



ARISTOCRAT LEISURE LIMITED

ABN 44 002 818 368

2019 PROFIT
ANNOUNCEMENT

RESULTS TO BE RELEASED
TO THE MARKET

ANNUAL INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.3A

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



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ARISTOCRAT LEISURE LIMITED

A.B.N. 44 002 818 368

APPENDIX 4E

Preliminary Final Report

Period ended: 30 September 2019

Previous corresponding period: 30 September 2018

Results for announcement to the market				2019 \$'m
Statutory results				
Revenue from ordinary activities	up	25.3%	to	4,397.4
Profit from ordinary activities after tax	up	28.8%	to	698.8
Normalised results¹				
Operating revenue	up	22.7%	to	4,397.4
Profit after tax and before amortisation of acquired intangibles	up	22.6%	to	894.4
Dividends				
		Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current year – 2019:				
- Interim dividend		22.0c	22.0c	30 May 2019
- Final dividend		34.0c	34.0c	29 November 2019
Previous year – 2018:				
- Interim dividend		19.0c	19.0c	30 May 2018
- Final dividend		27.0c	27.0c	5 December 2018
Dividend Reinvestment Plan				
The Aristocrat Leisure Limited Dividend Reinvestment Plan (DRP) will not operate in respect of the 2019 final dividend.				

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

Audit

This report is based on accounts that have been audited. The audit report is included as part of this profit announcement.

¹ Normalised results exclude the impact of certain significant items and adjustments which are either individually or in aggregate material to Aristocrat and are outside the ordinary course of business or part of the ordinary activities of the business but unusual due to their size and nature. Details are provided in the Operating and Financial Review.

DIRECTORS' REPORT

For the 12 months ended 30 September 2019

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 2019 (the financial year). The information in this report is current as at 20 November 2019 unless otherwise specified.

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

Review and results of operations

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

Financial results

The reported result of the Group attributable to shareholders for the 12 months ended 30 September 2019 was a profit of \$698.8 million after tax (2018: profit of \$542.6 million after tax).

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

Dividends

Since the end of the financial year, the Directors have recommended the payment of a final dividend of 34.0 cents (2018: 27.0 cents) per fully-paid ordinary share. Details of the dividends paid and declared during the financial year are set out in Note 1-6 to the Financial Statements.

Remuneration Report

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

Sustainability



Further detail on sustainability can be found on the Company's website and forms part of this Directors' Report.
website www.aristocrat.com

DIRECTORS' REPORT

Directors' particulars, experience and special responsibilities

Current Directors

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

CURRENT DIRECTORS		
Director	Experience and other directorships	Special responsibilities
NG Chatfield M.Bus, FCPA, FAICD	<p>Nominated December 2017. Appointed February 2018.</p> <ul style="list-style-type: none"> - Chairman of Costa Group Holdings Limited - Non-Executive Director of Transurban Group - Former Chairman of Seek Ltd (retired effective 31 December 2018) - Former Chairman of Virgin Australia Holdings Ltd - Former Non-Executive Director of Recall Holdings Ltd and Iron Mountain, Inc. - Former Executive Director and Chief Financial Officer of Toll Holdings Ltd 	<p>Non-Executive Chairman (from 22 February 2019)</p> <p>Member, Strategic Risk Committee (to 30 September 2019)</p> <p>Member, Regulatory and Compliance Committee</p> <p>Member, Human Resources and Remuneration Committee (from 22 February 2019)</p> <p>Member, Audit Committee (from 22 February 2019)</p>
TJ Croker Advanced Management Program (Wharton School, University of Pennsylvania)	<p>Appointed 1 March 2017.</p> <ul style="list-style-type: none"> - Director of the Australasian Gaming Council - Director and Chairman of the American Gaming Association (Chairman effective January 2020) - Former Executive Vice President, Global Product & Insights, Aristocrat Leisure Limited - Former Managing Director, ANZ – Aristocrat Leisure Limited - Sales Director – Fosters Australia Ltd 	<p>Managing Director and Chief Executive Officer</p> <p>Member, Strategic Risk Committee (to 30 September 2019)</p>
KM Conlon BEc, MBA	<p>Nominated January 2014. Appointed February 2014.</p> <ul style="list-style-type: none"> - Non-Executive Director of REA Group Limited and Lynas Corporation Limited - Member of Chief Executive Women and a Non-Executive Director of the Benevolent Society - Member of the Australian Institute of Company Directors (AICD) Corporate Governance Committee and a former National Board Member of the AICD - Former Non-Executive Director of CSR Limited - Former Partner and Director, Boston Consulting Group (BCG) 	<p>Chair, Human Resources and Remuneration Committee</p> <p>Member, Strategic Risk Committee (to 30 September 2019)</p> <p>Member, Audit Committee (from 1 October 2019)</p>

DIRECTORS' REPORT

CURRENT DIRECTORS		
Director	Experience and other directorships	Special responsibilities
<p>SW Morro</p> <p>BA, Business Administration</p>	<p>Nominated December 2009. Appointed December 2010.</p> <ul style="list-style-type: none"> Former Chief Operating Officer and President, IGT Gaming Division 	<p>Lead US Director</p> <p>Member, Regulatory and Compliance Committee</p> <p>Member, Human Resources and Remuneration Committee</p>
<p>PJ Ramsey</p> <p>BA, Economics, MBA</p>	<p>Nominated September 2016. Appointed October 2016.</p> <ul style="list-style-type: none"> Consultant, EPR Properties (a publicly traded REIT) Board of Trustees for the Meadows School (Las Vegas, USA) Executive Committee member for the TPC Shriners Hospital for Children Open Former Independent Director of VizExplorer Former Chief Digital Officer of Aristocrat Leisure Limited and former CEO of Multimedia Games Various senior roles at Caesars Entertainment (formerly Harrah's) 	<p>Chair, Regulatory and Compliance Committee</p> <p>Member, Strategic Risk Committee (to 30 September 2019)</p> <p>Member, Audit Committee (from 1 October 2019)</p>
<p>S Summers Couder</p> <p>Dip Electrical Engineering, Masters in Electrical Engineering and Computer Sciences</p> <p>Cycle de Perfectionnement Option (Equivalent MBA)</p>	<p>Nominated August 2016. Appointed September 2016.</p> <ul style="list-style-type: none"> Independent Director of Semtech Corporation Former Independent Non-Executive Director of Alcatel-Lucent SA and Headwaters Inc. Former Chief Executive Officer of Trident Microsystems Inc. 	<p>Chair, Strategic Risk Committee (to 30 September 2019)</p> <p>Member, Audit Committee</p> <p>Member, Human Resources and Remuneration Committee (from 1 October 2019)</p>
<p>AM Tansey</p> <p>BBA, MBA, Juris Doctor</p>	<p>Nominated March 2016. Appointed July 2016.</p> <ul style="list-style-type: none"> Non-Executive Director of Healius Limited (formerly Primary Health Care Ltd), Lendlease Investment Management Limited, and the Australian National Maritime Foundation Member of Chief Executive Women and Fellow of the Australian Institute of Company Directors Former Non-Executive Director of Adelaide Brighton Ltd 	<p>Chair, Audit Committee</p> <p>Member, Strategic Risk Committee (to 30 September 2019)</p> <p>Member, Regulatory and Compliance Committee (from 1 October 2019)</p>

DIRECTORS' REPORT

DIRECTORS APPOINTED AFTER THE FINANCIAL YEAR

Director	Experience and other directorships	Special responsibilities
P Etienne GradDip Marketing, BSc, MBA Advanced Management Program	Nominated October 2019. Appointed November 2019. <ul style="list-style-type: none"> - Chairman, ANZ Terminals - Non-Executive Director of Lynas Corporation Limited and Cleanaway Waste Management Limited - Former Managing Director & CEO of Innovia Security Ptd Ltd - Former Non-Executive Director of Sedgman Limited - Various senior executive positions, Orica Limited 	Member, Human Resources and Remuneration Committee Member, Regulatory and Compliance Committee

FORMER DIRECTORS

Director	Experience and other directorships	Special responsibilities
ID Blackburne BSc (Hons), MBA, PhD	Appointed September 2010. Retired 21 February 2019 <ul style="list-style-type: none"> - Former Chairman of Recall Holdings Limited, CSR Limited and Australian Nuclear Science and Technology Organisation - Former Non-Executive Director of Suncorp-Metway Limited and Symbion Health Limited - Former Independent Director of Teekay Corporation (listed on the NYSE) - Former Managing Director of Caltex Australia Limited 	Non-Executive Chairman (to 21 February 2019) Member of each Board Committee (to 21 February 2019)

DIRECTORS' REPORT

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

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

(Meetings attended/held)

Director	Board	Audit Committee	Human Resources and Remuneration Committee	Regulatory and Compliance Committee	Strategic Risk Committee
Current Directors					
NG Chatfield ¹	13/13	2/2	3/3	4/4	3/3
TJ Croker	13/13	-	-	-	3/3
KM Conlon ¹	13/13	-	5/5	-	3/3
SW Morro ¹	12/13	-	5/5	4/4	-
PJ Ramsey ¹	12/13	-	-	4/4	3/3
S Summers Couder ¹	12/13	4/4	-	-	3/3
AM Tansey ¹	13/13	4/4	-	-	3/3
Former Directors					
ID Blackburne ^{1, 2}	6/6	2/2	2/2	1/1	1/1

1. During FY2019, the Board reviewed each Non-Executive Director's independence and confirms that each Non-Executive Director is independent.

2. Dr ID Blackburne retired from the Board on 21 February 2019.

Company Secretary

The Company Secretary is directly accountable to the Board, through the Chairman, for all governance matters that relate to the Board's proper functioning.

During the financial year, the Group had the following Company Secretary:

Richard Bell LLB, BComm (Law)

Richard Bell joined Aristocrat in April 2015 and was appointed as Company Secretary in May 2017. Before joining Aristocrat, Mr. Bell specialised in Mergers & Acquisitions at Australian law firm Allens Linklaters.

DIRECTORS' REPORT

Principal activities

The principal activities of the Group during the financial year were the design, development and distribution of gaming content, platforms and systems, including electronic gaming machines, casino management systems and digital social games. The Company's objective is to be the leading global provider of gaming solutions.

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

Refer to Note 6-2 to the Financial Statements for events which occurred after balance date. Other than the matters disclosed in Note 6-2, since the end of the year and to the date of this Directors' Report, no other matter or circumstance has arisen that has significantly affected or may significantly affect the Group's operations, results of those operations or state of affairs in future reporting periods.

Likely developments and expected results

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

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, and the UK. 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.

DIRECTORS' REPORT

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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 (PwC) 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 an Auditor Independence Policy which specifies those non-audit services which cannot be performed by the Company auditor. The Policy also sets out the procedures which are required to be followed prior to the engagement of the Company's auditor for any non-audit related service.

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

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

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the

impartiality and objectivity of the auditor.

- PwC is engaged on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence on acquisitions. During the year, PwC was primarily engaged for tax services relating to assistance with one-off changes to the Group Structure (refer to Note 6-2 to the Financial Statements). These services are not recurring. PwC is awarded assignments on a competitive basis in accordance with the Auditor Independence Policy, which in future will restrict PwC from performing tax and advisory services.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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

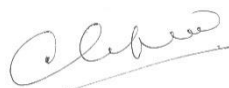
Loans to Directors and executives

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

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 as issued by the Australian Securities and Investments Commission. Amounts in the Director's Report and the Financial Statements have been rounded off to the nearest whole number of million dollars and one decimal place representing hundreds of thousands of dollars, or in certain cases, the nearest dollar in accordance with that class order.

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



Mr. NG Chatfield
Chairman

20 November 2019

Aristocrat Leisure Limited

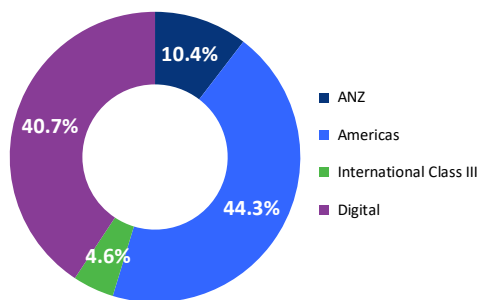
Operating and Financial Review

Aristocrat at a Glance

Revenue

\$4.4 billion

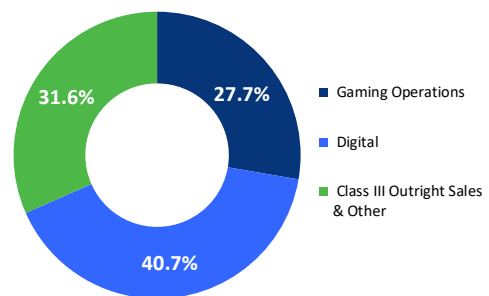
Revenue by segment



Licensed Jurisdictions

332

Revenue by strategic segment

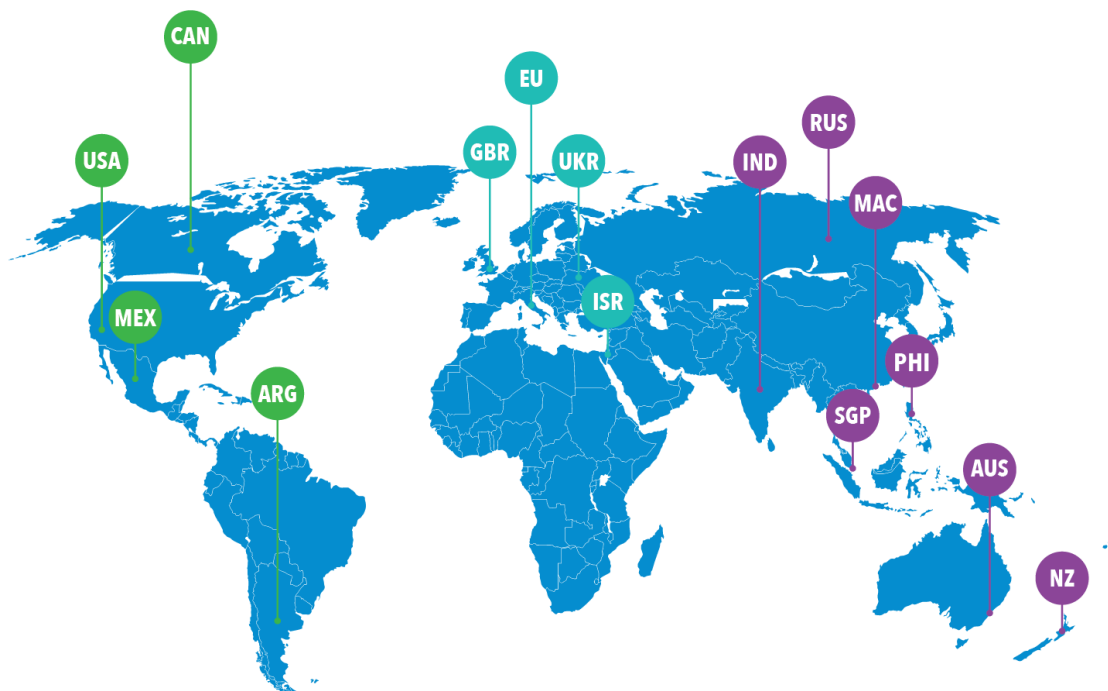


Countries

80

Employees

6,400+



Operating and Financial Review

Business Strategy

“Aristocrat has consistently delivered high quality, sustainable growth by protecting and expanding our core business, and capturing opportunities in new markets and segments, both organically and through disciplined M&A.”

Business strategies and prospects for future financial years

Aristocrat continues to execute its established growth strategy, which is built on the three pillars of great talent, exceptional game content and hardware, and increasing distribution channels.

The business delivers high quality, sustained growth by focusing on these core drivers, and working hard to improve our competitiveness.

Over recent years, Aristocrat has delivered outstanding share growth in existing markets, while capturing opportunities in new markets and segments, both organically and through disciplined M&A. The business’ Digital footprint continues to scale, with the successful scaling of core Apps and expansion into new genres.

Over the medium term, Aristocrat will maintain our focus on delivering above category growth through:

- further share expansion in existing markets;
- pushing further into attractive Land-based adjacencies, primarily in North America; and
- strong organic investment to ensure sustained core momentum with a rigorous focus on returns.

Key investment priorities will include product and technology, core digital, data and transformation skillsets. Aristocrat is also taking a strategic approach to building and leveraging connections across our global business to ultimately bring a broader range of value-adding products, services and experiences to customers and players.

Aristocrat will continue to drive growth in Digital, with a diversified portfolio approach across both Social Casino and Social Casual. Over time, we will look to extend our leadership positions across multiple attractive social games genres.

Aristocrat’s strong balance sheet and further growth in recurring revenues (to above 68% for FY19) also gives the business broad optionality to invest to sustain our growth momentum and create value for shareholders. We actively scan for non-organic opportunities to accelerate our strategy, in particular bolt-on opportunities that would deliver strategic capabilities in either Land-based or Digital.

Aristocrat will increasingly seek to take industry leadership positions on key Environment, Social and Governance (ESG) issues, including responsible game play, consumer privacy, and data governance, consistent with our focus on sustainable and long-term performance for shareholders.

We will also continue to evolve our operating model to support scalability and the execution of our strategy over time.

Aristocrat Leisure Limited

Operating and Financial Review

Review of Operations

Group Performance

Earnings Summary

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

A\$ million	Constant currency ² 2019	2019	2018 ³	Variance vs. 2018	
				Constant currency ² %	Reported %
Normalised results¹					
Operating revenue	4,113.8	4,397.4	3,583.8	14.8	22.7
EBITDA	1,485.8	1,596.8	1,328.6	11.8	20.2
EBITA	1,252.1	1,346.9	1,129.3	10.9	19.3
NPAT	699.9	752.8	616.9	13.5	22.0
NPATA	831.2	894.4	729.6	13.9	22.6
Earnings per share (fully diluted)	109.7c	118.0c	96.5c	13.7	22.3
EPS before amortisation of acquired intangibles (fully diluted)	130.3c	140.2c	114.1c	14.2	22.9
Total dividend per share	56.0c	56.0c	46.0c	21.7	21.7
Reported results					
Revenue	4,113.8	4,397.4	3,509.5	17.2	25.3
Profit after tax	650.1	698.8	542.6	19.8	28.8
NPATA	781.4	840.4	655.3	19.2	28.2
Balance sheet and cash flow					
Net working capital/revenue	6.0%	5.6%	1.7%	4.3pts	3.9pts
Operating cash flow	1,010.1	1,085.5	933.8	8.2	16.2
Closing net debt/(cash)	2,090.3	2,224.1	2,453.0	14.8	9.3
Gearing (net debt/consolidated EBITDA ⁴)	n/a	1.4x	1.7x	n/a	0.3x

(1) Normalised results and operating cash flow are statutory profit (before and after tax) and operating cash flow, excluding the impact of certain significant items relating to the acquisitions of Plarium and Big Fish detailed on page 16.

The operating revenue and results for the 12 months to 30 September 2018 reflect the ongoing revenue recognition principles for the acquired businesses since the date of acquisition, and corresponds to the revenue and results that would have been recognised under Accounting Standards had the businesses not been acquired to explain the underlying performance of the entity and the drivers of its profit.

(2) Results for 12 months to 30 September 2019 are adjusted for translational exchange rates using rates applying in 2018 as referenced in the table on page 20.

(3) Comparative period has been restated per note 6-8 in the financial statements.

(4) Consolidated EBITDA as defined by the Credit Agreement.

The information presented in this Review of Operations has not been audited in accordance with the Australian Auditing Standards.

Aristocrat Leisure Limited

Operational Highlights

Key operational highlights for the period are set out below:

Increased share while maintaining yield in the Land-based **North America Gaming Operations** business:

- Class III Premium installed base grew 14.3% to 22,998 units, with continued penetration of leading hardware configurations and high-performing game titles.
- Class II installed base grew 3.9% to 25,220 units, driven by the continued success of the Class II video product *Ovation*[™].
- Total average fee per day increased 1.3% to US\$50.46, with continued strong product performance in the period.

Grew share in Land-based **Outright Sales**:

- North America - grew ship share through entry into adjacent markets: Video Lottery Terminals (VLT), Washington Central Determinant System (CDS) and Bartop Poker, with 29.6% growth in unit sales.
- ANZ - maintained market-leading ship share.
- International Class III - continued focus on floor optimisation strategies.

Profitable growth in the **Digital** business:

- *RAID: Shadow Legends*[™] was launched globally in March and continues to deliver strong performance metrics.
- Daily Active Users (DAU) moderated to 7.5 million, driven by new game launches in the Social Casual segment, that were offset by a decline in the Social Casino segment, as we focus our efforts on monetising the existing player base, consistent with industry trends.

- Average Bookings Per Daily Active User (ABPDAU) grew modestly to US\$0.41 representing our focus on continued growth in Social Casino monetisation, offset by the growth of our Social Casual segment which monetises at a lower rate.

Investment in **talent and technology**:

- Aristocrat has maintained its strong investment in talent and technology to drive growth across the Land-based and Digital businesses, with continued penetration into adjacent markets.
- The business has continued to lift investment in D&D in absolute terms.

Strong **financial metrics**:

- Strong EBITDA margin at 36.3% decreased slightly against the prior period, with margin expansion across the Land-based business partly offsetting the expected moderation driven by the full period impact of the lower margin Digital acquisitions.
- Gearing (Net Debt/EBITDA) decreased to 1.4x leverage, from 1.7x pro-forma at 30 September 2018.
- Cash generating fundamentals remain strong, demonstrated by US\$200 million paydown of TLB and 7.0 cents per share (cps) growth in the final dividend to 34.0 cps (\$217.1 million).
- Capital expenditure increased 18% to \$317 million supporting further growth in the Americas Gaming Operations installed base.

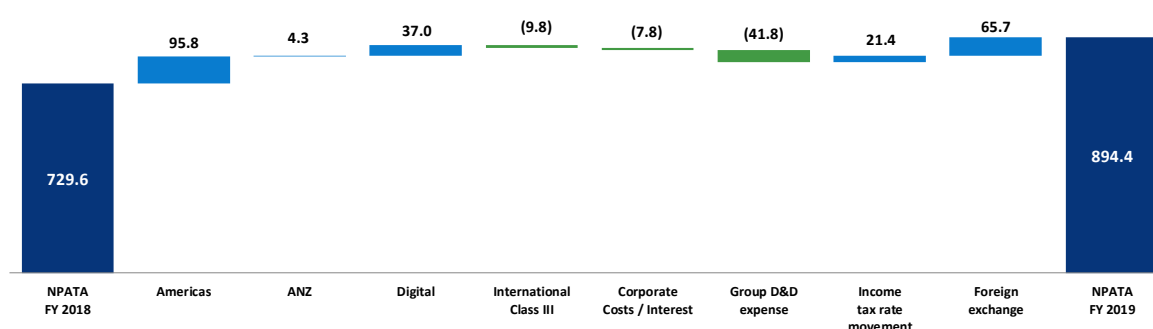
Aristocrat Leisure Limited

Performance Summary

Normalised profit after tax and before amortisation of acquired intangibles (NPATA) of \$894.4 million for the period represented a 23% increase (14% in constant currency) compared to \$729.6 million in the prior corresponding period. Revenue increased by 23% (15% in constant currency) driven by growth in Americas and Digital. Normalised fully diluted earnings per share before amortisation of acquired intangibles of 140.2c represents a 23% (14% in constant currency) increase on the prior corresponding period.

Net gearing decreased to 1.4x from 1.7x pro-forma leverage in the prior corresponding period reflecting strong performance across the business, as well as continued strength of the cashflow generating fundamentals of the business.

NPATA movement FY18 to FY19 (A\$ million)



Movements in the graph above are on a constant currency basis and are tax effected at the prior year tax rate.

- Strong growth in the **Americas** business drove a \$95.8 million improvement in post-tax profit, driven by a 14.3% expansion in the Class III Premium Gaming Operations footprint, a 3.9% expansion in the Class II Gaming Operations footprint and growth in the overall average fee per day (FPD) to over US\$50, complemented with strong Outright Sales performance in the period as a result of entering adjacent markets (VLT, Washington CDS and Bartop Poker).
- The **ANZ** business delivered \$4.3 million in incremental post-tax profit, driven by performance of the *Helix+*TM and *Helix X7*TM cabinets, the release of the new *Helix X*TM cabinet and continued penetration of the *Dragon Link*TM and *Dragon Cash*TM game families.
- **Digital** delivered post-tax earnings growth of \$37.0 million due to the full period impact of the acquisitions and sustained performance across the game portfolio.
- **International Class III** post-tax profit declined \$9.8 million due to fewer significant new openings and expansions in the current period.
- **Corporate costs and interest** increased by \$7.8 million due to the full period impact of the acquisitions.
- The Group's **strategic investment** in talent and technology, represented by higher absolute D&D spend at 11.4% of revenue, continues to deliver market-leading products across an expanded range of markets and segments in line with the Group's growth strategy.
- The decrease in the Group's **effective tax rate (ETR)** from 28.9% to 27.5%, resulted in a \$21.4 million benefit and reflects the impact of US tax reform and change in geographic business mix from the acquisitions.
- **Foreign exchange** positively impacted the business performance by \$65.7 million.

Aristocrat Leisure Limited

Group Profit or Loss

Results in the current period and prior corresponding period are in reported currency and normalised for significant items and adjustments as outlined on page 16. Segment profit is stated before amortisation of acquired intangibles.

A\$ million	2019	2018 ¹	Variance %
Segment revenue			
Australia and New Zealand	456.2	454.5	0.4
Americas	1,948.0	1,579.9	23.3
International Class III	204.5	210.5	(2.9)
Digital	1,788.7	1,338.9	33.6
Total segment revenue	4,397.4	3,583.8	22.7
Segment profit			
Australia and New Zealand	213.6	207.1	3.1
Americas	1,073.2	859.2	24.9
International Class III	94.3	103.4	(8.8)
Digital	528.9	438.2	20.7
Total segment profit	1,910.0	1,607.9	18.8
Unallocated expenses			
Group D&D expense	(500.4)	(413.6)	(21.0)
Foreign exchange	0.3	(3.4)	n/a
Corporate	(63.0)	(61.6)	(2.3)
Total unallocated expenses	(563.1)	(478.6)	(17.7)
EBIT before amortisation of acquired intangibles (EBITA)	1,346.9	1,129.3	19.3
Amortisation of acquired intangibles	(184.4)	(156.3)	(18.0)
EBIT	1,162.5	973.0	19.5
Interest	(124.0)	(105.4)	(17.6)
Profit before tax	1,038.5	867.6	19.7
Income tax	(285.7)	(250.7)	(14.0)
Profit after tax (NPAT)	752.8	616.9	22.0
Amortisation of acquired intangibles after tax	141.6	112.7	25.6
Profit after tax and before amortisation of acquired intangibles (NPATA)	894.4	729.6	22.6

(1) Comparative period has been restated per note 6-8 in the financial statements.

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Revenue

Segment revenue increased \$814 million or 23% in reported currency (15% in constant currency), principally driven by growth in Digital, Gaming Operations and North American Outright Sales.

In Gaming Operations, revenue increased 14%, with the Premium Class III and Class II footprints growing 14.3% and 3.9% respectively, while overall average fee per day increased 1.3%. Performance was fuelled by continued penetration of the high-performing products *Lightning Link*[™], *Dragon Link*[™], *5 Dragons Grand*[™], *Buffalo Grand*[™], *Ovation*[™] and success of the newly launched *Buffalo Diamond*[™].

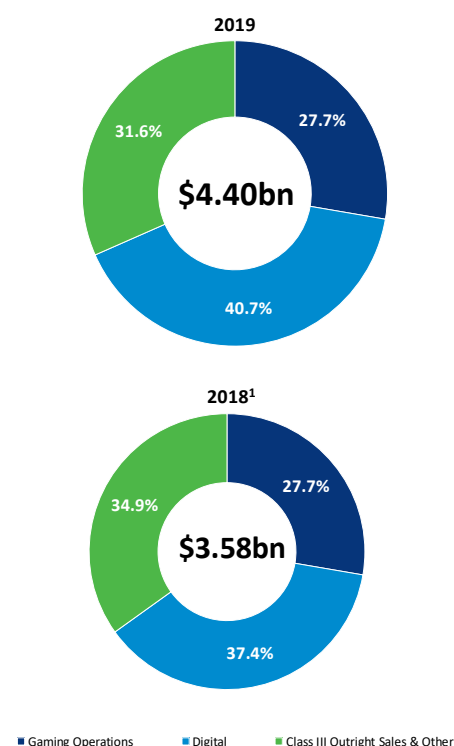
Digital revenue grew 24% to US\$1,252 million, driven by the full period impact of the acquisitions, scaling of new and recently released games and continued strong performance in *Jackpot Magic Slots*[™] and *Cooking Craze*[™].

In North America Outright Sales, revenue increased 22%, with ship share growth in an increasingly competitive environment, including successful entry into the adjacent VLT Atlantic Canada, VLT Manitoba, Washington CDS and Bartop Poker markets. Continued strength in average sales price (ASP) reflected Aristocrat's continued portfolio depth, led by the performance of the *Helix XT*[™], *Helix Tower*[™] and *Arc*[™] cabinets.

Australia & New Zealand revenue remained in line with the prior comparative period at \$456 million in reported currency, while maintaining market-leading ship share.

In International Class III, revenue decreased 3% to \$205 million in reported currency, due to fewer significant new openings and expansions in the current period.

Revenue by Strategic Segment



(1) Comparative period has been restated per note 6-8 in the financial statements.

All amounts are in reported currency unless otherwise stated.

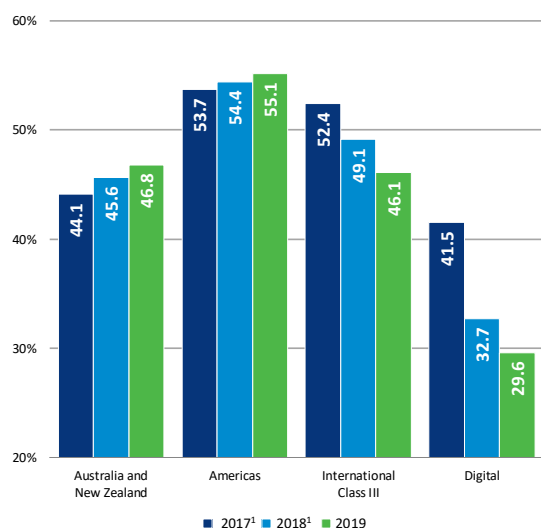
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Earnings

Segment profit increased \$302 million in reported currency, up 19% compared to the prior corresponding period. Margin expansion was achieved in ANZ and Americas, both driven by product mix.

The full period impact of the Plarium and Big Fish acquisitions, which introduced the lower margin Social Casual business to our Digital portfolio, resulted in the overall Digital margin moderating in line with expectations from 33% to 30%.

Segment Profit Margin % of Revenue



(1) Comparative periods have been restated per note 6-8 in the financial statements.

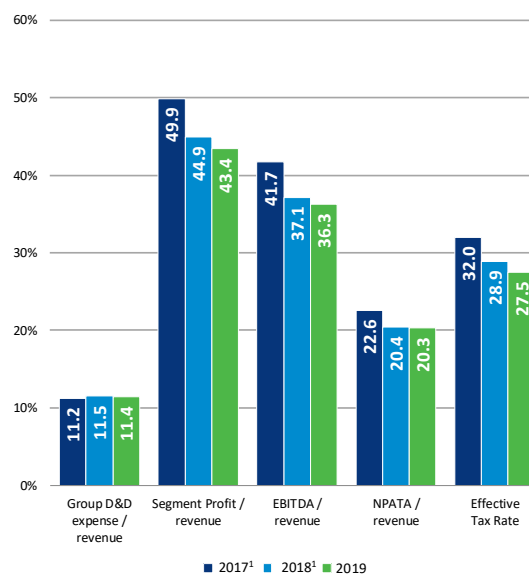
The Group continued to invest significantly in talent and technology to deliver competitive product across a broad range of Land-based and Digital segments. The Group's investment in D&D as a percentage of revenue was maintained at 11.4%, with continued investment in adjacencies. Total reported spend increased \$87 million or 21% (14% in constant currency), which includes the full period impact of the Digital acquisitions.

Corporate costs increased by \$1.4 million compared to the prior corresponding period and as a percentage of revenue decreased to 1.4%.

Net interest expense increased \$18.6 million to \$124 million, reflecting the full period impact of increased debt levels to support the prior period acquisitions.

The effective tax rate (ETR) for the reporting period was 27.5% compared to 28.9% in the prior corresponding period. This was largely attributable to the changes driven by US tax reform that came into effect from 1 January 2018 and the full period impact of a change in business mix resulting from the acquisitions.

Other Key Margins % of Revenue and ETR



(1) Comparative periods have been restated per note 6-8 in the financial statements.

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Reconciliation of statutory revenue to operating revenue

A\$ million	2019	2018 ¹
Statutory revenue as reported in the financial statements	4,397.4	3,509.5
Add back fair value adjustments relating to the acquisitions	-	74.3
Operating revenue	4,397.4	3,583.8

(1) Comparative period has been restated per note 6-8 in the financial statements.

Reconciliation of statutory profit to NPATA

A\$ million	2019	2018
Statutory profit as reported in the financial statements	698.8	542.6
Amortisation of acquired intangibles (tax effected)	141.6	112.7
Reported profit after tax before amortisation of acquired intangibles (Reported NPATA)	840.4	655.3
Add back net loss from significant items and adjustments after tax	54.0	74.3
Normalised Profit After Tax before amortisation of acquired intangibles (Normalised NPATA)	894.4	729.6

Significant items

A\$ million	30 Sep 2019	
	Before tax	After tax
Contingent retention arrangements relating to the acquisitions	(42.1)	(35.0)
Acquisition related transaction, integration and restructuring costs	(22.9)	(19.0)
Net loss from significant items	(65.0)	(54.0)

Significant Items:

Contingent retention arrangements related to the acquisitions of Plarium and Big Fish: The Group's reported result after tax for the period includes an expense of \$35 million relating to the contingent retention arrangements for the acquisitions of Plarium and Big Fish.

Acquisition related transaction, integration and restructuring costs: The Group's reported result after tax for the period includes an expense of \$19 million relating to an onerous lease provision for the Big Fish Seattle premises, which was committed to by previous ownership.

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Balance Sheet

The balance sheet can be summarised as follows:

A\$ million	30 Sep 2019	31 Mar 2019	30 Sep 2018	Variance %
Cash and cash equivalents	568.6	504.0	428.1	32.8
Property, plant and equipment	431.2	415.3	389.3	10.8
Intangible assets	4,008.3	3,882.8	3,898.8	2.8
Other assets	1,328.9	1,201.4	1,130.6	17.5
Total assets	6,337.0	6,003.5	5,846.8	8.4
Non-current borrowings	2,792.7	2,933.8	2,881.1	(3.1)
Payables, provisions and other liabilities	1,400.7	1,182.7	1,233.2	13.6
Total equity	2,143.6	1,887.0	1,732.5	23.7
Total liabilities and equity	6,337.0	6,003.5	5,846.8	8.4
Net working capital	248.0	228.5	62.0	300.0
Net working capital / revenue	5.6	5.6	1.7	3.9pts
Net debt / (cash)	2,224.1	2,429.8	2,453.0	9.3

Significant balance sheet movements from 30 September 2018 are:

Cash and cash equivalents: The increase in cash reflects the strong cash flow generation capability of the business which provides opportunities to fund growth.

Net working capital: The increase was driven by revenue growth, particularly in the Land-based business where there was compression at the period end due to the timing of new product releases.

Property, plant and equipment: The increase reflects the strong growth in the Americas Gaming

Operations installed base, up 9% on prior comparative period, and leasehold improvements associated with new premises.

Non-current borrowings: The reduction is largely due to the repayment of US\$200 million of the Term Loan B facility during the reporting period, partly offset by the impact of foreign exchange on the US dollar denominated loan facility.

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

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Statement of Cash Flows

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

Operating cash flow

A\$ million	2019	2018	Change %
EBITDA	1,596.8	1,328.6	20.2
Change in net working capital	(186.0)	69.1	n/a
Subtotal	1,410.8	1,397.7	0.9
Interest and tax	(349.7)	(313.0)	(11.7)
Acquisition related and significant items (cash and non-cash)	(63.5)	(107.3)	40.8
Other cash and non-cash movements	87.9	(43.6)	n/a
Operating cash flow	1,085.5	933.8	16.2
Operating cash flow less capex	768.9	664.8	15.7

Consolidated cash flow

A\$ million	2019	2018	Change %
Operating cash flow	1,085.5	933.8	16.2
Capex	(316.6)	(269.0)	(17.7)
Acquisitions and divestments	(20.8)	(1,938.6)	98.9
Investing cash flow	(337.4)	(2,207.6)	84.7
Proceeds from borrowings	-	1,660.0	n/a
Repayment of borrowings	(293.1)	(225.8)	(29.8)
Dividends and share payments	(337.2)	(299.0)	(12.8)
Financing cash flow	(630.3)	1,135.2	n/a
Net increase/(decrease) in cash	117.8	(138.6)	n/a

Operating cash flow increased 16.2% to \$1,085.5 million compared to the prior corresponding period, reflecting continued strong performance and cash flow capabilities across the businesses with a higher proportion of recurring revenues, driven by growth in Americas Gaming Operations and the full period impact of the Digital acquisitions.

Interest and tax increased 11.7% due to the full period impact of the acquisitions.

Acquisition related and significant items in the current period include largely provisions relating

to contingent retention arrangements for Plarium and Big Fish and an onerous contract provision relating to the Big Fish Seattle premises.

Capital expenditure relates primarily to investment in hardware to support continued strong growth in the Americas Gaming Operations installed base and leasehold improvements relating to new premises.

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

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Funding and Liquidity

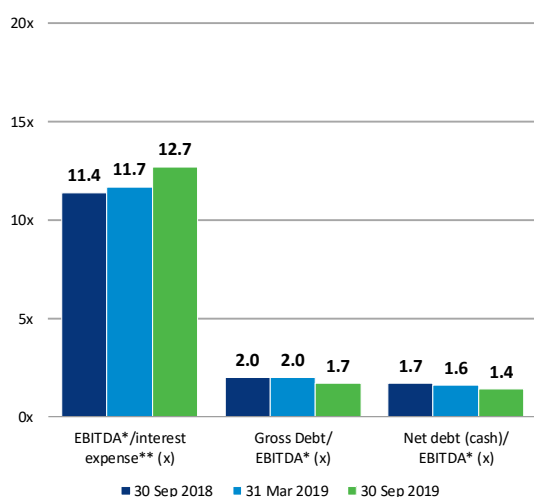
The Group had committed loan facilities of \$3.0 billion as at 30 September 2019, comprising a US\$1.9 billion Term Loan B (TLB) facility and a \$150 million revolving facility.

During the period, Aristocrat successfully renegotiated its \$100 million revolving facility which was due to mature in October 2019. The facility limit was increased to \$150 million and the maturity date extended to July 2024. This facility remains undrawn and provides the Group with competitively priced financing as well as increased flexibility and overall liquidity. The Group repaid US\$200 million of the Term Loan B facility during the second half of the year, reflecting Aristocrat's strong cash balance and liquidity position providing the business with flexibility to repay debt.

The Group's facilities are summarised as follows:

Facility	Drawn as at 30 Sep 2019	Limit	Maturity date
Term Loan B facility	US\$1,900.0m	US\$1,900.0m	Oct 2024
Revolving facility	A\$0.0m	A\$150.0m	Jul 2024
Overdraft facilities	A\$0.0m	A\$8.0m	Annual Review

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



* EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement (also referred to as Bank EBITDA).

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

The Group's leverage (net debt / EBITDA) reduced over the reporting period, from 1.7x pro-forma at

30 September 2018 to 1.4x at 30 September 2019 reflecting both earnings growth and free cash flow generation.

Credit Ratings

The Group maintains credit ratings from both Moody's Investor Services and Standard & Poor's to support its Term Loan B facility arrangements.

As at 30 September 2019, Aristocrat holds credit ratings of BB+ from Standard & Poor's and Ba1 from Moody's.

Dividends

The Directors have authorised a final fully franked dividend of 34.0 cents per share (A\$217.1 million), in respect to the 12-month period ended 30 September 2019. Total dividends in respect of the 2019 year amount to 56.0 cents per share (\$357.1 million) and represents an increase of 21.7% (or 10.0 cents), reflective of growth in performance, strength of cash flows and improvement in gearing levels.

The dividend is expected to be declared and paid on 17 December 2019 to shareholders on the register at 5.00pm on 29 November 2019. The dividend will be fully franked.

Foreign Exchange

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

In the 12 months to 30 September 2019, 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 \$283.6 million, while increasing normalised profit after tax and before amortisation of acquired intangibles by \$63.2 million on a weighted average basis when compared with rates prevailing in the respective months in the prior corresponding period. In addition, as at 30 September 2019, the cumulative effect of the retranslation of the net assets of

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foreign controlled entities (recognised through the foreign currency translation reserve) was a credit balance of \$139.2 million (compared to a credit balance of \$51.9 million as at 30 September 2018).

Based on the Group's mix of profitability, the major exposure to translational foreign exchange results from the Group's US dollar profits. A US dollar 1 cent change in the US\$:A\$ exchange rate results in an estimated annualised \$12 million translational impact on the Group's annual profit after tax and before amortisation of acquired intangibles. This impact will vary as the magnitude and mix of overseas profits change.

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

AS:	30 Sep 2019	31 Mar 2019	30 Sep 2018	2019 Average ⁽¹⁾	2018 Average ⁽¹⁾
USD	0.6751	0.7099	0.7224	0.7018	0.7573
NZD	1.0780	1.0427	1.0902	1.0573	1.0892
EUR	0.6193	0.6327	0.6223	0.6245	0.6362
GBP	0.5492	0.5454	0.5541	0.5519	0.5621
ZAR	10.2293	10.2321	10.2183	10.0755	9.9573
ARS	38.8778	30.7823	29.8258	30.5052	18.3765

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

Operating and Financial Review

Review of Operations

Regional segment review

Segment profit represents earnings before interest and tax, and before significant items associated with the acquisitions of Plarium and Big Fish, charges for D&D expenditure, amortisation of acquired intangibles and corporate costs. The total amount of these items is disclosed in the Group's statement of profit or loss. Constant currency amounts refer to 2019 results restated using exchange rates applying in 2018.

Americas

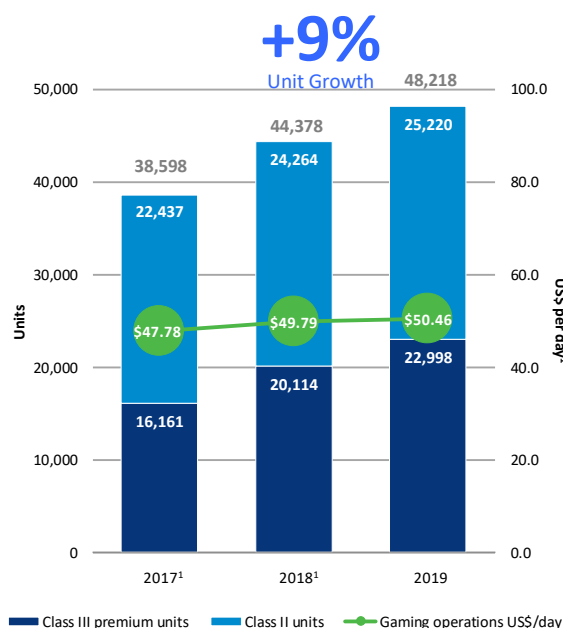
Summary Profit or Loss

US\$ million	2019	2018 ⁽¹⁾	Variance	
				%
Revenue	1,363.1	1,193.8		14.2
Profit	750.6	649.9		15.5
Margin	55.1%	54.4%		0.7 pts

(1) Comparative period has been restated per note 6-8 in the financial statements.

In local currency, Americas profits increased by 15.5% to US\$750.6 million driven by strong growth in the Class III Premium and Class II Gaming Operations footprint and Class III Outright Sales portfolio; led by continued depth and strength in the product portfolio and continued penetration into adjacent markets, including VLT Atlantic Canada, VLT Manitoba, Washington CDS and Bartop Poker.

North America Gaming Operations units and Average US\$ fee/day



(1) Comparative periods have been restated per note 6-8 in the financial statements.

The Class III Premium Gaming Operations installed base grew 14% fuelled by continued penetration of the market-leading game *Dragon Link*TM on the *Arc Single*TM cabinet together with the successful debut of the high-performing game *Buffalo Diamond*TM on the *Flame55*TM cabinet.

Aristocrat successfully launched the new *Edge X*TM cabinet with *Mad Max Fury Road*TM, *Farmville*TM and its pop icon title *Madonna*TM, and *Dollar Storm*TM on the new *MarsX*TM cabinet, the first multi-site jackpot product in the *Lightning Link*TM and *Dragon Link*TM series.

The Class III Premium Gaming Operations installed base will continue to be supported by a strong product portfolio across a diverse range of product segments. Aristocrat will release a range of new titles in FY20, including *Zorro: Wild Ride*TM and

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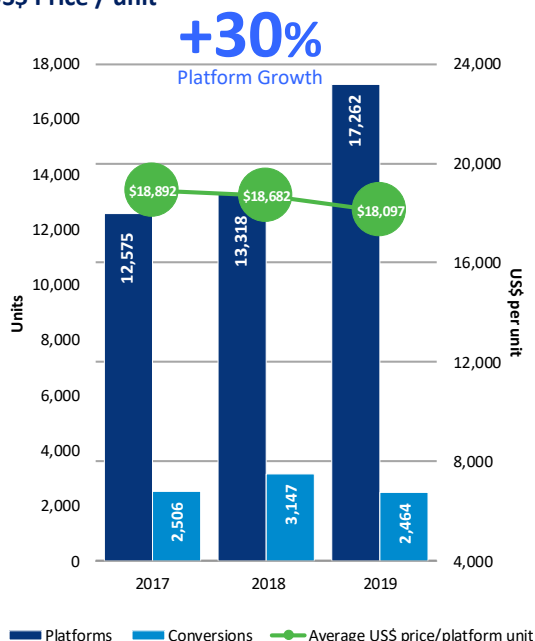
Billions™ on the *Flame55*™ cabinet, *Star Trek: Next Generation*™ on the *Edge X*™ cabinet, and *Cash Express: Luxury Line*™, which is a continuation of the award-winning *Cash Express*™.

Average fee per day across Class II and Class III Premium Gaming Operations increased 1.3%, driven by game performance across the portfolio, while maximising floor share and placements.

In Class II Gaming Operations, placements increased by 3.9% supported by incremental *Ovation*™ units while sustaining the existing mechanical footprint.

The Class II Gaming Operations installed base will continue to be supported by the release of *Helix XT*™ and *MarsX*™ cabinets, which include 4K graphics displayed on a curved 42" screen and more than 40 back-catalogue games including *Welcome to Fantastic Jackpots*™, *Cash Current*™, *Wild Up ReSpins*™, and *Cash Up*™.

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



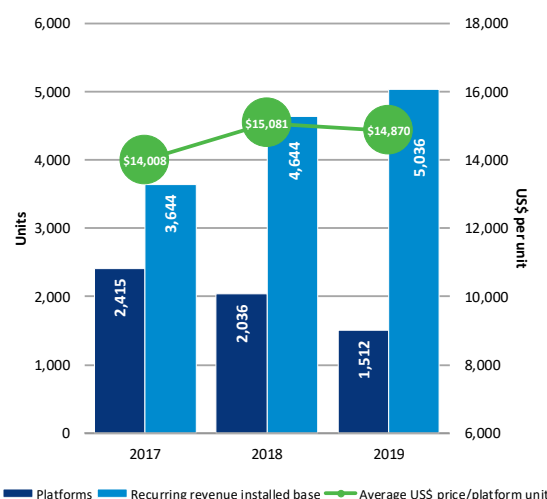
Outright Sales revenue increased by 22% compared to the prior corresponding period driven by the continued strength of the overall portfolio led by *Helix XT*™, *Helix Tower*™ and *Arc*™ cabinets. The *MarsX*™ dual screen cabinet launched in July with a suite of five dedicated titles, spearheaded by *Buffalo Gold Revolution*™.

The depth of the *MarsX*™ launch library has led to strong early performance.

In addition, Aristocrat continued its expansion into adjacent markets, including VLT, Washington CDS and the Multigame and Poker segment.

ASP remains strong, however slightly lower than prior periods, driven by expansion into the new adjacent markets. Video ASP remains in line with prior period driven by strong performance of *Helix XT*™ and *Helix Tower*™.

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



Latin America revenue decreased 1.3% compared to the prior corresponding period driven by challenging conditions in the Mexico and Argentina markets. Steady growth in the Gaming Operations segment continues, supported by the penetration of *Lightning Link*™.

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Australia and New Zealand

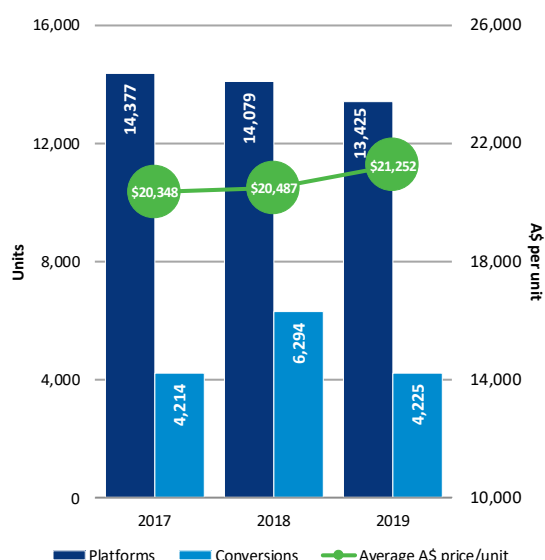
Summary Profit or Loss

A\$ million	Constant currency		Variance %
	2019	2018	
Revenue	455.2	454.5	0.2
Profit	213.2	207.1	2.9
Margin	46.8%	45.6%	1.2 pts

ANZ revenue increased by 0.2% to \$455 million in constant currency compared to the prior corresponding period, while overall profit increased by 2.9% to \$213.2 million.

ANZ margin expanded by 120 bps to 46.8% driven by favourable commercial mix towards recurring revenue.

ANZ Outright Sales units and Average A\$ Price / unit



The average cabinet selling price increased slightly from the prior corresponding period driven by positive cabinet mix to *Helix+*TM and *Helix XT*TM.

The ANZ business also sustained strong ship share across the market, driven by the launch of our premium *Helix X*TM cabinet with the latest *Lightning Link*TM and *Dragon Link*TM game releases.

International Class III

Summary Profit or Loss

A\$ million	Constant currency		Variance %
	2019	2018	
Revenue	195.2	210.5	(7.3)
Profit	89.6	103.4	(13.3)
Margin	45.9%	49.1%	(3.2) pts
Class III Platforms	5,664	6,018	(5.9)

International Class III revenue and profit decreased 7.3% and 13.3% respectively to \$195 million and \$89.6 million compared to the prior corresponding period, with fewer significant new openings and expansions in APAC, partially offset by continued growth in EMEA.

The EMEA business launched *Helix XT*TM and the first *Lightning Link*TM Lounge concept during the year. EMEA continue to take market share in Class II Bingo following the successful launch in South Africa late in the prior reporting period.

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Digital

Summary Profit or Loss

US\$ million	2019	2018	Variance %
Bookings	1,227.8	1,013.9	21.1
Revenue	1,252.2	1,009.2	24.1
Profit	370.2	330.8	11.9
Margin	29.6%	32.8%	(3.2) pts

Digital revenue increased by 24% compared to the prior corresponding period, reflective of the full period impact of the Big Fish and Plarium acquisitions. The acquisitions delivered an additional US\$239.5 million of revenue compared to the prior corresponding period.

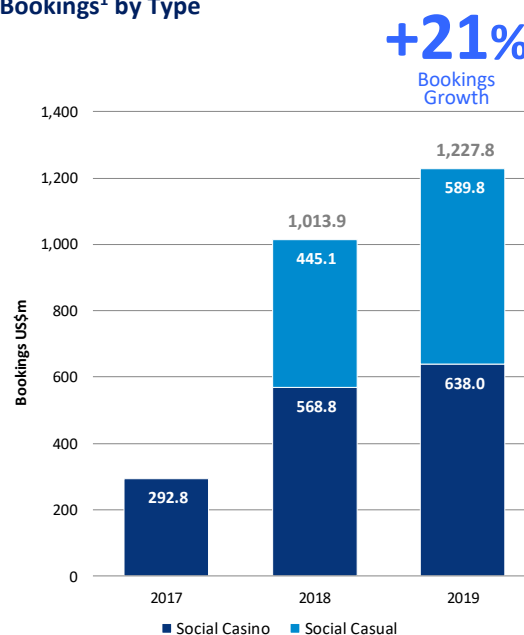
On a pro-forma basis, revenue grew 8% compared to the prior corresponding period, driven by successful new game launches in the Social Casual segment, which includes our latest evergreen franchise, *RAID: Shadow Legends*TM.

Our Social Casino portfolio, as a whole, remained stable, with pro-forma revenue growing at 2% compared to the prior corresponding period. This is reflective of a maturing market, compounded by a steady decline in players across the industry.

Digital profits increased 11.9% to US\$370.2 million with segment margin moderating to 29.6% in line with expectations, due to:

- the full period impact of the lower margin Social Casual segment introduced through the prior period acquisitions;
- targeted investment in the development of new features and live operations in Social Casino; and
- significant marketing investment behind the successful launch of *RAID: Shadow Legends*TM, launched globally in March 2019.

Bookings¹ by Type



1. Bookings are an operational metric reflecting the amount of virtual currency, virtual goods and premium games the consumer has purchased. Reported revenue comprises bookings adjusted for deferred revenue.

Social Casino

The Social Casino segment contributed US\$638.0 million in bookings, an increase of 12% on the prior period, driven by the full period impact of the Big Fish acquisition.

The focus for the Social Casino segment will remain on leveraging the strong slot content capabilities across Aristocrat and enhancing offerings in our existing franchises through a strong pipeline of new features, including collectables, social features, missions, and live operations.

Social Casual

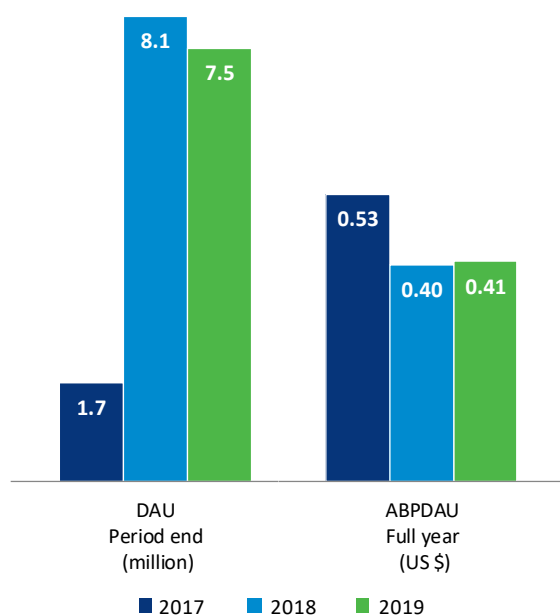
The Social Casual segment contributed US\$589.8 million in bookings in the period, an increase of 33% compared to the prior corresponding period, driven by successful new game launches, including our latest evergreen franchise, *RAID: Shadow Legends*TM, and contributions from other new games such as *Lost Island: Blast Adventure*TM and *Toy Story Drop!*TM. Our older titles performed well and above expectations for games that have been in the market for over five years. We remain focused on these titles by delivering continued live

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operations and content aimed at maintaining the existing player base.

Aristocrat remains focused on utilising our talent and capabilities across game design, data, marketing and market intelligence across the entire Digital portfolio, to deliver a growth pipeline of new games focused on our target players.

Daily Active Users (DAU) and Average US\$ bookings per DAU (ABPDAU)



Daily Active Users (DAU) moderated to 7.5 million, driven by new game launches in the Social Casual segment that were offset by a decline in the Social Casino segment, as we focus our efforts on monetising the existing player base, consistent with industry trends.

ABPDAU grew US1c compared to the prior corresponding period, representing our focus on

continued growth in Social Casino monetisation, offset by the growth of our Social Casual segment which monetises at a lower rate, but attracting large player bases.

Reconciliation of Revenue to Bookings (US\$ millions)

US\$ million	2019	2018	2017
Revenue	1,252.2	1,009.2	292.8
Deferred revenue	(24.4)	4.7	-
Bookings	1,227.8	1,013.9	292.8

Digital pro-forma disclosures

US\$ million	2019	2018	Variance %
Bookings (US\$ million)	1,227.8	1,161.8	5.7
DAU period end (million)	7.5	8.1	(7.4)

On a pro-forma basis, bookings grew 5.7% to US\$1,227.8 million driven by new game launches in the Social Casual segment, which includes our latest evergreen franchise, *RAID: Shadow Legends*TM, modest growth from our Social Casino franchises, partly offset by a declining Premium PC business and legacy titles within the portfolio.

Operating and Financial Review

Principal Risks

The identification and management of risks that could impact Aristocrat’s strategic and financial objectives is essential to good corporate governance, and the protection of long term shareholder value.

The Group’s Risk Management Framework defines how Aristocrat assesses, treats, monitors and reports risks, both current and emerging, and includes a Risk Appetite Statement indicating the level of risk the Group is willing to accept in the execution of its strategy.

While Aristocrat has a strong track record of managing multiple and complex risks, some inherent risks remain, including a number not directly within the Group’s control. Key risks currently identified as relevant to Aristocrat are set out below.

Risk and Description	Example Mitigations
Economic and Gaming Industry Conditions	
<p>A decline in economic/gaming industry conditions could:</p> <ul style="list-style-type: none"> – adversely affect the ability of our Land-based customers to finance their operations; – impact the disposable incomes of players and therefore spending on entertainment activities. <p>This could decrease demand for our products and services impacting Group revenues.</p>	<ul style="list-style-type: none"> – Monitoring of economic and gaming industry conditions – Periodic re-evaluation of corporate strategy – Diversification of product and service offerings, with solid growth in recurring revenues – Expansion of addressable markets – Broadening of our geographic footprint
Geopolitical Environment	
<p>Our operations and those of our delivery partners exposed to unstable geopolitical environments could impact employee engagement, health and safety and our ability to innovate and create content should geopolitical conditions deteriorate.</p>	<ul style="list-style-type: none"> – Robust assessment of geopolitical conditions prior to new market entry – Monitoring of international issues, economic and political indicators – Monitoring and evaluation of legislation – Maintenance of strong relationships with key stakeholders in affected markets – Implementation and enhancement of our business continuity, resilience and redundancy measures – Diversification of studios/locations
Disruption	
<p>Failure to adequately respond to disruption through innovation and robust market strategies, in the Land-based and Digital businesses, could impact our market share, and financial and strategic objectives.</p>	<ul style="list-style-type: none"> – Continuous monitoring and re-evaluation of company strategy to account for changing trends, consumer behaviours, technology changes and competitor initiatives – Expansion and diversification of products, services and markets. Targeting of adjacent markets

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Risk and Description	Example Mitigations
	<ul style="list-style-type: none"> – Capital allocation to reflect the importance of disruption and the need to advance product development in an agile manner – Strategic M&A
<p>Competition and Product Innovation</p> <p>The consolidation and entry of new market participants in the Land-based and Digital markets, requires us to continuously innovate, and create new content to retain and grow market share.</p> <p>If we fail to innovate and produce market viable products and services, there is an increased risk of growth stagnation, reduction in market share, and decreases in Group revenue.</p>	<ul style="list-style-type: none"> – Continued investment in skills and talent, and retention strategies – Diversification of markets and expansion of addressable markets – Strong Design and Development investment and rigorous focus on returns – Use of strategic partnerships – Strategic M&A
<p>Government Gaming Regulation (Land and Digital)</p> <p><i>Land-based</i> A change in government or regulatory policies may impact our operations or our customers' operations. Further, changes in laws or regulations or their interpretation or enforcement could impact our ability to operate or deliver our strategies.</p> <p>Difficulties or delays in obtaining or maintaining required licences or approvals could negatively impact our business. This could affect our financial performance.</p> <p><i>Social Gaming</i> Social games are generally not subject to product regulation. However, the industry is relatively new and stakeholder expectations are evolving. New regulations have the capacity to impact our operations.</p>	<p><i>Land-based</i></p> <ul style="list-style-type: none"> – Maintenance of a comprehensive regulatory compliance function and governance framework to monitor the political and regulatory environment across our jurisdictions, and to evaluate compliance to regulatory requirements – Robust reputation, government relations, industry association and regulatory strategies <p><i>Social Gaming</i></p> <ul style="list-style-type: none"> – Monitoring of developments, proposals and rules enacted by government, industry and digital platform providers – Active shaping of industry dialogue and constructive participation in broader debates regarding social games to inform, educate and appropriately respond to stakeholder expectations
<p>Cyber/Data Governance</p> <p>Uncontrolled access to systems and sensitive data could result in business disruption, financial loss, fines, prosecution and reputational damage with our customers, employees and shareholders.</p>	<ul style="list-style-type: none"> – Publication and implementation of a global information security policy – Implementation of robust and compulsory information security training program – Continued review and investment in cyber security measures and capabilities to improve organisational maturity – Review and enhancement of our data management practices, procedures and expertise – Maintenance of a business resilience program

Aristocrat Leisure Limited

Talent

Inability to recruit and retain key talent impacts our ability to deliver on our strategy and business objectives.

- Refreshed talent management and competency framework
- Continuous focus on company culture and improvement of Employee Value Proposition
- Review of incentive and rewards programs

Distribution Platforms

If digital platform partners enforce unfavourable terms of use, including increased fees, or shutdown our applications, this could result in higher operating costs, lower margins and restrict access to customers/players.

- Continued development of in-house platforms
- Monitoring of latest developments, proposals and rules enacted by platform partners
- Ongoing and proactive dialogue with platform partners

Intellectual Property

Theft of, or inability to protect our intellectual property (IP) could result in a loss of competitive advantage due to loss of exclusivity, suppressed innovation, and/or reputation and brand damage. This could impact our revenues.

- Formalised processes for registering trademarks, copyrights and patents, including the establishment of quotas
- Investment in capability to support IP management
- Engagement of internal/external legal support
- Contracts with third parties using Aristocrat IP preclude improper use of IP
- Continued 'zero tolerance' approach to IP breaches, and rigorous enforcement culture

Tax

Changes in tax law (including goods and services taxes and stamp duties), or the way they are interpreted, may impact the tax liabilities of the Group and the assets in which we hold an interest.

- Monitoring of changes in tax legislation using in-house and external tax specialists and legal advisors
- Maintenance of a robust Tax Governance Framework setting out our approach to tax risk management and governance
- Preparation of an annual Voluntary Tax Transparency Code Report for public consumption

Treasury

Unfavourable movements in foreign exchange or interest rates could increase our operating costs.

- Implementation of a robust foreign exchange policy
- Implementation of a comprehensive capital management strategy, including interest rate hedging strategy

Unplanned Operational Incident

Operational incident within the business impacts employee health and wellbeing, or the ability to deliver upon our contractual requirements, resulting in lost revenue and reputational impacts.

- Business Resilience Framework including Business Continuity and Disaster Recovery Plans
 - Implementation of Crisis Management Program and tool
-

This Remuneration Report for Aristocrat Leisure Limited and its controlled entities (Group) for the 12 months ended 30 September 2019 (Reporting Period or FY2019) has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (the Act), forms part of the Directors' Report and has been audited as required by section 308(3C) of the Act.

Terms used in this Remuneration Report are defined in the Glossary on page 52.

AT A GLANCE – ALIGNMENT BETWEEN PERFORMANCE AND OUTCOMES

Stretch NPATA and EPSA targets set by the Board

- Challenging NPATA target (70% weighting) of \$833.6m (on a constant currency basis¹) set by the Board in connection with FY2019 STI grant, which was a 34% increase on the FY2018 STI target.
- Stretch EPSA target was set by the Board in connection with the FY2017 LTI grants that vested this year:

Award year	Threshold Target	Maximum Target
FY17	10%	15%
FY16	7.5%	12.5%

- Both NPATA and EPSA targets were set in the context of broadly flat key markets and segments, with these markets and segments remaining broadly flat over the course of the relevant STI and LTI performance periods.
- Both organic and inorganic growth was taken into account by the Board in setting EPSA growth targets.
 - o The 7.5%/12.5% min/max EPSA targets in respect of FY2016 grants were set on the basis that both organic and inorganic growth would be required in order for those targets to be achievable.
 - o The Board then applied further stretch to the EPSA targets under the FY2017 LTI grant (10%/15% min/max).

STI outcomes and performance in FY2019

Senior Executives received on average 102% of their STI target award (compared to the maximum target STI opportunity of 200%), supported by NPATA increasing by 22.6% to \$894.4 million (in reported currency) from the prior corresponding period.

- Strong NPATA of \$894.4 million (\$834.2 million on a constant currency basis¹), which was 100% of target, was driven through management delivering strong growth through the continued gain of market share across broadly flat existing markets, while capturing opportunities in new adjacent markets and segments.
- Strong FCF Conversion of 102%, which was 108% of target, reflecting cash flow discipline and allowing Aristocrat to fund growth initiatives.

LTI outcomes and performance in FY 2019

100% of PSRs awarded to Executive KMP under the 2017 LTI Grant vested following testing against the Relative TSR and Relevant EPSA performance measures.

- 100% of the Relative TSR component (30% of total grant) vested as Aristocrat's TSR performance was 109.26%, with Aristocrat 10th in its Peer Comparator Group and ranked at the 90th percentile.
- 100% of the Relevant EPSA component (30% of total grant) vested based on a strong three-year EPSA CAGR of 31.0%.
- Strong Relevant EPSA growth of 31.0%, was driven through management delivering strong growth through the continued gain of market share across broadly flat existing markets, while capturing opportunities in new adjacent markets and segments.

¹ Constant currency basis as set out in the approved budget.

OTHER KEY ITEMS TO HIGHLIGHT IN 2019

The Board has approved certain changes to the remuneration framework and also adopted enhanced disclosure practices in connection with a number of remuneration related matters. These included:

- Taking into account feedback from investors and other external stakeholders and having considered a number of other LTI performance measures, including various return metrics, the Board approved a transition from a Relevant EPSA to a Relevant EPS hurdle (30% weighting) in connection with future LTI grants.
- In addition to required statutory disclosures, introducing retrospective disclosure in this Remuneration Report of the actual quantitative STI targets (NPATA and FCF Conversion) set by the Board, together with disclosure of actual performance against those targets.
- Also expanding our disclosures on methodologies relating to target setting, including how hurdles are determined to ensure challenging stretch targets are set and what factors the Human Resources & Remuneration Committee and Board take into account in setting stretch targets.
- Strengthening the clawback provisions that apply to unvested and vested incentives and including additional governance features into the process of testing incentive grants to continue to ensure a link between remuneration and risk.
- Implementing a minimum shareholding policy for Non-Executive Directors to acquire (within a five-year period) a minimum shareholding equivalent in value to their annual base fee.

The Board believes that these changes further enhance Aristocrat's remuneration framework and the additional disclosure practices mean that Aristocrat continues to provide clear and transparent disclosure.

REMUNERATION REPORT OVERVIEW

List of KMPs – FY2019

Table 1 below outlines the KMP and their movements during FY2019

KMP	Position	Location	Term as KMP
Non-Executive Directors			
NG Chatfield	Chair ¹ ; Director	Australia	Full financial year
KM Conlon	Director	Australia	Full financial year
SW Morro	Lead US Director ²	United States	Full financial year
PJ Ramsey	Director	United States	Full financial year
AM Tansey	Director	Australia	Full financial year
S Summers Couder	Director	United States	Full financial year
ID Blackburne	Chair ¹ ; Director	Australia	Retired on 21 February 2019
Executive KMP			
T Croker	CEO and Managing Director	United States	Full financial year
J Cameron-Doe	CFO	United States	Full financial year
M Bowen	CEO Global Land Based and Chief Transformation Officer ³	Australia	Full financial year
M Wilson	Managing Director, Americas	United States	Ceased to be employed on 16 September 2019
J Sevigny	President, Video Gaming Technologies	United States	Ceased to be employed on 5 March 2019
J Goldstein	Chief Digital Officer	United States	Ceased to be employed on 4 October 2018

1. Mr Chatfield's appointment as Chair took effect immediately following the retirement of Dr ID Blackburne on 21 February 2019 at the end of the 2019 Annual General Meeting.

2. One Non-Executive Director acts as the Lead US Director. The Lead US Director assists the Board with review and oversight of Aristocrat's North American business, which accounts for approximately 77% of the Group's land-based business.

3. Mr Bowen was promoted to the role of CEO Global Land Based and Chief Transformation Officer during the Reporting Period. Prior to this, Mr Bowen was Managing Director, ANZ & International.

Non-Executive Director appointment after Reporting Period but before date of Remuneration Report

Mr P Etienne was nominated as a Non-Executive Director after the Reporting Period on 1 October 2019, subject to receipt of all relevant regulatory pre-approvals. These regulatory approvals were subsequently received and Mr Etienne's appointment as a Non-Executive Director of the Company was confirmed on 7 November 2019, subject to shareholder approval at the Annual General Meeting in February 2020.

REMUNERATION PHILOSOPHY AND STRATEGY

The following principles guide Aristocrat’s remuneration strategy and ‘pay for performance’ philosophy. The Board is confident the current remuneration framework supports and drives its business strategy and Group out-performance.

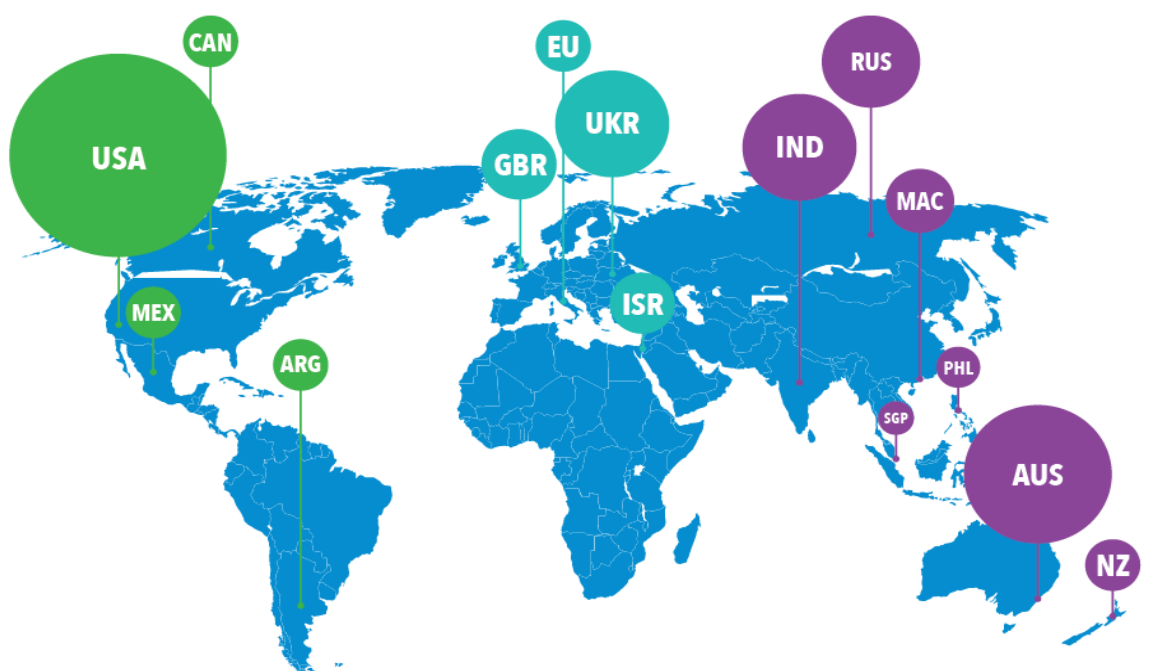


Aristocrat is one of a small group of ASX listed companies that derives the majority of its revenues from overseas markets and is genuinely global in its structure and operations. Although Aristocrat is listed on the Australian Securities Exchange, it has over 6,400 employees based globally across 80 countries and is licensed in more than 320 jurisdictions.

Aristocrat’s senior leadership is predominantly US based, and the business must increasingly attract and retain leaders in US and other markets with technology and global management skillsets. US market practice (in particular) places a greater emphasis on at-risk opportunity, and significant equity grants are commonly used for talent attraction and retention (than in Australia).

The significant expansion of Aristocrat’s digital business, which now contributes 40.7% of Group revenue, reinforces the need for Aristocrat’s remuneration structures to evolve and take into account global pay philosophies, particularly those in the technology industry.

The Board therefore continues to review the structure of Aristocrat’s incentive schemes to ensure they are globally competitive and effective in retaining, attracting and motivating the leadership and talent it needs to drive business strategy and financial performance in the interests of shareholders, while continuing to reflect our ‘pay for performance’ philosophy.



The world map above displays the global location of Aristocrat’s employees, with the size of each circle illustrating the number of employees based in that country.

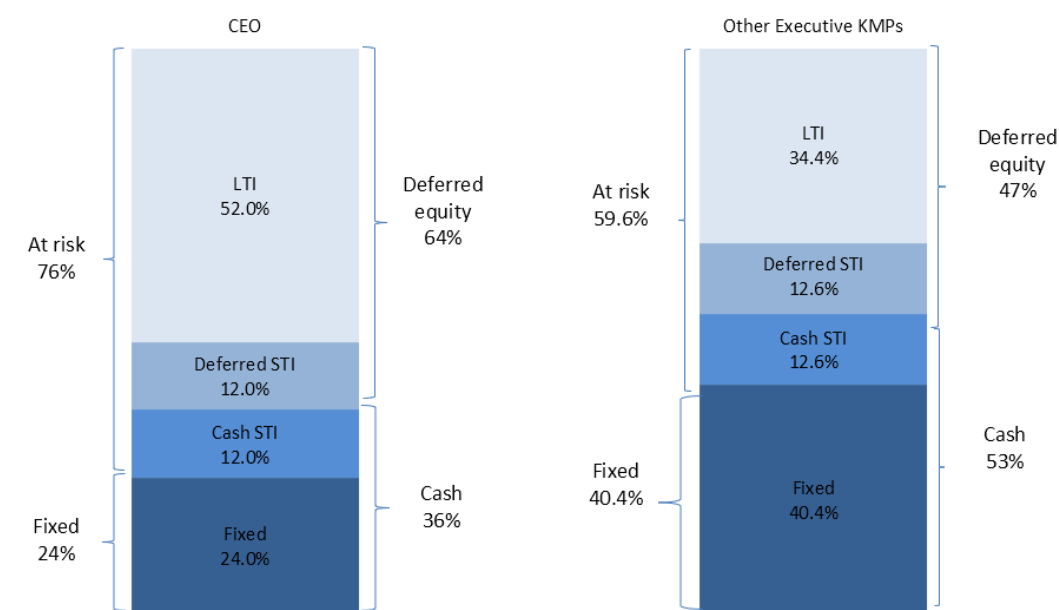
SENIOR EXECUTIVE REMUNERATION FRAMEWORK

Executive remuneration mix

Total remuneration includes both a fixed component and an at-risk or performance-related component (governing both short-term and long-term incentives). The Board views the at-risk component as an essential driver of a high performance culture and one that contributes to achievement of superior shareholder returns.

The following illustration shows the remuneration mix for the Executive KMP in FY2019. It has been modelled on the average of the Executive KMP's target opportunity (but excluding any contractual severance entitlements).

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



Market insights

Aristocrat engages external consultants¹ to provide insights into comparative executive remuneration practices and pay mix practices between Australian and global labour markets in which Aristocrat competes for talent². These insights highlight the following:

- The remuneration mix in the North American market is generally much more leveraged to variable pay through use of the LTI than the Australian market. As an example, the total variable component in the CEO remuneration mix for the US is observed to be 75%, compared to 64% in Australia. Specifically with reference to LTI, the Australian CEO's total remuneration comprises 34% LTI, whereas in the US, it can be as high as 59%.
- Australian executive remuneration policies are far more conservative than those in the US – not just in terms of the level of LTI grants awarded to executives but also in terms of the pay-for-performance mechanics of incentive plans.
- In both markets, the most prevalent approach is for companies to employ a 3-year LTI performance period.
- It is common practice for US technology companies to offer a LTI plan to their executives which is split 50/50 between performance-based awards and time-based awards only.
- The US technology sector shows a higher prevalence of time-based stock awards in comparison to performance-based stock awards. To illustrate, over 80% of companies in the US technology sector employ time vested restricted stock as part of incentive arrangements.
- Analysis of typical vesting scales in the US versus Australia reveals that Australian LTI plans tend to have higher performance thresholds in their plans compared to the US, which means that executives are 'in-the-money' at lower levels of performance in the US compared to Australia.

1. Source: Aon.

2. Analysis conducted by Aon on comparator group of organisations based on comparable size and operations to Aristocrat, including ASX listed companies with significant US operations.

Table 2 Senior Executive Remuneration framework and structure



How variable remuneration is structured

Short Term Incentive (STI) – how does it work?

Description

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

The STI Plan is considered to be at-risk remuneration and is not a guaranteed part of Senior Executive remuneration.

STI opportunity

A target opportunity is set for each Senior Executive, which is earned if Group and individual performance is on target. For certain Senior Executives, in a region or business unit, a target opportunity is set which is earned if regional performance and individual performance is on target. The Board determines the total STI pool to be distributed.

Senior Executives (other than the CEO) have a target STI of between 43% and 70% of fixed remuneration. The CEO has a target STI of 100% of fixed remuneration. The maximum STI payout is capped at 200% of a participant's target STI opportunity.

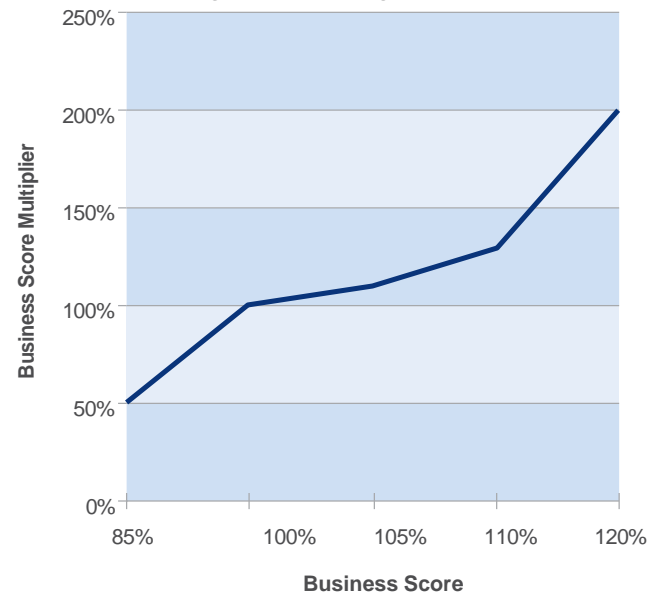
Financial performance conditions

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

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

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

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



Setting stretch financial performance conditions

The Board utilises the annual budget as the primary input to determine appropriate stretch financial targets. When approving the budget, the Board reviews the core principles and assumptions underpinning the budget. In addition, the Board also considers expected market growth at the time of setting targets with the expectation that management will outperform expected market growth (if any) and, in the context of broadly flat markets and segments, that management will deliver growth through the gain of market share.

Subsequent to the budget having been finalised, the Board determines the STI financial targets. In order to ensure sufficient stretch is incorporated, consideration is given to the quantifiable risks and opportunities that can influence the Group's financial performance. The Board considers significant items in the context of target setting.

Non-financial performance conditions

A ratings scale is used to assess individual performance. No payment is made for a Senior Executive who has not met or exceeded a minimum individual performance rating.

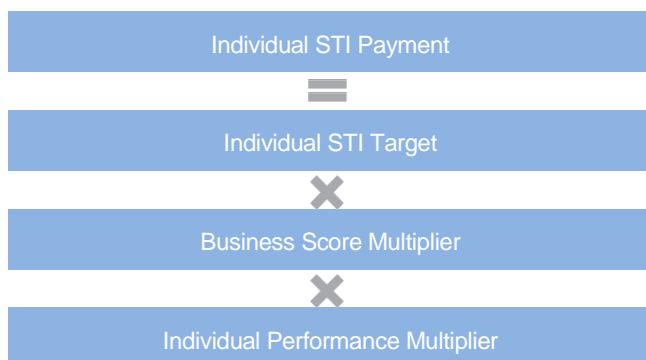
Senior Executives are assessed on delivery against individual KPOs. Individual targets as set out in KPOs include consideration as to role-related accountabilities and responsibilities in the context of business strategy and objectives, as set out in Table 6.

Individuals have a clear line of sight to KPOs and are able to directly affect outcomes through their own actions. Individuals are also assessed on behaviour metrics which contribute to that individual's overall performance rating.

How STI outcome is then determined

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

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



Reasons for these performance conditions

The Board considers these performance measures to be appropriate as they are aligned with Aristocrat's objectives of delivering sustainable growth and sustainable superior returns to shareholders. In the case of FCF Conversion, this measure was chosen as it ensures cash flow discipline, which in turn allows Aristocrat to fund growth initiatives. In addition, Senior Executives have a clear line of sight to the targets and are able to affect results through their actions.

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

Who assesses performance?

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

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

In addition to developing and approving the KPOs of the CEO and Managing Director, the Board has oversight and visibility over KPOs of direct reports of the CEO at both the time of setting and assessing performance against KPOs.

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.

Deferral terms

If the STI outcome is between 50% and 100% of target STI, then half of the Senior Executive's STI outcome is delivered in cash and the remaining half is deferred in the form of an equity award of PSRs, with these PSRs vesting as follows:

- 50% after 12 months;
- 50% after 24 months.

Any individual who is internally promoted to a Senior Executive role is subject to a deferral of 25% of his/her STI outcome (as opposed to 50%) in his/her first year in the role. The Board has discretion to determine the percentage which will be deferred as an equity award if the award is less or greater than target.

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

The number of PSRs is calculated using the volume-weighted average price (VWAP) over the five trading days immediately prior to and including the last day of the performance period (for awards under the 2019 STI Plan, this was 30 September 2019).

Eligibility for dividends

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

Cessation of employment

If the Senior Executive has ceased employment with the Company, and is a 'good leaver', then the unvested PSRs will remain on foot and will vest in the ordinary course, unless the Board determines otherwise.

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

If the Senior Executive has ceased employment with the Company and is not a 'good leaver', then all unvested PSRs will automatically lapse on or around the date of cessation of employment with the Group, unless the Board determines otherwise.

Clawback

In the event of a material misstatement of performance, or where vesting is not justified, appropriate or supportable in the opinion of the Board, including if a participant joins a competitor, the Board has the discretion to lapse unvested PSRs. The Board has also strengthened the clawback policy that applies to vested incentives in order to clawback any shares allocated on vesting of the PSRs, as well as cash payments received on vesting of PSRs or proceeds from the sale of shares.

Restrictions on transfer or hedging

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

Long Term Incentive (LTI) - how does it work?

This section summarises the terms of LTI grants made in FY2019.

Description

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

Executive KMPs as well as any employee of the Group who is invited by the Board is eligible to participate.

Non-Executive Directors are not eligible to participate in the LTI Plan.

LTI opportunity

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

Vesting conditions

Three vesting conditions apply to LTI grants made during FY2019:

- Relative TSR
- Relevant EPSA
- Individual performance-based vesting condition

Relative TSR – 30% weighting

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

For any PSRs to vest pursuant to the Relative TSR vesting condition, Aristocrat's compound TSR must be equal to or greater than the median ranking of constituents of the Peer Comparator Group. The Peer Comparator Group, being constituents of the S&P/ ASX100 Index, is defined at the commencement of the performance period and provides a relative, objective, external market-based performance measure against those companies with which Aristocrat competes for capital, customers and talent.

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

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

The Board may adjust the TSR vesting conditions to ensure that an executive is neither advantaged nor disadvantaged by matters outside of management's control that affect achievement of the vesting conditions. The Board will also exercise its discretion to ensure that the TSR vesting conditions are adjusted to reflect sustainable growth outcomes aligned to the interests of shareholders.

Relevant EPSA – 30% weighting

The Relevant EPSA vesting condition is measured by comparing Aristocrat's compound annual EPSA growth rate (CAGR) over a three-year performance period (1 October 2018 to 30 September 2021 in respect of LTI grants in FY2019) against the 'minimum' EPSA growth and the 'maximum' EPSA growth thresholds, as set by the Board at the beginning of this performance period.

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

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

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

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

As is our practice, the EPSA growth thresholds set by the Board for the performance period are disclosed in the Remuneration Report published in respect of the year in which the PSR vesting is tested.

Relevant EPSA targets for the 2017 LTI Grants that vested in 2019 are disclosed in Table 4.

As part of a review by the Human Resources and Remuneration Committee regarding the appropriateness of LTI Plan performance measures, it took into account feedback from investors and other external stakeholders and the Board ultimately approved a transition from a Relevant EPSA to a Relevant EPS hurdle (30% weighting) in connection with future LTI grants, commencing with grants in FY2020.

Individual performance based vesting condition – 40% weighting

The individual performance-based element of the LTI Plan will vest subject to the participant having achieved or exceeded against objective-balanced scorecard KPOs over the entire course of the three-year performance period in addition to continuous service for the performance period (Individual Performance Based Condition). Vesting of this tranche requires consistent and sustained individual performance for three years in a row – if KPOs are not met in any one year then the entire tranche is forfeited. There is no catch-up or retesting.

The KPOs are aligned to supporting Aristocrat's longer-term strategy and driving continued sustainable growth.

Why were these vesting conditions chosen?

Relative TSR

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

Relevant EPSA

- Is a relevant indicator of increases in shareholder value
- Neutralises the tax effected amortisation expense of acquired intangibles, which is a non-cash charge and not representative of underlying performance of the business and cash flow generation
- Is a target that provides a suitable line of sight to encourage executive performance

Individual Performance Based

- Aristocrat is one of a small group of ASX listed companies that derives the majority of its revenues from overseas markets and is genuinely global in its structure and operations. Aristocrat's senior leadership is predominantly US based, and the business must increasingly attract and retain leaders in global markets with technology and global management skillsets
- This hurdle supports our LTI Plan being competitive to global peers who have elements of service-based vesting (restricted stock)
- Importantly, this is a performance-based hurdle requiring that an Executive KMP meets or exceeds against objective-balanced scorecard KPOs
- The objective-balanced scorecard KPOs are aligned to supporting Aristocrat's longer-term strategy and driving continued sustainable growth
- This hurdle allows the Board to take into account 'the how' (behaviours) and conduct relating to risk management in determining outcomes relating to this hurdle
- The balanced scorecard approach ensures that safeguards are in place to protect against the risk of unintended and unjustified outcomes

The Board is confident that it has the right arrangements in place to drive performance and retention in line with shareholders' interests.

Who assesses performance and when?

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

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

Vesting

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

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

Are PSRs eligible for dividends?

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

Cessation of employment

If a participant ceases employment during the first 12 months of the three year performance period then, regardless of whether the participant is a good or bad leaver, all unvested PSRs lapse, unless the Board determines otherwise.

If a participant ceases employment after the first 12 months of the performance period but before the end of the performance period:

- the portion of unvested PSRs that are subject to the Individual Performance Based Condition will lapse (regardless of whether or not the participant is a 'good leaver'), unless the Board determines otherwise;
- if the participant is a 'good leaver', a pro-rata portion of unvested PSRs that are subject to financial performance hurdles will remain 'on foot' and will be tested in the ordinary course, unless the Board determines otherwise. If the participant is not a 'good leaver', then all of these unvested PSRs will automatically lapse on or around the date of cessation of employment, unless the Board determines otherwise.

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

Clawback

In the event of a material misstatement of performance, or where vesting is not justified, appropriate or supportable in the opinion of the Board, including if a participant joins a competitor, the Board has the discretion to lapse unvested PSRs. The Board has also strengthened the clawback policy that applies to vested incentives in order to clawback any shares allocated on vesting of the PSRs, as well as any cash payment received on vesting of PSRs or proceeds from the sale of shares.

What happens in the event of a change of control?

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

Restrictions on transfer or hedging

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

STRETCH PERFORMANCE TARGETS, REMUNERATION OUTCOMES IN FY2019 AND LINK TO BUSINESS STRATEGY AND SHAREHOLDER INTERESTS

Senior Executive remuneration

Senior Executive remuneration outcomes disclosed in this Remuneration Report are linked and aligned to delivery of sustainable shareholder value and driving business performance over the short and longer term, rewarding the strong results delivered across the relevant STI and LTI performance periods (including in FY2019).

This section of the Remuneration Report provides detail on target setting by the Board (including how targets are determined to ensure challenging stretch) and also discloses the outcome of awards made under:

- the 2019 STI grant (performance period 1 October 2018 – 30 September 2019)
- the 2017 LTI Grant (performance period 1 October 2016 – 30 September 2019)

2019 STI grant targets

A challenging NPATA target (70% weighting) of \$833.6m (on a constant currency basis¹) was set by the Board in connection with FY2019 STI grant, which was a 34% year-on-year increase on the FY2018 STI target.

The NPATA target was set in the context of broadly flat key markets and segments, with these markets and segments remaining broadly flat over the course of the STI performance period.

In addition to assessing actual financial performance measures against targets, performance of participants was also assessed against individual KPOs in order to determine STI remuneration outcomes. Individual targets as set out in KPOs included consideration as to role-related accountabilities and responsibilities in the context of delivery against Aristocrat's business strategy and objectives, as set out in Table 6, as well as assessment against behavior metrics ('the how').

Performance and STI outcomes in FY2019

Senior Executives received on average 102% of their STI target award (compared to the maximum target STI opportunity of 200%), supported by normalised NPATA increasing by 22.6% to \$894.4 million (in reported currency) from the prior corresponding period.

- Strong normalised NPATA of \$894.4 million (\$834.2 million on a constant currency basis¹), which was 100% of target, was driven through management delivering growth through the continued gain of market share across broadly flat existing markets, while capturing opportunities in new adjacent markets and segments.
- Of the overall 22.6% year-on-year growth in normalised NPATA, 17.3% was driven from existing business, 3.1% came from acquisitions and the remaining 2.2% from the reduction in the effective tax rate.
- Strong FCF Conversion of 102%, which was 108% of target, reflecting cash flow discipline and allowing Aristocrat to fund growth initiatives.

104% of Group target STI was awarded in FY2019.

Table 3 below discloses actual quantitative STI targets set by the Board and actual performance against those targets

STI gateway (Business Score Threshold) achieved			
The Business Score was calculated by reference to the NPATA and FCF Conversion figures as follows:			
Measure + Weighting	Target	Actual Performance	STI outcome
NPATA (70%)	\$833.6m (34% ↑ on FY18 target)	\$834.2m ¹	100%
FCF Conversion (30%)	95% (5% ↓ on FY18 target) ²	102%	108%
Business Score was in excess of the Business Score Threshold			
		Threshold 85%	Target 100%
			Stretch 120% (max)
NPATA (weighting = 70%)	% of plan awarded = 100%		
FCF Conversion (weighting = 30%)	% of plan awarded = 108%		

1. Constant currency basis as set out in the approved budget.

2. The FCF Conversion target is set annually based on the anticipated financial performance of the Group for the coming year.

LTI grant targets and outcomes in 2019

The following three vesting conditions applied to the 2017 LTI Grant:

- a Relative TSR vesting condition (30% weighting);
- a Relevant EPSA vesting condition (30% weighting); and
- an Individual Performance Based Condition (40% weighting).

Challenging EPSA targets were set by the Board in connection with the 2017 LTI Grants:

- Targets were set in the context of broadly flat key markets and segments.
- Both organic and inorganic growth was taken into account by the Board in setting EPSA growth targets. Specifically, the 7.5%/12.5% min/max EPSA targets set in respect of previous grants were set on the basis that both organic and inorganic growth would be required in order for those targets to be achievable.
- The Board then applied further stretch to the EPSA target under the 2017 LTI grant (10% min/15% max). This is illustrated in the table 4 below which shows the EPSA targets for LTI Grants between FY15 – FY17 (inclusive).

Management went on to deliver growth through the gain of market share across these broadly flat markets as shown in table 5.

Table 4 below discloses the Relevant EPSA Targets for LTI Grants between FY15 to FY17

Relevant EPSA						
Award year	Threshold Target	Maximum Target	Actual	Performance Period	Vesting Date	Award Outcome
FY17	10%	15%	31.0%	FY17 – FY19	After 30 September 2019	Achieved
FY16	7.5%	12.5%	45.4%	FY16 – FY18	After 30 September 2018	Achieved
FY15	7.5%	12.5%	54.4%	FY15 – FY17	After 30 September 2017	Achieved

Impact of accounting adjustments on remuneration outcomes

Normalised NPATA (not reported NPATA) is used for purposes of determining remuneration outcomes as normalised NPATA is reflective of the actual underlying operational performance of the Group. Therefore, NPATA of \$894.4m was used for purposes of testing the EPSA growth outcome in connection with the 2017 LTI Grant and the testing of the outcome of the 2019 STI grant.

The impact of accounting adjustments as well as a reconciliation between normalised and reported NPATA is set out below:

Reconciliation of statutory profit to NPATA

A\$ million	2019	2018
Statutory profit as reported in the financial statements	698.8	542.6
Amortisation of acquired intangibles (tax effected)	141.6	112.7
Reported profit after tax before amortisation of acquired intangibles (Reported NPATA)	840.4	655.3
Add back net loss from significant items and adjustments after tax	54.0	74.3
Normalised Profit After Tax before amortisation of acquired intangibles (Normalised NPATA)	894.4	729.6

Significant items

A\$ million	30 Sep 2019	
	Before tax	After tax
Contingent retention arrangements relating to the acquisitions	(42.1)	(35.0)
Acquisition related transaction, integration and restructuring costs	(22.9)	(19.0)
Net loss from significant items	(65.0)	(54.0)

Significant items:

Contingent retention arrangement related to the acquisition of Plarium and Big Fish: The Group's reported result after tax for the period includes an expense of \$35 million relating to the contingent retention arrangements for the acquisitions of Plarium and Big Fish.

Acquisition related transaction, integration and restructuring costs: The Group's reported result after tax for the period includes an expense of \$19 million relating to an onerous lease provision for the Big Fish Seattle premises which was committed to by previous ownership.

2017 LTI Grant vesting outcomes

Disclosed below is the outcome of the 2017 LTI Grant (tested over the three-year performance period ended 30 September 2019).

Financial targets and performance

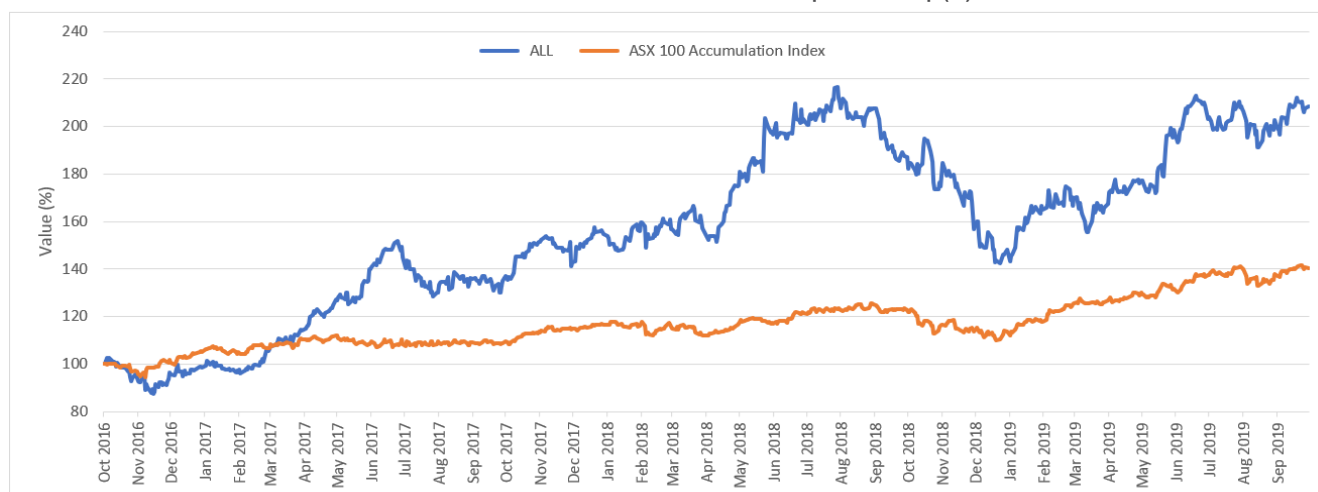
Table 5 below discloses the LTI financial targets set by the Board and performance against those targets

30 September 2019: Three-year performance period ends for 2017 LTI Grants. Performance is tested in November 2019 for Relative TSR and Relevant EPSA

Relative TSR (30% weighting)

Aristocrat's TSR performance versus that of the Peer Comparator Group over the 2017 LTI Grant performance period 1 October 2016 to 30 September 2019:

Aristocrat TSR Performance v Peer Comparator Group (%)



With a TSR performance of 109.26%, Aristocrat was the 10th top performer (equivalent to 90th percentile) of its Peer Comparator Group.

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

Relevant EPSA (30% weighting)

100% of the Relevant EPSA component vested given that Aristocrat's actual EPSA CAGR across the consecutive three-year performance period was 31.0%. This growth was delivered through gain of market share achieved across broadly flat existing markets and segments while capturing opportunities in new adjacent markets and segments. Of the overall 31.0% year-on-year growth in EPSA CAGR, 24.5% was driven from existing business, 4.7% came from acquisitions and the remaining 1.8% from the reduction in the effective tax rate.

Relevant EPSA				
1 Oct 2016 to 30 Sept 2019	Threshold EPSA Target	Maximum EPSA Target	Actual Outcome	Relevant EPSA Achievement
3 year CAGR	10%	15%	31.0%	100%

100% of the PSRs linked to the Relevant EPSA measure vested

Individual performance

Individual Performance-Based Condition (40% weighting) for Executive KMP: 62% of PSRs linked to the individual performance based condition vested for those Executive KMP granted the 2017 LTI awards, which requires the Executive KMP to achieve or exceed the required performance rating based on calibration against a set of objective balanced scorecard KPOs. These KPOs are aligned to supporting Aristocrat's longer term strategy and driving continued sustainable growth.

Table 6 below discloses remuneration outcomes in FY2019 and alignment to business strategy and Group performance

Business strategy and objectives...	Are reflected in LTI and STI performance measures...	So, Aristocrat's actual performance...	Directly affects remuneration outcomes
<p>Profitability and financial performance</p>	<p>STI performance measure of NPATA Measures profitability across the Group</p> <p>STI performance measure of FCF Conversion Measures free cash flow generated by the Group</p> <p>LTI performance measure of Relative TSR Measures the benefit delivered to shareholders over three years, including dividend payments and movement in the share price over and above a market benchmark</p> <p>LTI performance measure of Relevant EPSA Measures profitability across the Group on a per share basis</p>	<p>EXCEEDED</p> <p>NPATA increasing year-on-year by 22.6% to \$894.4 million (in reported currency)</p> <p>EBITDA up 20% to \$1.597 million, with industry leading EBITDA margins maintained</p> <p>Achieved strong FCF Conversion of 108% of target</p> <p>Aristocrat achieved a TSR of 109.26% over the 2017 LTI grant performance period, 10th in its Peer Comparator Group and ranked at the 90th percentile</p> <p>Compounded EPSA growth rate of 31.0% exceeded set targets</p> <p>Revenue increased by 23% in broadly flat markets to a new record level of \$4.4bn (in reported currency)</p>	
<p>Unlocking adjacent opportunities and growing addressable market</p>	<p>STI Individual performance rating</p> <p>Measures include increasing the size of Aristocrat's addressable markets and generating revenue from adjacent opportunities</p>	<p>EXCEEDED</p> <p>In excess of 16% of volume of units sold in the Americas derive from adjacent market sources</p> <p>30% growth in Outright Sales units driven by expansion into adjacent markets and launch of new hardware (e.g. <i>MarsX™</i>, <i>EdgeX™</i>, <i>WinnersWorld™</i> cabinets)</p> <p>Highly successful entry into an adjacency - the collection role playing game (CRPG) genre - with the global launch of <i>RAID: Shadow Legends™</i> in February 2019, now a top 3 mobile game in the CRPG genre</p> <p>Successful expansion into adjacent markets in North America, including Video Lottery Terminals (VLT), Washington Central Determinant System (CDS), Class III Stepper, Class II Video (<i>Ovation™</i>) and Bartop Poker</p>	<p>Total LTI vesting outcome in FY2019 = 100% of target based on TSR and EPSA performance measures</p>
<p>Recurring revenue growth / taking market share</p>	<p>STI Individual performance rating</p> <p>Measures include growth in US Gaming Operations, sustainability of strong market position in Australia and continued growth in profitability of the digital business</p>	<p>EXCEEDED</p> <p>In excess of 68% of Group revenues now derive from recurring sources</p> <p>Share gains continued across both Class II and Class III installed bases</p> <p>Market leading ship share in ANZ</p> <p>Digital revenues increased by 34% to \$1.79bn (in reported currency)</p> <p>Digital profits increased by 11.9% to US\$370.2m</p>	
<p>Risk management</p>	<p>STI Individual performance rating</p> <p>Measures include continuing to embed effective risk management throughout the organization to support achievement of business objectives and fulfill corporate governance objectives</p>	<p>MET</p> <p>Risk appetite frameworks and statements developed and agreed with the Board, and operationalised throughout the organisation</p> <p>Aggregate staff correct response rate under cyber security training program increased to 71% in 2019 (from 57% in 2018), placing Aristocrat significantly above the industry benchmark of 37%</p> <p>Completed global program to ensure Aristocrat is compliant with the EU's GDPR legislation</p> <p>Lost Time Injury rate of 1.6% compared to the Gambling Industry average declared by Safe Work Australia of 7.7%</p>	<p>CEO STI outcome in FY2019 = 119% of target</p>
<p>Product quality and innovation, great game content and customer centric culture</p>	<p>STI Individual performance rating</p> <p>Measures include product quality and delivery, product innovation, great game content and embedding customer centric culture across the Group</p>	<p>EXCEEDED</p> <p>Aristocrat was awarded the following at the inaugural EKG Slot Awards show in February 2019:</p> <ul style="list-style-type: none"> - Best overall supplier of slot content - Top Performing Premium Game – <i>Dragon Link™</i> - Top Performing New Premium Game – <i>Dragon Link: Happy & Prosperous™</i> - Top Performing New Video Reel Core Game – <i>Wonder 4 Boost™</i> - Top Performing Proprietary Branded Game – <i>Dragon Link™</i> - Best New Social Slot Game – <i>Lightning Link™</i> <p>Winner at the Global Gaming Awards for 'Land-Based Supplier of the Year' and 'Slot of the Year' for <i>Buffalo Diamond™</i></p> <p>Continued focus on the customer experience with the roll-out of Salesforce for Service in ANZ</p> <p>Improvement in Quality metrics over FY18 from 90.5% to 95% and the establishment of a quality baseline across the business</p>	<p>Average STI outcome in FY2019 for other Executive KMP = 76% of target</p>
<p>Leadership Effectiveness and High performing People and Culture</p>	<p>STI Individual performance rating</p> <p>Measures include development, retention and succession planning across all management levels and for creative talent</p> <p>Measures also include attracting, developing and retaining gaming design talent</p>	<p>MET</p> <p>Increased employee participation in Global Engagement Survey – overall engagement score of 66%</p> <p>Strong investment in culture-building across the business, including holding a Global Leadership Conference during FY19 at which long term growth aspirations were set, along with sessions on culture and business leadership development</p> <p>High potential talent assessment conducted with the goal to achieve nil turnover for critical population</p> <p>3 of 5 key senior executive appointments were internal candidates</p>	

Alignment between remuneration and Group performance

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

The table below sets out information about movements in shareholder wealth for the financial years ended 30 September 2015 to 30 September 2019, highlighting alignment between Aristocrat's remuneration strategy and framework and Group performance over the past 5 years.

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

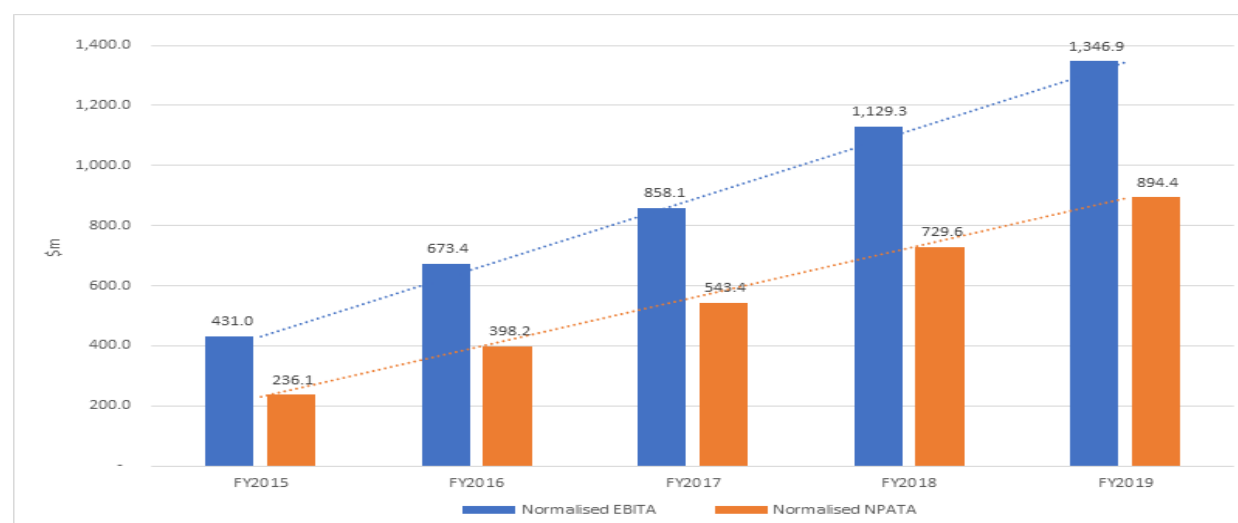
Table 7 Summary of movement in shareholder wealth

	12 months to 30 Sep 2019	12 months to 30 Sep 2018	12 months to 30 Sep 2017	12 months to 30 Sep 2016	12 months to 30 Sep 2015 ¹
Share price as at financial year-end (A\$)	30.60	28.44	21.00	15.81	8.61
Total dividends (cps)	56.0	46.0	34.0	25.0	17.0
Normalised EPS (fully diluted) / EPSA (fully diluted) (cps) ²	118.0/140.2	96.5/114.1	77.5/85.0	54.9/62.4	30.1/37.1
TSR (%)	10%	38%	35%	87%	50%
Short-term cash incentives (% of Group target)	104%	130%	172%	176%	170%
LTI (% vesting) based on Relative TSR and Relevant EPSA performance measures	100%	100%	100%	100%	94%

1. The opening share price for the 12 months to 30 September 2015 was \$5.84.

2. Excluding the effect of significant items which are not representative of the underlying operational performance of the Group.

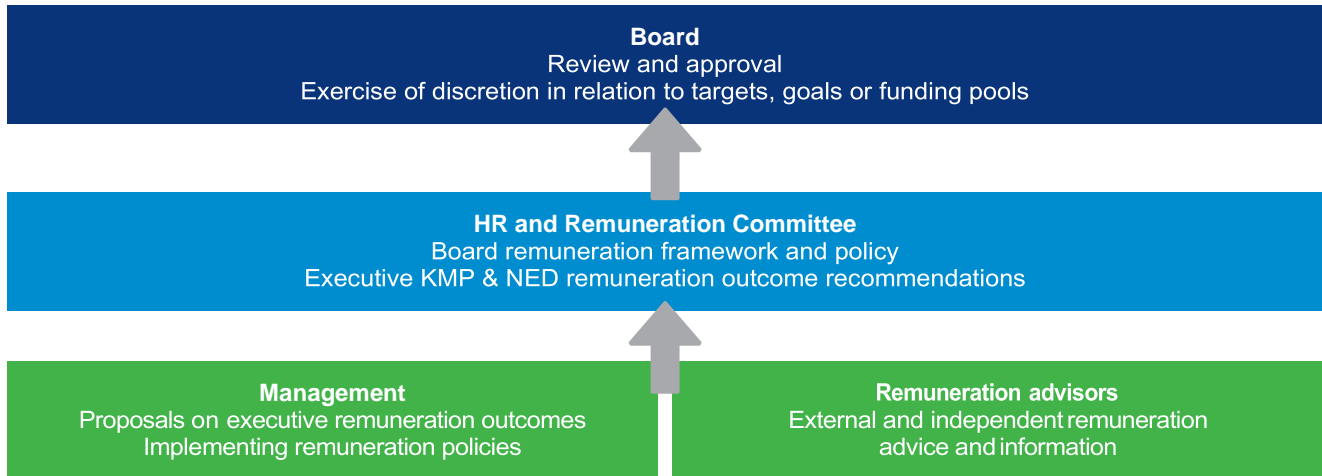
Historical earnings performance – NPATA and EBITA (A\$m)



REMUNERATION GOVERNANCE

Overview

The following diagram represents Aristocrat’s remuneration decision-making structure.



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

Use of remuneration advisors

In making recommendations to the Board, the HR and Remuneration Committee seeks advice from external advisors from time to time to assist in its deliberations. The HR and Remuneration Committee appointed Ernst & Young (EY) as Aristocrat’s ‘Remuneration Consultant’ for the purposes of the Corporations Act.

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

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

Service agreements

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

Table 8 Service agreements

	Notice to be given by Executive	Notice to be given by Group ¹	Termination payment	Post-employment restraint
CEO and Managing Director				
T Croker	6 months	12 months	12 months (fixed remuneration)	12 months
Other Executive KMP				
J Cameron-Doe	6 months	6 months	12 months (fixed remuneration)	12 months
M Bowen	6 months	6 months	6 months (fixed remuneration)	12 months

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

The key terms of service agreements with each of Mr Wilson, Mr Sevigny and Mr Goldstein have been outlined in previous years' Remuneration Reports and are not restated here given their departure from the business.

Disclosures under Listing Rule 4.10.22

A total of 1,095,098 securities were acquired on-market by the Aristocrat Employee Equity Trust during the Reporting Period (at an average price per security of \$22.67) to satisfy Aristocrat's obligations under various equity and related plans.

Share trading policy

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

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

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

NON-EXECUTIVE DIRECTOR REMUNERATION

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

Components and details of Non-Executive Director remuneration

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

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

Securing and retaining talented, qualified Directors
 Director fee levels are set having regards to:

- The responsibilities, time commitments and workload expected
- ASX market and direct industry peers
- Being competitive across Aristocrat's two major jurisdictions (US and Australia)

Preserving independence and impartiality
 Director remuneration consists of base (Director) fees and Committee fees. No element of Director remuneration is 'at risk' (i.e. fees are not based on the performance of the Group or individual directors)

Aligning Director and security holder interests
 Directors are encouraged to hold Aristocrat securities and the Board has endorsed minimum security holding guidelines for Directors

Competitive fee levels have been a particular focus for the Board due to its ongoing commitment to an orderly renewal and succession planning process.

Aristocrat has increasingly transformed into a truly global business with extensive scale, complexity and diversity, which has in turn significantly increased both Board and Committee workloads and overseas travel expectations. In addition, developments in the corporate governance landscape are leading to increased expectations and demands of Non-Executive Directors on ASX boards.

Fees also reflect the regulatory requirements of the environment in which Aristocrat operates, which imposes considerable demands on the Non-Executive Directors and their families who are required to disclose detailed personal and financial information and submit to interviews, including in foreign jurisdictions.

Certain global companies pay a supplemental travel payment to non-resident Directors who are required to attend Board meetings away from their principal residential domicile, which Aristocrat does not do. Non-Executive Directors are entitled to be reimbursed for all reasonable business-related expenses, including travel, as may be incurred in the discharge of their duties.

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

Aggregate fee pool approved by shareholders

Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of A\$3,200,000 per annum approved by shareholders at the AGM in February 2018.

Table 9 Non-Executive Director fees payable during the Reporting Period

Board fees per annum	Amount (inclusive of all statutory superannuation obligations)
Chairman	A\$625,000
Non-Executive Director	A\$250,000 / US\$220,000
Lead US Director	Additional US\$40,000
Committee Chair (Audit, HR & Remuneration)	Additional A\$45,000 / US\$35,000
Committee Chair (Strategic Risk, Regulatory & Compliance)	Additional A\$35,000 / US\$30,000
Committee member (per committee, capped at two committees per person)	Additional A\$15,000 / US\$10,000

STATUTORY REMUNERATION TABLES AND DATA

Key KMP movements in FY2019

Mr Bowen was promoted to CEO Global Land Based and Chief Transformation Officer during the Reporting Period. Prior to this, Mr Bowen was Managing Director, ANZ & International.

Given the strategic importance of this newly created global position in a highly competitive global market for talent, Mr Bowen was awarded a special equity grant of 50,000 PSRs with a three year vesting period. The special equity will vest on 21 June 2022 subject to Mr Bowen having achieved or exceeded against objective-balanced scorecard KPOs over the entire course of the three-year performance period, in addition to continuous service for the entire performance period.

Mr M Wilson ceased to be employed on 16 September 2019 and forfeited all unvested awards, totaling 69,019 PSRs.

Details of Executive KMP remuneration

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

As required by the Accounting Standards, the table includes credits for PSRs which were forfeited during the year and the amortised value of PSRs that may vest or best available estimates attributable to PSRs which may be lapsed or forfeited in future reporting periods.

Table 10 Statutory Executive KMP remuneration table

Executive	Year	Short-term benefits (\$)			Post-employment benefits (\$)		Long-term benefits (\$) Long Service Leave ⁵	Share-based payments ⁶ (\$)		Total \$	% of Share Based remuneration (LTI PSRs) %
		Cash Salary ¹	Cash Bonuses ²	Non-Monetary Benefits ³	Super-annuation	Termination ⁴		STI PSRs ⁷	LTI PSRs ⁸		
CEO & Managing Director											
T Croker	2019	1,627,064	1,011,036	37,939	-	-	-	763,371	2,166,867	5,606,277	38.7%
	2018	1,457,094	804,590	220,526	2,083	-	-	512,859	1,541,831	4,538,983	34.0%
Executive KMP											
J Cameron-Doe ⁹	2019	825,159	388,860	62,152	-	-	-	234,762	371,895	1,882,828	19.8%
	2018	444,240	290,506	119,845	4,563	-	19,556	87,468	112,762	1,078,940	10.5%
M Bowen	2019	542,974	262,500	1,130	25,000	-	32,542	234,792	392,145	1,491,083	26.3%
	2018	466,250	216,974	18,065	25,000	-	15,379	218,906	191,541	1,152,115	16.6%
Former Executive KMP											
M Wilson ¹⁰	2019	725,499	-	-	10,252	-	-	(260,863)	(296,072)	178,816	-165.6%
	2018	599,259	306,710	30,712	15,405	-	2,694	368,493	222,656	1,545,929	14.4%
J Sevigny ¹⁰	2019	390,836	198,504	445	10,613	-	-	-	-	600,398	0.0%
	2018	748,288	313,614	-	-	782,115	-	68,781	11,360	1,924,158	0.6%
J Goldstein ¹⁰	2019	37,674	-	-	-	-	-	-	-	37,674	0.0%
	2018	754,910	225,802	-	-	380,000	-	-	-	1,360,712	0.0%
Total	2019	4,149,206	1,860,900	101,666	45,865	-	32,542	972,062	2,634,835	9,797,076	26.9%
	2018	4,470,041	2,158,196	389,148	47,051	1,162,115	37,629	1,256,507	2,080,150	11,600,837	17.9%

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. Executive KMPs based in the US have their cash salary denominated in USD which is converted to AUD based on the monthly Group exchange rates.

2. Amounts reflect the non-deferred cash component of the 2019 STI incentives.

3. Non-monetary benefits include travel costs, professional fees for tax advice and associated FBT. In relation to T Croker and J Cameron-Doe, the 2018 amounts relate to relocation costs in connection with a permanent relocation to the US, not a secondment or expatriate arrangement. In the case of J Cameron-Doe, part of the 2019 amounts also relate to relocation costs in connection with her permanent relocation to the US.

4. Amounts reflect accruals in connection with the termination of employment (inclusive of any accruals for payments in lieu of notice).

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 Executive KMP may ultimately realise should the equity instruments vest. An independent accounting valuation for each tranche of PSRs at their respective grant dates has been performed by Deloitte. In undertaking the valuation of the PSRs, Deloitte has used a TSR model and an EPSA model. These models are described below:

TSR model – Deloitte uses the Monte-Carlo simulation-based model which incorporates the impact of performance hurdles and the vesting scale on the value of the PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, volatility of the underlying shares, the risk-free rate of return, expected dividend yield and the likelihood that vesting conditions will be met. The accounting valuation of rights issued is allocated equally over the vesting period.

EPSA and individual performance model – The Black-Scholes-Merton model was used to determine the fair value of PSRs. This pricing model takes into account factors such as the Company's share price at the date of grant, the risk-free rate of return, expected dividend yield and time to maturity. The accounting valuation of rights issued is allocated over the vesting period so as to take into account the expected level of vesting over the performance period. For the purposes of remuneration packaging, the 'face value' (volume-weighted average price for the 5 trading days up to and including the day before the start of the performance period) is adopted for determining the total number of PSRs to be allocated as this valuation best reflects the fair value of PSRs to each executive at that time. The requirements of AASB 2 in relation to the treatment of non-market vesting conditions, such as earnings per share growth and share-based remuneration requiring shareholder approval, results in accounting expense and disclosures differing from the value allocated for the purposes of remuneration packaging.

7. A component of STI awards payable to Executive KMP will be satisfied by the grant of deferred share rights. Half will vest after one year, with the remainder vesting after two years, both subject to relevant forfeiture conditions. Any individual who is internally promoted to a Senior Executive role is only subject to a deferral of 25% of their

STI outcome (as opposed to 50%) in his/her first year. 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 2019 include the accounting accruals attributable to deferred share rights pursuant to the 2017, 2018 and 2019 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. Also includes best available estimates attributable to PSRs which may be lapsed or forfeited in future reporting periods. The Special Equity granted to M Bowen upon his appointment as CEO Global Land Based and Chief Transformation Officer is included in the calculations.
9. J Cameron-Doe's FY2018 remuneration reflects 8 months' remuneration in her role as CFO only as she was not an Executive KMP prior to her appointment as CFO on 31 January 2018.
10. M Wilson, J Sevigny and J Goldstein left the Company during FY2019.

Table 11 Details of 2019 short-term awards paid and deferred

For the 12 months ended 30 September 2019	Total award ¹ \$	Cash payment ² \$	Deferred component ³ \$	No. Share Rights vesting 1 Oct 2020 ³	No. Share Rights vesting 1 Oct 2021 ³	Total award as % of target STI	% of total award deferred
T Croker	2,022,072	1,011,036	1,011,036	16,529	16,529	119%	50%
Other Executive KMP							
J Cameron-Doe	777,720	388,860	388,860	6,357	6,357	131%	50%
M Bowen	525,000	262,500	262,500	4,292	4,292	140%	50%
Former Executive KMP							
M Wilson	-	-	-	-	-	0%	0%
J Sevigny	198,504	198,504	-	-	-	83%	0%
J Goldstein	-	-	-	-	-	0%	0%

1. Amounts reflect the value of the total 2019 awards. See footnotes 2 and 3 for an explanation of the cash and deferred components of the total award.
2. Amounts reflect the cash component of the 2019 awards paid to participants. Amounts in USD are translated at the average rate for the year.
3. Amounts reflect the value of 2019 awards deferred into PSRs. Part of the deferred component of awards will vest on 1 October 2020 and the remainder on 1 October 2021. The number of PSRs is determined using the five day VWAP up to and including 30 September 2019, being \$30.58. Amounts in USD are translated at the FX rate on the grant date.

Table 12 Details of PSRs with a three year performance period granted to Executive KMP, including their related parties, during the Reporting Period

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

	Rights granted ¹	Value of grant ² (\$)
T Croker	116,390	2,252,798
J Cameron-Doe	31,425	608,256
M Bowen	66,424	1,870,899
Former Executive KMP		
M Wilson	18,622	360,448
J Sevigny	-	-
J Goldstein	-	-

1. The number of rights granted calculated based on the Face Value, as further explained on page 37. The rights that were vested or forfeited during the Reporting Period are set out in Table 13.
2. Other than M Bowen's special equity grant of 50,000 PSRs, all PSRs were granted on 22 March 2019. The fair value of the rights that were granted on 22 March 2019 are \$10.38 for rights with a total shareholder return condition and \$23.20 for rights with an individual performance based condition and EPSA condition. M Bowen's special equity grant of 50,000 PSRs was awarded on 21 June 2019. The fair value of the rights granted on 21 June 2019 is \$31.06 for rights with an individual performance based condition. The values shown in the above table represent the maximum value of the grants made. The minimum value is zero.

Table 13 Details of the movement in numbers of PSRs with a three year performance period during the Reporting Period

	Balance at 1 October 2018	Granted during the year ¹	Vested ^{2,3}	Lapsed/ forfeited	Balance at 30 September 2019
T Croker	241,845	116,390	(42,624)	-	315,611
J Cameron-Doe	21,077	31,425	-	-	52,502
M Bowen	34,954	66,424	(11,775)	-	89,603
M Wilson	32,948	18,622	-	(51,570)	-
J Sevigny	112,659	-	(57,110)	(55,549)	-
J Goldstein	35,335	-	-	(35,335)	-

1. The value of the PSRs granted to Executive KMP during the year (including the aggregate value of PSRs granted) is set out in Table 12. No options were granted during the year to any Executive KMP.
2. The value of each PSR on the date of vesting is the closing price of the Company's shares on the ASX on the preceding trading day.
3. As shares are immediately allocated upon the vesting of PSRs, there will be no instances where PSRs are vested and exercisable, or vested but not yet exercisable.

Details of Non-Executive Director remuneration

Table 14 Details of Non-Executive Director remuneration for the Reporting Period

Directors	Year	Short-term benefits (\$)		Post-employment benefits (\$)		Share based payments (\$)	Total
		Cash salary and fees ¹	Fees for extra services ²	Superannuation ³	Retirement benefits ⁴	Options and PSRs	\$
NG Chatfield	2019	465,373	-	24,764	-	-	490,137
	2018	187,513	-	17,814	-	-	205,327
KM Conlon	2019	285,000	-	25,000	-	-	310,000
	2018	252,089	15,000	23,257	-	-	290,346
SW Morro	2019	384,959	-	-	-	-	384,959
	2018	347,373	15,000	-	-	-	362,373
PJ Ramsey	2019	370,690	-	-	-	-	370,690
	2018	317,521	15,000	-	-	-	332,521
S Summers Couder	2019	370,690	-	-	-	-	370,690
	2018	330,930	15,000	-	-	-	345,930
A Tansey	2019	285,000	-	25,000	-	-	310,000
	2018	248,284	15,000	22,895	-	-	286,179
Former Non-Executive Director							
ID Blackburne	2019	234,615	-	9,896	-	-	244,511
	2018	517,500	15,000	25,000	-	-	557,500
Total	2019	2,396,327	-	84,660	-	-	2,480,987
	2018	2,201,210	90,000	88,966	-	-	2,380,176

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. Each Non-Executive Director received a fixed sum of A\$15,000 in FY2018 in relation to the diligence, negotiation and execution of the Big Fish Games, Inc. acquisition and associated debt financing.

3. Superannuation contributions include amounts required to satisfy the Group's obligations under applicable Superannuation Guarantee legislation.

4. Non-Executive Directors are not entitled to any retirement benefit.

SHAREHOLDINGS

Movement in shares

The tables below details movements during the year in the number of ordinary shares held by KMP, their close family members, and entities controlled, jointly controlled or significantly influenced by KMP or their close family members.

No amounts are unpaid on any of the shares issued. The tables below exclude any unvested PSRs under the STI Plan and the LTI Plan.

Table 15 Details of Non-Executive Director shareholdings

Non-Executive Directors			
	Balance as at 1 October 2018	Purchased/ Transferred	Balance as at 30 September 2019
NG Chatfield	8,000	10,000	18,000
KM Conlon	10,514	-	10,514
SW Morro	40,000	-	40,000
PJ Ramsey	19,360	-	19,360
S Summers Couder	6,050	4,600	10,650
A Tansey	1,570	2,000	3,570
ID Blackburne ¹	90,000	-	-

1. As at 21 February 2019 given Dr Blackburne ceased to be a Non-Executive Director on that date.

Table 16 Details of Executive KMP shareholdings

Executive Director and other Executive KMP				
	Balance as at 1 October 2018	Performance shares vested	Other net changes during the year	Balance as at 30 September 2019
T Croker	255,756	63,065	(12,594) ¹	306,227
J Cameron-Doe	6,993	11,903	(13,633)	5,263
M Bowen	-	21,171	(10,000)	11,171
M Wilson (ceased employment on 16 September 2019)	-	28,117	(28,117)	-
J Sevigny (ceased employment on 5 March 2019)	-	77,880	(77,880)	-
J Goldstein (ceased employment on 4 October 2018)	-	-	-	-

1. Compulsory employer sale of 12,594 shares for T Croker for the purposes of satisfying US withholding tax liabilities payable on vesting of PSRs.

Loans or other transactions with KMP

No KMP or their related parties held any loans from the Group during or at the end of the year ended 30 September 2019 or prior year. Apart from the details disclosed in this Report, there were no transactions between KMP (or their related parties) and the Company or any of its subsidiaries during the Reporting Period.

GLOSSARY

2017 LTI Grant	Awards made under the LTI Plan during FY2017 with a three-year performance period from 1 October 2016 to 30 September 2019
Aristocrat	Aristocrat Leisure Limited and (where applicable) the Group
Business Score	For Executive KMP and employees in corporate functions – is the result that is based on the actual financial performance of Aristocrat in a financial year, calculated by reference to NPATA and FCF Conversion For Employees in a region or business unit (including Big Fish Games and Product Madness) – is the result that is based in part on the actual performance of Aristocrat (as above) and in part on the actual regional or business unit performance, using EBITA in place of NPATA for both profit and FCF Conversion calculations
Business Score Goals	Aristocrat's and individual business unit's/region's financial performance goals, approved by the Board at the start of the performance period, that need to be achieved under the STI Plan
Business Score Threshold	The minimum Business Score required to receive payment under the STI Plan (being 85% of the Business Score Goals)
EBIT	Earnings before interest and tax, on a normalised basis excluding significant items as disclosed in the Operating and Financial Review section of the Annual Report
EBITA	Earnings before interest, taxes and amortisation of acquired intangibles, on a normalised basis excluding significant items as disclosed in the Operating and Financial Review section of the Annual Report
EPSA	Fully diluted EPS before amortisation of acquired intangibles disclosed in the Operating and Financial Review section of the Annual Report
Executive KMP	Those KMP who were also part of Aristocrat's Executive Steering Committee during the Reporting Period, being (i) T Croker (CEO and Managing Director), (ii) J Cameron-Doe (Chief Financial Officer), (iii) M Bowen (CEO Global Land Based and Chief Transformation Officer), (iv) M Wilson (Managing Director, Americas – for part year), (v) J Sevigny (President, Video Gaming Technologies – for part year), (vi) J Goldstein (Chief Digital Officer – for part year)
Face Value	The volume-weighted average price of Aristocrat shares for the 5 trading days up to and including the day before the start of the performance period
FCF Conversion	In the case of Executive KMP, this is a target based on free cash flow as a percentage of NPATA. For all employees (other than Big Fish Games and Product Madness employees), it is a percentage of NPATA (Group Score) or EBITA (Business Score (Land-based)), as applicable. The exceptions are Big Fish Games and Product Madness employees, as they do not have FCF targets
KMP	Persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of Aristocrat and the Group during the Reporting Period
KPO	Key Performance Objective
LTI Plan	Aristocrat's long-term incentive plan
Normalised EPS	Fully diluted earnings per share, normalised for significant items as disclosed in the Operating and Financial Review section of the Annual Report
NPATA	Net profit after tax before amortisation of acquired intangibles, normalised for significant items as disclosed in the Operating and Financial Review section of the Annual Report
Peer Comparator Group	Constituents of the S&P/ASX100 Index, defined at the commencement of the performance period
PSR	Performance Share Right, with each right entitling the holder to receive one fully-paid ordinary share in Aristocrat on vesting (or if the Board determines, an equivalent cash payment). Vesting of PSRs may be subject to vesting conditions and performance hurdles
Relative TSR	Aristocrat's compounded TSR measured against the ranking of constituents of the Peer Comparator Group
Relevant EPS	Cumulative EPS over the performance period compared to a target set by the Board at the commencement of the performance period
Relevant EPSA	Cumulative EPSA over the performance period compared to a target set by the Board at the commencement of the performance period
Senior Executives	The group of senior executives consisting of: (i) the Executive KMP, and (ii) other members of Aristocrat's Executive Steering Committee (details of which can be found on www.aristocrat.com)
STI Plan	Aristocrat's short-term incentive plan
TSR	Total shareholder return measures the percentage growth in the share price together with the value of dividends received during the relevant three year performance period, assuming all dividends are reinvested into new securities



Auditor's Independence Declaration

As lead auditor for the audit of Aristocrat Leisure Limited for the year ended 30 September 2019, 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.

A handwritten signature in black ink that reads 'MK Graham'.

MK Graham
Partner
PricewaterhouseCoopers

Sydney
20 November 2019

Aristocrat



Aristocrat Leisure Limited ABN 44 002 818 368
Consolidated financial statements for the year ended 30 September 2019

Financial statements

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Statement of profit or loss and other comprehensive income for the year ended 30 September 2019

Consolidated	Notes	2019 \$'m	2018 \$'m
Revenue	1-2 and 6-8	4,397.4	3,509.5
Cost of revenue	6-8	(1,970.8)	(1,537.2)
Gross profit		2,426.6	1,972.3
Other income	1-2	11.1	13.5
Design and development costs		(500.4)	(413.6)
Sales and marketing costs		(217.1)	(181.3)
General and administration costs	1-3	(611.6)	(512.5)
Finance costs		(135.1)	(115.3)
Profit before income tax expense		973.5	763.1
Income tax expense	1-4	(274.7)	(220.5)
Profit for the year		698.8	542.6
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations	3-3	108.0	115.0
Net investment hedge	3-3	(20.7)	(25.1)
Changes in fair value of interest rate hedge	3-3	(64.7)	15.6
Other comprehensive income for the year, net of tax		22.6	105.5
Total comprehensive income for the year		721.4	648.1
Earnings per share attributable to ordinary equity holders of the Company			
		Cents	Cents
Basic earnings per share	1-5	109.6	85.0
Diluted earnings per share	1-5	109.5	84.9

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

Balance sheet

as at 30 September 2019

Consolidated	Note	2019 \$'m	2018 \$'m
ASSETS			
Current assets			
Cash and cash equivalents		568.6	428.1
Trade and other receivables	2-1	941.3	720.0
Inventories	2-2	163.0	159.9
Other financial assets	3-2	6.5	7.4
Current tax assets		53.8	36.7
Total current assets		1,733.2	1,352.1
Non-current assets			
Trade and other receivables	2-1	105.0	112.1
Other financial assets	3-2	6.5	22.2
Property, plant and equipment	2-4	431.2	389.3
Intangible assets	2-3	4,008.3	3,898.8
Deferred tax assets	1-4	52.8	72.3
Total non-current assets		4,603.8	4,494.7
Total assets		6,337.0	5,846.8
LIABILITIES			
Current liabilities			
Trade and other payables	2-5	720.0	669.2
Current tax liabilities		122.1	141.7
Provisions	2-6	63.0	54.7
Other financial liabilities	3-2	-	3.2
Deferred revenue		136.3	148.7
Total current liabilities		1,041.4	1,017.5
Non-current liabilities			
Trade and other payables	2-5	50.6	26.5
Borrowings	3-1	2,792.7	2,881.1
Provisions	2-6	30.4	13.8
Other financial liabilities	3-2	48.4	-
Deferred tax liabilities	1-4	152.4	122.7
Deferred revenue		14.7	18.2
Other liabilities		62.8	34.5
Total non-current liabilities		3,152.0	3,096.8
Total liabilities		4,193.4	4,114.3
Net assets		2,143.6	1,732.5
EQUITY			
Contributed equity	3-4	715.1	715.1
Reserves	3-3	2.6	(23.5)
Retained earnings	3-3	1,425.9	1,040.9
Total equity		2,143.6	1,732.5

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

Statement of changes in equity for the year ended 30 September 2019

Consolidated	Note	Contributed equity \$'m	Reserves \$'m	Retained earnings \$'m	Total equity \$'m
Balance at 1 October 2017		715.1	(116.8)	747.3	1,345.6
Profit for the year ended 30 September 2018		-	-	542.6	542.6
Other comprehensive loss		-	105.5	-	105.5
Total comprehensive income for the year		-	105.5	542.6	648.1
Transactions with owners in their capacity as owners:					
Net movement in share-based payments reserve	3-3	-	(12.2)	-	(12.2)
Dividends provided for and paid		-	-	(249.0)	(249.0)
		-	(12.2)	(249.0)	(261.2)
Balance at 30 September 2018		715.1	(23.5)	1,040.9	1,732.5
Change in accounting policy	6-8	-	-	(1.4)	(1.4)
Restated balance at 1 October 2018		715.1	(23.5)	1,039.5	1,731.1
Profit for the year ended 30 September 2019		-	-	698.8	698.8
Other comprehensive income		-	22.6	-	22.6
Total comprehensive income for the year		-	22.6	698.8	721.4
Transactions with owners in their capacity as owners:					
Net movement in share-based payments reserve	3-3	-	3.5	-	3.5
Dividends provided for and paid*	1-6	-	-	(312.4)	(312.4)
		-	3.5	(312.4)	(308.9)
Balance at 30 September 2019		715.1	2.6	1,425.9	2,143.6

*Payment of dividends relates to the 2018 final dividend and 2019 interim dividend.

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

Cash flow statement

for the year ended 30 September 2019

Consolidated	2019 \$'m	2018 \$'m
Cash flows from operating activities		
Receipts from customers	4,314.2	3,684.1
Payments to suppliers and employees	(2,880.2)	(2,412.8)
Other income	1.2	3.6
Interest received	7.0	7.1
Interest paid	(123.8)	(85.8)
Transaction costs paid relating to the acquisition of subsidiaries	-	(28.1)
Income tax paid	(232.9)	(234.3)
Net cash inflow from operating activities	1,085.5	933.8
Cash flows from investing activities		
Payments for property, plant and equipment	(247.9)	(198.1)
Proceeds from sale of property, plant and equipment	-	1.1
Payments for intangibles	(68.7)	(72.0)
Payment for acquisition of subsidiaries (net of cash acquired)	(20.8)	(1,938.6)
Net cash outflow from investing activities	(337.4)	(2,207.6)
Cash flows from financing activities		
Payments for shares acquired by the employee share trust	(24.8)	(50.0)
Repayments of borrowings	(292.4)	(225.7)
Proceeds from borrowings	-	1,660.0
Finance lease payments	(0.7)	(0.1)
Dividends paid	(312.4)	(249.0)
Net cash (outflow)/inflow from financing activities	(630.3)	1,135.2
Net increase/(decrease) in cash and cash equivalents	117.8	(138.6)
Cash and cash equivalents at the beginning of the year	428.1	547.1
Effects of exchange rate changes	22.7	19.6
Cash and cash equivalents at the end of the year	568.6	428.1

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

Reconciliation of net operating cash flows

Profit for the year	698.8	542.6
<i>Non-cash items</i>		
Depreciation and amortisation	434.3	355.6
Equity-settled share-based payments	26.0	24.2
Net loss on sale and impairment of property, plant and equipment	6.7	0.6
Net foreign currency exchange differences	(28.2)	3.7
Non-cash borrowing costs amortisation	6.0	6.5
Change in operating assets and liabilities (adjusted for the impact of acquisitions):		
<i>(Increase)/decrease in assets</i>		
- Receivables and deferred revenue	(222.4)	(25.0)
- Inventories	12.5	(58.1)
- Other operating assets	(20.6)	(35.8)
<i>Increase/(decrease) in liabilities</i>		
- Payables	134.3	127.5
- Provisions	24.9	10.4
- Tax balances	13.2	(18.4)
Net cash inflow from operating activities	1,085.5	933.8

Depreciation and amortisation

The depreciation and amortisation amount above includes amortisation of \$20.8m (2018: \$17.1m) that is classified as contra-revenue in the profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank.

Notes to the financial statements

1. Business performance

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

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

1-1 Segment performance	1-4 Taxes
1-2 Revenues	1-5 Earnings per share
1-3 Expenses	1-6 Dividends

1-1 Segment performance

(a) Identification of reportable segments

The activities of the entities in the Group are predominantly within a single business which is the development, assembly, sale, distribution and service of games and systems.

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. Reports reviewed consider the business primarily from a geographical perspective. The following reportable segments have been identified:

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

(b) Segment results

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

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

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

	The Americas		Australia and New Zealand		Digital		International Class III		Consolidated	
	\$'m		\$'m		\$'m		\$'m		\$'m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
Revenue from external customers	1,948.0	1,579.9	456.2	454.5	1,788.7	1,338.9	204.5	210.5	4,397.4	3,583.8
Acquisition accounting fair value adjustments	-	-	-	-	-	(74.3)	-	-	-	(74.3)
Statutory revenue	1,948.0	1,579.9	456.2	454.5	1,788.7	1,264.6	204.5	210.5	4,397.4	3,509.5
Results										
Segment results	1,073.2	859.2	213.6	207.1	528.9	438.2	94.3	103.4	1,910.0	1,607.9
Interest revenue									9.6	9.9
Interest expense									(135.1)	(115.3)
Design and development costs									(500.4)	(413.6)
Amortisation of acquired intangibles									(184.4)	(156.3)
Expenses from significant items									(63.5)	(51.3)
Acquisition fair value adjustments not allocated to a segment									-	(53.2)
Other expenses									(62.7)	(65.0)
Profit before income tax expense									973.5	763.1
Income tax expense									(274.7)	(220.5)
Profit for the year									698.8	542.6
Other segment information										
Non-current assets other than financial and deferred tax assets	2,108.2	2,040.1	178.5	143.5	2,224.7	2,189.1	33.1	27.5	4,544.5	4,400.2
Depreciation and amortisation expense	173.0	142.9	21.7	17.5	22.3	14.7	12.1	7.1	229.1	182.2

The amortisation of acquired intangibles amounting to \$184.4m (2018:\$156.3m) does not form part of segment results.

Notes to the financial statements
Business performance (continued)

1-2 Revenues

Revenue from contracts with customers disaggregated by business:	2019 \$'m	2018 \$'m
Gaming operations	1,218.1	995.3
Digital	1,788.7	1,264.6
Class III outright sales and other revenue	1,390.6	1,249.6
Total revenue	4,397.4	3,509.5

Gaming operations revenue is derived from contracts with customers in the Americas reporting segment, while Class III outright sales and other revenue is derived from contracts with customers across the Americas, Australia and New Zealand, and International Class III reporting segments.

Other income	2019 \$'m	2018 \$'m
Interest	9.6	9.9
Foreign exchange gains	0.3	-
Sundry income	1.2	3.6
Total other income	11.1	13.5

Interest income is recognised using the effective interest method.

Recognition and measurement for contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of jackpot liability expenses, returns, trade allowances, settlement discounts and duties and taxes paid.

Revenue by business	Revenue stream	Revenue recognition methods and payment timing	Description of revenue recognition
Gaming operations	Participation revenue from lease contracts	Over time recognition, with payments received monthly	Participation revenue is a variable consideration that is recognised over time on a monthly basis. The amount of revenue recognised monthly is calculated by an agreed fee based upon a percentage of turnover or the net win of participating machines.
	Fixed fee lease income	Over time recognition, with payments received monthly	Operating leases rental income is recognised on a straight line basis over the term of the lease contract. Rental income is calculated by multiplying a daily fee by the total number of days the machine has been operating on the venue floor. Selling profit on finance leases is recognised in accordance with machine sales. Finance income is recognised based on a constant periodic rate of return on the remaining balance of the finance lease investment.
Digital	Digital revenue	Point in time and over time recognition, with payments usually received monthly	Revenue is recognised when credits purchased by customers are consumed, or if the items purchased with credits are available to the player for the entire time that they play the game, the average player life. Amounts relating to credits not used at year end are included in deferred revenue. Statistical analysis is used to determine the average consumption periods of credits within games based on historical information such as repurchase intervals.
Class III outright sales and other revenue	Machine sales	Point in time recognition, with payments received over various terms depending on negotiations with customers	When control of the goods has transferred, usually upon delivery of goods to the customer.
	Licence income	Point in time and over time recognition, with payment received either upfront or on a monthly basis	When all obligations in accordance with the agreement have been met, which may be at the time of sale or over the life of the agreement.
	Systems contracts	Point in time and over time. Payment terms include in advance as well as other terms as negotiated with customers	Systems hardware and software is recognised when control has transferred, usually upon delivery of goods to the customer. Revenue from the installation of the system is recognised over time as the performance obligation is satisfied.
	Service revenue	Over time recognition, with payments usually received monthly or in advance	Recognised evenly over the period of the service agreement or as services are performed. Revenue received in advance on prepaid service contracts is included in deferred revenue.
	Multiple element arrangements	Point in time and over time recognition depending on the component, with payments received over various terms depending on negotiations with customers	The transaction price for multiple element arrangements is allocated to each performance obligation based on the proportion of their stand-alone selling prices. Stand-alone selling prices are determined based on the current market price of each of the performance obligations when sold separately. Where there is a discount on the arrangement, such discounts are allocated proportionally between the performance obligations. Revenue is then recognised for each performance obligation as control passes to the customer. Multiple element arrangements may include revenue from sales of goods as well as gaming operations revenue.

The above policies are in line with the new Accounting Standard AASB 15 *Revenues from Contracts with Customers*. Refer to Note 6-8 for information on the impact of the change in accounting policies which overall had an immaterial impact on the Group.

Notes to the financial statements

Business performance (continued)

1-2 Revenues (continued)

Note 2-1 shows the assets relating to contracts with customers under trade receivables. The balance sheet shows liabilities from contracts with customers as deferred revenue, with the current amount of \$136.3m (2018: \$148.7m) expected to be recognised as revenue in the next 12 months and \$14.7m (\$18.2m) expected to be recognised in the 2021 and 2022 years. Deferred revenue relates to performance obligations that are not satisfied at the end of the reporting period. Within other receivables, amounts totalling \$45.3m (2018: \$37.1m) relate to payments made to customers for entering sales contracts. These payments are amortised as contra-revenue over the period of the agreement.

Changes in transaction price only impact a small portion of the revenues generated by the Group, usually in connection with multiple element arrangements. For contracts with variable consideration, the Group uses an expected value to estimate the amount of revenue that should be recognised, based on historical and forecast information. The amount of consideration allocated to the contract is regularly reassessed to ensure it represents the most recent information.

Standard warranties are provided for goods sold, with provision made for costs expected to arise from these obligations. These costs are typically not material.

1-3 Expenses

	2019 \$'m	2018 \$'m
Depreciation and amortisation		
<i>Property, plant and equipment</i>		
- Buildings	0.8	3.1
- Plant and equipment	182.4	143.6
- Leasehold improvements	13.9	8.8
Total depreciation and amortisation of property, plant and equipment	197.1	155.5
<i>Intangible assets</i>		
- Customer relationships and contracts	54.1	48.5
- Game names	13.3	10.6
- Technology and software	125.3	107.0
- Intellectual property and licences	15.9	12.4
- Capitalised development costs	7.8	4.5
Total amortisation of intangible assets	216.4	183.0
Total depreciation and amortisation	413.5	338.5
Employee benefits expense		
Remuneration, bonuses and on-costs	732.7	614.5
Superannuation costs	33.7	28.5
Post-employment benefits other than superannuation	6.1	6.2
Share-based payments expense	26.0	24.2
Total employee benefits expense	798.5	673.4
Lease payments		
Rental expense relating to operating leases		
- Minimum lease payments	51.6	42.2
General and administration costs reconciliation		
General and administration before acquisition costs and amortisation of acquired intangibles	363.7	304.9
Acquisition related transaction, integration, restructuring and retention costs	63.5	51.3
Amortisation of acquired intangibles included in general and administration costs	184.4	156.3
Total general and administration costs	611.6	512.5
Other expense items		
Write down of inventories to net realisable value	8.8	8.2
Legal costs (including acquisition transaction costs)	20.8	43.6
Net foreign exchange (gain)/loss	(0.3)	3.2

Recognition and measurement

Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The rental obligation cost is charged to profit or loss over the lease period.

Finance and borrowing costs

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

Short-term employee benefits

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

Long-term benefits

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

Bonus plans

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

Employee benefit on-costs

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

Notes to the financial statements

Business performance (continued)

1-4 Taxes

	2019 \$'m	2018 \$'m
Major components of income tax expense are:		
(a) Income tax expense		
<i>Current</i>		
Current year	237.6	243.2
Adjustment for prior years	(2.4)	(11.6)
<i>Deferred</i>		
Temporary differences	41.0	(22.8)
Adjustment for prior years	(1.5)	11.7
Income tax expense	274.7	220.5
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Change in net deferred tax assets	39.5	(11.1)
Deferred income tax expense/(benefit) included in income tax expense	39.5	(11.1)
(b) Tax reconciliation		
Profit before tax	973.5	763.1
Tax at the Australian tax rate of 30% (2018: 30%)	292.1	228.9
Impact of changes in tax rates and law	8.9	(4.4)
Exempt income	(15.6)	(14.9)
Non-deductible expenses	10.5	16.9
Research and development tax credit	(12.3)	(7.2)
Tax credits written off	1.2	0.6
Difference in overseas tax rates	(6.2)	0.5
Adjustment in respect of previous years income tax	(3.9)	0.1
Income tax expense	274.7	220.5
Average effective tax rate	28.2%	28.9%
(c) Amounts recognised directly in equity		
Net deferred tax - credited directly to equity	0.7	12.9
(d) Revenue and capital tax losses		
Unused gross tax losses for which no deferred tax asset has been recognised	1.0	1.0
Unused gross capital tax losses for which no deferred tax asset has been recognised	204.4	204.8
Revenue and capital tax losses	205.4	205.8
Potential tax benefit	61.7	61.7

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

Current taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Notes to the financial statements

Business performance (continued)

1-4 Taxes (continued)

	2019 \$'m	2018 \$'m
(e) Deferred tax		
Gross deferred tax assets		
Employee benefits	41.7	46.5
Accruals and other provisions	31.8	41.8
Provision for stock obsolescence	5.9	9.1
Unrealised foreign exchange losses	5.1	6.7
Other	5.4	-
Gross deferred tax assets	89.9	104.1
Deferred tax liabilities:		
Financial liabilities	(3.5)	(1.7)
Share-based equity	2.8	(2.3)
Plant, equipment and intangible assets	(188.8)	(150.5)
Net deferred tax (liabilities)/assets	(99.6)	(50.4)
Movements		
Balance at the start of the year	(50.4)	41.4
Credited/(charged) to profit or loss	(39.5)	11.1
Credited directly to equity	0.7	12.9
Deferred tax liabilities recognised on acquisitions	-	(92.6)
Foreign exchange currency and other movements	(10.4)	(23.2)
Balance at the end of the year	(99.6)	(50.4)

Deferred taxes

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences relating to:

- initial recognition of goodwill;
- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- investments in subsidiaries, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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

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

Tax consolidation

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

Key judgements and estimates: Income tax provision

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

Notes to the financial statements

Business performance (continued)

1-5 Earnings per share

	2019	2018
Basic and diluted earnings per share (EPS) calculations		
Net profit attributable to members of Aristocrat Leisure Limited (\$'m)	698.8	542.6
Weighted average number of ordinary shares (WANOS) used in calculating basic EPS (number)	637,371,843	638,123,160
Effect of Performance Share Rights (number)	532,631	1,179,478
WANOS used in calculating diluted EPS (number)	637,904,474	639,302,638
Basic EPS (cents per share)	109.6	85.0
Diluted EPS (cents per share)	109.5	84.9

Basic earnings per share

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

Diluted earnings per share

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

Information concerning the classification of securities

Share-based payments

Rights granted to employees under share-based payments arrangements are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Details relating to the rights are set out in Note 5-2.

Included within the weighted average number of potential ordinary shares related to Performance Share Rights are 97,470 (2018: 172,409) Performance Share Rights that had lapsed during the year.

Share-based payments trust

Shares purchased on-market and issued shares through the Aristocrat Employee Equity Plan Trust have been treated as shares bought back and cancelled for the purpose of the calculation of the weighted average number of ordinary shares in calculating basic earnings per share. At the end of the reporting period, there were 1,198,754 (2018: 1,686,397) shares held in the share trust.

1-6 Dividends

	2019 Final	2019 Interim	2018 Final	2018 Interim
Ordinary shares				
Dividend per share (cents)	34.0c	22.0c	27.0c	19.0c
Franking percentage (%)	100%	100%	100%	100%
Cost (\$'m)	217.1	140.0	172.4	121.3
Payment date	17 December 2019	2 July 2019	19 December 2018	3 July 2018

Franking credits

The franking account balance at 30 September 2019 was \$145.8m (2018: \$105.6m).

Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date. The final 2019 dividend had not been declared at the reporting date and therefore is not reflected in the financial statements.

Dividends not recognised at year end

Since the end of the year, the Directors have recommended the payment of a final dividend of 34.0 cents (2018: 27.0 cents) per fully paid ordinary share, franked at 100%. The aggregate amount of the proposed final dividend expected to be paid on 17 December 2019 out of retained earnings at 30 September 2019, but not recognised as a liability at the end of the year is \$217.1m (including dividends to the Aristocrat Employee Equity Plan Trust).

Notes to the financial statements

2. Operating assets and liabilities

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

2-1 Trade and other receivables	2-4 Property, plant and equipment
2-2 Inventories	2-5 Trade and other payables
2-3 Intangible assets	2-6 Provisions

2-1 Trade and other receivables

	2019 \$'m	2018 \$'m
Current		
Trade receivables	814.9	613.6
Provision for impairment	(12.2)	(14.5)
Loan receivables	9.2	2.7
Other receivables	129.4	118.2
Total current receivables	941.3	720.0
Non-current		
Trade receivables	70.9	69.0
Loan receivables	7.1	8.0
Other receivables	27.0	35.1
Total non-current receivables	105.0	112.1
Movements in the provision:		
At the start of the year	(14.5)	(17.8)
Restatement through opening retained earnings - change in accounting policy	(1.4)	-
Provisions recognised during the year	-	(0.9)
Foreign currency exchange differences	(0.9)	(1.4)
Provisions no longer required	4.6	5.6
At the end of the year	(12.2)	(14.5)
The above provision for impairment includes \$10.1m (2018: \$11.0m) of trade receivables past due and considered impaired. Included in the provision is \$7.3m (2018: \$9.4m) relating to Latin America trade receivables.		
Trade receivables past due but not impaired		
Under 3 months	72.3	94.2
3 months and over	10.3	4.2
Total receivables past due but not impaired	82.6	98.4

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment. Current trade receivables are non-interest bearing and generally have credit terms of up to 120 days. If the contract with the customer has a significant financing component, receivables are recognised at present value, and interest is recognised over the contract term.

There were no significant changes in trade receivables outside of normal sales and cash collections.

Impairment of trade receivables

The Group measures expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for forward looking information on factors affecting the ability of the customers to settle trade receivables. In the prior year, a provision was established when there was objective evidence that the Group will not be able to collect amounts due. Refer to Note 6-8 for details on the impact of this change in accounting policy that had an immaterial impact on the Group. The change in accounting policy was the result of a change in accounting standards.

Other receivables

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

Fair value

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

Notes to the financial statements

Operating assets and liabilities (continued)

2-2 Inventories

	2019 \$'m	2018 \$'m
Current		
Raw materials and stores	141.0	129.5
Work in progress	5.9	10.2
Finished goods	42.6	42.4
Inventory in transit	0.4	1.7
Provision for obsolescence and impairment	(26.9)	(23.9)
Total inventories	163.0	159.9

Inventory expense

Inventories recognised as an expense during the year ended 30 September 2019 amounted to \$452.3m (2018: \$396.7m).

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell.

Key judgements and estimates: Carrying value of inventory

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

Notes to the financial statements

Operating assets and liabilities (continued)

2-3 Intangible assets

	Goodwill	Customer relationships and contracts	Tradenames and game names	Intellectual property and licences	Capitalised development costs	Technology and software	Total
\$'m							
Cost	2,731.5	696.4	156.1	87.2	59.4	637.0	4,367.6
Accumulated amortisation	-	(184.6)	(13.1)	(29.6)	(28.0)	(213.5)	(468.8)
Net carrying amount	2,731.5	511.8	143.0	57.6	31.4	423.5	3,898.8
Carrying amount at 1 October 2017	973.4	505.0	24.2	58.3	16.2	110.6	1,687.7
Additions	-	-	-	-	18.5	47.8	66.3
Additions on acquisition of subsidiaries	1,547.0	13.0	117.7	5.3	1.1	338.2	2,022.3
Disposals	-	-	-	-	-	(0.2)	(0.2)
Amortisation charge	-	(48.5)	(10.6)	(12.4)	(4.5)	(107.0)	(183.0)
Foreign currency exchange movements	211.1	42.3	11.7	6.4	0.1	34.1	305.7
Carrying amount at 30 September 2018	2,731.5	511.8	143.0	57.6	31.4	423.5	3,898.8
Cost	2,923.1	745.3	167.1	96.5	82.9	709.0	4,723.9
Accumulated amortisation	-	(253.8)	(27.9)	(46.7)	(36.2)	(351.0)	(715.6)
Net carrying amount	2,923.1	491.5	139.2	49.8	46.7	358.0	4,008.3
Carrying amount at 1 October 2018	2,731.5	511.8	143.0	57.6	31.4	423.5	3,898.8
Additions	-	-	-	4.4	23.0	37.6	65.0
Amortisation charge	-	(54.1)	(13.3)	(15.9)	(7.8)	(125.3)	(216.4)
Foreign currency exchange movements	191.6	33.8	9.5	3.7	0.1	22.2	260.9
Carrying amount at 30 September 2019	2,923.1	491.5	139.2	49.8	46.7	358.0	4,008.3

Intangible assets	Useful life	Amortisation method	Recognition and measurement
Goodwill	Indefinite	Not amortised	Goodwill acquired in a business combination is measured at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired.
Customer relationships and contracts	Up to 15 years	Straight line	Customer relationships and contracts acquired in business combinations are carried at cost less accumulated amortisation and any accumulated impairment losses.
Tradenames	Indefinite	Not amortised	The tradenames were acquired as part of business combinations and recognised at fair value at the dates of acquisition. These have an indefinite life so are not amortised, but rather tested for impairment at each reporting date. The factors that determined that this asset has an indefinite useful life included the history of the business and tradename, the market position, stability of the industry and the expected usage.
Game names	Up to 15 years	Straight line	Game names were acquired as part of business combinations. Game names are recognised at their fair value at the date of acquisition and are subsequently amortised.
Intellectual property and licences	Up to 8 years	Straight line	Intellectual property and licences are carried at cost less accumulated amortisation and impairment losses.
Capitalised design and development costs	Up to 4 years	Straight line	Capitalised development costs are costs incurred on internal development projects. Development costs are only capitalised when they relate to the creation of an asset that can be used or sold to generate benefits and can be reliably measured.
Technology and software	Up to 7 years	Straight line	Technology and software is carried at cost less accumulated amortisation and impairment losses. Technology and software acquired through business combinations is measured at the fair value at acquisition date and is subsequently amortised.

Notes to the financial statements

Operating assets and liabilities (continued)

2-3 Intangible assets (continued)

(a) Impairment tests

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

	2019 \$m	2018 \$m
A summary of the goodwill allocation by CGU is presented below:		
Americas segment		
Americas (excluding VGT)	109.1	101.9
VGT	1,019.9	953.1
Digital segment		
Product Madness	26.5	24.8
Big Fish	1,201.2	1,122.4
Plarium	566.4	529.3
Total goodwill at the end of the year	2,923.1	2,731.5

The VGT CGU also includes \$18.4m and Big Fish \$46.7m relating to tradenames that are not amortised, and are tested for impairment annually.

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

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

Inputs	Assumptions																		
Cash flow projections	Financial budgets and strategic plans approved by the Board to 2020 and management projections from 2021 to 2024. These projections, which include projected revenues, gross margins and expenses, have been determined based on past performance and management expectations for the future. Expected market conditions in which each CGU operates have been taken into account in the projections.																		
Pre-tax annual discount rate	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">2019</th> <th style="text-align: right;">2018</th> </tr> </thead> <tbody> <tr> <td>Americas (excluding VGT)</td> <td style="text-align: right;">10.0%</td> <td style="text-align: right;">10.6%</td> </tr> <tr> <td>VGT</td> <td style="text-align: right;">9.0%</td> <td style="text-align: right;">9.5%</td> </tr> <tr> <td>Product Madness</td> <td style="text-align: right;">10.2%</td> <td style="text-align: right;">10.7%</td> </tr> <tr> <td>Big Fish</td> <td style="text-align: right;">11.1%</td> <td style="text-align: right;">11.4%</td> </tr> <tr> <td>Plarium</td> <td style="text-align: right;">11.7%</td> <td style="text-align: right;">11.7%</td> </tr> </tbody> </table>		2019	2018	Americas (excluding VGT)	10.0%	10.6%	VGT	9.0%	9.5%	Product Madness	10.2%	10.7%	Big Fish	11.1%	11.4%	Plarium	11.7%	11.7%
	2019	2018																	
Americas (excluding VGT)	10.0%	10.6%																	
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Terminal growth rate	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">2019</th> <th style="text-align: right;">2018</th> </tr> </thead> <tbody> <tr> <td>Americas (excluding VGT)</td> <td style="text-align: right;">2.0%</td> <td style="text-align: right;">2.0%</td> </tr> <tr> <td>VGT</td> <td style="text-align: right;">2.0%</td> <td style="text-align: right;">2.0%</td> </tr> <tr> <td>Product Madness</td> <td style="text-align: right;">3.0%</td> <td style="text-align: right;">3.0%</td> </tr> <tr> <td>Big Fish</td> <td style="text-align: right;">3.0%</td> <td style="text-align: right;">3.0%</td> </tr> <tr> <td>Plarium</td> <td style="text-align: right;">3.0%</td> <td style="text-align: right;">3.0%</td> </tr> </tbody> </table>		2019	2018	Americas (excluding VGT)	2.0%	2.0%	VGT	2.0%	2.0%	Product Madness	3.0%	3.0%	Big Fish	3.0%	3.0%	Plarium	3.0%	3.0%
	2019	2018																	
Americas (excluding VGT)	2.0%	2.0%																	
VGT	2.0%	2.0%																	
Product Madness	3.0%	3.0%																	
Big Fish	3.0%	3.0%																	
Plarium	3.0%	3.0%																	
Allocation of head office assets	The Group's head office assets do not generate separate cash inflows and are utilised by more than one CGU. Head office assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the head office assets are allocated.																		

(c) Impact of possible changes in key assumptions

With regard to the assessment of the value-in-use of the Americas, VGT and Product Madness CGUs, management do not believe that a reasonably possible change in any one of the key assumptions would lead to a material impairment charge.

Plarium and Big Fish were acquired in the prior year. Impairment testing was performed for 2018 and 2019, and no impairment was required to be recorded as a result. Going forward, should management projections fall below low to mid single digit growth rates an impairment may result in future financial years. Growth in Digital businesses is dependent on the success of existing games and those that are being developed or will be developed in future periods. Assumptions do not include all games developed being successful.

Key judgements and estimates: Recoverable amount of intangible assets

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

Notes to the financial statements

Operating assets and liabilities (continued)

2-4 Property, plant and equipment

	Land and buildings		Leasehold improvements		Plant and equipment		Total	
	\$'m		\$'m		\$'m		\$'m	
	2019	2018	2019	2018	2019	2018	2019	2018
Cost	32.0	28.8	124.0	119.9	920.1	746.8	1,076.1	895.5
Accumulated depreciation/amortisation	(18.1)	(16.1)	(33.3)	(41.1)	(593.5)	(449.0)	(644.9)	(506.2)
Net carrying amount	13.9	12.7	90.7	78.8	326.6	297.8	431.2	389.3
Carrying amount at the start of the year	12.7	8.8	78.8	25.7	297.8	206.8	389.3	241.3
Additions	2.2	0.2	25.8	41.8	214.0	185.7	242.0	227.7
Additions on acquisition of subsidiaries	-	6.5	-	16.3	-	19.0	-	41.8
Disposals	(0.2)	-	(5.5)	-	-	(2.8)	(5.7)	(2.8)
Transfers*	(0.8)	(0.4)	(0.3)	0.4	(24.9)	12.7	(26.0)	12.7
Depreciation and amortisation	(0.8)	(3.1)	(13.9)	(8.8)	(182.4)	(143.6)	(197.1)	(155.5)
Foreign currency exchange differences	0.8	0.7	5.8	3.4	22.1	20.0	28.7	24.1
Carrying amount at the end of the year	13.9	12.7	90.7	78.8	326.6	297.8	431.2	389.3

*Transfers predominantly relate to gaming operations assets that have been transferred to and from inventory.

Recognition and measurement

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

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

Asset	Useful life	Depreciation method
Buildings	Up to 40 years	Straight line
Leasehold improvements	Up to 12 years	Straight line
Plant and equipment	Up to 10 years	Straight line
Land	Indefinite	No depreciation

Derecognition

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

2-5 Trade and other payables

	2019	2018
	\$'m	\$'m
Current		
Trade payables	188.8	216.2
Deferred consideration	-	20.8
Accrued expenses	531.2	432.2
Total current payables	720.0	669.2
Non-current		
Accrued expenses	50.6	26.5
Total non-current payables	50.6	26.5

Recognition and measurement

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 120 days of recognition. Accrued expenses include accruals for short-term employee benefits, employment taxes, user acquisition costs, legal fees and other administrative expenses.

The deferred consideration in 2018 related to the final payment for the VGT acquisition.

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

Notes to the financial statements

Operating assets and liabilities (continued)

2-6 Provisions

	Employee benefits		Make good allowances		Progressive jackpot liabilities		Onerous lease and other provisions		Total	
	\$'m		\$'m		\$'m		\$'m		\$'m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Current	23.7	20.2	0.6	0.6	35.0	33.3	3.7	0.6	63.0	54.7
Non-current	1.7	1.3	5.6	9.4	3.1	3.1	20.0	-	30.4	13.8
Carrying amount at the end of the year	25.4	21.5	6.2	10.0	38.1	36.4	23.7	0.6	93.4	68.5

Movements in provisions

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

	Make good allowances		Progressive jackpot liabilities		Onerous lease and other provisions	
	\$'m		\$'m		\$'m	
	2019	2018	2019	2018	2019	2018
Carrying amount at the start of the year	10.0	9.2	36.4	34.9	0.6	-
Payments	-	-	(48.3)	(38.5)	(0.2)	(0.6)
Additional provisions recognised	0.4	0.4	49.0	37.1	23.3	0.5
Additions on acquisition of subsidiaries	-	-	-	-	-	0.7
Reversal of provisions recognised	(4.5)	-	(1.5)	-	(0.1)	(0.2)
Foreign currency exchange differences	0.3	0.4	2.5	2.9	0.1	0.2
Carrying amount at the end of the year	6.2	10.0	38.1	36.4	23.7	0.6

Recognition and measurement

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Progressive jackpot liabilities

In certain jurisdictions in the United States, the Group is liable for progressive jackpots, which are paid as an initial amount followed by either:

- an annuity paid out over 19 or 20 years after winning; or
- a lump sum amount equal to the present value of the progressive component.

Provision is made for the estimated cash flows expected to be required to settle the obligation.

Make good allowances

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

Onerous leases

Provision is made for onerous leases when the expected costs of the contract exceed the expected benefits. This usually arises when property is not able to be fully utilised, and sub-lease rents are lower than required payments.

Notes to the financial statements

3. Capital and financial structure

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

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

3-1 Borrowings	3-5 Net tangible assets/(liabilities) per share
3-2 Other financial assets and financial liabilities	3-6 Capital and financial risk management
3-3 Reserves and retained earnings	3-7 Net debt reconciliation
3-4 Contributed equity	

3-1 Borrowings

	2019 \$'m	2018 \$'m
Non-current		
<i>Secured</i>		
Bank loans	2,792.3	2,880.2
Lease liabilities	0.4	0.9
Total non-current borrowings	2,792.7	2,881.1

Recognition and measurement

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

The fair value of borrowings approximates the carrying amount.

The Group's borrowings are denominated in USD.

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

Financing arrangements

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

Credit standby arrangements	Notes	2019 \$'m		2018 \$'m	
		Total	Unused	Total	Unused
<i>Total facilities</i>					
- Bank overdrafts	(i)	8.0	8.0	7.8	7.8
- Bank loans	(ii)	2,942.3	150.0	2,980.2	100.0
Total facilities		2,950.3	158.0	2,988.0	107.8

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

(ii) Syndicated loan facilities:

- US\$1,900 million fully underwritten US Term Loan B debt facility maturing 19 October 2024.
- A\$150 million 5 year Revolving facility maturing 22 July 2024.

These secured facilities are provided by a syndicate of banks and financial institutions and are supported by guarantees from certain members of the Company's wholly owned subsidiaries. Various affirmative and negative covenants on the Group are imposed, including restrictions on encumbrances, and customary events of default. As part of the corporate facility, the Group is subject to certain customary financial covenants measured on a six-monthly basis. The Group was in compliance with all debt covenants during the year.

Borrowings are currently priced at a floating rate of LIBOR plus a fixed credit margin as specified in the Term Loan B Syndicated Facility Agreement. A portion of the interest rate exposure has been fixed under separate interest rate swap arrangements. Approximately 60% of the exposure is fixed with hedging out to 2022.

Notes to the financial statements

Capital and financial structure (continued)

3-2 Other financial assets and financial liabilities

	2019 \$'m	2018 \$'m
Financial assets		
Current		
Debt securities held-to-maturity	6.4	6.5
Interest rate swap contracts - cash flow hedges	0.1	0.2
Other investments	-	0.7
Total current financial assets	6.5	7.4
Non-current		
Debt securities held-to-maturity	5.8	5.2
Interest rate swap contracts - cash flow hedges	-	16.7
Other investments	0.7	0.3
Total non-current financial assets	6.5	22.2
Financial liabilities		
Current		
Derivatives used for hedging	-	3.2
Total current financial liabilities	-	3.2
Non-current		
Interest rate swap contracts - cash flow hedges	48.4	-
Total non-current financial liabilities	48.4	-

(a) Classification

The Group classifies its financial assets as those measured at amortised cost and those to be measured subsequently at fair value. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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.

Amortised cost

The Group classifies its financial assets as at amortised cost only if the asset is held with the objective to collect contractual cashflows and these cashflows are solely principal and interest.

Financial assets at amortised cost comprise trade and other receivables, debt securities held-to-maturity and other investments.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise.

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

(c) Impairment

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to impairment calculations, based on the Group's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

Refer to Note 2-1 regarding the expected credit losses approach used to assess impairment of trade and other receivables.

(d) Derivatives and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. 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.

Hedge effectiveness for interest rate swaps is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments. As all critical terms matched during the year, the economic relationship was 100% effective, and there was no hedge ineffectiveness.

Notes to the financial statements

Capital and financial structure (continued)

3-2 Other financial assets and financial liabilities (continued)

(d) Derivatives and hedging (continued)

Cash flow hedges

The Group designates interest-rate swaps contracts as hedges of interest rate risk associated with floating interest cash flows of borrowings drawn under a Term Loan B facility (cash flow hedges). Group policy is to maintain at least 30-70% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. The Group's borrowings are carried at amortised cost.

Swaps currently in place cover approximately 60% (2018 – 54%) of the Term Loan B facility outstanding. The fixed interest rates of the swaps range between 2.02% and 2.75% (2018: 1.64% and 2.75%) and the floating rate of the borrowings at the end of the reporting period was 2.28% (2018: 2.35%). The swap contracts require settlement of net interest receivable or payable every quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The effects of interest rate swaps on the Group's financial position and performance are as follows:

	2019	2018
	\$'m	\$'m
Carrying amount - assets/(liabilities)	(48.3)	16.9
Notional amount in USD	1,133.0	1,133.0
Maturity dates	2020 - 2022	2019 - 2020
Hedge ratio	1:1	1:1
Change in fair value of interest rate hedges since 1 October	(64.7)	15.6
Weighted average hedged rate for the year	2.20%	1.84%

3-3 Reserves and retained earnings

\$'m	Retained earnings	Foreign currency translation reserve	Share-based payments reserve	Interest rate hedge reserve	Non-controlling interest reserve	Total reserves
Balance at 1 October 2017	747.3	(38.0)	(70.8)	(0.9)	(7.1)	(116.8)
Profit for the year	542.6	-	-	-	-	-
Currency translation differences	-	115.0	-	-	-	115.0
Net investment hedge	-	(25.1)	-	-	-	(25.1)
Movement in fair value of interest rate hedges	-	-	-	15.6	-	15.6
Total comprehensive income for the year	542.6	89.9	-	15.6	-	105.5
Transactions with owners in their capacity as owners						
Dividends paid or provided for	(249.0)	-	-	-	-	-
Share-based payments expense	-	-	24.2	-	-	24.2
Issues of shares to and purchases of shares by the Aristocrat Employee Share Trust	-	-	(50.0)	-	-	(50.0)
Share-based tax and other adjustments	-	-	13.6	-	-	13.6
Balance at 30 September 2018	1,040.9	51.9	(83.0)	14.7	(7.1)	(23.5)
Balance at 1 October 2018	1,040.9	51.9	(83.0)	14.7	(7.1)	(23.5)
Profit for the year	698.8	-	-	-	-	-
Currency translation differences	-	108.0	-	-	-	108.0
Net investment hedge	-	(20.7)	-	-	-	(20.7)
Change in accounting policy (refer to Note 6-8)	(1.4)	-	-	-	-	-
Movement in fair value of interest rate hedges	-	-	-	(64.7)	-	(64.7)
Total comprehensive income/(loss) for the year	697.4	87.3	-	(64.7)	-	22.6
Transactions with owners in their capacity as owners						
Dividends paid or provided for	(312.4)	-	-	-	-	-
Share-based payments expense	-	-	26.0	-	-	26.0
Issues of shares to and purchases of shares by the Aristocrat Employee Share Trust	-	-	(24.8)	-	-	(24.8)
Share-based tax and other adjustments	-	-	2.3	-	-	2.3
Balance at 30 September 2019	1,425.9	139.2	(79.5)	(50.0)	(7.1)	2.6

Nature and purpose of reserves:

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency exchange differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in foreign operations.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of all shares, options and rights both issued and issued but not exercised under the various employee share plans, as well as purchases of shares by the Aristocrat Employee Share Trust.

Interest rate hedge reserve

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

Non-controlling interest reserve

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

Notes to the financial statements

Capital and financial structure (continued)

3-4 Contributed equity

	Shares		\$'m	
	2019	2018	2019	2018
Ordinary shares, fully paid	638,544,150	638,544,150	715.1	715.1
Movements in ordinary share capital				
Ordinary shares at the beginning of the year	638,544,150	638,544,150	715.1	715.1
Shares issued during the year	-	-	-	-
Ordinary shares at the end of the financial year	638,544,150	638,544,150	715.1	715.1

Ordinary shares

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

Recognition and measurement

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

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

3-5 Net tangible assets/(liabilities) per share

	2019	2018
	\$	\$
Net tangible liabilities per share	(2.92)	(3.39)

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

Net assets per share at 30 September 2019 were \$3.36 (2018: \$2.71).

3-6 Capital and financial risk management

(a) Capital management

The Group's overall strategic capital management objective is to maintain a funding structure, which provides sufficient flexibility to fund the operational demands of the business and to underwrite any strategic opportunities.

The Group has managed its capital through interest and debt coverage ratios as follows:

	2019	2018
Gross debt/bank EBITDA*	1.7x	2.0x
Net debt/(cash)/bank EBITDA*	1.4x	1.7x
Interest coverage ratio (bank EBITDA*/interest expense**)	12.7x	11.4x

* Bank EBITDA refers to Consolidated EBITDA for the Group as defined in Aristocrat's Syndicated Facility Agreement.

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

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

(b) Financial risk management

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

Notes to the financial statements

Capital and financial structure (continued)

3-6 Capital and financial risk management (continued)

Risk	Exposure arising from	Measurement	Management
Market risk: Interest rate	Floating rate borrowings drawn under a Term Loan B facility	Sensitivity analysis	- Use of floating to fixed swaps; and - The mix between fixed and floating rate debt is reviewed on a regular basis under the Group Treasury policy.
Market risk: Foreign exchange	Future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency	Sensitivity analysis & cash flow forecasts	- The Group's foreign exchange hedging policy reduces the risk associated with transactional exposures; and - Unrealised gains/losses on outstanding foreign exchange contracts are taken to the profit or loss on a monthly basis.
Market risk: Price risk	The Group's exposure to commodity price risk is indirect and is not considered likely to be material	Nil	Nil
Credit risk	Cash and cash equivalents, trade and other receivables, derivative financial instruments, debt securities held-to-maturity and other investments	Ageing analysis & credit ratings	- Customers and suppliers are appropriately credit assessed per Group policies; - Derivative counterparties and cash transactions are limited to high credit quality financial institutions; and - Cash and cash equivalents are predominately held with counterparties which are rated 'A' or higher.
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts and debt covenants	- Maintaining sufficient cash and marketable securities; - Maintaining adequate amounts of committed credit facilities and the ability to close out market positions; and - Maintaining flexibility in funding by keeping committed credit lines available.

Hedge of net investment in foreign entity

At 30 September 2019, US\$203.2m (2018: \$228.6m) of the US Term Loan B debt facility shown in Note 3-1 that is held within an Australian company has been designated as a hedge of the net investment in an American subsidiary. The foreign exchange gains and losses on translation of the borrowing into Australian dollars at the end of the reporting period are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within shareholders equity (Note 3-3). Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. There was no ineffectiveness to be recorded in the profit or loss from net investment foreign entity hedges.

Summarised sensitivity analysis

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

	Carrying amount		Interest rate risk				Foreign exchange risk			
	\$'m		-1% Profit \$'m		+1% Profit \$'m		-10% Profit \$'m		+10% Profit \$'m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets										
Cash and cash equivalents	568.6	428.1	(5.7)	(4.3)	5.7	4.3	0.4	0.1	(0.3)	(0.1)
Receivables	1,046.3	832.1	-	-	-	-	9.6	5.8	(7.8)	(4.8)
Debt securities held-to-maturity	12.2	11.7	(0.1)	(0.1)	0.1	0.1	-	-	-	-
Other investments	0.7	1.0	-	-	-	-	-	-	-	-
Financial liabilities										
Payables	770.6	695.7	-	-	-	-	(6.5)	(5.6)	5.3	4.6
Borrowings	2,792.7	2,881.1	28.1	29.1	(28.1)	(29.1)	-	-	-	-
Progressive jackpot liabilities	38.1	36.4	0.4	0.4	(0.4)	(0.4)	-	-	-	-
Total increase/(decrease)			22.7	25.1	(22.7)	(25.1)	3.5	0.3	(2.8)	(0.3)

Refer to Notes 3-1 and 3-2 for details of hedging undertaken to manage interest rate risk. Changes in the fair value of interest rate swaps are recognised in equity. A 1% increase in interest rates would cause a \$42.4m (2018:\$30.1m) increase in the fair value of swap contracts held at year end. A 1% decrease would cause a \$43.7m (2018: \$30.6m) decrease in the fair value of swaps held at year end.

Notes to the financial statements

Capital and financial structure (continued)

3-6 Capital and financial risk management (continued)

Maturities of financial liabilities

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

(i) based on their contractual maturities:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows.

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

- derivative financial liabilities for which the contractual maturities are not essential for an understanding of the timing of cash flows.

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

Contractual maturities of financial liabilities	Less than 1 year		Between 1 to 5 years		Over 5 years		Total contractual cash flows		Carrying amount (assets)/liabilities	
	\$'m		\$'m		\$'m		\$'m		\$'m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-derivatives										
Trade payables	188.8	216.2	-	-	-	-	188.8	216.2	188.8	216.2
Accrued expenses	531.2	432.2	50.6	26.5	-	-	581.8	458.7	581.8	458.7
Deferred consideration	-	20.8	-	-	-	-	-	20.8	-	20.8
Borrowings	-	-	0.4	15.7	2,792.3	2,865.4	2,792.7	2,881.1	2,792.7	2,881.1
Borrowings - interest payments	109.4	121.9	438.1	489.4	5.7	122.6	553.2	733.9	-	-
Progressive jackpot liabilities	35.0	33.3	1.5	1.8	1.6	1.3	38.1	36.4	38.1	36.4
Total non-derivatives	864.4	824.4	490.6	533.4	2,799.6	2,989.3	4,154.6	4,347.1	3,601.4	3,613.2
Derivatives										
Net settled (interest rate swaps)	(0.1)	(0.2)	48.4	(16.7)	-	-	48.3	(16.9)	48.3	(16.9)
Gross settled (forward foreign exchange contracts)										
- (inflow)	(103.5)	(162.4)	-	-	-	-	(103.5)	(162.4)	-	-
- outflow	103.5	165.6	-	-	-	-	103.5	165.6	-	3.2
Total (inflow)/outflow	-	3.2	-	-	-	-	-	3.2	-	3.2
Total derivatives	(0.1)	3.0	48.4	(16.7)	-	-	48.3	(13.7)	48.3	(13.7)

(c) Foreign currency risk

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

	2019	2018
	\$'m	\$'m
US dollars	778.0	617.1
Australian dollars	191.4	176.4
Other ⁽¹⁾	76.9	38.6
Total carrying amount	1,046.3	832.1

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

	2019	2018
	\$'m	\$'m
US dollars	578.8	521.8
Australian dollars	135.5	143.4
Other ⁽¹⁾	56.3	30.5
Total carrying amount	770.6	695.7

(1) Other refers to a basket of currencies (including Euro, Pound Sterling, Israeli New Shekel and New Zealand Dollar).

(d) Credit risk

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

	2019	2018
	\$'m	\$'m
Trade receivables with guarantees	14.8	8.5
Trade receivables without guarantees	858.8	659.6
Total trade receivables	873.6	668.1

Notes to the financial statements

Capital and financial structure (continued)

3-6 Capital and financial risk management (continued)

(e) Forward exchange contracts

The Group enters into derivatives in the form of forward exchange contracts to hedge foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items. The following table provides information as at 30 September 2019 on the net fair value of the Group's existing foreign exchange hedge contracts:

Currency pair	Weighted average exchange rate	Maturity profile ⁽¹⁾		Net fair value gain/(loss) ⁽²⁾
		1 year or less \$'m	1 to 7 year(s) \$'m	
AUD/EUR	0.6167	30.2	-	-
AUD/USD	0.6773	69.4	-	-
AUD/ZAR	10.1951	1.3	-	-
AUD/NZD	1.0791	2.6	-	-
Total		103.5	-	-

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

(2) The net fair value of the derivatives above is included in financial assets/(liabilities).

(f) Fair value measurements

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

	Level 1 \$'m		Level 2 \$'m		Level 3 \$'m		Total \$'m	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets								
Interest rate swap contracts	-	-	0.1	16.9	-	-	0.1	16.9
Total assets at the end of the year	-	-	0.1	16.9	-	-	0.1	16.9
Liabilities								
Interest rate swap contracts	-	-	48.4	-	-	-	48.4	-
Derivatives used for hedging	-	-	-	3.2	-	-	-	3.2
Total liabilities at the end of the year	-	-	48.4	3.2	-	-	48.4	3.2

Fair value hierarchy levels	Definition	Valuation technique
Level 1	The fair value is determined using the unadjusted quoted market price in an active market for similar assets or liabilities.	The Group did not have any Level 1 financial instruments at the end of the current and prior reporting periods. The quoted market price used for financial assets held by the Group is the current bid price.
Level 2	The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability.	Derivatives used for hedging are valued using forward exchange rates at the balance sheet date. Interest rate swap contracts are valued using the present value of estimated future cashflows based on observable yield curves.
Level 3	The fair value is calculated using inputs that are not based on observable market data.	The Group does not have any Level 3 financial instruments.

There were no transfers between levels in the fair value hierarchy and no changes to the valuation techniques applied since 30 September 2018. The carrying amount of financial instruments not measured at fair value approximates fair value.

3-7 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt.

Net debt	2019 \$'m	2018 \$'m
Cash and cash equivalents	568.6	428.1
Non-current borrowings	(2,792.7)	(2,881.1)
Net debt	(2,224.1)	(2,453.0)
Net debt - opening balance	(2,453.0)	(652.3)
Net increase/(decrease) in cash	117.8	(138.6)
Debt repayments (including finance leases)	293.1	225.8
Proceeds from borrowings	-	(1,660.0)
Amortisation of borrowing costs	(6.0)	(6.5)
Foreign exchange movements	(176.0)	(221.4)
Net debt - end of year	(2,224.1)	(2,453.0)

Notes to the financial statements

4. Group structure

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

4-1 Business combinations

4-2 Subsidiaries

4-1 Business combinations during the prior year

Recognition and measurement

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition-related costs are expensed as incurred in the profit or loss.

(a) Plarium Global Limited

On 19 October 2017 the Group acquired 100% of Plarium Global Limited (Plarium) for \$700.3m. The net identifiable assets acquired were \$212.7m, with goodwill of \$487.6m recognised. Plarium is a free-to-play, social and web-based game developer, headquartered in Israel. The acquisition significantly expanded Aristocrat's Digital addressable market in adjacent gaming segments.

(b) Big Fish Games Inc.

On 10 January 2018 the Group acquired 100% of Big Fish Games Inc. (Big Fish) for \$1,257.9m. The net identifiable assets acquired were \$221.9m, with goodwill of \$1,036.0m recognised. Big Fish is a global publisher of free-to-play games that operates across three key business lines that are focused on specific game segments, including social casino, social gaming and premium paid games. The acquisition provided a platform for growth through existing successful applications and a pipeline of new applications.

4-2 Subsidiaries

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

Controlled entities	Country of incorporation
Aristocrat Technologies Australia Pty Ltd	Australia
Aristocrat International Pty Ltd	Australia
Aristocrat Technologies, Inc.	USA
Video Gaming Technologies, Inc.	USA
Product Madness Inc.	USA
Big Fish Games Inc.	USA
Plarium Global Limited	Israel
Aristocrat (Macau) Pty Limited	Australia
Aristocrat Technologies Macau Limited (Incorporated in 2019)	Macau
Aristocrat Technologies NZ Limited	New Zealand
Aristocrat Technologies Europe Limited	UK
Aristocrat Technologies Mexico, S.A. DE C.V.	Mexico
Aristocrat Service Mexico, S.A. DE C.V.	Mexico
AI (Puerto Rico) Pty Limited	Australia
Aristocrat (Argentina) Pty Limited	Australia
Aristocrat Technologies India Private Ltd	India
Product Madness (UK) Limited	UK
Aristocrat Technologies Spain S.L.	Spain

Notes to the financial statements

5. Employee benefits

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

5-1 Key management personnel

5-2 Share-based payments

5-1 Key management personnel

Key management personnel compensation

Key management personnel includes all Non-Executive Directors, Executive Directors and Senior Executives who were responsible for the overall planning, directing and controlling of activities of the Group. During the year ended 30 September 2019, 6 Executive Directors and Senior Executives (2018: 7 Executive Directors and Senior Executives) were designated as key management personnel.

	2019	2018
	\$	\$
Short-term employee benefits	8,508,099	10,200,351
Post-employment benefits	130,525	165,751
Long-term benefits	32,542	44,484
Termination benefits	-	1,130,992
Share-based payments	3,606,897	3,950,715
Key management personnel compensation	12,278,063	15,492,293

Detailed remuneration disclosures are provided in the remuneration report.

5-2 Share-based payments

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

Plan	Description	Shares outstanding at the end of the year
Performance share plan ("PSP")	A long-term employee share scheme that provides for eligible employees to be offered conditional entitlements to fully paid ordinary shares in the parent entity ('Performance Share Rights'). Performance Share Rights issued under the PSP are identical in all respects other than performance conditions and periods.	40 employees (2018: 36) were entitled to 1,073,102 rights (2018: 1,247,201)
Deferred equity employee plan	Certain eligible employees are offered incentives of share rights that are based on individual and company performance, subject to continued employment. Should the performance criteria be met, an amount of share rights are granted. The shares outstanding at 30 September 2019 result from the meeting of performance criteria in the 2017 and 2018 financial years. These rights are subject to the respective employees remaining with the Group until October 2019 and October 2020.	364,346 (2018: 882,386)
Key employee equity program	Certain eligible employees are offered incentives of share rights that are based on individual and company performance, subject to continued employment. Should the performance criteria be met, an amount of share rights are granted.	244,102 (2018: Nil)
Deferred short-term incentive plan	Upon the vesting of short-term incentives, Executives receive the incentives as 50% cash, with 50% deferred as Performance Share Rights. These share rights are expensed over the vesting periods, being two and three years.	172,700 (2018: 339,031)
General employee share plan ("GESP")	GESP is designed to provide employees with shares in the parent entity under the provisions of Division 83A of the Australian Income Tax Assessment Act. The number of shares issued to participants in the Plan is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five days immediately before the date of the offer.	Nil (2018: Nil)
Other grants	Contractual share rights are granted to retain key employees from time to time across the Group, including after acquisitions, subject to continued employment. The value of share rights granted are expensed over the respective vesting periods.	940,924 (2018: 629,399)

Notes to the financial statements

Employee benefits (continued)

5-2 Share-based payments (continued)

(a) Share-based payments expense

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

	2019	2018
	\$'m	\$'m
Performance Share Plan	6.6	5.9
Deferred Equity Employee Plan	1.6	3.7
Key Employee Equity Program	7.6	3.6
Deferred Short-Term Incentive Plan	1.7	3.8
General Employee Share Plan	0.8	0.7
Other grants	7.7	6.5
	26.0	24.2

Recognition and measurement

The fair value of rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of non-vesting conditions but excludes the impact of any individual performance based and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Shares issued through 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 3-3.

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

(b) Performance Share Plan ('PSP')

Accounting fair value of Performance Share Rights granted

The assessed accounting fair values of Performance Share Rights granted during the financial years ended 30 September 2019 and 30 September 2018 are as follows:

Timing of grant of rights	Performance period start date	Performance period expiry date	Performance condition	Accounting valuation date	Accounting valuation (\$)
2019 financial year	1 October 2018	30 September 2021	TSR	22 March 2019	10.38
			EPSP		23.20
			Individual performance		23.20
2018 financial year	1 October 2017	30 September 2020	TSR	27 April 2018	20.22
			EPSP		25.73
			Individual performance		25.73

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

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

Deloitte has developed a Monte-Carlo Simulation-based model which simulates the path of the share price according to a probability distribution assumption. The pricing model incorporates the impact of performance hurdles and the vesting scale on the value of the share rights. The model considers the Relative TSR hurdles to be market hurdles and any individual performance conditions attached to the Relative TSR rights are not used in the determination of the fair value of the rights at the valuation date. This pricing model takes into account such factors as the Company's share price at the date of grant, volatility of the underlying share price, expected dividend yield, risk free rate of return and time to maturity.

(ii) Earnings Per Share Growth ('EPSP') model, individual performance condition

Deloitte has utilised a Black-Scholes-Merton 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 2019 and year ended 30 September 2018 included:

Input	Consideration	
Share rights granted	Zero consideration and have a three year life.	
	2019	2018
Share price at grant date	\$24.41	\$26.90
Price volatility of Company's shares	25.5%	24.8%
Dividend yield	1.9%	1.7%
Risk-free interest rate	1.4%	2.3%

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

Notes to the financial statements

Employee benefits (continued)

5-2 Share-based payments (continued)

Performance Share Rights are detailed in the tables below:

Consolidated - 2019

Grant date	Performance period expiry date	Rights at start of year Number	New rights issues Number	Rights vested Number	Rights lapsed Number	Rights at end of year Number
3 March 2016	30 September 2018	542,304	-	(542,304)	-	-
28 March 2017	30 September 2019	231,023	-	-	(14,351)	216,672
27 April 2018	30 September 2020	473,874	-	-	(58,694)	415,180
22 March 2019	30 September 2021	-	463,637	-	(22,387)	441,250
		1,247,201	463,637	(542,304)	(95,432)	1,073,102

Consolidated - 2018

Grant date	Performance period expiry date	Rights at start of year Number	New rights issues Number	Rights vested Number	Rights lapsed Number	Rights at end of year Number
1 October 2014	30 September 2017	529,532	-	(529,532)	-	-
27 February 2015	30 September 2017	329,589	-	(329,589)	-	-
3 March 2016	30 September 2018	542,304	-	-	-	542,304
28 March 2017	30 September 2019	261,776	-	-	(30,753)	231,023
27 April 2018	30 September 2020	-	508,345	-	(34,471)	473,874
		1,663,201	508,345	(859,121)	(65,224)	1,247,201

Notes to the financial statements

6. Other disclosures

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

6-1	Commitments and contingencies	6-5	Parent entity financial information
6-2	Events occurring after reporting date	6-6	Deed of cross guarantee
6-3	Remuneration of auditors	6-7	Basis of preparation
6-4	Related parties		

6-1 Commitments and contingencies

	2019 \$'m	2018 \$'m
(a) Commitments		
Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities:		
Property, plant and equipment	5.3	0.5
Lease commitments		
Non-cancellable operating leases		
The Group leases various offices and plant and equipment under non-cancellable operating leases. Commitments for minimum lease payments are as follows:		
Under one year	43.4	35.3
Between one and five years	161.4	121.3
Over five years	198.6	170.9
Commitments not recognised in the financial statements	403.4	327.5
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	9.0	1.5

(b) Contingent liabilities

The Group and parent entity have contingent liabilities at 30 September 2019 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 may 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 there are no current claims likely to have a material adverse effect on the Group;

(iv) Aristocrat Leisure Limited, Aristocrat International Pty Ltd, Aristocrat Technologies Australia Pty Ltd, Aristocrat (Holdings) Pty Limited, Aristocrat (Asia) Pty Limited, Aristocrat (Macau) Pty Limited, Aristocrat Technologies Holdings Pty Limited, System 7000 Pty Limited and Aristocrat Technical Services Pty Limited are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities & Investments Commission as discussed in Note 6-6; and

(v) There are two current pending lawsuits in Washington State relating to the online social gaming platform Big Fish Casino, which is part of Big Fish Games, Inc. Aristocrat completed its acquisition of Big Fish Games, Inc from Churchill Downs Incorporated ("CDI") in January 2018.

- In April 2015, Cheryl Kater filed a purported class action lawsuit against CDI in the US Federal District Court for the Western District of Washington (the "District Court").

- In February 2019 an individual named Manasa Thimmegowda filed a lawsuit in the District Court seeking redress against Big Fish Games, Inc., Aristocrat Technologies Inc., Aristocrat Leisure Limited and CDI.

These two lawsuits allege, among other claims, that certain games Big Fish offers for play are games of chance that are prohibited by Washington law. In both lawsuits the plaintiffs are seeking, among other things, return of monies lost, reasonable attorney's fees, injunctive relief, and treble and punitive damages. The plaintiffs in both lawsuits are represented by the same counsel, who have described the Thimmegowda lawsuit as "essentially a companion case that fills in any gaps left by Kater."

Aristocrat is not aware of any other US Court having found in favour of a plaintiff in a matter involving similar facts and issues to those in these Washington State lawsuits.

These cases are going through the court process. Aristocrat and CDI are working together to vigorously defend the actions for all defendant parties, and believe that there are meritorious legal and factual defences against the plaintiffs' allegations and requests for relief.

Aristocrat has a number of contractual protections from CDI, including broad indemnification for any and all losses connected with the Kater litigation.

Notes to the financial statements

Other disclosures (continued)

6-2 Events occurring after reporting date

As advised to the market in May 2019, it was expected that changes would be made to the group corporate structure which would align the structure with the underlying operations and management. The company also advised that a favourable private ruling had been received from the ATO.

Since 30 September 2019, these changes were made to the Group structure to ensure that it remains fully aligned to the underlying business model. The completion of these changes as well as receipt of the necessary regulatory approvals result in the Group being entitled to additional non-Australian tax deductions. In the year ended 30 September 2020, this will result in the recognition of a deferred tax asset of approximately \$1b in respect of future non-Australian tax deductions.

The recognition of deferred tax assets is a key judgement (consistent with Note 1-4). Judgement is required in determining the recognition of the carrying value of the deferred tax assets. A reassessment of the carrying amount of the deferred tax assets will be performed at each reporting period.

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

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

6-3 Remuneration of auditors

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

	2019	2018
	\$	\$
Audit or review of financial reports		
Australia	1,113,000	1,015,000
Overseas	2,285,826	2,303,000
Total remuneration for audit/review services	3,398,826	3,318,000
Other assurance services		
Overseas	-	-
Total remuneration for other assurance services	-	-
Total remuneration for assurance services	3,398,826	3,318,000
Tax and advisory services		
Australia	3,291,362	1,837,866
Overseas	1,569,090	1,621,478
Total remuneration for advisory services	4,860,452	3,459,344

It is the Group's policy to employ PricewaterhouseCoopers (PwC) on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence on acquisitions. During the year, PricewaterhouseCoopers was primarily engaged for tax services relating to assistance with one-off changes to the Group Structure (refer to note 6-2). These services are not recurring. PwC is awarded assignments on a competitive basis in accordance with the non-audit services policy, which in future will restrict PwC from performing tax and advisory services.

6-4 Related parties

(a) Other transactions with key management personnel

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 4-2.

6-5 Parent entity financial information

(a) Summary financial information

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

	2019	2018
	\$'m	\$'m
Balance sheet		
Current assets	36.0	63.3
Total assets	1,006.5	995.0
Current liabilities	111.9	129.8
Total liabilities	111.9	129.8
Net assets	894.6	865.2
<i>Shareholders' equity</i>		
Contributed equity	715.1	715.1
Reserves	184.2	158.2
Retained profits/(Accumulated losses)	(4.7)	(8.1)
Total equity	894.6	865.2
Profit for the year after tax	316.3	254.0
Total comprehensive income after tax	316.3	254.0

(b) Guarantees entered into by the parent entity

Cross guarantees given by the parent entity are set out in Note 6-6.

(c) Contingent liabilities of the parent entity

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

Recognition and measurement

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

Notes to the financial statements

Other disclosures (continued)

6-6 Deed of cross guarantee

Pursuant to ASIC Corporations Instrument 2016/785, 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 Instrument that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee (Deed). The effect of the Deed, dated 28 August 2019, 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
- Aristocrat Technologies Holdings Pty Limited
- System 7000 Pty Limited
- Aristocrat Technical Services Pty Limited

The above named companies represent a Closed Group for the purposes of the Instrument, and as there are no other parties to the Deed that are controlled by the Company, they also represent the Extended Closed Group. Aristocrat Technologies Holdings Pty Limited, System 7000 Limited and Aristocrat Technical Services Pty Limited joined the cross guarantee group during 2019. This did not have a material impact on the results or financial position of the cross guarantee group.

Set out below is the statement of profit or loss and other comprehensive income of the Closed Group:

	2019 \$'m	2018 \$'m
Revenue	493.7	546.9
Dividends received from related parties	-	503.5
Other income from related parties	462.9	374.5
Other income from non-related parties	2.5	6.7
Cost of revenue and other expenses	(173.7)	(221.9)
Employee benefits expense	(150.5)	(161.5)
Finance costs	(12.2)	(15.3)
Depreciation and amortisation expense	(21.8)	(17.6)
Profit before income tax	600.9	1,015.3
Income tax expense	(171.4)	(163.8)
Profit for the year	429.5	851.5
Other comprehensive income		
Changes in fair value of interest rate hedge	(3.5)	2.3
Other comprehensive income net of tax	(3.5)	2.3
Total comprehensive income for the year	426.0	853.8
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	909.4	306.9
Restatement through opening retained earnings	(1.4)	-
Profit for the year	429.5	851.5
Dividends paid	(312.4)	(249.0)
Retained earnings at the end of the financial year	1,025.1	909.4

Notes to the financial statements

Other disclosures (continued)

6-6 Deed of cross guarantee (continued)

Set out below is the balance sheet of the Closed Group:	2019 \$'m	2018 \$'m
Current assets		
Cash and cash equivalents	97.7	86.5
Trade and other receivables	142.7	153.6
Inventories	23.8	37.6
Total current assets	264.2	277.7
Non-current assets		
Trade and other receivables	345.7	347.4
Investments	1,375.8	1,375.5
Property, plant and equipment	13.5	11.8
Deferred tax assets	37.7	41.9
Intangible assets	115.3	80.7
Total non-current assets	1,888.0	1,857.3
Total assets	2,152.2	2,135.0
Current liabilities		
Trade and other payables	174.0	189.9
Current tax liabilities	110.1	136.6
Provisions	15.0	13.6
Deferred revenue and other liabilities	19.1	22.3
Total current liabilities	318.2	362.4
Non-current liabilities		
Trade and other payables	0.2	1.3
Borrowings	298.1	312.7
Provisions	8.7	6.5
Deferred revenue and other liabilities	6.5	12.9
Total non-current liabilities	313.5	333.4
Total liabilities	631.7	695.8
Net assets	1,520.5	1,439.2
Equity		
Contributed equity	715.1	715.1
Reserves	(219.7)	(185.3)
Retained earnings	1,025.1	909.4
Total equity	1,520.5	1,439.2

Notes to the financial statements

Other disclosures (continued)

6-7 Basis of preparation

Corporate information

Aristocrat Leisure Limited is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of Aristocrat Leisure Limited and its subsidiaries (together referred to as the Group). A description of the nature of the Group's operations and its principal activities is included in the Directors' Report and the Operating and Financial Review. The financial report was authorised for issue in accordance with a resolution of Directors on 20 November 2019.

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

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

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

Basis of preparation

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

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

Comparative information is reclassified where appropriate to enhance comparability.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of Aristocrat Leisure Limited (the Company) and its subsidiaries as at 30 September 2019.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

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

Foreign currency

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

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

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

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

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

Notes to the financial statements

Other disclosures (continued)

6-7 Basis of preparation (continued)

New accounting standards and interpretations

The following new accounting standard has been published that is not mandatory for 30 September 2019 reporting periods and has not been early adopted by the Group. The status of the Group's assessment of the impact of the new standard is set out below:

Reference	Description	Financial Year of Application by Aristocrat	Impact on the Group
AASB 16 Leases	AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee. The lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the balance sheet.	2020	<p>The Group has continued to assess the impact of the new lease standard in preparation for it being applied from 1 October 2019. Changes to the leases standard will impact the Group on leases of property, plant and equipment. By bringing operating leases on the balance sheet, there will be an increase in assets and a corresponding increase in liabilities. Furthermore, the Group will no longer recognise 'rent expense' in relation to operating leases, but rather depreciation expense on the right of use asset and interest expense on the lease liability. Note 6-1 provides information on operating lease commitments that are currently recorded off-balance sheet. On transition to the new standard these will be recognised on-balance sheet after discounting to present value.</p> <p>Estimates of the opening adjustments at 1 October 2019 are: * A lease liability of \$303m * A right of use asset of \$244m (adjusted for existing lease incentives, rent accruals and onerous lease provisions)</p> <p>Comparative information will not be restated.</p> <p>The new standard is not expected to have any unfavourable impacts on debt covenants.</p>

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

6-8 Changes in accounting policies

From 1 October 2018, the Group adopted new accounting standards for financial instruments and revenue from contracts with customers. The changes in accounting policy resulting from these and the impact on the Group's financial statements is set out below:

AASB 9 Financial Instruments ('AASB 9')

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also includes an expected loss impairment model and a reformed approach to hedge accounting. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.

Credit losses on trade receivables

The Group has measured expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for the group. The doubtful debts provision was increased by \$1.4m on transition to the new 'expected loss model'. The method under the previous accounting standard was based on an 'incurred loss' model, where provisions were only recognised if there were indicators that a customer would not make its payment obligations.

In accordance with the transitional provisions in AASB 9, comparative financial information has not been restated for this increase in the doubtful debts provision, and the resulting adjustment to the carrying values in the opening balance sheet has been recognised in opening retained earnings on 1 October 2018.

	\$'m
Closing retained earnings 30 September 2018	1,040.9
AASB 9 doubtful debts provision resulting from the application of the 'expected loss model'	(1.4)
Opening retained earnings 1 October 2018	1,039.5

Hedge accounting

The Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 October 2018 in line with the transition provision of the accounting standard. Changes in the standard resulting from new hedge accounting requirements have not had a material impact for the Group.

AASB 15 Revenue from Contracts with Customers ('AASB 15')

AASB 15 is based on the principle that revenue is recognised when control of goods or services transfers to the customer. The notion of control replaced the notion of the transfer of risks and rewards to the customer. AASB 15 replaced previous revenue recognition standards including AASB 118 Revenue and AASB 111 Construction Contracts.

The Group applied the full retrospective method on adoption of AASB 15. The main change as a result of the new standard is jackpot liability expenses are classified as contra revenue rather than as expenses. The comparatives in the statement of profit or loss and other comprehensive income have been amended to show results on a like-for-like basis. This has resulted in a restated decrease in revenue by \$40.3m and a corresponding restated decrease in cost of revenue for the period ended 30 September 2018.

While the adoption of AASB 15 resulted in other changes in accounting policies, no material adjustments to the current and preceding financial reporting periods resulted and hence there were no further adjustments to comparative financial information on adoption of AASB 15. Refer to Note 1-2 for accounting policies relating to revenue from contracts with customers.

Directors' declaration

for the year ended 30 September 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 35 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 2019 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 6-6 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 6-6.

Note 6-7 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



N Chatfield
Chairman

Sydney
20 November 2019



Independent auditor's report

To the members of Aristocrat Leisure Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aristocrat Leisure Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's consolidated financial report comprises:

- the balance sheet as at 30 September 2019
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$48 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and it is a generally accepted benchmark.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group comprises entities located globally with the most financially significant operations being located in Australia and in Tulsa and Las Vegas in the United States of America (USA). Other operations are located in Seattle and Tel Aviv. Accordingly, we structured our audit as follows:
 - The group team was led by our team from PwC Australia ("group audit team"). The group audit team conducted an audit of the special purpose financial information of businesses operating in Australia used to prepare consolidated financial statements.
 - Under instructions from and on behalf of the group audit team, component auditors in:



- Three USA locations (Las Vegas, Nashville and Seattle) performed an audit of the respective special purpose financial information for those locations used to prepare the consolidated financial statements.
- Israel performed specified audit procedures over selected financial statement items within the respective special purpose financial information for the location used to prepare the consolidated financial statements.
- The Group audit team communicated regularly with these component audit teams during the year through face-to-face meetings, phone calls and/or written instructions. The group audit team also met with local management of each financially significant operation.
- Each year, the group audit team rotates its site visits. During the current period, the group audit team have visited management and finance teams from the following locations: Sydney, Nashville, Las Vegas, Seattle and the Las Vegas integration facility.
- The group audit team undertook the remaining audit procedures, including over significant financial statement items at the Group level, the Group consolidation and the financial report preparation, and audit procedures over the remuneration report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue from contracts with customers Refer to note 1-2 \$4,397.4m</p> <p>Revenue was a key audit matter given the:</p> <ul style="list-style-type: none"> ● financial significance of revenue to the financial statements ● complexity of contractual arrangements and diversity of products and services <p>Aristocrat has multiple revenue streams. For the revenue streams (excluding digital), accounting for revenue contracts is complex due to contractual arrangements with customers such as delayed settlement, delayed delivery, bundling of products and multiple element agreements.</p> <p>For the digital revenue stream, determining the amount of bookings to be recognised as revenue versus deferred revenue is complex due to the determination</p>	<p>In obtaining sufficient appropriate audit evidence, our procedures included, amongst others:</p> <ul style="list-style-type: none"> ● considering and assessing the Group’s revised accounting policy in line with the new Australian Accounting Standards requirements ● obtaining an understanding and evaluating the controls over the revenue and receivables business process ● considering the complexity associated with Aristocrat’s revenue streams by assessing a sample of contractual arrangements and testing underlying transactions. This included identifying performance obligations and reviewing the allocation of



of when credits purchased by a customer are consumed. This varies by game.

transaction price and the method of revenue recognition

- where material contracts included bundling of different products, comparing the revenue allocation of the products sold to recent examples of sales of that product on a standalone basis and checking the discounts provided had been proportionally allocated across the different elements of the contract
- evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

Income Taxes

Refer to note 1-4 and 6-2

The Group operates globally and is subject to tax regimes and tax legislation administered by separate tax authorities in a number of countries. Transfer pricing arrangements between different countries is a complex tax and accounting area. Judgement by the Group is involved in accounting for uncertain tax positions where determination has not yet been made by the relevant tax authorities at the date of this financial report.

Under the relevant legislation in certain territories some tax assessments remain open to challenge for an extended period. There is a risk that the position adopted by the Group could be challenged by tax authorities. This may result in a material change in the accounting estimate.

Subsequent to 30 September 2019, changes to the Group structure were made as outlined in Note 6-2. Judgement has been applied when quantifying amounts included in these disclosures.

We focussed our efforts on obtaining an understanding of the business and associated tax considerations.

Our procedures included amongst others:

- evaluating the analysis conducted by the Group for judgements made in respect of the ultimate amounts expected to be paid to tax authorities
 - assessing the consistency of assumptions inherent in accounting positions, in years where tax assessments are still open, to historically agreed positions with tax authorities
 - obtaining relevant correspondence with tax authorities and the Group's tax advisors
 - engaging PwC tax experts to consider potential global tax risks within the Group
 - assessing the appropriateness of the Group's disclosure in the financial report in light of Australian Accounting Standard requirements
 - considering the appropriateness of the disclosure included within Note 6-2 including reviewing the appropriateness of the Group's assumptions.
-



Estimated recoverable amount of goodwill - VGT, Plarium and Big Fish
Refer to note 2-3 Intangible Assets – Goodwill - \$2,923.1m

Goodwill in relation to VGT, Plarium and Big Fish is recognised on the balance sheet and is significantly greater than materiality.

Under Australian Accounting Standards, the Group is required to test the goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are any indicators of impairment. This assessment is inherently complex and judgemental. It requires judgement by the Group in forecasting the operational cash flows of the Group's cash generating units, and determining discount rates and terminal growth rates used in the discounted cash flow models used to assess impairment (the models).

Assisted by PwC valuation experts in aspects of our work, our audit procedures in assessing the recoverable amount of goodwill included, amongst others;

- developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment
 - assessing the identification of the cash generating units for the purposes of impairment testing and the attribution of net assets, revenues and costs to those cash generating units
 - assessing the cash flow forecasts included in the models with reference to actual historical earnings
 - comparing the forecasts to the Board approved budget
 - testing the mathematical accuracy of the models
 - assessing the terminal growth rates and discount rates applied in the models by comparing them to external information sources
 - performing sensitivity analyses over the key assumptions used in the models and applied other values within a range that we assessed as being reasonably possible
 - evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements
-



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 52 of the directors' report for the year ended 30 September 2019.

In our opinion, the remuneration report of Aristocrat Leisure Limited for the year ended 30 September 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers
PricewaterhouseCoopers

MK Graham
MK Graham
Partner

Sydney
20 November 2019