by reference to share price appreciation plus dividends) must be equal to or greater than the compound TSR return of constituents of the S&P/ASX 100 Index, defined at the commencement of the performance period.

The link between the Company's TSR performance and the percentage of the PSRs which will vest pursuant to the Relative TSR performance condition is represented in the following table:

Table 10 TSR vesting percentages

Company TSR ranking against the Comparator Group	% of vesting of PSRs
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%

Series B – Relevant EPS performance condition (70% of total PSRs)
The Relevant EPS performance condition is measured by comparing the Company's compound annual EPS growth rate (CAGR) over a three year period (1 October 2013 to 30 September 2016) against the 'minimum' EPS growth and the 'maximum' EPS growth thresholds, as set by the Board at the beginning of the performance period.

Relevant EPS 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.

EPS will be calculated by dividing the Company's normalised profit after tax (NPAT) for the relevant reporting period by the weighted average number of ordinary shares of the Company for that period. Normalised profit after tax is statutory profit after tax, excluding the impact of certain significant items (significant items are items of income or expense which are either individually, or in aggregate, material to the Company 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).

The EPS targets set by the Board for the performance period will be disclosed in the remuneration report published in respect of the year in which PSR vesting is tested.

As the Relevant EPS component is determined as the aggregate EPS performance over a three year period, the extent of vesting of the EPS component of the LTI cannot be determined until the conclusion of the three year performance period.

The link between the Company's EPS performance and the percentage of the PSRs which will vest pursuant to the Relevant EPS performance condition is represented in the following table:

Table 11 EPS vesting percentages

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

Why were these performance conditions chosen?
The Board selected Relative TSR as a performance measure on the basis that it:

- ensures an alignment between comparative shareholder return and reward for the executive; and
- provides a relative, external, market-based performance measure against those companies with which the Company competes for capital and talent.

The Board selected Relevant EPS as a performance measure on the basis that it:

- is a relevant indicator of increases in shareholder value; and
- is a target that provides a suitable line of sight for executives.

The Board considered these measures appropriate to enhance the linkage of long-term shareholder wealth to long term remuneration outcomes. Relative TSR rewards Senior Executives when the Company achieves above average shareholder returns relative to performance of companies on the S&P/ASX 100 Index, while Relevant EPS rewards Senior Executives for profit growth in real terms.

The Board's rationale for weighting the performance conditions 70% to EPS and 30% to TSR are as follows:

- Relevant EPS is more reflective of true Group and executive performance when targeting long term sustainable growth following the Group's turnaround program;
- the inherent volatility of the gaming industry makes relative measures less indicative of underlying performance (the hurdle is usually either missed or exceeded by a significant degree);
- the ASX has only a limited number of gaming industry companies;
- as Aristocrat continues to increase its presence in global markets, it is increasingly relevant to look beyond ASX listed companies for meaningful performance comparisons. The Board will take these factors into consideration when setting EPS thresholds; and
- the need to maintain relevance of the LTI program for US participants.

3.2.2 Long Term Incentive (LTI) program continued

Who assesses performance and when?

Relative TSR and Relevant EPS results are calculated by the remuneration adviser, as soon as practicable after the end of the relevant performance period. The remuneration adviser's calculations are considered by the Board to determine vesting outcomes. This process is consistent with current market practice.

Is there any retesting of performance conditions?

The performance conditions are tested only at the end of the performance period. There is no retesting of performance conditions.

Are the shares granted upon vesting of PSRs subject to restrictions?

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

Are the shares issued or acquired on-market?

It is the current policy of the Group to acquire shares on-market to satisfy the vesting of PSRs. The Board also has discretion to issue new shares to satisfy vesting of PSRs when they believe it to be appropriate.

What happens if the Senior Executive ceases employment during the performance period?

If a participant in the LTI program ceases employment with the Group during the first 12 months of the performance period, regardless of whether it is because of a 'Qualifying Reason' (such as death, redundancy or if the participant is a 'good leaver') or otherwise, then any PSRs in relation to that performance period will lapse.

If a participant ceases employment with the Group after the first 12 months of the performance period and the cessation is due to:

- a 'Qualifying Reason' (as defined in the LTI Plan Rules and includes death, total and permanent disability, redundancy or if the Board determines that the participant is a 'good leaver'), the Board may determine in its absolute discretion that some or all of the PSRs in relation to that performance period remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period; and
- any other reason than because of a 'Qualifying Reason', any PSRs in relation to that performance period will lapse.

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 the Company.

Where a participant acts fraudulently, dishonestly or is, in the Board's opinion, in breach of his or her obligations to the Group, then any unvested PSRs will lapse and any shares in the Group allocated but not yet withdrawn pursuant to the terms of the LTI Plan Rules will be forfeited.

3.3 Service agreements

The remuneration and other terms of employment for the Senior Executives are formalised in service agreements, which have no specified term. Each of these agreements provide for performance related bonuses under the STI program (the terms of which are described in Section 3.2.1), and participation, where eligible, in the Group's LTI program (the terms of which are described in Section 3.2.2). Other major provisions of the service agreements of the Senior Executives are as follows:

Table 12 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
Executive KMP				
A Korsanos	3 months	3 months	6 months (fixed remuneration)	6 months
M Sweeny	3 months	–	12 months (fixed remuneration)	12 months
Former KMP – Continuing in office				
TJ Croker	3 months	3 months	6 months (fixed remuneration)	6 months
Former KMP – Cessation of office				
A Bali	3 months	–	12 months (fixed remuneration)	12 months

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

3.4 Share trading policy

The Group'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 the Company's securities and from using Company securities as security for a margin loan or similar funding arrangements.

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

Section 4 Non-Executive Director remuneration

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

4.1 Board policy on Non-Executive Director remuneration

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 adviser 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.

4.2 Components and details of Non-Executive Director remuneration

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

Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of A$2,000,000 approved by shareholders at the AGM in February 2013.

Table 13 below shows the structure of fees payable to Non-Executive Directors during the Reporting Period.

Table 13 Non-Executive Director fees

Board fees per annum	Committee Chair fees
A$200,000 for Non-Executive Director[1] A$425,000 for Chairman[2]	Additional A$15,000 for Committee Chair[2]

1. Inclusive of statutory superannuation obligations made on behalf of Australian-based Non-Executive Directors and committee membership.
2. Inclusive of statutory superannuation obligations and all committee service.

The regulatory requirements of the environment in which the Company 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. These requirements are taken into account in determining the fees payable to Non-Executive Directors.

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.

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

The remuneration details of Non-Executive Directors for the Reporting Period are set out in Table 20.

Section 5 Link between remuneration and Group performance

As detailed in Sections 3.2.1 and 3.2.2, various elements of the Group's remuneration policy are linked to Group performance, in particular, the achievement of the 'Business Score' set by the Board under the Short Term Incentive (STI) program (being Net Operating Profit After Tax and Free Cash Flow targets) and the Earnings per Share and Total Shareholder Return targets set by the Board under the Long Term Incentive (LTI) program.

When target performance is achieved, target executive rewards are earned. When above target STI performance is achieved, executives earn above target rewards.

Over the past five financial years, the Group's remuneration policy has been aligned to Group performance and value growth for shareholders. For example, in 2011, the Board considered it appropriate to make half of the cash pool available for total STI payments. This decision was made to provide incentives for executives to deliver an improvement in Group performance over the 2010 result, while recognising that the 2011 result continued to be below historical performance trends.

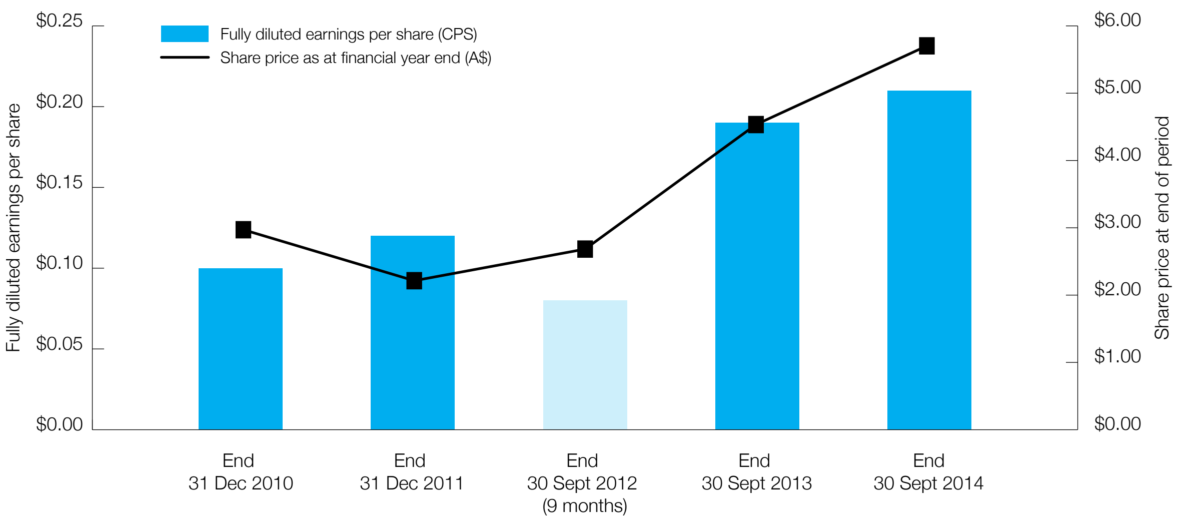
In the current Reporting Period, the Company announced the acquisition of Video Gaming Technologies Inc. (VGT) which will enhance shareholder value through delivery of normalised EPS accretion and will also generate significant free cash flows which will support future investment in growth opportunities. Awards have been made in recognition of the benefits which this acquisition will bring to the Company and its shareholders. The table and graph below set out information about movements in shareholder wealth for the financial years ended 31 December 2010 to 30 September 2014. Further details about the Group's performance over this period can be found in the Five Year Summary contained in this Annual Report.

Table 14 Summary of movement in shareholder wealth

	12 months to 30 Sept 2014	12 months to 30 Sept 2013	9 months to 30 Sept 2012[1]	12 months to 31 Dec 2011	12 months to 31 Dec 2010
Share price as at financial year end (A$)	5.84	4.62	2.69	2.20	2.99
Total dividends paid (cps)	16.0	14.5	6.0	6.5	5.0
Fully diluted earnings per share (cps)[2]	20.7	19.4	8.3	12.3	10.3
Total shareholder return (%)[2]	29.9%	77.0%	25.0%	–24.2%	–24.4%
Short term cash incentives (% of maximum Group target)	110%	66%	100%	27%	0%
Long term incentives (% vesting)	30%	0%	0%	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 LTIP 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.

Table 15 Graph of movement in shareholder wealth



Section 6 Remuneration tables and data

6.1 Details of Senior Executive remuneration

The following table reflects the accounting value of remuneration attributable to Senior Executives, derived from the various components of their remuneration. This does not necessarily reflect actual amounts paid to Senior Executives 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 performance share rights which were forfeited during the year and the amortised value of performance share rights that may vest in future reporting periods. This table differs from Table 5 which shows the actual (cash) value of remuneration received by Senior Executives for the 12 months to 30 September 2014.

Table 16 Statutory Senior Executive remuneration table

		Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments[6]		Total	% of share-based remuneration (LTI PSRs)
		Cash salary[1] $	Cash bonuses[2] $	Non-monetary benefits[3] $	Superannuation $	Termination[4] $	Long service leave[5] $	STI PSRs[7] $	LTI PSRs[8] $	$	%
CEO and Managing Director											
JR Odell	**12 months to 30 Sept 2014**	**1,624,705**	**1,622,500**	**13,337**	**25,117**	**–**	**47,818**	**937,791**	**944,569**	**5,215,837**	**18.1**
	12 months to 30 Sept 2013	1,348,543	402,650	21,621	22,953	–	22,405	768,974	1,949,618	4,536,764	43.0
Executive KMP											
A Korsanos	**12 months to 30 Sept 2014**	**619,473**	**552,000**	**–**	**18,027**	**–**	**18,632**	**290,461**	**282,988**	**1,781,581**	**15.9**
	12 months to 30 Sept 2013	552,751	185,000	–	16,796	–	13,063	277,713	342,752	1,388,075	24.7
M Sweeny[9]	**12 months to 30 Sept 2014**	**17,688**	**168,350**	**112,233**	**–**	**–**	**–**	**3,988**	**–**	**302,259**	**0**
	12 months to 30 Sept 2013	–	–	–	–	–	–	–	–	–	–
Former KMP – Continuing in office											
TJ Croker[10]	**12 months to 30 Sept 2014**	**512,458**	**234,740**	**4,519**	**42,945**	**–**	**9,222**	**121,749**	**229,255**	**1,154,888**	**19.9**
	12 months to 30 Sept 2013	515,272	134,500	–	46,701	–	9,340	162,762	328,712	1,197,287	27.5
Former KMP – Cessation of office											
A Bali[11]	**12 months to 30 Sept 2014**	**347,651**	**9,264**	**70,285**	**–**	**614,493**	**–**	**(55,232)**	**152,205**	**1,138,666**	**13.4**
	12 months to 30 Sept 2013	559,981	225,824	22,237	–	–	–	39,564	368,487	1,216,093	30.3
12 months to 30 Sept 2014 Total		**3,121,976**	**2,586,854**	**200,375**	**86,089**	**614,493**	**75,672**	**1,298,757**	**1,609,017**	**9,593,231**	**16.8**
12 months to 30 Sept 2013 Total		2,976,547	947,974	43,858	86,450	–	44,808	1,249,013	2,989,569	8,338,219	35.9

Refer to footnotes on page 42.

6.1 Details of Senior Executive remuneration continued

Table 16 Statutory Senior Executive remuneration table continued

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 2014 STI and VGT incentives. In relation to M Sweeny, this reflects $168,350 which compensated M Sweeny for the amount required to be repaid to her former employer due to her resignation.
3. Non-monetary benefits include insurance and travel costs, relocation costs, expatriate related costs and associated FBT. M Sweeny received a gross relocation payment of $112,233.
4. Termination payment for A Bali represents a contractual entitlement of 12 months fixed remuneration, being $511,468 (see Table 12), plus a contractual entitlement of $103,026 for relocation costs.
5. The amounts provided for by the Group during the financial year in relation to accruals for long service leave.
6. 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 Senior Executives 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 EPS 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.

   EPS 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 TSR accounting valuation as at the commencement 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 (EPSG) and share-based remuneration requiring shareholder approval, results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.

   The number of Series 27 PSRs granted to M Sweeny is calculated based on a value of $5.71, determined using the five day VWAP up to and including 28 July 2014 (the date of the offer letter to M Sweeny).
7. A component of STI awards payable to Senior Executives 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 2014 include the accounting accruals attributable to deferred share rights pursuant to the 2012, 2013 and 2014 STI awards.
8. 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 2011 LTI grant forfeited during the period. As vesting of the 2012 LTI grant cannot be determined until the conclusion of the performance period (being three years to 31 December 2014), the figures for the 12 months to 30 September 2014 do not take into account the vesting or forfeiture of any PSRs pursuant to the 2012 grant.
9. M Sweeny joined the Company on 22 September 2014.
10. Amounts disclosed only include amounts attributable to TJ Croker in his position as KMP (i.e. up until 22 September 2014).
11. A Bali left the Company on 31 March 2014.

Table 17 Details of 2014 short term awards paid and deferred

For the 12 months ended 30 Sept 2014	Total award[1] $	Cash payment[2] $	Deferred component[3] $	No. Share Rights vesting 1 Oct 2015[3]	No. Share Rights vesting 1 Oct 2016[3]	Total award as % of target STI	% of total award deferred
CEO and Managing Director							
JR Odell	2,750,000	1,622,500	1,127,500	164,249	28,257	166	41
Executive KMP							
A Korsanos	960,000	552,000	408,000	61,433	8,191	200	42.5
M Sweeny[4]	–	–	–	–	–	–	–
Former KMP – Continuing in office[5]							
TJ Croker	469,480	234,740	234,740	20,029	20,029	150	50

1. Amounts reflect the value of the total 2014 awards. See footnotes 2 and 3 for an explanation of the cash and deferred components of the total award. A Bali left the Company before the assessment of the 2014 award.
2. Amounts reflect the cash component of the 2014 awards paid to participants.
3. Amounts reflect the value of 2014 awards deferred into share rights. Part of the deferred component of awards will vest on 1 October 2015 and the remainder on 1 October 2016. The number of share rights is determined using the five day VWAP up to and including 30 September 2014, being $5.86. Upon vesting, the value (determined using the share price on the date of vesting) will be reported in Table 5 (Summary of actual payment) of the Remuneration Report in which the vesting date falls.
4. M Sweeny joined the Company on 22 September 2014 and did not participate in the 2014 short term incentive program.
5. Amounts disclosed above have been pro-rated to reflect the period in which TJ Croker was a KMP (i.e. up until 22 September 2014).

LTI Performance Share Rights (PSRs) granted to Senior Executives during the Reporting Period were as follows:

Table 18 Details of LTI PSRs granted to Senior Executives

	Series	Number of PSRs granted[2,3]	Grant date	Fair value[4]	Maximum value of grant[5]	Vested No.	Vested %	Forfeited No.	Forfeited %
CEO and Managing Director									
JR Odell	25A[1]	130,500	20-Feb-2014	$2.83	$369,315	–	–	–	–
	25B[1]	304,500	20-Feb-2014	$4.52	$1,376,340	–	–	–	–
Executive KMP									
A Korsanos	26A[1]	42,391	20-Feb-2014	$2.83	$119,967	–	–	–	–
	26B[1]	98,913	20-Feb-2014	$4.52	$447,087	–	–	–	–
M Sweeny[6]	27	55,775	22-Sept-2014	$5.80	$323,495	–	–	–	–
Former KMP – Continuing in office									
TJ Croker	26A[1]	34,891	20-Feb-2014	$2.83	$98,742	–	–	–	–
	26B[1]	81,413	20-Feb-2014	$4.52	$367,987	–	–	–	–
Total		**748,383**			**$3,102,933**				

1. Series A is the Relative Total Shareholder Return (TSR) performance condition and Series B is the Relevant Earnings Per Share (EPS) performance condition.
2. As the PSRs only vest on satisfaction of performance conditions, which are tested at the end of the performance period (1 October 2013 to 30 September 2016), none of the PSRs set out above have vested.
3. Series 25 and 26 will vest in 2016 (testing occurs after the performance period), subject to the satisfaction of performance conditions. Unvested PSRs will expire at that time if it has been determined that the performance conditions were not met.
4. The fair value of Series 25 and 26 PSRs was determined based on an accounting valuation performed by EY. For the TSR performance condition, the valuation is calculated having regard to the likelihood that vesting conditions will be met. This value will not be equal to the market value of a share at the commencement of the performance period as a result of PSRs being contingent rights to shares in the future. The fair value of the PSR at the commencement of a performance period is influenced by the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield, time to maturity and the likelihood that vesting conditions will be met.
5. The maximum value of the grant is the fair value multiplied by the number of PSRs granted.
6. M Sweeny joined the Company on 22 September 2014 and did not participate in the 2014 LTI. On 22 September 2014, 55,775 Series 27 PSRs were granted to M Sweeny in consideration of the forfeiture of unvested IBM stock upon accepting her position with the Company. The Series 27 PSRs will vest subject to M Sweeny's continued employment with the Company between 22 September 2014 and 21 September 2016 and a satisfactory level of individual performance. The Series 27 PSRs will vest, and the shares in the Company will be allocated, as soon as practicable after 21 September 2016.

The following table sets out details of the movement in numbers of LTI PSRs during the Reporting Period:

Table 19 Details of the movement in numbers of LTI PSRs

	Series	Performance period expiry date	Fair value per right at grant date	Balance at 1 Oct 2013	Granted during the year[1]	Vested[2,3]	Lapsed/ forfeited[4]	Balance at 30 Sept 2014
CEO and Managing Director								
JR Odell	18A[5]	31-Dec-2013	$1.58	306,000	–	(306,000)	–	–
	18B[5]	31-Dec-2013	$2.52	714,000	–	–	(714,000)	–
	20A	31-Dec-2014	$2.03	405,000	–	–	–	405,000
	20B	31-Dec-2014	$2.80	945,000	–	–	–	945,000
	22A	30-Sep-2015	$2.45	229,850	–	–	–	229,850
	22B	30-Sep-2015	$3.50	536,150	–	–	–	536,150
	25A	30-Sep-2016	$2.83	–	130,500	–	–	130,500
	25B	30-Sep-2016	$4.52	–	304,500	–	–	304,500
Executive KMP								
A Korsanos	19A[5]	31-Dec-2013	$1.58	55,295	–	(55,295)	–	–
	19B[5]	31-Dec-2013	$2.52	129,021	–	–	(129,021)	–
	21A	31-Dec-2014	$2.03	73,684	–	–	–	73,684
	21B	31-Dec-2014	$2.80	171,930	–	–	–	171,930
	23A	30-Sep-2015	$2.45	49,000	–	–	–	49,000
	23B	30-Sep-2015	$3.50	114,500	–	–	–	114,500
	26A	30-Sep-2016	$2.83	–	42,391	–	–	42,391
	26B	30-Sep-2016	$4.52	–	98,913	–	–	98,913
M Sweeny	27[6]	21-Sep-2016	$5.80	–	55,775	–	–	55,775
Former KMP – Continuing in office								
TJ Croker	19A[5]	31-Dec-2013	$1.58	54,493	–	(54,493)	–	–
	19B[5]	31-Dec-2013	$2.52	127,151	–	–	(127,151)	–
	21A	31-Dec-2014	$2.03	72,631	–	–	–	72,631
	21B	31-Dec-2014	$2.80	169,474	–	–	–	169,474
	23A	30-Sep-2015	$2.45	46,500	–	–	–	46,500
	23B	30-Sep-2015	$3.50	108,500	–	–	–	108,500
	26A	30-Sep-2016	$2.83	–	34,891	–	–	34,891
	26B	30-Sep-2016	$4.52	–	81,413	–	–	81,413
Former KMP – Cessation of office								
A Bali[7]	21A	31-Dec-2014	$1.62	53,440	–	–	(13,360)	40,080
	21B	31-Dec-2014	$2.49	124,694	–	–	(31,174)	93,520
	23A	30-Sep-2015	$2.45	67,000	–	–	(36,655)	30,345
	23B	30-Sep-2015	$3.50	155,500	–	–	(84,695)	70,805

1. The value of the PSRs granted to Senior Executives during the year (including the aggregate value of PSRs granted) is set out in Table 18. No Options were granted during the year to any Senior Executive.
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.
4. As the PSRs only vest on satisfaction of performance conditions which are to be tested in future periods, the PSRs under Series 20A, 20B, 21A, 21B, 22A, 22B, 23A and 23B remain unvested.
5. On 31 January 2014, the Board determined that (i) the Relative TSR component of the PSRs under Series 18A, 18B, 19A and 19B had met the required performance criteria and therefore vested and (ii) the Relative EPS component of the PSRs under Series 18A, 18B, 19A and 19B had not met the required performance criteria and therefore were forfeited. For the purposes of section 300A(1)(E)(iv) of the Act the closing share price on 31 January 2014 was $4.55.

6. See footnote 6 to Table 18.
7. A Bali was a 'good leaver' pursuant to the LTI Plan Rules. The Board determined that: (i) in relation to the 2012 LTI grant (Series 21A and 21B), 75% of the PSRs will remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period (31 December 2014), calculated on the basis that A Bali served 27 of the 36 months of the performance period; and (ii) in relation to the 2013 LTI grant (Series 23A and 23B), 45.5% of the PSRs will remain on foot and will vest subject to satisfaction of the performance conditions at the end of the performance period (30 September 2015), calculated on the basis that A Bali served 15 of the 33 months of the performance period. The remaining PSRs were forfeited on 4 February 2014. For the purposes of section 300A(1)(E)(iv) of the Act the closing share price on 4 February 2014 was $4.40.

6.2 Details of Non-Executive Director remuneration

The table below sets out Non-Executive Director remuneration for the Reporting Period.

Table 20 Details of NED remuneration

		Short-term benefits	Post-employment benefits	Share-based payments		
Name	Year	Cash salary and fees[1] $	Super-annuation[2] $	Retirement benefits[3] $	Options and PSRs $	Total $
ID Blackburne	**12 months to 30 Sept 2014**	**421,870**	**3,130**	**–**	**–**	**425,000**
	12 months to 30 Sept 2013	395,000	–	–	–	395,000
RA Davis	**12 months to 30 Sept 2014**	**193,442**	**16,558**	**–**	**–**	**210,000**
	12 months to 30 Sept 2013	191,615	15,885	–	–	207,500
RV Dubs	**12 months to 30 Sept 2014**	**190,684**	**24,316**	**–**	**–**	**215,000**
	12 months to 30 Sept 2013	190,254	17,246	–	–	207,500
SW Morro	**12 months to 30 Sept 2014**	**212,399**	**2,601**	**–**	**–**	**215,000**
	12 months to 30 Sept 2013	205,051	2,449	–	–	207,500
DCP Banks	**12 months to 30 Sept 2014**	**187,531**	**17,469**	**–**	**–**	**205,000**
	12 months to 30 Sept 2013	176,501	16,000	–	–	192,501
KM Conlon[4]	**12 months to 30 Sept 2014**	**141,800**	**13,200**	**–**	**–**	**155,000**
	12 months to 30 Sept 2013	–	–	–	–	–
Former Non-Executive Director						
LG Flock[5]	**12 months to 30 Sept 2014**	**76,483**	**1,017**	**–**	**–**	**77,500**
	12 months to 30 Sept 2013	190,020	2,480	–	–	192,500
Total	**12 months to 30 Sept 2014**	**1,424,209**	**78,291**	**–**	**–**	**1,502,501**
	12 months to 30 Sept 2013	1,348,441	54,060	–	–	1,402,501

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. Superannuation contributions include amounts required to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.
3. Non-Executive Directors are not entitled to any retirement benefit.

6.2 Details of Non-Executive Director remuneration continued

Table 20 Details of NED remuneration continued

4. KM Conlon was nominated to the Board effective 1 January 2014, subject to regulatory approval. Regulatory approval was received on 21 February 2014. The amounts shown reflect both the consultant fees (see footnote 6) and Director fees paid to KM Conlon during the Reporting Period.
5. LG Flock ceased to be a Director on 19 February 2014.
6. Non-Executive Directors (elect) are individuals nominated to be Directors of the Company, pending regulatory approval. Upon receipt of regulatory approval, the Directors (elect) will be formally appointed as Directors of the Company. Until such time, the Directors (elect) are consultants to the Group and in accordance with the requirements of the Company's Constitution, are not entitled to vote on any Board resolutions. The Directors (elect) will be paid a consultant's fee that is equivalent to the fee that they would have otherwise been paid as a Director.

Section 7 Shareholdings

7.1 Movement in shares

The number of shares (excluding those unvested under the Short Term Incentive program and the Long Term Incentive program) in the Company held during the year ended 30 September 2014 by each Non-Executive Director and Senior Executive, 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 Senior Executive, or any entity under the joint or several control of the Director or Senior Executive, 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 Senior Executive, or shares held through a nominee or custodian, are shown as 'non-beneficially held'.

The following sets out details of the movement in shares in the Company held by Directors during the year:

Table 21 Details of NED shareholdings

	Type	Balance as at 1 October 2013	Performance shares vested	Other net changes during the year	Balance as at 30 September 2014[1]
Non-Executive Directors					
ID Blackburne	Beneficially held	–		–	–
	Non-beneficially held	105,000		22,851	127,851
RA Davis	Beneficially held	19,335		–	19,335
	Non-beneficially held	11,154		2,851	14,005
RV Dubs	Beneficially held	10,000		22,851	32,851
	Non-beneficially held	–		–	–
SW Morro	Beneficially held	–		–	–
	Non-beneficially held	25,000		5,000	30,000
DCP Banks	Beneficially held	–		–	–
	Non-beneficially held	10,000		20,851	30,851
KM Conlon	Beneficially held	–		–	–
	Non-beneficially held	–		5,418	5,418
Former Non-Executive Director					
LG Flock	Beneficially held	–		–	–
	Non-beneficially held	–		–	–

1. Where applicable, the balance disclosed is the balance of shareholding as at the date of cessation of office.

The following sets out details of the movement in shares in the Company held by Senior Executives during the year:

Table 22 Details of Senior Executive shareholdings not held under an employee share plan

	Type	Balance as at 1 October 2013	Performance shares vested	Other net changes during the year	Balance as at 30 September 2014[1]
CEO and Managing Director					
JR Odell	Beneficially held	108,592	507,634	(282,149)	334,077
	Non-beneficially held	–	–	–	–
Executive KMP					
A Korsanos	Beneficially held	21,187	136,000	(50,000)	107,187
	Non-beneficially held	–	–	–	–
M Sweeny	Beneficially held	–	–	–	–
	Non-beneficially held	–	–	–	–
Former KMP – Continuing in office					
TJ Croker	Beneficially held	14,062	110,285	–	124,347
	Non-beneficially held	–	–	–	–
Former KMP – Cessation of office					
A Bali	Beneficially held	–	9,090	(4,100)	4,990
	Non-beneficially held	–	–	–	–

1. Where applicable, the balance disclosed is the balance of shareholding as at the date of cessation of office.

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 30 September 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 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.

S. Hump

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
25 November 2014

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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 unsavory 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 his 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 Commission for a finding of suitability within 30 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 a Registered Corporation, and upon the condition that such institutional investor does not purchase or otherwise acquire any additional

Nevada Regulatory Disclosure

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 30 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.

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 30 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: +612 9013 6000 Fax: +612 9013 6274

Five Year Summary

$'000 (except where indicated)

	12 months to 30 Sept 2014	12 months to 30 Sept 2013	9 months to 30 Sept 2012	12 months to 31 Dec 2011	12 months to 31 Dec 2010
Profit and loss items					
Revenue [1]	**870,300**	813,787	586,181	709,013	684,578
EBITDA [2]	**209,774**	188,146	95,534	147,949	121,670
Depreciation and amortisation	**(48,426)**	(42,839)	(28,466)	(37,184)	(36,911)
EBIT [2]	**161,348**	145,307	67,068	110,765	84,759
Net interest expense	**(7,989)**	(11,307)	(13,870)	(25,308)	(13,525)
Profit before income tax expense [2]	**153,359**	134,000	53,198	85,457	71,234
Income tax expense	**(35,273)**	(26,800)	(6,647)	(18,558)	(16,107)
Profit after income tax expense [2]	**118,086**	107,200	46,551	66,899	55,127
Non-controlling interests	**–**	–	(1,044)	(759)	(557)
Net profit attributable to members of Aristocrat Leisure Limited	**118,086**	107,200	45,507	66,140	54,570
Abnormal items after tax	**(134,515)**	–	–	–	22,624
Reported net (loss)/profit attributable to members of Aristocrat Leisure Limited	**(16,429)**	107,200	45,507	66,140	77,194
Total dividend paid – parent entity only	**85,463**	49,640	43,747	21,422	18,668
Balance sheet items					
Contributed equity	**641,603**	233,137	233,137	209,043	187,625
Reserves	**(58,105)**	(78,085)	(121,580)	(119,032)	(117,827)
Retained earnings	**122,582**	224,392	166,735	164,863	120,083
Non-controlling interest	**–**	(4,015)	(1,768)	(2,730)	(2,009)
Total equity	**706,080**	375,429	276,524	252,144	187,872
Cash and cash equivalents	**285,929**	29,689	22,612	29,354	19,840
Other current assets	**415,568**	434,431	331,772	335,801	311,122
Property, plant and equipment	**121,436**	106,913	102,577	109,267	100,141
Intangible assets	**130,461**	151,128	104,611	109,306	113,980
Other non-current assets	**159,315**	151,123	163,215	177,760	163,826
Total assets	**1,112,709**	873,284	724,787	761,488	708,909
Current payables and other liabilities	**209,302**	202,429	181,619	191,543	155,991
Current borrowings	**114,384**	124	7,000	–	7,000
Current tax liabilites and provisions	**47,991**	14,352	13,514	13,621	15,053
Non-current borrowings	**243**	237,759	207,453	261,392	298,662
Non-current provisions	**13,162**	14,130	14,759	16,096	18,044
Other non-current liabilities	**21,547**	29,061	23,918	26,692	26,287
Total liabilities	**406,629**	497,855	448,263	509,344	521,037
Net assets	**706,080**	375,429	276,524	252,144	187,872

See footnotes on page 52.

Five Year Summary

$'000 (except where indicated)

		12 months to 30 Sept 2014	12 months to 30 Sept 2013	9 months to 30 Sept 2012	12 months to 31 Dec 2011	12 months to 31 Dec 2010
Other information						
Employees at year end	Number	**2,274**	2,173	2,135	2,111	2,181
Return on Aristocrat shareholders' equity [2]	%	**16.7**	28.6	16.5	26.2	29.0
Basic earnings per share [2]	Cents	**20.8**	19.5	8.3	12.3	10.3
Net tangible assets per share	$	**0.91**	0.41	0.31	0.26	0.14
Total dividends per share – ordinary	Cents	**16.0**	14.5	6.0	6.5	5.0
Dividend payout ratio [2]	%	**76**	74	72	53	49
Issued shares at year end	'000	**630,022**	551,418	551,418	543,181	533,984
Net (cash)/debt [3]	$'000	**(171,302)**	208,194	191,841	232,038	285,822
Net cash (debt)/equity	%	**24.3**	(55.5)	(69.4)	(92.0)	(152.1)

1. Segment revenue per Review of Operations.
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.

Financial Statements

Consolidated financial statements for the year ended 30 September 2014

These financial statements cover the consolidated entity consisting of Aristocrat Leisure Limited and its subsidiaries (Group). The financial statements are presented in Australian dollars.

The Company is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

A description of the nature of the consolidated Group's operations and principal activities is included in the Review of Operations, which is not part of these financial statements.

These financial statements make reference to the Directors' Report and Remuneration Report which will be contained within the 2014 Annual Report.

PricewaterhouseCoopers has audited these financial statements and has issued an unqualified audit report which will be available as part of the 2014 Annual Report.

The financial statements were authorised for issue by the Directors on 25 November 2014. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, the Group ensures that its corporate reporting is timely, complete and available globally at minimum cost to the Group. All press releases, financial statements and other information are available in the investor information section of the Company's website: www.aristocratgaming.com

A description of the nature of the consolidated entity's operations and its principal activities is included in the Review of Operations and activities on pages 9 to 11 and in the Directors' Report on page 6, both of which are not part of this financial report.

Consolidated statement of comprehensive income

for the year ended 30 September 2014

	Notes	Consolidated 12 months to 30 Sept 2014 $'000	12 months to 30 Sept 2013 $'000
Continuing operations			
Revenue	5	**847,554**	798,046
Cost of revenue		**(385,906)**	(365,714)
Gross profit		**461,648**	432,332
Other income	5	**12,077**	11,404
Design and development costs		**(130,144)**	(115,816)
Sales and marketing costs		**(74,726)**	(73,970)
General and administration costs	5	**(188,181)**	(97,632)
Finance costs		**(14,043)**	(16,904)
Profit before income tax expense		**66,631**	139,414
Income tax expense	6	**(37,542)**	(28,208)
Profit from continuing operations		**29,089**	111,206
Loss from discontinued operation	35	**(45,518)**	(4,006)
(Loss)/profit for the year		**(16,429)**	107,200
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	21(a)(i)	**9,160**	24,310
Changes in fair value of interest rate hedge	21(a)(iii)	**–**	1,594
Other comprehensive income for the year, net of tax		**9,160**	25,904
Total comprehensive (loss)/income for the year		**(7,269)**	133,104
Total comprehensive income arises from:			
Continuing operations		**38,249**	128,283
Discontinued operation		**(45,518)**	4,821
		(7,269)	133,104

Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company

		Cents	Cents
Basic earnings per share	30	**5.1**	20.2
Diluted earnings per share	30	**5.1**	20.1

Earnings per share for profit attributable to ordinary equity holders of the Company

		Cents	Cents
Basic earnings per share	30	**(2.9)**	19.5
Diluted earnings per share	30	**(2.9)**	19.4

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

Consolidated statement of financial position

as at 30 September 2014

	Notes	30 Sept 2014 $'000	30 Sept 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**285,929**	29,689
Trade and other receivables	9	**329,030**	351,768
Inventories	10	**75,840**	64,808
Financial assets	11	**7,681**	6,233
Other assets	12	**2,026**	4,852
Current tax assets		**991**	6,770
Total current assets		**701,497**	464,120
Non-current assets			
Trade and other receivables	9	**74,671**	70,777
Financial assets	11	**4,527**	5,345
Property, plant and equipment	13	**121,436**	106,913
Deferred tax assets	14	**80,117**	75,001
Intangible assets	15	**130,461**	151,128
Total non-current assets		**411,212**	409,164
Total assets		**1,112,709**	873,284
LIABILITIES			
Current liabilities			
Trade and other payables	16	**176,174**	163,239
Borrowings	17	**114,384**	124
Provisions	18	**47,991**	14,352
Other liabilities	19	**33,128**	39,190
Total current liabilities		**371,677**	216,905
Non-current liabilities			
Trade and other payables	16	**6,954**	11,915
Borrowings	17	**243**	237,759
Provisions	18	**13,162**	14,130
Other liabilities	19	**14,593**	17,146
Total non-current liabilities		**34,952**	280,950
Total liabilities		**406,629**	497,855
Net assets		**706,080**	375,429
EQUITY			
Contributed equity	20	**641,603**	233,137
Reserves	21(a)	**(58,105)**	(78,085)
Retained earnings	21(b)	**122,582**	224,392
Capital and reserves attributed to owners		**706,080**	379,444
Non-controlling interest	29	**–**	(4,015)
Total equity		**706,080**	375,429

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

Consolidated statement of changes in equity

for the year ended 30 September 2014

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to owners of Aristocrat Leisure Limited					
Balance at 1 October 2012		233,137	(121,580)	166,735	278,292	(1,768)	276,524
Profit for the 12 months to 30 September 2013		–	–	107,200	107,200	–	107,200
Other comprehensive income		–	25,904	–	25,904	–	25,904
Total comprehensive income for the year		–	25,904	107,200	133,104	–	133,104
Transactions with owners in their capacity as owners:							
Net movement in share-based payments reserve	21(a)(ii)	–	17,591	–	17,591	–	17,591
Dividends provided for and paid	7	–	–	(49,543)	(49,543)	–	(49,543)
Dividends paid to non-controlling shareholder		–	–	–	–	(2,025)	(2,025)
Net movement in reserves attributable to non-controlling interest		–	–	–	–	(222)	(222)
		–	17,591	(49,543)	(31,952)	(2,247)	(34,199)
Balance at 30 September 2013		**233,137**	**(78,085)**	**224,392**	**379,444**	**(4,015)**	**375,429**
Loss for the 12 months to 30 September 2014		–	–	(16,429)	(16,429)	–	(16,429)
Other comprehensive income		–	9,160	–	9,160	–	9,160
Total comprehensive (loss)/income for the year		**–**	**9,160**	**(16,429)**	**(7,269)**	**–**	**(7,269)**
Transactions with owners in their capacity as owners:							
Foreign currency translation reserve transferred to the profit and loss on disposal of foreign operation	35	**–**	**10,299**	**–**	**10,299**	**–**	**10,299**
Foreign currency translation reserve on discontinued operation	21(a)(i)	**–**	**2,556**	**–**	**2,556**	**–**	**2,556**
Contributions of equity, net of transaction costs and tax	20	**408,466**	**–**	**–**	**408,466**	**–**	**408,466**
Transactions with non-controlling interests	29(b)	**–**	**(7,050)**	**–**	**(7,050)**	**4,015**	**(3,035)**
Net movement in share-based payments reserve	21(a)(ii)	**–**	**5,015**	**–**	**5,015**	**–**	**5,015**
Dividends provided for and paid	7	**–**	**–**	**(85,381)**	**(85,381)**	**–**	**(85,381)**
		408,466	**10,820**	**(85,381)**	**333,905**	**4,015**	**337,920**
Balance at 30 September 2014		**641,603**	**(58,105)**	**122,582**	**706,080**	**–**	**706,080**

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

Consolidated statement of cash flows

for the year ended 30 September 2014

	Notes	Consolidated 12 months to 30 Sept 2014 $'000	12 months to 30 Sept 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**905,417**	757,604
Payments to suppliers and employees (inclusive of goods and services tax)		**(713,064)**	(639,517)
		192,353	118,087
Other income		**161**	755
Interest received		**10,727**	9,961
Interest paid		**(11,969)**	(13,303)
Transaction costs relating to acquisition of businesses	34	**(7,162)**	(575)
Income taxes paid		**(25,280)**	(16,709)
Net cash inflow from operating activities	31	**158,830**	98,216
Cash flows from investing activities			
Payment for acquisition of business (net of cash acquired)	34	**(12,159)**	(9,636)
Payments for property, plant and equipment		**(63,509)**	(33,020)
Payments for intangibles		**(26,672)**	(11,657)
Proceeds from sale of subsidiary (net of cash disposed)		**13,543**	–
Proceeds from sale of available for sale financial assets		**–**	503
Loan repayments from non-controlling interest		**3,016**	662
Proceeds from sale of property, plant and equipment		**121**	63
Net cash outflow from investing activities		**(85,660)**	(53,085)
Cash flows from financing activities			
Payments for shares acquired by the Aristocrat Employee Share Trust		**(5,083)**	–
Proceeds from issue of shares (net of transaction costs)	20	**406,324**	–
Repayments of borrowings		**(406,310)**	(262,129)
Proceeds from borrowings		**277,247**	274,092
Finance lease payments		**(158)**	(124)
Transactions with non-controlling interests		**(3,016)**	–
Dividends paid to Company shareholders	7	**(85,381)**	(49,543)
Dividends paid to non-controlling shareholder		**(614)**	(1,388)
Net cash inflow/(outflow) from financing activities		**183,009**	(39,092)
Net increase in cash and cash equivalents		**256,179**	6,039
Cash and cash equivalents at the beginning of the year		**29,689**	22,612
Effects of exchange rate changes on cash and cash equivalents		**61**	1,038
Cash and cash equivalents at the end of year	8	**285,929**	29,689

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

Notes to the financial statements

for the year ended 30 September 2014

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Aristocrat Leisure Limited and its subsidiaries (Group).

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Aristocrat Leisure Limited is a for-profit entity for the purposes of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and for certain classes of property, plant and equipment which have been measured at deemed cost.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(iv) Comparatives

Comparative information is reclassified where appropriate to enhance comparability. The comparative information has also been adjusted where indicated due to the impact of the discontinued operation.

(v) Changes in accounting policies

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 year. 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 13 Fair Value Measurement is applicable for the first time in the 2014 financial year. AASB 13 has impacted disclosure in the financial statements, but has not impacted the Group's accounting policies or the amounts recognised in the financial statements.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company (or parent entity) as at 30 September 2014 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the business combinations by the Group. Refer to Note 1(i).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity respectively.

Note 1. Summary of significant accounting policies continued

(b) Principles of consolidation continued

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Treasury shares acquired by the Aristocrat Employee Equity Plan Trust are recorded in share-based payment reserves. Information relating to these shares is disclosed in Note 21(a).

(c) Segment reporting

Operating segments are determined in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments, has been identified as the Board of Directors and the Executive Leadership Team, who have determined operating segments based on a geographical perspective. Further information is provided in Note 4.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or borrowings forming part of a net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, settlement discounts and duties and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

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

Platform/machine sales

Revenue is recognised when goods have been dispatched to a customer pursuant to a sales order, the associated risks have passed to the customer, and it is probable that future economic benefits will flow to the Group.

Value Added Customer Agreements

Revenue arising from Value Added Customer Agreements, where gaming machines, games, conversions and other incidental items are licensed to customers for extended periods, is recognised on delivery in the case of gaming machines and games, and for other items including conversions, only as the goods or services are delivered. Where appropriate, receivables are discounted to present values at the relevant implicit interest rates.

Note 1. Summary of significant accounting policies continued

(e) Revenue recognition continued

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

Value Added Service Agreements

Revenue arising from Value Added Service Agreements, where gaming machines and games are licensed to customers for extended periods and a service fee is payable over the term of the contract for warranty conversions to ensure product performance at or above the agreed level, is recognised on delivery in the case of gaming machines and games, and over the term of the contract on a straight-line basis for the service fee provided for warranty conversions. Where appropriate, receivables are discounted to present values at the relevant implicit interest rates.

Systems contracts

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

Licence income

Licence income is recognised in accordance with the substance of the agreement, corresponding with the time when all obligations in relation to the contract have been met. Where there is an ongoing obligation, the revenue is deferred and recognised when the obligations are met.

(ii) Revenue from gaming operations, online and services

Participation revenue

Participation revenue is where the Group's owned machines are placed directly by the Group or indirectly through a licensed operator in venues in return for a fee per day which can either be fixed or performance based. The amount of revenue recognised is calculated by either: (i) multiplying a daily fee by the total number of days the machine has been operating on the venue floor in the reporting period; or (ii) an agreed fee based upon a percentage of turnover of participating machines.

Rental

Rental income from operating leases is recognised on a straight-line basis over the term of the operating lease contract.

Service revenue

Service revenue is recognised as work is performed, other than for service agreements, where revenue is recognised evenly over the period of the service agreement.

Revenue in advance

Revenue derived from prepaid service contracts is apportioned on a pro-rata basis over the life of each respective agreement. Amounts received at reporting date in respect of future periods are treated as revenue in advance and are included in liabilities.

Online gaming revenue

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

(iii) Interest income

Interest income is recognised using the effective interest method.

(f) Income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities, current income tax of prior years, unused tax losses and unused tax credits.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Note 1. Summary of significant accounting policies continued

(f) Income tax continued

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and unused tax credits only if it is probable that future taxable amounts will be available to utilise those temporary differences, losses and tax credits.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, respectively.

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

(g) Tax consolidation legislation

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004.

The head entity, Aristocrat Leisure Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured by applying a group allocation approach, which uses a combination between the 'stand alone tax payer' and 'separate tax payer within a group' approach as described in UIG 1052 Tax Consolidation Accounting.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. Details about the tax funding agreement are disclosed in Note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term, if it is not virtually certain that the Group will obtain ownership at the end of the lease term.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, shares issued or liabilities incurred or assumed by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs for business combinations from 1 January 2010 are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Note 1. Summary of significant accounting policies continued

(j) Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and the probability that the debtor will default on payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against expenses in the profit or loss.

(m) Inventories
(i) Raw materials and stores, work in progress and finished goods
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Contract work in progress
Contract work in progress is stated at cost less progress billings. Cost includes all costs directly related to specific contracts and an allocation of overhead expenses incurred in connection with the Group's contract operations. Where a loss is indicated on completion, the work in progress is reduced to the level of recoverability less progress billings.

(n) Intellectual property rights
A controlled entity has entered into an agreement to purchase intellectual property rights in the form of licence tags to certain technology relating to cashless gaming systems in the United States. These rights are capitalised and subsequently expensed as and when the licence tags are consumed.

Note 1. Summary of significant accounting policies continued

(o) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of the Group's investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Note 1. Summary of significant accounting policies continued

(o) Investments and other financial assets continued
Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(p) Derivatives and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment ('fair value hedges'); or (ii) hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions ('cash flow hedges').

Where hedge accounting is adopted, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging borrowings is recognised in the profit and loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

(ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

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

Note 1. Summary of significant accounting policies continued

(q) Fair value estimation

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

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 appropriate quoted market price for financial liabilities is the current ask price.

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

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

(r) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated remaining useful lives, as follows:

- Buildings 25 years
- Leasehold improvements 2-10 years
- Plant and equipment 2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1(j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

(s) Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 1(i). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. A cash generating unit is the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each of those cash-generating units represents the Group's investment in each region of operation by each operating segment. Refer to Note 15.

(ii) Technology and software

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

Note 1. Summary of significant accounting policies continued

(s) Intangible assets continued

(iii) Trademarks and licences

Trademarks and licences that have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 10 years. Licences which have an indefinite life are not amortised, and are tested for impairment at each reporting date.

(iv) Design and development

Design expenditure is recognised as an expense as incurred.

An intangible asset arising from development expenditure is only recognised when all of the recognition criteria can be demonstrated. The recognition criteria for the development activity are:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the generation by the intangible asset of probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Only development costs relating to the creation of an asset that can be used or sold and can be reliably measured are capitalised as intangible assets. Capitalised amounts are amortised over 1 to 7 years.

Other development costs that do not meet these criteria are recognised in the profit or loss as incurred.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 120 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Payables include short-term employee benefits. Refer to Note 1(x).

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

(w) Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Note 1. Summary of significant accounting policies continued

(w) Provisions continued

(i) Progressive jackpot liabilities

In certain jurisdictions in the United States, the Group is liable for progressive jackpots, which are paid as an initial amount followed by either: (i) an annuity paid out over 19 or 20 years after winning; or (ii) a lump sum amount equal to the present value of the progressive component. Base jackpots are charged to cost of sales when the jackpot is won.

(ii) Warranties

Provision is made for the estimated liability on all products still under warranty at reporting date. The amount of the provision is the estimated cash flows expected to be required to settle the warranty obligations, having regard to the service warranty experience and the risks of the warranty obligations. The provision is not discounted to its present value as the effect of discounting is not material.

(iii) Make good allowances

Provision is made for the estimated liability where required on leases still held at reporting date. The amount of the provision is the estimated discounted cash flows expected to be required to satisfy the make good clauses in the lease contracts.

(iv) Onerous contracts

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

(x) Employee benefits – payable

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Performance Share Plan, Deferred Equity Employee Plan, Deferred Short Term Incentive Plan, General Employee Share Plan and other arrangements under employee contracts.

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.

Note 1. Summary of significant accounting policies continued

(x) Employee benefits – payable continued

(iv) Share-based payments continued

Upon the exercise of options or rights, the balance of the share-based payments reserve relating to those rights is transferred to share capital only if the shares are a new issue from contributed equity.

Shares issued through the Aristocrat Employee Equity Plan Trust continue to be recognised in the share-based payments reserve in equity. Similarly, treasury shares acquired by the Aristocrat Employee Equity Plan Trust are recorded in share-based payments trust reserves. Information relating to these shares is disclosed in Note 21(a)(ii).

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

(v) Bonus plans

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

(vi) Employee benefit on-costs

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

(vii) Termination benefits

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

(y) Contributed equity

Ordinary shares are classified as equity.

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

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

(z) Dividends

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

Note 1. Summary of significant accounting policies continued

(aa) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, 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 net asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

(ac) Rounding of amounts

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

(ad) Parent entity financial information

The financial information for the parent entity, Aristocrat Leisure Limited, disclosed in Note 33, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment charges in the financial statements of Aristocrat Leisure Limited.

(ii) Tax consolidation legislation

Aristocrat Leisure Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aristocrat Leisure Limited, and the controlled entities in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aristocrat Leisure Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Aristocrat Leisure Limited for any current tax payable assumed and are compensated by Aristocrat Leisure Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aristocrat Leisure Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities’ financial statements.

Note 1. Summary of significant accounting policies continued

(ad) Parent entity information continued
The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(ae) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards. While the AASB has not yet issued an equivalent standard, it is expected to do so in the 2015 financial year. The Group will consider the impact of the new rules on its revenue recognition policies when the AASB issues the new accounting standard.

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks, which include: market risk (including cash flow and fair value interest rate risk, foreign exchange risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. If deemed necessary, the Group has the ability to manage floating interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Under the Group Treasury policy, the mix between fixed and floating rate debt is reviewed on a regular basis. The Group had predominantly floating rate Australian dollar and US dollar denominated borrowings during 2014. At 30 September 2014 all bank debt was solely denominated in US dollars. The Group had no interest rate swaps in place during 2014.

The weighted average interest rate on the Group's borrowings at 30 September 2014 was 1.4% (2013: 2.7%).

Refer to Note 17 for further details of the Group's borrowings.

Group sensitivity

A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 2(a)(iv).

(ii) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Refer to Notes 9(h) and 16(a) for receivables and payables denominated in foreign currencies.

The Group's foreign exchange hedging policy is to reduce the foreign exchange risk associated with transactional exposures, primarily over a 12 month horizon. External foreign exchange contracts are designated at the Group level as hedges of foreign exchange risk on specific foreign currency denominated transactions.

Unrealised gains or losses on outstanding foreign exchange contracts are taken to the Group's profit or loss on a monthly basis.

Group sensitivity

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 2(a)(iv).

(iii) Price risk

The Group was exposed to equity securities price risk arising from an investment held by the Group and classified in the statement of financial position as available-for-sale. The Group's equity investment was in PokerTek Inc. shares publicly traded on the NASDAQ Index in the United States. This investment was disposed during the prior year. The Group's exposure to commodity price risk is indirect and is not considered likely to be material.

Note 2. Financial risk management continued

(a) Market risk continued

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and price risk. These sensitivities are prior to the offsetting impact of hedging instruments, and are shown on a pre-tax basis:

Group sensitivity

		Interest rate risk		Foreign exchange risk		Price risk	
2014	Carrying amount $'000	–1% Profit $'000	+1% Profit $'000	–10% Profit $'000	+10% Profit $'000	–10% Equity $'000	+10% Equity $'000
Financial assets							
Cash and cash equivalents	**285,929**	**(2,859)**	**2,859**	**(290)**	**238**	**–**	**–**
Receivables	**403,701**	**–**	**–**	**3,464**	**(2,834)**	**–**	**–**
Financial assets:							
Debt securities held-to-maturity	**12,208**	**(122)**	**122**	**–**	**–**	**–**	**–**
Financial liabilities							
Payables	**183,128**	**–**	**–**	**(1,013)**	**829**	**–**	**–**
Borrowings	**114,627**	**1,146**	**(1,146)**	**–**	**–**	**–**	**–**
Progressive jackpot liabilities	**9,995**	**100**	**(100)**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**(1,735)**	**1,735**	**2,161**	**(1,767)**	**–**	**–**

		Interest rate risk		Foreign exchange risk		Price risk	
2013	Carrying amount $'000	–1% Profit $'000	+1% Profit $'000	–10% Profit $'000	+10% Profit $'000	–10% Equity $'000	+10% Equity $'000
Financial assets							
Cash and cash equivalents	29,689	(297)	297	(382)	313	–	–
Receivables	419,391	–	–	4,918	(4,024)	–	–
Loans – other	3,154	(32)	32	350	(287)	–	–
Financial assets:							
Debt securities held-to-maturity	11,578	(116)	116	–	–	–	–
Financial liabilities							
Payables	175,154	–	–	(967)	791	–	–
Borrowings	237,883	2,379	(2,379)	–	–	–	–
Progressive jackpot liabilities	9,619	96	(96)	–	–	–	–
Total increase/(decrease)		2,030	(2,030)	3,919	(3,207)	–	–

Note 2. Financial risk management continued

(b) Credit risk
Credit risk is managed on a Group basis. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

For all cash and cash equivalents these are held with counterparties which are rated 'A' or higher.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising of the undrawn borrowing facilities below) on the basis of expected cash flows.

Financing arrangements
The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2014 $'000	2013 $'000
Floating Rate		
Expiring within one year (bank loans and bank overdrafts)	**16,709**	15,003
Expiring beyond one year (bank loans)	**260,740**	137,569
	277,449	152,572

The short term bank loans and overdraft facilities may be drawn at any time and are subject to annual review. Refer to Note 17 for details of changes in financing arrangements since the end of the reporting date.

Maturities of financial liabilities
The table below analyses the Group's financial liabilities into relevant maturity groupings as follows:

(a) based on their contractual maturities:
  (i) all non-derivative financial liabilities; and
  (ii) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.
(b) based on the remaining period to the expected settlement date:
  (i) derivative financial liabilities for which the contractual maturities are not essential for an understanding of the timing of cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Note 2. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of financial liabilities Group – at 30 September 2014	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives							
Trade payables	**65,661**	**–**	**–**	**–**	**–**	**65,661**	**65,661**
Other payables	**104,260**	**–**	**571**	**–**	**–**	**104,831**	**104,831**
Contingent consideration	**7,143**	**–**	**6,507**	**–**	**–**	**13,650**	**12,636**
Borrowings	**–**	**–**	**114,627**	**–**	**–**	**114,627**	**114,627**
Borrowings – interest payments	**802**	**802**	**67**	**–**	**–**	**1,671**	**–**
Progressive jackpot liabilities	**4,444**	**1,024**	**977**	**2,306**	**1,244**	**9,995**	**9,995**
Total non-derivatives	**182,310**	**1,826**	**122,749**	**2,306**	**1,244**	**310,435**	**307,750**
Derivatives							
Gross settled (forward foreign exchange contracts – cash flow hedges)							
– (inflow)	**(28,540)**	**–**	**–**	**–**	**–**	**(28,540)**	**(28,540)**
– outflow	**27,881**	**–**	**–**	**–**	**–**	**27,881**	**27,881**
	(659)	**–**	**–**	**–**	**–**	**(659)**	**(659)**

Group – at 30 September 2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Trade payables	63,044	–	–	–	–	63,044	63,044
Other payables	98,070	–	1,605	–	–	99,675	99,675
Contingent consideration	2,184	–	6,338	6,118	–	14,640	12,435
Borrowings	–	124	–	237,759	–	237,883	237,883
Borrowings – interest payments	3,211	3,211	6,422	–	–	12,844	–
Progressive jackpot liabilities	676	3,598	1,355	2,539	1,451	9,619	9,619
Total non-derivatives	167,185	6,933	15,720	246,416	1,451	437,705	422,656
Derivatives							
Gross settled (forward foreign exchange contracts – cash flow hedges)							
– (inflow)	(17,673)	(6,887)	–	–	–	(24,560)	(996)
– outflow	16,949	6,615	–	–	–	23,564	–
	(724)	(272)	–	–	–	(996)	(996)

Note 2. Financial risk management continued

(d) Fair value measurements

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

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

Group as at 30 September 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	996	–	996
Total assets	–	996	–	996
Liabilities				
Contingent consideration	–	–	12,435	12,435
Total liabilities	–	–	12,435	12,435

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The Group did not have any Level 1 financial instruments at the end of the current and prior reporting periods.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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

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

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

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

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

Note 2. Financial risk management continued

(d) Fair value measurements continued

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

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

	Contingent consideration liability $'000
Opening balance – 30 September 2013	**12,435**
Interest expense	**1,285**
Payments made	**(1,295)**
Adjustments to fair value of liability recognised in other income	**(534)**
Foreign exchange movements	**745**
Closing balance – 30 September 2014	**12,636**

Of the adjustment to fair value included in other income, a write-back of $884,000 relates to liabilities no longer held at 30 September 2014. A fair value adjustment to increase the liability amounting to $350,000 relates to liabilities held at 30 September 2014.

(iii) Transfers between levels and changes in valuation techniques

There were no transfers between levels for recurring fair value measurements during the year. There were also no changes to valuation techniques applied as of 30 September 2013.

(iv) Valuation inputs and relationships to fair value

The amounts payable for the contingent consideration liability are based on tiered earn-out bands payable to the former owners. 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.

(v) Valuation processes

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

(vi) Fair values of other financial instruments

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to impairment of intangibles, income taxes, the carrying value of inventories and the fair value of contingent consideration.

(i) Estimated recoverable amount of goodwill and intangible assets

The Group tests annually whether goodwill and other intangible assets that are not amortised have suffered any impairment, in accordance with the accounting policy stated in Note 1(s). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and fair value less cost to sell. These calculations require the use of assumptions. Refer to Note 15 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iii) Carrying value of inventories

The Group assesses at each reporting date whether inventory is recorded at the lower of cost and net realisable value, including assessing the expected sales of slow moving inventories. These assessments involve estimates and assumptions that are based on current expectations of demand and market conditions, including opportunities to sell into new markets.

(iv) Fair value of contingent consideration

The fair value of the contingent consideration in Note 16 is estimated based on probability weighted expected payments relating to the Product Madness acquisition. Should the amounts payable vary from these estimates, then an adjustment to the carrying amount of the contingent consideration liability would be recognised in the profit and loss.

Note 4. Segment information

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

Segment revenues and results from continuing operations 12 months to 30 September 2014	Americas $'000	Australia and NZ $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue – continuing					
Revenue from external customers	**459,731**	**218,373**	**13,889**	**155,561**	**847,554**
Other segment revenue	**–**	**5,417**	**–**	**–**	**5,417**
Segment revenue	**459,731**	**223,790**	**13,889**	**155,561**	**852,971**
Result – continuing					
Segment result	**176,898**	**89,669**	**(5,107)**	**57,578**	**319,038**
Interest revenue not allocated to segments					**5,951**
Interest expense					**(14,043)**
Design and development costs					**(130,144)**
Acquisition, transaction and restructuring costs					**(17,074)**
Japan impairment losses					**(72,560)**
Other expenses					**(24,537)**
Profit before income tax expense					**66,631**
Income tax expense					**(37,542)**
Profit from continuing operations					**29,089**
Loss from discontinued operation					**(45,518)**
Loss for the year					**(16,429)**
Other segment information – continuing					
Depreciation and amortisation expense	**33,077**	**7,271**	**812**	**2,896**	**44,056**

Note 4. Segment information continued

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

Segment revenues and results from continuing operations 12 months to 30 September 2013	Americas $'000	Australia and NZ $'000	Japan $'000	Rest of World $'000	Consolidated $'000
Revenue – continuing					
Revenue from external customers	421,869	187,247	55,588	133,342	798,046
Other segment revenue	–	5,105	–	–	5,105
Segment revenue	421,869	192,352	55,588	133,342	803,151
Result – continuing					
Segment result	154,051	77,033	9,751	53,549	294,384
Interest revenue not allocated to segments					5,525
Interest expense					(16,904)
Design and development costs					(115,816)
Other expenses					(27,775)
Profit before income tax expense					139,414
Income tax expense					(28,208)
Profit from continuing operations					111,206
Loss from discontinued operation					(4,006)
Profit for the year					107,200
Other segment information – continuing					
Depreciation and amortisation expense	27,202	7,916	1,454	2,018	38,590

All information shown above is from continuing operations, except where stated.

Note 4. Segment information continued

(b) Notes to the segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors and the Executive Leadership Team. Reports reviewed consider the business from a geographical perspective. The following reportable segments have been identified:

- The Americas
- Australia and New Zealand
- Japan
- Rest of World

Segment results

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

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

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

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

Note 5. Profit for the year – from continuing operations

	Notes	Consolidated 12 months to 30 Sept 2014 $'000	Consolidated 12 months to 30 Sept 2013 $'000
(a) Revenue			
Sale of goods and related licences	1(e)(i)	**521,236**	538,669
Gaming operations, online and services	1(e)(ii)	**326,318**	259,377
Total revenue		**847,554**	798,046
(b) Other income			
Interest		**11,368**	10,630
Gain on disposal of property, plant and equipment		**14**	19
Gain on remeasurement of contingent consideration		**534**	–
Sundry income		**161**	755
Total other income		**12,077**	11,404
(c) Expenses			
(i) Depreciation and amortisation			
Depreciation and amortisation of property, plant and equipment			
– Buildings		**695**	643
– Plant and equipment		**36,596**	31,541
– Leasehold improvements		**2,565**	2,531
Total depreciation and amortisation of property, plant and equipment	13	**39,856**	34,715
Amortisation of intangible assets			
– Computer technology		**3,392**	3,598
– Licences		**298**	277
– Development costs		**510**	–
Total amortisation of intangible assets	15	**4,200**	3,875
Total depreciation and amortisation		**44,056**	38,590
(ii) Employee benefits expense			
Salaries and wages		**212,552**	185,894
Superannuation costs		**9,032**	8,594
Post-employment benefits other than superannuation		**3,599**	2,461
Share-based payments expense	26(e)	**8,506**	9,369
Total employee benefits expense		**233,689**	206,318
(iii) Lease payments			
Rental expense relating to operating leases			
– Minimum lease payments		**17,878**	16,267
(iv) General and administration costs			
General and administration costs excluding significant expense items		**98,547**	97,632
Acquisition related transaction and restructuring costs		**17,074**	–
Japan impairment losses	15	**72,560**	–
Total general and administration costs		**188,181**	97,632
(v) Other significant expense items			
– Write-down of inventories to net realisable value		**6,765**	3,223
– Legal costs (excluding acquisition transaction costs)		**8,857**	7,651
– Net foreign exchange loss		**5,493**	2,388

Note 6. Income tax expense

Major components of income tax expense are:

	Consolidated 12 months to 30 Sept 2014 $'000	Consolidated 12 months to 30 Sept 2013 $'000
(a) Income tax expense		
Current income tax	**39,502**	16,877
Deferred income tax	**(5,147)**	15,950
Adjustments in respect of current income tax of previous years	**2,431**	(6,027)
Income tax expense	**36,786**	26,800
Income tax expense is attributable to:		
Profit from continuing operations	**37,542**	28,208
Loss from discontinued operation	**(756)**	(1,408)
Aggregate income tax expense	**36,786**	26,800
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**6,022**	13,983
(Decrease)/increase in deferred tax liabilities	**(11,169)**	1,967
Deferred income tax expense included in income tax expense	**(5,147)**	15,950
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**66,631**	139,414
Loss from discontinued operation before income tax expense	**(46,274)**	(5,414)
Profit before income tax expense	**20,357**	134,000
Tax at the Australian tax rate of 30% (2013: 30%)	**6,107**	40,200
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Design and development	**(2,927)**	(3,761)
Losses on disposal of subsidiaries	**15,538**	–
Tax losses not previously recognised	**(3,038)**	(200)
Deferred tax assets not recoverable	**3,383**	–
Tax losses not recognised	**2,057**	–
Overseas exempt income and non-creditable taxes	**(8,229)**	(8,094)
Legal and entertainment costs	**574**	532
Impairment losses	**21,768**	–
Other non-deductible expenses	**2,595**	1,895
	37,828	30,572
Difference in overseas tax rates	**2,217**	1,787
Difference in exchange rates on overseas tax rates	**(956)**	(247)
Adjustment in respect of previous years income tax:		
Current income tax	**2,431**	(6,027)
Deferred income tax	**(4,734)**	715
Income tax expense	**36,786**	26,800
Average effective tax rate	**180.70%**	20.00%

Note 6. Income tax expense continued

	Consolidated 12 months to 30 Sept 2014 $'000	Consolidated 12 months to 30 Sept 2013 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly credited or (debited) to equity		
Net deferred tax – credited/(debited) directly to equity	**3,792**	7,740
Aggregate current and deferred tax arising in the reporting period directly credited or (debited) to equity	**3,792**	7,740
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	**6,109**	8,930
Unused gross capital tax losses for which no deferred tax asset has been recognised	**101,266**	86,962
	107,375	95,892
Potential tax benefit	**32,789**	28,053

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

(e) Unrecognised temporary differences		
Deferred tax assets on general temporary differences	**29,439**	148
	29,439	148

Under Australian tax law, the taxable profit made by a tax consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of assets and liabilities of the leaving entity which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on the disposal of investments within the tax consolidated group will therefore depend upon when each entity leaves the tax consolidated group and the assets and liabilities that the leaving entity holds at that time.

The Australian tax consolidated group considers the effects of the entities entering or leaving the tax consolidated group to be a change of tax status that is only recognised when those events occur. As a result, temporary differences and deferred tax liabilities have not been measured or recognised in relation to investments within the tax consolidated group.

The deferred tax balances in relation to Aristocrat Leisure Limited's indirect overseas investments have not been recognised. The accounting policy in relation to this is set out in Note 1(f).

(f) Tax consolidation legislation

Aristocrat Leisure Limited and its wholly owned Australian controlled entities have implemented tax consolidation legislation as of 1 January 2004. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Aristocrat Leisure Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Aristocrat Leisure Limited for any current tax payable assumed and are compensated by Aristocrat Leisure Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aristocrat Leisure Limited under the tax consolidation legislation. The funding amounts are determined by reference to the tax funding agreement which applies a group allocation approach, taking into account a combination between the 'stand alone taxpayer' and a 'separate taxpayer within a group' amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Note 7. Dividends

	Consolidated 12 months to 30 Sept 2014 $'000	Consolidated 12 months to 30 Sept 2013 $'000
Ordinary shares		
Final dividends paid		
– 2013 – 7.5 cents, unfranked, per fully paid share paid on 20 December 2013	**41,297**	–
– 2012 – 2.0 cents, unfranked, per fully paid share paid on 21 December 2012	**–**	11,008
Interim dividends paid		
– 2014 – 8.0 cents, unfranked, per fully paid share paid on 27 June 2014	**44,084**	–
– 2013 – 7.0 cents, unfranked, per fully paid share paid on 28 June 2013	**–**	38,535
Total dividends paid and provided during the year	**85,381**	49,543
Dividends paid were satisfied as follows:		
Paid in cash	**82,534**	47,072
Dividend received by Aristocrat Employee Equity Plan Trust	**(82)**	(97)
Paid through the Dividend Reinvestment Plan	**2,929**	2,568
	85,381	49,543

Dividends not recognised at year end
Since the end of the year, the Directors have recommended the payment of a final dividend of 8.0 cents (2013: 7.5 cents) per fully paid ordinary share, unfranked. The aggregate amount of the proposed final dividend expected to be paid on 19 December 2014 out of retained earnings at 30 September 2014, but not recognised as a liability at the end of the year is $50,402,000.

Franked dividends	Consolidated 2014 $'000	Consolidated 2013 $'000
Estimated franking credits expected to be available for subsequent financial years based on a tax rate of 30% (2013: 30%)	**–**	–

The above amounts represent the balance of the franking account of the parent entity as at the end of the year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

Note 8. Cash and cash equivalents

	Consolidated 2014 $'000	2013 $'000
Cash at bank and in hand	**285,929**	29,689

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Risk exposure
The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 9. Trade and other receivables

Current

Trade receivables	**297,884**	304,889
Provision for impairment of receivables	**(4,497)**	(5,322)
	293,387	299,567
Other receivables	**35,643**	49,047
Loans to non-controlling interest – secured	**–**	3,154
	329,030	351,768

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

Non-current

Trade receivables	**71,641**	65,143
Other receivables	**3,030**	5,634
	74,671	70,777

(a) Trade receivables – current
At year end, the ageing analysis of trade receivables is as follows:

	Total $'000	Current $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	91+ days $'000
2014 Consolidated	**297,884**	**255,324**	**21,941**	**4,034**	**4,415**	**12,170**
2013 Consolidated	304,889	280,307	11,490	6,396	1,766	4,930

Amounts shown as current in the above table represent receivables that are within their trading terms. As of 30 September 2014, trade receivables of $1,966,012 (2013: $854,218) were past due and considered impaired and trade receivables of $40,594,000 (2013: $23,727,513) were past due but not impaired. The ageing of past due and not impaired amounts is as follows:

	Total $'000	Current $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	91+ days $'000
2014 Consolidated	**40,594**	**–**	**21,714**	**3,825**	**4,231**	**10,824**
2013 Consolidated	23,728	–	11,441	6,330	1,707	4,250

An assessment of whether trade receivables are likely to be collected is performed at each reporting period, based on the meeting of payment terms, past credit history and negotiations with customers.

Note 9. Trade and other receivables continued

	Consolidated 2014 $'000	Consolidated 2013 $'000
(a) Trade receivables – current continued		
Movements in the provision for impairment of receivables is as follows:		
At start of the year	**(5,322)**	(7,025)
Provision for impairment recognised during the year	**(289)**	(507)
Foreign currency exchange differences	**(332)**	(809)
Provisions no longer required	**1,446**	3,019
At end of the year	**(4,497)**	(5,322)

The creation and release of the provision for impaired receivables has been included in general and administration costs in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Included in the provision above is $3,573,000 (2013: $4,437,000) relating to Latin America trade receivables.

(b) Trade receivables – non-current
No provision for impairment of receivables has been carried forward against the non-current receivables (2013: $nil). There are no other non-current receivables that are impaired or past due but not impaired.

(c) Other receivables – current
These include prepayments and other receivables incurred under normal terms and conditions and which do not earn interest.

(d) Other receivables – non-current
These include long-term deposits and prepayments and other receivables incurred under normal terms and conditions and which do not earn interest.

(e) Loan to non-controlling shareholders
This represented a loan issued to a third party on the partial sale of a subsidiary in the African operations (refer to Note 29). The amount owing was received during the year.

(f) Fair value risk – current
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(g) Fair value – non-current
The fair values of non-current receivables approximate their discounted carrying values, which are discounted to present value.

Note 9. Trade and other receivables continued

(h) Interest rate and foreign currency risk

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

	Consolidated	
	2014 $'000	2013 $'000
US dollars	**239,542**	208,064
Australian dollars	**124,350**	117,952
Other[1]	**39,809**	96,529
	403,701	422,545
Current receivables	**329,030**	351,768
Non-current receivables	**74,671**	70,777
	403,701	422,545

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

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

(i) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group. The Group holds guarantees over the debts of certain customers. The value of debtor balances over which guarantees are held is detailed below:

	Consolidated	
	2014 $'000	2013 $'000
Trade receivables[1] with guarantees	**11,426**	11,273
Trade receivables[1] without guarantees	**353,602**	353,437
	365,028	364,710

1. Includes current and non-current trade receivables, net of provision for impairment of receivables.

Note 9. Trade and other receivables continued

(j) Leasing arrangements

Included in trade receivables are receivables from gaming machines that have been sold under finance lease arrangements. The lease payments receivable under these contracts are as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Minimum lease payments under finance leases are receivable as follows:		
Within one year	**8,435**	10,851
Later than one year but not later than five years	**2,134**	7,916
Gross investment in leases	**10,569**	18,767
Unearned finance income		
Within one year	**532**	1,948
Later than one year but not later than five years	**601**	955
	1,133	2,903
The present value of minimum lease payments is as follows:		
Within one year	**7,903**	8,903
Later than one year but not later than five years	**1,533**	6,961
	9,436	15,864
Lease receivables are classified as follows:		
Current	**7,903**	8,903
Non-current	**1,533**	6,961
	9,436	15,864

Note 10. Inventories

	Consolidated 2014 $'000	Consolidated 2013 $'000
Current		
Raw materials and stores – at cost	**83,488**	61,117
Provision for obsolescence and impairment losses	**(39,874)**	(22,598)
	43,614	38,519
Work in progress – at cost	**4,979**	2,337
Finished goods – at cost	**27,810**	24,899
Provision for obsolescence and impairment losses	**(2,560)**	(2,408)
	25,250	22,491
Contract work in progress	**–**	105
Inventory in transit – at cost	**1,997**	1,356
	75,840	64,808

Inventory expense
Inventories recognised as an expense during the year ended 30 September 2014 amounted to $205,169,000 (2013: $236,954,000).

Note 11. Financial assets

	2014 $'000	2013 $'000
Current		
Debt securities held-to-maturity	**7,681**	6,233
Non-current		
Debt securities held-to-maturity	**4,527**	5,345

Impairment and risk exposure – held-to-maturity investments
The maximum exposure to credit risk at the reporting date is the carrying amount of the investments. All investments were issued by entities rated 'A' or higher.

None of the held-to-maturity investments are either past due or impaired.

All held-to-maturity investments are denominated in US dollars. Details regarding interest rate and foreign exchange risk exposure are disclosed in Note 2. There is no exposure to price risk as the investments will be held to maturity.

Note 12. Other assets

	Notes	Consolidated 2014 $'000	2013 $'000
Intellectual property rights	1(n)	**2,026**	4,852

Note 13. Property, plant and equipment

Land and buildings

	2014	2013
Land and buildings – at cost	**13,727**	13,567
Leasehold improvements – at cost	**34,889**	34,091
Accumulated amortisation and impairment losses	**(22,183)**	(19,038)
	12,706	15,053
Total land and buildings	**26,433**	28,620
Plant and equipment		
Plant and equipment owned – at cost	**254,354**	208,416
Accumulated depreciation and impairment losses	**(159,351)**	(130,123)
Total plant and equipment	**95,003**	78,293
	121,436	106,913

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land and buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Total $'000
Consolidated				
Carrying amount at 1 October 2012	12,671	16,450	73,456	102,577
Additions	25	1,682	34,639	36,346
Disposals	–	–	(110)	(110)
Acquisition of subsidiary	–	–	107	107
Transfers	–	160	(3,965)	(3,805)
Depreciation and amortisation – continuing operations	(643)	(2,531)	(31,541)	(34,715)
Depreciation and amortisation – discontinued operation	–	–	(209)	(209)
Foreign currency exchange differences	1,514	(708)	5,916	6,722
Carrying amount at 30 September 2013	**13,567**	**15,053**	**78,293**	**106,913**
Additions	**49**	**995**	**68,460**	**69,504**
Disposals	**–**	**(149)**	**(120)**	**(269)**
Impairment losses	**–**	**(226)**	**(2,703)**	**(2,929)**
Transfers	**(17)**	**(239)**	**(15,411)**	**(15,667)**
Depreciation and amortisation – continuing operations	**(695)**	**(2,565)**	**(36,596)**	**(39,856)**
Depreciation and amortisation – discontinued operation	**–**	**–**	**(100)**	**(100)**
Foreign currency exchange differences	**823**	**(163)**	**3,180**	**3,840**
Carrying amount at 30 September 2014	**13,727**	**12,706**	**95,003**	**121,436**

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

Note 14. Deferred tax assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
The balance comprises temporary differences attributable to:		
Accruals and other provisions	**8,310**	3,615
Convertible bonds litigation provision	**2,200**	11,000
Employee benefits	**11,563**	7,838
Plant, equipment and intangible assets	**–**	8,371
Provision for stock obsolescence	**8,240**	3,437
Share based equity	**9,616**	4,403
Unrealised foreign exchange losses	**2,031**	1,571
Tax losses	**34,378**	41,522
Other	**8,090**	5,524
Gross deferred tax assets	**84,428**	87,281
Deferred tax liabilities not offset above	**(4,311)**	(12,280)
Net deferred tax assets	**80,117**	75,001
Movements		
Balance at start of year	**75,001**	88,253
Charged to the statement of comprehensive income	**5,147**	(15,950)
Charged to equity (share-based equity and foreign currency exchange differences)	**3,792**	7,740
Tax losses utilised	**(3,372)**	(1,584)
Deferred tax liability on acquisition of business	**–**	(1,932)
Deferred tax liability on disposal of subsidiary	**1,058**	–
Other deferred tax liabilities	**(2,170)**	–
Foreign exchange currency movements	**661**	(1,526)
Closing balance at year end	**80,117**	75,001

Note 15. Intangible assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
Goodwill	**94,026**	106,122
Licences	**9,328**	9,868
Accumulated amortisation and impairment losses	**(6,418)**	(474)
	2,910	9,394
Capitalised development costs	**14,944**	9,035
Accumulated amortisation	**(510)**	(1,766)
	14,434	7,269
Technology and software	**60,375**	91,792
Accumulated amortisation and impairment losses	**(41,284)**	(63,449)
	19,091	28,343
Total	**130,461**	151,128

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

	Goodwill $'000	Licences $'000	Capitalised development costs $'000	Technology and software $'000	Total $'000
Consolidated					
Carrying amount at 1 October 2012	77,422	8,428	3,372	15,389	104,611
Additions	17,138	1,611	4,539	18,649	41,937
Disposals	–	–	–	(6)	(6)
Amortisation charge – continuing operations	–	(277)	–	(3,598)	(3,875)
Amortisation charge – discontinued operation	–	–	(642)	(3,398)	(4,040)
Foreign currency exchange movements	11,562	(368)	–	1,307	12,501
Carrying amount at 30 September 2013	**106,122**	**9,394**	**7,269**	**28,343**	**151,128**
Additions	**12,586**	**565**	**14,802**	**4,411**	**32,364**
Disposals	**(32,399)**	**–**	**(2,088)**	**(6,968)**	**(41,455)**
Impairment losses	**–**	**(5,602)**	**(4,397)**	**(145)**	**(10,144)**
Transfers	**–**	**(1,143)**	**–**	**–**	**(1,143)**
Amortisation charge – continuing operations	**–**	**(298)**	**(510)**	**(3,392)**	**(4,200)**
Amortisation charge – discontinued operation	**–**	**–**	**(642)**	**(3,627)**	**(4,269)**
Foreign currency exchange movements	**7,717**	**(6)**	**–**	**469**	**8,180**
Carrying amount at 30 September 2014	**94,026**	**2,910**	**14,434**	**19,091**	**130,461**

Note 15. Intangible assets continued

(a) Impairment tests

Goodwill and other intangibles are allocated to the Group's cash-generating units ('CGUs') which are identified as the geographical business units within each segment.

A summary of the goodwill allocation by CGU is presented below:

	2014 $'000	2013 $'000
Americas	**73,139**	55,975
Product Madness	**20,426**	19,204
South Africa	**461**	483
Aristocrat Lotteries	**–**	30,460
	94,026	106,122

The Japan CGU contains a perpetual licence which is tested annually for impairment on the basis that it has an indefinite life, and therefore not amortised. As a result of there being indicators of impairment relating to Japan, all assets in the Japan CGU were tested for impairment during the year. As a result of the impairment testing conducted, an impairment loss was recorded. Further details are contained in this Note.

In the years ended 30 September 2014 and 30 September 2013, the recoverable amount of the Group's CGUs were determined based upon a value-in-use calculation.

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

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

1. Financial budgets and strategic plans, approved by the Board to 2017 and management projections from 2018 to 2019. 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 in have been taken into account in the projections. Refer below for terminal growth rates used for each CGU.
2. A pre-tax annual discount rate of:

	2014	2013
Americas	**14.6%**	13.3%
Product Madness	**14.6%**	Not applicable
Japan	**16.4%**	17.1%

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

	2014	2013
Americas	**3.0%**	3.0%
Product Madness	**3.0%**	Not applicable
Japan	**2.0%**	2.0%

4. An allocation of head office assets.

Note 15. Intangible assets continued

(b) Key assumptions used for value-in-use calculations continued
Following a review of impairment calculations for the Japan Pachislot business, which include the impact of uncertainty on forecasted units sales, an impairment loss before tax of $72,560,000 was recorded, and non-recoverable deferred tax assets of $5,440,000 recorded as a tax expense. Changes recently introduced in the regulatory environment have led to delays in game approvals and releases across the Pachislot market. In addition, the regulator has signalled further regulatory changes to come. The regulatory uncertainty introduces a degree of risk for Aristocrat's product release schedule for Japan going forward. The $72,560,000 impairment loss includes losses recorded against inventory of $15,227,000, intangible assets of $10,144,000, plant and equipment of $2,929,000, other receivables of $11,850,000 and inventory and related items that are subject to onerous commitments of $32,410,000.

On the basis of materiality, a high level review of the goodwill relating to South Africa was performed. Based on expected results, it was not considered necessary to perform a detailed review of impairment of the related goodwill balance.

(c) Impact of possible changes in key assumptions
With regard to the assessment of the value-in-use of the CGUs, management does not believe that a reasonably possible change in any one of the key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amounts.

Note 16. Trade and other payables

	Consolidated	
	2014 $'000	2013 $'000
Current		
Trade payables	**65,661**	63,044
Contingent consideration	**6,253**	2,125
Other payables	**104,260**	98,070
	176,174	163,239
Non-current		
Contingent consideration	**6,383**	10,310
Other payables	**571**	1,605
	6,954	11,915

(a) Foreign currency risk

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

	2014 $'000	2013 $'000
US dollars	**100,077**	85,424
Australian dollars	**63,974**	50,320
Other[1]	**19,077**	39,410
	183,128	175,154

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

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

Note 17. Borrowings

	Notes	Consolidated 2014 $'000	2013 $'000
Current			
Secured			
Bank loans		**114,260**	–
Lease liabilities		**124**	124
		114,384	124
Non-current			
Secured			
Bank loans		**–**	237,431
Lease liabilities		**243**	328
		243	237,759

The bank loans have been classified as current as under the terms of new financing arrangements entered into in relation to the Video Gaming Technologies acquisition, the Group did not have an unconditional right to delay settlement of existing liabilities. These liabilities have been repaid since the reporting date from cash that was raised via equity raisings in the 2014 year.

(a) Financing arrangements
Unrestricted access was available at balance date to the following lines of credit:

	Notes	2014 $'000	2013 $'000
Credit standby arrangements			
Total facilities			
– Bank overdrafts	(i)	**7,285**	7,148
– Bank loans	(ii)	**375,000**	375,000
– Other	(iii)	**10,000**	10,000
		392,285	392,148
Used at reporting date			
– Bank overdrafts		**576**	2,145
– Bank loans		**114,260**	237,431
– Other		**–**	–
		114,836	239,576
Unused at reporting date			
– Bank overdrafts		**6,709**	5,003
– Bank loans		**260,740**	137,569
– Other		**10,000**	10,000
		277,449	152,572

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

(ii) The bank loan facilities were structured as follows:

Syndicated Facility
– Facility A – $355,000,000 tranche maturing 30 October 2015.
– Facility B – $20,000,000 tranche maturing 30 October 2015.

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

Borrowings are at a floating rate. During the prior period, a portion of the interest rate exposure had been fixed under separate interest rate swap arrangements.

Note 17. Borrowings continued

(a) Financing arrangements continued

(iii) Other facilities relate to an uncommitted money market borrowing line with Westpac Banking Corporation. As at 30 September 2014, there were no drawings made under this facility.

Since reporting date, the following financing facilities were entered into to refinance existing Syndicated bank debt facilities and fund the acquisition of Video Gaming Technologies Inc:

– USD $1,300 million fully underwritten seven year US Term Loan B debt facility maturing 20 October 2021.
– AUD $100 million five 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, including a payment default, breach of covenants, cross-default and insolvency events. As part of the corporate facility, the Group is subject to certain customary financial covenants measured on a six-monthly basis.

Existing banks loans were repaid, and the facilities cancelled.

(b) Forward exchange contracts

The Group enters into derivatives in the form of forward exchange contracts to hedge foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items. The following table provides information as at 30 September 2014 on the net fair value of the Group's existing foreign exchange hedge contracts:

		Maturity profile[1]		
Currency pair	Weighted average exchange rate	1 year or less $'000	1 to 7 year(s) $'000	Net fair value gain/(loss)[2] $'000
AUD/EUR	0.8660	12,646	–	537
AUD/USD	0.6563	11,538	–	59
AUD/ZAR	9.8931	991	–	60
USD/ZAR	11.3038	3,365	–	3
Total		28,540	–	659

1. The foreign base amounts are converted at the prevailing period end exchange rate to AUD equivalents.
2. Refer to Note 1(d)(ii). The net fair value of the derivatives above is included in receivables.

(c) Net fair value of financial assets and liabilities

(i) On-statement of financial position

The fair value of current borrowings approximates the carrying amount. The fair value of non-current borrowings also approximates the carrying value given that the USD borrowing is a floating rate and was drawn from the three year tranche (Facility A) of the Syndicated Facility (per Note 17(a)(ii)).

(ii) Off-statement of financial position

At 30 September 2014, there were no off-statement of financial position financial assets or liabilities, other than those potential liabilities which may arise from certain contingencies disclosed in Note 23.

(d) Foreign currency risk

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

	Consolidated	
	2014 $'000	2013 $'000
US dollars	**114,260**	107,423
Australian dollars	**280**	113,403
Japanese yen	**87**	17,057
	114,627	237,883

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

Note 18. Provisions

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Current			
Employee benefits	1(x)	**9,740**	8,940
Make good allowances	1(w)	**–**	259
Progressive jackpot liabilities	1(w)	**5,467**	4,274
Warranties	1(w)	**374**	254
Onerous contracts	1(w)	**32,410**	–
Other		**–**	625
		47,991	14,352
Non-current			
Employee benefits	1(x)	**4,767**	5,110
Make good allowances	1(w)	**3,867**	3,675
Progressive jackpot liabilities	1(w)	**4,528**	5,345
		13,162	14,130

Movements in provisions

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

	Make good allowances $'000	Progressive jackpot liabilities $'000	Warranties $'000	Onerous contracts $'000	Other $'000	Total $'000
Consolidated – current and non-current						
Carrying amount at 1 October 2013	3,934	9,619	254	–	625	14,432
Payments	(180)	(1,158)	–	–	(614)	(1,952)
Additional provisions recognised	422	922	511	32,410	–	34,265
Reversal of provisions recognised	(333)	–	(384)	–	–	(717)
Foreign currency exchange differences	24	612	(7)	–	(11)	618
Carrying amount at 30 September 2014	3,867	9,995	374	32,410	–	46,646

Note 19. Other liabilities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Current		
Deferred revenue	**33,128**	39,190
Non-current		
Deferred revenue	**6,262**	7,309
Other non-current liabilities	**8,331**	9,837
	14,593	17,146

Note 20. Contributed equity

	Notes	Consolidated 2014 Shares	Consolidated 2013 Shares	Consolidated 2014 $'000	Consolidated 2013 $'000
Ordinary shares, fully paid		**630,022,253**	551,418,047	**641,603**	233,137
Movements in ordinary share capital					
Ordinary shares at the beginning of the year	(a)	**551,418,047**	551,418,047	**233,137**	233,137
Shares issued during the year		**78,604,206**	–	**413,463**	–
Less: Transaction costs arising on shares issued (net of tax)		**–**	–	**(4,997)**	–
Ordinary shares at the end of the financial year		**630,022,253**	551,418,047	**641,603**	233,137

(a) Ordinary shares
Ordinary shares have no par value and entitle the holder to participate in dividends and the winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Holders of ordinary shares are entitled to one vote per share at meetings of the Company.

There is no current on-market buy-back.

(b) Capital management
The Group's overall strategic capital management objective is to maintain a conservative 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:

	2014	2013
Gearing ratio (gross debt/bank EBITDA*)	**0.5x**	1.2x
Interest coverage ratio (bank EBITDA*/interest expense**)	**16.9x**	12.4x
Net debt/(cash)/EBITDA	**(0.8)x**	1.1x

* Bank EBITDA = EBITDA + Interest Received.

** Interest expense shown above includes ongoing finance fees relating to bank debt facility arrangements, such as line fees. The ratios for the 2014 and 2013 years have been calculated on this basis.

Note 21. Reserves and retained earnings

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
(a) Reserves			
Foreign currency translation reserve	(i)	**(51,290)**	(73,305)
Share-based payments reserves	(ii)	**235**	(4,780)
Non-controlling interest reserve	(iv)	**(7,050)**	–
		(58,105)	(78,085)

(i) Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency exchange differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in foreign operations. Refer to Note 1(d)(iii).

	2014	2013
Foreign currency translation reserve at the beginning of the financial year	**(73,305)**	(97,615)
Realised exchange differences on net investment in foreign operation	**10,299**	–
Net exchange differences on translation of foreign operations – discontinued operation	**2,556**	–
Net exchange differences on translation of foreign operations and net investment in foreign operations – continuing operations	**9,160**	24,310
Foreign currency translation reserve at the end of the financial year	**(51,290)**	(73,305)

Note 21. Reserves and retained earnings continued

(a) Reserves continued

	Notes	Consolidated 2014 $'000	2013 $'000
(ii) Share-based payments reserve			
The share-based payments reserve is used to recognise the fair value of all shares, options and rights both issued and issued but not exercised under the various employee share plans, as well as purchases of shares by the Aristocrat Employee Share Trust.			
Share-based payments reserve at the beginning of the financial year		**(4,780)**	(22,371)
Share-based payments expense		**8,506**	9,369
Purchases of shares by the Aristocrat Employee Share Trust		**(5,083)**	–
Share-based tax and other adjustments		**1,592**	8,222
Net movement in share-based payments reserve		**5,015**	17,591
Share-based payments reserve at the end of the financial year		**235**	(4,780)
(iii) Interest rate hedge reserve			
The interest rate hedge reserve is used to record gains or losses on interest rate hedges that are recognised in other comprehensive income.			
Interest rate hedge reserve at the beginning of the year		**–**	(1,594)
Movement in fair value of interest rate hedges		**–**	1,594
Interest rate hedge reserve at the end of the financial year		**–**	–
(iv) Non-controlling interest reserve			
The non-controlling interest reserve is used to record transactions with non-controlling interests that do not result in the loss of control.			
Non-controlling interest reserve at the beginning of the year		**–**	–
Transactions with non-controlling interests during the year	29	**(7,050)**	–
Non-controlling interest reserve at the end of the financial year		**(7,050)**	–
(b) Retained earnings			
Retained earnings at the beginning of the financial year		**224,392**	166,735
Net (loss)/profit attributable to owners of Aristocrat Leisure Limited		**(16,429)**	107,200
Dividends paid or provided for	7	**(85,381)**	(49,543)
Retained earnings at the end of the year		**122,582**	224,392

Note 22. Events occurring after reporting date

On 20 October 2014, the Group completed the purchase of Video Gaming Technologies Inc. The purchase price was US$1,320,000,000, subject to adjustments. Refer to Note 34 for further information on the acquisition. As a result of the acquisition, the Group has entered new financing arrangements. Refer to Note 17 for details of these.

Other than the matters 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 7 for information regarding dividends declared after reporting date.

Note 23. Contingent liabilities

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

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

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

(iv) Aristocrat Leisure Limited, Aristocrat International Pty Ltd, Aristocrat Technologies Australia Pty Ltd, Aristocrat (Asia) Pty Limited and Aristocrat (Macau) Pty Limited are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities and Investments Commission as discussed in Note 32.

Note 24. Commitments

	Consolidated	
	2014 $'000	2013 $'000
Capital commitments		
Significant capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets – Technology and software	**1,099**	–
Property, plant and equipment	**–**	49
Lease commitments		
Non-cancellable operating leases		
The Group leases various offices and plant and equipment under non-cancellable operating leases.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**16,054**	13,584
Later than one year but not later than five years	**48,446**	46,738
Later than five years	**15,855**	18,107
Commitments not recognised in the financial statements	**80,355**	78,429
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**8,272**	11,008

Note 25. Subsidiaries

	Notes	Country of incorporation	Equity holding 2014 %	Equity holding 2013 %
Ultimate parent entity				
Aristocrat Leisure Limited		Australia	**–**	–
Controlled entities				
Aristocrat Technical Services Pty Ltd		Australia	**100**	100
Aristocrat Properties Pty Ltd		Australia	**100**	100
Aristocrat (Holdings) Pty Ltd		Australia	**100**	100
Aristocrat Technologies Australia Pty Ltd		Australia	**100**	100
ASSPA Pty Ltd		Australia	**100**	100
Aristocrat Technology Gaming Systems Pty Limited		Australia	**100**	100
Aristocrat International Pty Ltd		Australia	**100**	100
Aristocrat Leisure Cyprus Limited		Cyprus	**100**	100
Aristocrat Lotteries AB		Sweden	**–**	100
Aristocrat Gaming LLC		Russia	**100**	100
Aristocrat (Argentina) Pty Limited		Australia	**100**	100
AI (Puerto Rico) Pty Limited		Australia	**100**	100
Aristocrat (Latin America) Pty Ltd		Australia	**100**	100
Aristocrat Technologies Mexico, S.A. DE C.V.		Mexico	**100**	100
Aristocrat Service Mexico, S.A. DE C.V.		Mexico	**100**	100
Aristocrat (Asia) Pty Limited		Australia	**100**	100
Aristocrat (Macau) Pty Limited		Australia	**100**	100
Aristocrat (Philippines) Pty Limited		Australia	**100**	100
Aristocrat (Singapore) Pty Limited		Australia	**100**	100
Aristocrat (Cambodia) Pty Limited		Australia	**100**	100
Aristocrat (Malaysia) Pty Limited		Australia	**100**	100
Aristocrat Leisure Technology Development (Beijing) Co. Ltd		China	**100**	100
Aristocrat Technologies Europe (Holdings) Limited		UK	**100**	100
Aristocrat Technologies Europe Limited		UK	**100**	100
ASSPA (UK) Limited		UK	**100**	100
Aristocrat Technologies LLC		Russia	**100**	100
Aristocrat Technologies Spain S.L.		Spain	**100**	100
Product Madness (UK) Limited		UK	**100**	100
Aristocrat Lotteries Italia S.r.L.		Italy	**–**	100
Aristocrat Technologies NZ Limited		New Zealand	**100**	100
Aristocrat Technologies, Inc.		USA	**100**	100
Aristocrat Funding Corporation Pty Ltd		Australia	**100**	100
Aristocrat Technologies Canada, Inc.		Canada	**100**	100
Product Madness Inc.		USA	**100**	100
Aristocrat C.A.		Venezuela	**100**	100
Aristocrat Research & Development (Africa) Pty Ltd		South Africa	**100**	100
Aristocrat Africa (Pty) Ltd	(a)	South Africa	**100**	72

Note 25. Subsidiaries continued

	Notes	Country of incorporation	Equity holding 2014 %	2013 %
Aristocrat Technologies Africa (Pty) Ltd	(a)	South Africa	**100**	72
KK Aristocrat Technologies		Japan	**100**	100
Aristocrat Hanbai KK		Japan	**100**	100
KK Spiky		Japan	**100**	100
Aristocrat Technologies India Private Ltd		India	**100**	100
Aristocrat Technologies Hong Kong Limited		Hong Kong	**100**	100
Other controlled entities				
Aristocrat Employee Equity Plan Trust		Australia	**100**	100

(a) Refer to Note 29.

Note 26. Share-based payments

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

(a) Performance Share Plan ('PSP')

The PSP is a long-term employee share scheme that provides for eligible employees to be offered conditional entitlements to fully paid ordinary shares in the parent entity ('Performance Share Rights'). Performance Share Rights issued under the PSP are identical in all respects other than performance conditions and periods, which are detailed below.

As at 30 September 2014, 13 employees (2013: 12) were entitled to 5,654,286 (2013: 6,191,023) Performance Share Rights under this plan.

Accounting fair value of Performance Share Rights granted

The assessed accounting fair values of Performance Share Rights granted during the financial years ended 30 September 2014 and 30 September 2013 are as follows:

Performance Share Right series	Performance period start date	Performance period expiry date	Performance condition[1]	Accounting valuation date	Accounting valuation[2]
Issued 2014					
Series 25A	1 October 2013	30 September 2016	TSR	20 February 2014	2.83
Series 25B	1 October 2013	30 September 2016	EPSG	20 February 2014	4.52
Series 26A	1 October 2013	30 September 2016	TSR	20 February 2014	2.83
Series 26B	1 October 2013	30 September 2016	EPSG	20 February 2014	4.52
Issued 2013					
Series 22A	1 October 2012	30 September 2015	TSR	20 February 2013	2.45
Series 22B	1 October 2012	30 September 2015	EPSG	20 February 2013	3.50
Series 23A	1 October 2012	30 September 2015	TSR	20 February 2013	2.45
Series 23B	1 October 2012	30 September 2015	EPSG	20 February 2013	3.50

1. TSR – Total Shareholder Return; EPSG – Earnings Per Share Growth.
2. In accordance with accounting standards, the accounting valuation, as independently determined by EY, of a Performance Share Right with a market vesting condition (for example, TSR) incorporates the likelihood that the vesting condition will be met. Whereas, the accounting valuation, as independently determined by EY, of a Performance Share Right with a non-market vesting condition (for example, EPSG) does not take into account the likelihood that the vesting condition will be met. Accordingly, the accounting value of a Performance Share Right with a TSR vesting condition is lower than that with an EPSG vesting condition.

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 a Total Shareholder Return ('TSR') model and an Earnings Per Share Growth ('EPSG') model.

Note 26. Share-based payments continued

(a) Performance Share Plan ('PSP') continued

(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.

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 2014 and the year ended 30 September 2013 included:

(a) share rights are granted for no consideration and have a three year life;

(b) exercise price: zero consideration;

(c) the grant date and expiry dates: refer to tables below:

(d) share price at grant date:

2014: series 25A and 26A: $4.91

2013: series 22A and 23A: $3.86

(e) price volatility of the Company's shares:

2014: series 25A and 26A: 30%

2013: series 22A and 23A: 35%

(f) dividend yield:

2014: series 25A and 26A: 3.2%

2013: series 22A and 23A: 3.8%

(g) risk-free interest rate:

2014: series 25A and 26A: 2.87%

2013: series 22A and 23A: 2.84%

(ii) Earnings Per Share Growth ('EPSG') model

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 2014 and the year ended 30 September 2013 included:

(a) share rights are granted for no consideration and have a three year life;

(b) exercise price: zero consideration;

(c) the grant date and expiry dates: refer to tables below;

(d) share price at grant date:

2014: series 25B and 26B: $4.91

2013: series 22B and 23B: $3.86

(e) price volatility of the Company's shares:

2014: series 25B and 26B: 30%

2013: series 22B and 23B: 35%

(f) dividend yield:

2014: series 25B and 26B: 3.2%

2013: series 22B and 23B: 3.8%

(g) risk-free interest rate:

2014: series 25B and 26B: 2.87%

2013: series 22B and 23B: 2.84%

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

Note 26. Share-based payments continued

(a) Performance Share Plan ('PSP') continued

Performance Share Rights are detailed in the tables below:

Consolidated – 2014

Right series	Grant date	Performance period expiry date	Rights at start of year Number	Add: new rights issues Number	Less: rights vested Number	Less: rights lapsed Number	Rights at end of year Number
PSP							
Series 18A	3 May 2011	31 December 2013	306,000	–	306,000	–	–
Series 18B	3 May 2011	31 December 2013	714,000	–	–	714,000	–
Series 19A	1 January 2011	31 December 2013	210,234	–	210,234	–	–
Series 19B	1 January 2011	31 December 2013	490,547	–	–	490,547	–
Series 20A	2 May 2012	31 December 2014	405,000	–	–	–	405,000
Series 20B	2 May 2012	31 December 2014	945,000	–	–	–	945,000
Series 21A	1 January 2012	31 December 2014	350,471	–	–	13,360	337,111
Series 21B	1 January 2012	31 December 2014	817,771	–	–	31,174	786,597
Series 22A	20 February 2013	30 September 2015	229,850	–	–	–	229,850
Series 22B	20 February 2013	30 September 2015	536,150	–	–	–	536,150
Series 23A	1 October 2012	30 September 2015	356,300	–	–	36,654	319,646
Series 23B	1 October 2012	30 September 2015	829,700	–	–	84,695	745,005
Series 25A	20 February 2014	30 September 2016	–	130,500	–	–	130,500
Series 25B	20 February 2014	30 September 2016	–	304,500	–	–	304,500
Series 26A	1 October 2013	30 September 2016	–	274,478	–	–	274,478
Series 26B	1 October 2013	30 September 2016	–	640,449	–	–	640,449
			6,191,023	**1,349,927**	**516,234**	**1,370,430**	**5,654,286**

Note 26. Share-based payments continued

(a) Performance Share Plan ('PSP') continued
Consolidated – 2013

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 15A	28 April 2010	31 December 2012	224,786	–	–	224,786	–
Series 15B	28 April 2010	31 December 2012	224,786	–	–	224,786	–
Series 17A	1 January 2010	31 December 2012	288,894	–	–	288,894	–
Series 17B	1 January 2010	31 December 2012	288,894	–	–	288,894	–
Series 18A	3 May 2011	31 December 2013	306,000	–	–	–	306,000
Series 18B	3 May 2011	31 December 2013	714,000	–	–	–	714,000
Series 19A	1 January 2011	31 December 2013	237,431	–	–	27,197	210,234
Series 19B	1 January 2011	31 December 2013	554,007	–	–	63,460	490,547
Series 20A	2 May 2012	31 December 2014	405,000	–	–	–	405,000
Series 20B	2 May 2012	31 December 2014	945,000	–	–	–	945,000
Series 21A	1 January 2012	31 December 2014	424,964	–	–	74,493	350,471
Series 21B	1 January 2012	31 December 2014	991,587	–	–	173,816	817,771
Series 22A	20 February 2013	30 September 2015	–	229,850	–	–	229,850
Series 22B	20 February 2013	30 September 2015	–	536,150	–	–	536,150
Series 23A	1 October 2012	30 September 2015	–	356,300	–	–	356,300
Series 23B	1 October 2012	30 September 2015	–	829,700	–	–	829,700
			5,605,349	**1,952,000**	**–**	**1,366,326**	**6,191,023**

(b) General Employee Share Plan
The General Employee Share Plan (GESP) is designed to provide employees with shares in the parent entity under the provisions of Division 83A of the *Australian Income Tax Assessment Act*.

(c) Deferred equity employee plan
Certain eligible employees are offered incentives of being granted share rights that are based on individual and Company performance, subject to continued employment. Should the performance criteria be met an amount of share rights are granted. As a result of the meeting of performance criteria in the 2012 and 2013 financial years, 1,415,754 performance shares rights are outstanding as at 30 September 2014. These rights are subject to the employees remaining with the Group until January 2015 and January 2016.

(d) Deferred short term incentive plan
Upon the vesting of short term incentives, Executive Leadership Team members receive the incentives as 50% cash, with 50% deferred as performance share rights. These share rights are expensed over the vesting periods, being two and three years. The number of rights outstanding at 30 September 2014 was 468,889.

Note 26. Share-based payments continued

(e) Share-based payments expense

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

	Consolidated 12 months to 30 Sept 2014 $'000	Consolidated 12 months to 30 Sept 2013 $'000
Performance Share Plan	**3,127**	3,474
General Employee Share Plan	**90**	877
Deferred Short Term Incentive Plan	**703**	1,627
Deferred Equity Employee Plan	**2,459**	2,716
Other grants	**2,127**	675
	8,506	9,369

Note 27. Key management personnel disclosures

Key management personnel compensation

Key management personnel includes all Non-Executive Directors, Executive Directors and Senior Executives who were responsible for the overall planning, directing and controlling of activities of the Group.

	Consolidated 12 months to 30 Sept 2014 $	Consolidated 12 months to 30 Sept 2013 $
Short-term employee benefits	**7,333,413**	5,316,820
Post-employment benefits	**164,381**	140,510
Long-term benefits	**75,672**	44,808
Termination benefits	**614,493**	–
Share-based payments	**2,907,774**	4,238,582
	11,095,733	9,740,720

Detailed remuneration disclosures are provided in the Remuneration Report.

Note 28. Remuneration of auditors

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

	Consolidated	
	12 months to 30 Sept 2014 $	12 months to 30 Sept 2013 $
Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**516,080**	480,065
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**894,280**	769,029
Total remuneration for audit services	**1,410,360**	1,249,094
Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm	**–**	7,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**87,241**	74,560
Total remuneration for other assurance services	**87,241**	81,560
Total remuneration for assurance services	**1,497,601**	1,330,654
Advisory services		
Fees paid to PricewaterhouseCoopers Australian firm	**343,581**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**403,010**	127,036
Total remuneration for advisory services	**746,591**	127,036

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally 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.

Note 29. Related parties

(a) Other transactions with key management personnel
Refer to Note 27 for disclosures relating to key management personnel.

(b) Transactions with non-controlling interest
On 31 May 2006, Aristocrat International Pty Ltd, a wholly-owned entity, advanced to Yabohle Investments (Pty) Limited, the non-controlling shareholder of the Group's South African operations, a seven year loan of ZAR43,400,000. The remaining balance of the loan was received during the year.

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

	Consolidated	
	2014 $'000	2013 $'000
Carrying amount of non-controlling interests at start of year	**(4,015)**	–
Consideration paid to non-controlling interests	**(3,016)**	–
Foreign currency exchange movements	**(19)**	–
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(7,050)**	–
	$	$
Net amount receivable from non-controlling interest as at reporting date		
Current		
Receivable from non-controlling interest	**–**	3,153,552

(c) Subsidiaries
Interests in subsidiaries are set out in Note 25.

Note 30. Earnings per share

	Consolidated 12 months to 30 Sept 2014 Cents	12 months to 30 Sept 2013 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**5.1**	20.2
From discontinued operation	**(8.0)**	(0.7)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(2.9)**	19.5
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**5.1**	20.1
From discontinued operation	**(8.0)**	(0.7)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(2.9)**	19.4

	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**566,801,580**	550,396,128
Effect of Performance Share Rights	**3,741,521**	2,561,007
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**570,543,101**	552,957,135

	2014 $'000	2013 $'000
Reconciliation of earnings used in calculating basic and diluted earnings per share		
Net profit/(loss) attributable to members of Aristocrat Leisure Limited		
From continuing operations	**29,089**	111,206
From discontinued operation	**(45,518)**	(4,006)
Earnings used in calculating basic and diluted earnings per share	**(16,429)**	107,200

Information concerning the classification of securities

(a) Share-based payments

Rights granted to employees under share-based payments arrangements are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in Note 26.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights are 557,485 (2013: 177,495) Performance Share Rights that had lapsed during the year.

(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. At the end of the reporting period, there were 395,069 shares held in the share trust (2013: 727,443).

Note 31. Reconciliation of (loss)/profit for the year after income tax to net cash flow from operating activities

	Consolidated	
	12 months to 30 Sept 2014 $'000	12 months to 30 Sept 2013 $'000
(Loss)/profit for the year	**(16,429)**	107,200
Depreciation and amortisation	**48,425**	42,839
Impairment losses	**72,560**	–
Equity-settled share-based payments	**8,506**	9,369
Non-cash interest income	**–**	(58)
Net (gain)/loss on sale of property, plant and equipment	**(3)**	44
Net foreign currency exchange differences	**3,785**	13,073
Loss on sale of subsidiaries	**43,367**	–
Change in operating assets and liabilities:		
– (Increase) in receivables and deferred revenue	**(10,788)**	(107,394)
– (Increase)/decrease in inventories	**(10,147)**	7,959
– Decrease/(increase) in other operating assets	**2,196**	(1,157)
– Increase in payables	**11,080**	16,165
– Increase/(decrease) in other provisions	**765**	(2,465)
– Movement in tax balances	**5,513**	12,641
Net cash inflow from operating activities	**158,830**	98,216

Note 32. 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.

Note 32. Deed of cross guarantee continued

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

	12 months to 30 Sept 2014 $'000	12 months to 30 Sept 2013 $'000
Revenue	**306,835**	276,390
Other income	**8,175**	36,821
Cost of revenue and other expenses	**(138,138)**	(50,481)
Employee benefits expense	**(117,623)**	(106,845)
Finance costs	**(11,532)**	(14,245)
Depreciation and amortisation expense	**(7,661)**	(8,604)
Profit before income tax	**40,056**	133,036
Income tax expense	**(23,580)**	(14,430)
Profit for the year	**16,476**	118,606
Other comprehensive income		
Changes in fair value of interest rate hedge	**–**	1,594
Other comprehensive income, net of tax	**–**	1,594
Total comprehensive income for the year	**16,476**	120,200
Set out below is a summary of movements in consolidated retained earnings of the Closed Group:		
Retained earnings at the beginning of the financial year	**116,387**	47,421
Profit for the year	**16,476**	118,606
Dividends paid	**(85,463)**	(49,640)
Retained earnings at the end of the financial year	**47,400**	116,387

Set out below is a consolidated statement of financial position of the Closed Group:

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	**215,622**	–
Trade and other receivables	**114,895**	108,174
Inventories	**16,692**	12,429
Tax assets	**3,523**	2,382
Total current assets	**350,732**	122,985
Non-current assets		
Trade and other receivables	**78,801**	23,088
Investments	**257,877**	292,377
Property, plant and equipment	**19,152**	18,259
Deferred tax assets	**66,864**	81,339
Intangible assets	**28,339**	19,263
Total non-current assets	**451,033**	434,326
Total assets	**801,765**	557,311

Note 32. Deed of cross guarantee continued

	2014 $'000	2013 $'000
Current liabilities		
Trade and other payables	**77,432**	58,962
Borrowings	**124**	124
Provisions	**9,878**	9,307
Other liabilities	**8,929**	10,288
Total current liabilities	**96,363**	78,681
Non-current liabilities		
Trade and other payables	**4,753**	5,659
Borrowings	**155**	113,279
Provisions	**4,845**	4,960
Other liabilities	**5,491**	6,044
Total non-current liabilities	**15,244**	129,942
Total liabilities	**111,607**	208,623
Net assets	**690,158**	348,688
Equity		
Contributed equity	**641,603**	233,137
Reserves	**1,155**	(836)
Retained earnings	**47,400**	116,387
Total equity	**690,158**	348,688

Note 33. Parent entity financial information

(a) Summary financial information

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

	2014 $'000	2013 $'000
Statement of financial position		
Current assets	**3,616**	23,079
Total assets	**554,221**	179,588
Current liabilities	**2,088**	2,089
Total liabilities	**2,088**	2,089
Shareholders' equity		
Contributed equity	**641,603**	233,137
Reserves	**82,326**	73,819
Retained earnings	**(171,796)**	(129,457)
	552,133	177,499
Profit for the year after tax	**43,124**	50,977
Total comprehensive income after tax	**43,124**	50,977

(b) Guarantees entered into by the parent entity

Cross guarantees given by the parent entity are set out in Note 32.

(c) Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are set out in Note 23.

34. Business combinations

(a) Business combination during the year
On 2 July 2014 the Group acquired assets and liabilities of Paltronics Inc. Paltronics Inc is a leading supplier of complementary gaming products and systems. The assets and liabilities acquired are able to be used to operate Paltronics as a business.

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

	2014 $'000s
Purchase consideration	
Cash paid	**12,159**
Total purchase consideration	**12,159**

The purchase consideration is subject to working capital adjustments. Finalisation of the fair values of assets and liabilities is in progress. Provisional values for the assets and liabilities at the date of acquisition are as follows:

	Fair value $'000s
Receivables	**711**
Inventory	**245**
Payables	**(470)**
Other liabilities	**(913)**
Net identifiable liabilities acquired	**(427)**
Add: goodwill	**12,586**
Net assets acquired	**12,159**

The goodwill is attributable to key employees and expected synergies with Paltronics Inc. The goodwill is deductible for tax purposes.

(i) Acquisition related costs
Acquisition related costs of $463,000 are included in general and administration costs in the statement of comprehensive income for the year and in operating cash flows in the statement of cash flows.

(ii) Acquired receivables
The fair value of trade and other receivables on acquisition was $711,000, all of which were trade receivables. The gross contractual amount for trade receivables due was $953,000. The fair value of the receivables have been recovered from customers, or are expected to be recovered.

(iii) Revenue and profit contribution
The acquired business contributed revenues of $1,239,000 and a net loss of $243,000 to the Group for the period from 2 July 2014 to 30 September 2014.

Had the acquisition occurred on 1 October 2013, the revenue and profit of the Group would not be materially different to the amounts as included in the statement of comprehensive income.

34. Business combinations continued

(b) Business combination subsequent to reporting date

On 20 October 2014 the Group acquired Video Gaming Technologies Inc (VGT). VGT is a leading provider of predominantly Class II gaming machines for the leased tribal gaming market in North America.

The purchase consideration for the acquisition was US$1,320,000,000, subject to adjustments. The accounting for the acquisition is in progress. Information about the assets and liabilities acquired will be provided in the half-year financial report for the period ending 31 March 2015. Acquisition related costs of $7,491,000 are included in general and administration costs in the statement of comprehensive income for the year and $6,699,000 in operating cash flows in the statement of cash flows.

(c) Business combination in the prior reporting period

In the prior period, the Group acquired online social gaming operators Product Madness Inc and Product Madness (UK) Limited for a purchase consideration of $20,804,000. The identifiable net assets acquired were $3,666,000, with goodwill of $17,138,000 being recognised.

The purchase consideration included a fixed and contingent component. Refer to Note 2(d)(ii) for information on the fair value of the contingent consideration.

35. Discontinued operation

(a) Description

On 29 September 2014, the Group sold Aristocrat Lotteries AB and Aristocrat Lotteries Italia S.r.L, together with related intellectual property assets. The results from these entities are shown in the statement of comprehensive income as a discontinued operation. Financial information relating to the discontinued operation is set out below.

(b) Financial performance

	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue	**17,329**	10,636
Other income	**104**	72
Expenses	**(20,340)**	(16,122)
Loss before income tax	**(2,907)**	(5,414)
Income tax benefit	**756**	1,408
Loss after income tax of discontinued operation	**(2,151)**	(4,006)
Loss on sale before income tax	**(33,068)**	–
Income tax	**–**	–
Loss on sale after income tax	**(33,068)**	–
Reclassification of foreign currency translation reserve to profit and loss	**(10,299)**	–
Loss from discontinued operation	**(45,518)**	(4,006)

(c) Cash flow information

	2014 $'000	2013 $'000
Net cash (outflow)/inflow from operating activities	**(225)**	580
Net cash inflow/(outflow) from investing activities	**13,267**	(15)
Net cash increase generated by the discontinued operation	**13,042**	565

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

(d) Details of the sale

	2014 $'000	2013 $'000
Consideration received – cash	**13,772**	–
Carrying amount of net assets sold	**(46,568)**	–
Costs of disposal	**(272)**	–
Loss on disposal before income tax	**(33,068)**	–
Income tax	**–**	–
Loss on disposal after income tax	**(33,068)**	–

Directors' declaration

for the year ended 30 September 2014

In the Directors' opinion:

(a) the financial statements and notes set out on pages 53 to 114 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 2014 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 32 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 32.

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

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

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

I Blackburne
Chairman

Sydney
25 November 2014

Independent Auditor's Report

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

Report on the financial report

We have audited the accompanying financial report of Aristocrat Leisure Limited (the company), which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aristocrat (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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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 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and

(b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 25 to 47 of the directors' report for the year ended 30 September 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steve Humph

Partner	Sydney
Stephen Humphries	25 November 2014

Partner	Sydney
Scott Walsh	25 November 2014

Shareholder Information

Distribution of equity securities as at 24 November 2014

Size of holding	Holders of Performance Share Rights[1]	Shareholders	Number of shares[2]	% of issued capital
1–1,000	442	5,440	2,262,291	0.359
1,001–5,000	22	3,861	9,446,926	1.499
5,001–10,000	14	847	6,024,077	0.956
10,001–100,000	54	539	12,060,981	1.914
100,001–over	11	83	600,227,978	95.271
Total	**543**	**10,770**	**630,022,253**	**100.000**
Less than a marketable parcel of $500.00	0	979	19,389	0.003

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 24 November 2014

As at 24 November 2014, 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	78,315,268	14.20%	30/05/2014
Ausbil Investment Management Limited	27,704,389	5.02%	29/05/2014

Shareholder Information

Twenty largest ordinary shareholders as at 24 November 2014

Name of shareholder	Number of ordinary shares held	% of issued capital
NATIONAL NOMINEES LIMITED	110,646,141	17.562%
J P MORGAN NOMINEES AUSTRALIA LIMITED	109,358,211	17.358%
CITICORP NOMINEES PTY LIMITED	105,249,571	16.706%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	94,527,780	15.004%
BNP PARIBAS NOMINEES PTY LTD	45,474,769	7.218%
WRITEMAN PTY LIMITED	33,448,107	5.309%
THUNDERBIRDS ARE GO PTY LTD	25,277,754	4.012%
SERIOSO PTY LIMITED	20,816,368	3.304%
MAAKU PTY LIMITED	13,104,872	2.080%
ARMINELLA PTY LIMITED	10,883,300	1.727%
ECA 1 PTY LIMITED	9,077,713	1.441%
UBS NOMINEES PTY LTD	3,630,508	0.576%
AMP LIFE LIMITED	3,543,048	0.562%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,714,381	0.431%
ARGO INVESTMENTS LIMITED	2,485,130	0.394%
BOND STREET CUSTODIANS LIMITED	2,241,282	0.356%
UBS WEALTH MANAGEMENT	2,224,382	0.353%
ECAPITAL NOMINEES PTY LIMITED	1,128,867	0.179%
INVIA CUSTODIAN PTY LIMITED	708,010	0.112%
WOODROSS NOMINEES PTY LTD	689,333	0.109%

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.aristocratgaming.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) as well as your InvestorServe PIN.

Shareholder Information

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 payment 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.

Corporate Directory

Directors

ID Blackburne
Non-Executive Chairman

JR Odell
Chief Executive Officer And Managing Director

DCP Banks
Non-Executive Director

RA Davis
Non-Executive Director

RV Dubs
Non-Executive Director

KC Conlon
Non-Executive Director

SW Morro
Non-Executive Director

Company Secretary

A Korsanos

Global Headquarters

Aristocrat Leisure Limited
Building A, Pinnacle Office Park
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Australia
Telephone: + 61 2 9013 6000
Facsimile: + 61 2 9013 6200

Internet Site

www.aristocratgaming.com

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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Telephone: + 1 615 372 1000
Facsimile: + 1 615 372 1099

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Telephone: + 27 11 997 4200
Facsimile: + 27 11 608 0030

Investor Contacts

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Telephone: + 61 2 9290 9682
Fax: + 61 2 9279 0664
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@ali.com.au

aristocrat.com.au

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