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15 July 2021

By email

Mr Craig Phillips
Ms Abigail Gill
Ms Kate Gill-Herdman
The Solicitors Assisting the Royal Commission
Into the Casino Operator and Licence
Level 25, 567 Collins Street
MELBOURNE VIC 3000

Dear Mr Phillips, Ms Gill and Ms Gill-Herdman

Royal Commission into the Casino Operator and Licence

I refer to the letter from Solicitors Assisting to Allens dated 7 July 2021 setting out details of the further information requested by the Commission in relation to gross gaming revenue and return to player calculations. I have set out below the further information requested by the Commission.

1. *In respect of each Promotion, for each financial year since the Relevant Date, identify in a table:*
 - (a) *the total expense*
 - (b) *(to the extent it differs from sub-paragraph (a)) the total deduction (for purposes of calculating GGR) claimed by Crown;*
 - (c) *the Tax Impact (inclusive of Super Tax and interest under clause 22D of the Management Agreement); and*
 - (d) *any offsets or adjustments to which Crown might be entitled by reason of clause 22C of the Management Agreement (assuming each Promotion was not properly deducted from GGR by Crown).*

The information requested is set out in the table entitled 'Question 1' which is enclosed with this letter.

The table includes information about the deductions claimed in the financial years from 2005 to present. In the time available, it has not been possible to locate and review records relating to deductions claimed prior to FY2005. I understand that there may be some back-up tapes which are stored in Crown's offsite tape storage facility which contain information relevant to deductions claimed in years prior to FY2005. However, in the time available, it has not been possible to identify, retrieve and restore those back-up tapes.

Crown Resorts Limited

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Crown Towers
8 Whiteman Street Southbank 3006
Victoria Australia

I have prepared the enclosed table on the basis required by the Commission given the specific questions in the letter from Solicitors Assisting. Those require the 'Tax Impact' of Matchplay to be calculated as occurred in CRW.510.059.0594 (but also showing, as requested, Super Tax, Interest and any offsets or adjustments). This requires an assumption that the Matchplay points or credits are 'sums received' within the definition of GGR but are not 'sums paid out as winnings' within that definition. Crown's position is that this assumption is incorrect and that Matchplay amounts are not 'sums received' within the definition of GGR, as set out in my statement dated 1 July 2021 (CRW.998.001.0508). If the Tax Impact of Matchplay is calculated on the correct position as contended by Crown it would be NIL, with no additional casino tax, Super Tax or interest being payable in respect of it.

2. *In respect of MatchPlay, for each financial year since the Commission Relevant Date, identify in a table (for purposes of Commission Based Players' Gaming Revenue):*
- (a) the total expense*
 - (b) (to the extent it differs from sub-paragraph (a)) the total deduction (for purposes of calculating Commission Based Players' Gaming Revenue) claimed by Crown;*
 - (c) the Tax Impact (inclusive of Super Tax and interest under clause 22D of the Management Agreement); and*
 - (d) any offsets or adjustments to which Crown might be entitled by reason of clause 22C of the Management Agreement (assuming each Promotion was not properly deducted from Commission Based Players' Gaming Revenue by Crown).*

The information requested is set out in the table entitled 'Question 2' which is enclosed with this letter. My comments in response to Question 1 above apply equally to my response to this question.

3. *Assuming that section 115 of the Casino Control Act 1991 requires that each individual EGM have a RTP of not less than 87%, please identify on an EGM by EGM basis, over the last five years:*
- (a) how many EGMs had a RTP of less than 87% assuming that Bonus Jackpots were not deductible for purposes of calculating RTP;*
 - (b) how many EGMs had a RTP of less than 87% assuming that all Promotions were not deductible for purposes of calculating RTP.*

Section 115 of the *Casino Control Act 1991* requires Crown to ensure that the pay-out table on gaming machines in the casino is set so as to return to players the players' proportion of the total amounts wagered on gaming machines each year at the casino, after deduction of the sum of jackpot special prizes as approved for the time being under section 60 and payable during that year.

Every electronic gaming machine (**EGM**) at Crown Melbourne must be set so as to return to players at least 87% of the total amounts wagered on that machine, not taking into account any Promotions. Any machine which is not set so as to return to players a theoretical return of at least 87% of the total amounts wagered will not be enabled for play via the Crown Dacom 6000 System. Accordingly, there are no EGMs at Crown Melbourne which are set to return to players less than 87% of the total amounts wagered, assuming all Promotions are not deductible for the purposes of calculating RTP.

The *actual* RTP for an EGM at Crown Melbourne, and the extent to which actual RTP reflects theoretical RTP over a given period, depends on a range of factors including the number of 'spins' for the machine. This is, in turn, affected by factors such as the popularity of a machine, the location of the machine, and the number of days a machine was in service during a given period. Put simply, the higher the number of spins over the course of a period, the more likely it is that the actual RTP will more closely reflect the theoretical RTP at which the machine is set to return for that period.

EGMs are designed to normalise actual RTP to theoretical RTP over millions of 'spins.' It follows that, in some instances (particularly EGMs which have low usage in a given period or game configurations that are designed by the manufacturers to require a higher number of spins to normalise to theoretical RTP), the actual RTP may be less than 87% or, conversely, materially above 87%.

In answering question 3, it is important to note that each EGM 'location' within Crown Melbourne may have more than one system/game configuration in a given year. This is because (among other reasons) some EGM locations will be configured with different game types during the year, some EGM locations will be retired, and some created as new areas of the casino open. Different EGM configurations may have different RTP settings. On that basis, the answers to question 3 relate to EGM *configurations* in a given year, rather than to each EGM as a stand-alone machine.

The number of EGM configurations that had an actual RTP of less than 87%, assuming that Bonus Jackpots (i.e. Casino Dining Rewards, Hotel Room Nights and Parking rewards as set out in category 8 of document CRW.512.192.0002) were not deductible for purposes of calculating RTP, is summarised below.

Year	Number of EGM configurations with actual RTP below 87% assuming Bonus Jackpots not deductible	Number of EGM configurations
2021	374	2880
2020	703	5532
2019	746	5821
2018	909	6003
2017	741	4956

The number of EGM configurations that had an actual RTP of less than 87%, assuming that all Promotions were not deductible for purposes of calculating RTP, is summarised below.

Year	Number of EGM configurations with actual RTP below 87% assuming all Promotions not deductible	Number of EGM configurations
2021	431	2880
2020	894	5532
2019	913	5821
2018	1138	6003
2017	1056	4956

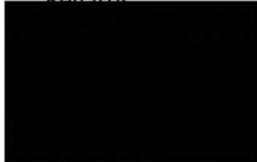
4. *For each financial year since the Jackpot Date, for purposes of Jackpots Payments, identify in a table the amount deducted in respect of pokie credits, cash prizes, dinning [sic] vouchers, gift cards and other prizes (if applicable).*

In paragraph 8 of my statement dated 1 July 2021 (CRW.998.001.0508), I indicated that portions of the 'Jackpot Payments' identified in column 5 in Annexure 3 to that statement (CRW.512.191.0033) relate to free bets, with the balance being cash and/or fixed prizes such as gift vouchers.

On further investigation, I now understand that *all* of the amounts show in column 5 of Annexure 3 relate to prizes paid as pokie credits. The cash and/or fixed prizes such as gift vouchers to which I had referred to in paragraph 8 of my statement dated 1 July 2021 are in fact deducted as 'Jackpot Start-out' payments for the purposes of calculating Gross Gaming Revenue.

Details of the amounts deducted in respect of pokie credits (as 'Jackpot Payments'), or deducted in respect of cash, dining vouchers, gift cards and other goods (as 'Jackpot Start-out' payments) for the period from FY2011 to FY2020 are set out in the table entitled 'Question 4' which is enclosed with this letter. No amounts have been deducted in respect of cash prizes, dining vouchers, gift cards and other prizes in FY2021.

Regards



Alan McGregor
Chief Financial Officer
Crown Resorts Limited

Question 1									
Financial Year	Bonus Jackpots	Matchplay (Non-program)	Matchplay (Program)	Total Amount Expensed / Recognised as a Deduction	Gaming Tax - Gaming Machines	Super Tax - Gaming Machines	Total Gaming Tax - Gaming Machines	Less Global GST Amount (GM Revenue) / State Tax Credit	
					A	B		C	A + B - C
2005	0	15,679,914	0	15,679,914	3,758,475	685,033	4,443,508	0	4,443,508
2006	0	19,148,554	0	19,148,554	4,589,909	1,064,890	5,654,798	0	5,654,798
2007	0	22,431,995	0	22,431,995	5,376,949	1,158,189	6,535,139	0	6,535,139
2008	0	21,041,588	0	21,041,588	5,043,669	1,374,961	6,418,630	0	6,418,630
2009	0	22,425,575	0	22,425,575	5,375,410	1,703,890	7,079,300	0	7,079,300
2010	0	22,637,560	913,055	23,550,614	5,517,529	1,684,811	7,202,340	0	7,202,340
2011	0	24,831,531	2,244,431	27,075,962	6,603,663	2,218,007	8,821,671	0	8,821,671
2012	0	27,107,666	2,565,229	29,672,895	7,686,734	2,556,634	10,243,368	0	10,243,368
2013	7,444,598	29,447,307	4,867,603	41,759,508	11,233,372	3,044,682	14,278,055	676,782	13,601,273
2014	11,102,746	34,625,991	8,305,452	54,034,188	14,937,860	4,134,476	19,072,337	1,009,341	18,062,996
2015	12,603,721	37,276,999	9,396,598	59,277,318	17,185,810	3,934,861	21,120,672	1,145,793	19,974,879
2016	12,624,269	36,662,096	9,333,594	58,619,960	16,985,929	5,341,698	22,327,627	1,147,661	21,179,966
2017	11,220,919	39,246,208	13,019,349	63,486,476	17,739,078	5,106,582	22,845,660	1,020,084	21,825,577
2018	11,760,992	37,367,779	14,561,923	63,690,694	17,457,433	5,188,810	22,646,243	1,069,181	21,577,062
2019	12,794,933	32,702,644	14,951,631	60,449,207	16,313,724	4,317,542	20,631,266	1,163,176	19,468,091
2020	8,680,088	22,988,851	14,839,242	46,508,181	11,798,488	0	11,798,488	789,099	11,009,389
2021	2,783,130	9,982,992	1,258,703	14,024,825	4,283,806	0	4,283,806	253,012	4,030,794
Total	91,015,397	455,605,251	96,256,809	642,877,456	171,887,839	43,515,068	215,402,907	8,274,127	207,128,780

Interest 252,548,481

Total 459,677,261

1. The above calculations have been prepared in response to the specific questions in the letter from Solicitors Assisting. This requires an assumption that Matchplay points or credits are 'sums received' within the definition of GGR, but are not 'sums paid out as winnings' within that definition. Crown's position is that this assumption is incorrect and that Matchplay amounts are not 'sums received' within the definition of GGR. If the Tax Impact of Matchplay is calculated on the correct position as contended by Crown it would be NIL, with no additional casino tax, Super Tax or interest being payable in respect of it.

2. Interest has been calculated in accordance with clause 22D of the Management Agreement, whereby the interest on unpaid casino tax accrues on a daily basis and is calculated on a compound basis. The interest rate is calculated at the rate fixed by the Attorney-General from time to time by notice published in the Victorian Government Gazette pursuant to the *Penalty Interest Rate Act 1983* (Vic).

Question 2						
Financial Year	Matchplay (Program)	Gaming Tax - Gaming Machines	Super Tax - Gaming Machines	Total Gaming Tax	Global GST Amount (GM Revenue) / State Tax Credit	
		A	B		C	A + B - C
2005	0	0	0	0	0	0
2006	0	0	0	0	0	0
2007	0	0	0	0	0	0
2008	0	0	0	0	0	0
2009	0	0	0	0	0	0
2010	913,055	91,305	100,436	191,741	0	191,741
2011	2,244,431	224,443	224,443	448,886	0	448,886
2012	2,565,229	256,523	314,241	570,764	0	570,764
2013	4,867,603	486,760	596,281	1,083,042	0	1,083,042
2014	8,305,452	830,545	1,017,418	1,847,963	0	1,847,963
2015	9,396,598	939,660	0	939,660	0	939,660
2016	9,333,594	933,359	0	933,359	0	933,359
2017	13,019,349	1,301,935	0	1,301,935	0	1,301,935
2018	14,561,923	1,456,192	0	1,456,192	0	1,456,192
2019	14,951,631	1,495,163	0	1,495,163	0	1,495,163
2020	14,839,242	1,483,924	0	1,483,924	0	1,483,924
2021	1,258,703	125,870	0	125,870	0	125,870
Total	96,256,809	9,625,681	2,252,819	11,878,500	0	11,878,500

Interest	8,901,540
Total	<u>20,780,039</u>

1. The above calculations have been prepared in response to the specific questions in the letter from Solicitors Assisting. This requires an assumption that Matchplay points or credits are 'sums received' within the definition of Commission Based Players' Gaming Revenue but are not 'sums paid out as winnings' within that definition. Crown's position is that this assumption is incorrect and that Matchplay amounts are not 'sums received' within the definition of Commission Based Players' Gaming Revenue. If the Tax Impact of Matchplay is calculated on the correct position as contended by Crown it would be NIL, with no additional casino tax, Super Tax or interest being payable in respect of it.

2. Interest has been calculated in accordance with clause 22D of the Management Agreement, whereby the interest on unpaid casino tax accrues on a daily basis and is calculated on a compound basis. The interest rate is calculated at the rate fixed by the Attorney-General from time to time by notice published in the Victorian Government Gazette pursuant to the *Penalty Interest Rate Act 1983* (Vic).

Question 4

FY	Jackpot Payments	Jackpot Start-outs					
	Pokie Credits	Cash	Crown Dining Vouchers	Crown Gift Cards	3rd Party Gift Cards	Electronic/Physical Goods	Cars
F20	\$886,446.19	\$0.00	\$203,160.00	\$0.00	\$147,600.00	\$0.00	\$0.00
F19	\$418,367.00	\$15,150.00	\$197,400.00	\$10,800.00	\$182,700.00	\$0.00	\$0.00
F18	\$1,176,514.08	\$224,100.00	\$0.00	\$0.00	\$219,839.00	\$0.00	\$0.00
F17	\$1,504,659.17	\$11,250.00	\$41,000.00	\$14,200.00	\$473,620.00	\$9,120.00	\$0.00
F16	\$1,464,424.15	\$15,000.00	\$140,400.00	\$3,800.00	\$831,300.00	\$10,602.00	\$0.00
F15	\$376,000.34	\$29,000.00	\$22,720.00	\$0.00	\$252,000.00	\$12,328.00	\$0.00
F14	\$75,705.32	\$328,470.00	\$0.00	\$0.00	\$263,300.00	\$48,043.85	\$500,000.00
F13	\$229,925.70	\$59,700.00	\$45,599.04	\$0.00	\$203,906.14	\$123,241.51	\$0.00
F12	\$142,063.82	\$87,050.00	\$88,744.66	\$29,820.00	\$229,480.40	\$69,722.50	\$0.00
F11	\$212,782.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	\$6,486,888.25	\$769,720.00	\$739,023.70	\$58,620.00	\$2,803,745.54	\$273,057.86	\$500,000.00

Table Notes:

1. Pokie Credits (Column C) figures sourced from the Corporate Data Warehouse (CDW)
2. All other categories (Column D - I) for F11-F13 sourced from Jackpot configuration documentation
3. All other categories (Column D - I) for F14-F20 sourced from Marketing collateral, prize tables and communications, etc.