



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Wednesday, 8 August 2018 at
10.00am at M7&8, Level 1, Crown Conference Centre, 8 Whiteman Street,
Southbank, Victoria

Present:

John Alexander (Chairman)
Helen Coonan
Andrew Demetriou
Geoff Dixon (by telephone)
Jane Halton
John Horvath
Guy Jalland (by telephone)
Michael Johnston
Toni Korsanos
Harold Mitchell

Mary Manos (Secretary)

By invitation:

Mark Arbib (CPH) (by telephone)
Mark Astill (Greenway Chambers) (by telephone) (for Agenda Item
5 only)
Ken Barton
Mark Elvy (Ashurst) (for Agenda Item 5 only)
Barry Felstead
Lauren Harris
Alan McGregor
Richard Murphy (MinterEllison) (for Agenda Item 8 only)
Todd Nisbet
John Poynton (by telephone)
John Stawyskyj (Ashurst) (for Agenda Item 5 only)

Apologies:

Karl Bitar

BUSINESS

Draft Minutes of Meeting held on 20 June 2018:

It was **RESOLVED** that the Minutes of the Board Meeting held on 20 June 2018 be approved.

Crown Sydney Sight Lines:

REDACTED - PRIVILEGE



It was **RESOLVED** that the Company Secretary be authorised to

make a release to the ASX, substantially on the terms presented to the Board.

Matters Arising:

The Matters Arising paper was taken as read.

CEO's Report:

The CEO's Report was taken as read.

Ken Barton provided the Board with the following update on trading for FY18:

- Crown Melbourne's VIP Program Play turnover for FY18 of \$43.8 billion was 56% above budget and 74% above last year, however, this is expected to be largely a result of the poor VIP win rate.
- Crown Melbourne's Local business was slightly above budget, with strong performance in Table Games which was partially offset by Gaming Machine and Food & Beverage performance. Hotels in Melbourne also met budget.
- Crown Perth's Local business was in line with budget, with above budget results in Gaming Machines & Food and Beverage which was offset by below budget results in Table Games and Hotels.
- Crown Aspinalls was well below budget due to below budget VIP Program turnover.
- Wagering & Online was below budget following the sale of CrownBet part way through the financial year.

Barry Felstead provided the Board with an update on current issues, noting the following:

- Construction had commenced on the development of a non-smoking gaming machine area in the Teak Room which is due for completion in September 2018.
- Negotiations in relation to Crown Melbourne's Area Manager Enterprise Agreement are continuing with in-principle agreement reached in relation to most non-monetary matters and that the Company has proposed a 2% increase per year.
- Discussions with the Western Australian Government had commenced in relation to the possible expansion of the Trackside product for use outside of Crown as part of the potential sale of the state-owned TAB, noting that Crown Perth currently has certain rights to this product in Western Australia.

Ken Barton also noted the following:

- CrownBet had changed its name to BetEasy;
- in relation to the recent proposed Federal budget measure to restrict cash transactions over \$10,000, the Company, together with The Star and Skycity, made a joint submission to the Federal Treasury Department seeking an exemption for casinos. The Department has since asked for some additional information regarding the restrictions on using debit and credit cards at the casino and around the AUSTRAC processes; and
- in relation to the Cannery tax matter, on 11 May 2018, the Australian Tax Office (ATO) notified the Company of its decision to disallow each of the Company's objections against the amended assessments in full. The Company subsequently lodged applications in the Federal Court to appeal the objections on 10 July 2018. The ATO also indicated that it will issue further amended assessments for approximately \$45 million which will be disclosed in the Contingent Liability note of the Appendix 4E.

It was **RESOLVED** that the CEO's Report be noted.

Trading Update:

Ken Barton spoke to the Trading Update for the Group to 5 August 2018 noting that:

- Crown Melbourne's Local business was below budget and behind last year, with softness in VIP Gaming Machines.
- Main floor Gaming Machines at Crown Melbourne was performing well and revenue was up 8% on last year.
- Crown Perth Local business was above budget and up on last year.
- Crown Aspinalls was above budget with strong volumes and good win rates.

Ken Barton noted that work is continuing on a strategy for the proposed divestment of Crown Aspinalls and that he is meeting with the Head of Business Development at Caesars at the end of the month to discuss a number of potential options. It was also noted in relation to Aspers, that preliminary discussions have been initiated with Genting and Rank.

It was **RESOLVED** that the Trading Update be noted.

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

**Results for the Full Year ended 30
June 2018:**

***Draft Results Presentation and
ASX Announcement:***

The draft ASX Announcement was taken as read.

Ken Barton led a page turn of the draft Full Year Results Presentation, noting the following:

- normalised NPAT attributable to the parent was up 12.7%;
- reported NPAT attributable to the parent was up slightly before significant items;
- the net gain from significant items was approximately \$232 million;
- VIP program play turnover at Crown Melbourne was up 73.9%, with Group wide VIP program play turnover up 54.5%; and
- the new inclusion of a revenue split by table games and gaming machines on slide 4 of the draft Results Presentation in response to requests made of the Company at the previous Annual General Meeting.

It was **RESOLVED** that the Results Presentation and ASX Announcement be approved for release (subject to any amendments suggested by the Board) and subject to final approval by the Executive Chairman and Chief Financial Officer.

***Draft Minutes of Audit and
Corporate Governance Committee
held 2 August 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Audit and Corporate Governance Committee held on 2 August 2018 be noted.

ASX Appendix 4E

The draft Appendix 4E was taken as read.

Ken Barton advised the Board that there were two options included in the Contingent Liability note of the draft Appendix 4E in relation to the proposed ATO further amended assessments of approximately \$45 million. As the Company has not yet formally received the further amended assessments, the second option included in the draft will be removed from the final Appendix 4E.

It was **RESOLVED** that the Appendix 4E be approved subject to any amendments suggested in the meeting and agreed to by the Board and subject to final approval by the Executive Chairman and the Chief Financial Officer.

Accounting Issues:

The Accounting Issues paper was taken as read.

Helen Coonan and Ken Barton noted the following:

- Management had undertaken a review of the Company's doubtful debts provision and given the lower net credit limits currently offered by the Company and the change to arrangements with junkets, the existing \$50 million one-off default event provision has been reduced to \$20 million, resulting in a \$30 million provision reversal which will be accounted for as a 'significant item' in the Appendix 4E. At the end of June 2018, the Company had gross gaming debtors of approximately \$570 million of which \$172 million was net un-provided debtors. Of the net un-provided debtors, \$88 million related to debts incurred in June 2018.
- The restatement of prior period balances in relation to the Company's investment in DGN Games, LLC which do not have an impact on Profit and Loss.

It was **RESOLVED** that the Accounting Issues Report be noted.

Dividend Recommendation:

Ken Barton noted that the Audit and Corporate Committee had:

- considered the final dividend recommendation of 30 cents per share franked at 60% with the unfranked portion of the dividend to be declared conduit foreign income;
- confirmed the Corporations Act requirements were satisfied to declare a final dividend; and
- recommended the declaration of the final dividend.

Subject to finalisation of the Appendix 4E and on the basis that, immediately before the dividend is declared and, at the proposed date of payment:

- the proposed dividend will be paid out of the Company's current year profits;
- the current profits from which the proposed dividend is to be

paid have not been appropriated for any other purpose, including against accumulated prior year losses (if any) of the Company;

- the proposed dividend will not be debited against an amount standing to the credit of the Company's share capital account;
- the Company's assets will exceed its liabilities and the excess will be sufficient for the payment of the proposed dividend;
- the proposed dividend payment is considered by the Board to be fair and reasonable to the Company's shareholders as a whole; and
- the proposed dividend payment will not materially prejudice the Company's ability to pay its creditors,

it was **RESOLVED** that:

- (a) a final dividend of 30 cents per ordinary share be declared and paid, out of the Company's current year profits as at 31 July 2018, on 5 October 2017;
- (b) the dividend be franked to 60%;
- (c) the unfranked portion of the dividend be declared to be conduit foreign income; and
- (d) the dividend be paid to the holders of ordinary shares on the register of members as at 21 September 2018.

Capital Management Update:

The paper with respect to this item was taken as read.

Ken Barton advised the Board of the following:

- On 19 July 2018, the Company announced its election to redeem all of the outstanding Subordinated Notes I on the first call date of Friday, 14 September 2018 which will reduce gross debt by approximately \$400 million.
- The proposal to implement a new on-market share buy-back (**New Buy-back**) following the release of the Company's full year results given that only approximately 1.43 million shares were bought back under the current on-market share buy-back which expires on 22 August 2018.

Having regard to the matters discussed at the meeting and set out in the paper with respect to this item in relation to the New Buy-back, the Directors, excluding the CPH nominee Directors, **RESOLVED** that:

- (a) **(no material prejudice)** the New Buy-back is not materially prejudicial to the Company's ability to pay its creditors;
- (b) **(establishment of Committee)** a Buy-back Committee, comprising Mr Ken Barton, Mr Geoff Dixon and Ms Helen Coonan, be established and authorised to consider and confirm on behalf of the Board whether the Company is in possession of Inside Information and, subject to this confirmation, determine the date of announcement and commencement of the New Buy-back; and
- (c) **(announcement)** subject to the Company not being in possession of Inside Information (to be confirmed by the Buy-back Committee as above), the Company announce, on the date determined by the Buy-back Committee, its intention to undertake the New Buy-back, being a proposed on-market buy-back of up to \$400 million of ordinary shares in the Company; and
- (d) **(authority to manage and confirm logistics)** the Buy-back Committee be authorised to manage and confirm matters concerning the logistics of the New Buy-back, including in relation to the relevant price per share at which shares will be bought back (which must be subject to the Maximum Price permitted under ASX Listing Rule 7.33 and the maximum price set by the Board) throughout the New Buy-back process.

It was further **RESOLVED** that approval of the following matters be delegated to the Chief Financial Officer and the Company Secretary:

- (a) **(appointment of broker)** approval of the appointment of a broker in connection with the New Buy-back and approval of the terms of such appointment;
- (b) **(approval of ASX Appendix 3C)** approval of the contents of the Appendix 3C in relation to the New Buy-back, which among other things is required to include information that is material to a shareholder's decision whether to accept the buy-back offer (item 8 of Appendix 3C) including any material non-public information that the Company has withheld from continuous disclosure because it has relied on an exception in ASX Listing Rule 3.1A;
- (c) **(transfer and cancellation of shares)** registration of transfer of the shares bought back pursuant to the New Buy-back and the subsequent cancellation of such shares; and

- (d) **(ASIC forms)** approval of any other forms required to be lodged with ASX and ASIC in respect of the above,

and subject to this authorisation, any two directors or a director and secretary of the Company be authorised to execute on behalf of the Company any document or agreement that is considered necessary or desirable in connection with the New Buy-back for up to \$400 million worth of ordinary shares in the Company, representing (as at the date of this resolution) a number of shares which does not exceed the 10/12 limit under the *Corporations Act 2001* (Cth).

Development Update:

Key Development Matters:

The Development Update was taken as read.

It was noted that there is a contract under negotiation for the sale of a full floor Crown Sydney Residence for approximately \$42 million.

In relation to Queensbridge, Todd Nisbet advised the Board that:

- discussions with potential third party investors are progressing; and
- meetings have been held with the Victorian Government in relation to a proposed extension who has confirmed that, in terms of timing, lodging an application immediately following the election should be sufficient.

It was **RESOLVED** that the Development Update be noted.

Japan Update:

Ken Barton advised the Board that, on 23 July 2018, the Yokohama Government issued an RFI request for operators interested in operating an integrated resort in Japan for which the Company elected not to register for the following reasons:

- there was no certainty that any of the likely consortiums considered the Company as a preferred operator; and
- registering to participate in the RFI process could have been potentially misleading and expose the Company to public scrutiny.

Treasury and Compliance Report:

The Treasury and Compliance Report was taken as read.

It was **RESOLVED** that the Treasury and Compliance Report be noted.

Investor Relations Report:

The Investor Relations Report was taken as read.

It was **RESOLVED** that the Investor Relations Report be noted.

Committees:***Draft Minutes of Meeting of the Risk Management Committee held on 2 August 2018:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management held on 2 August 2018 be noted.

Draft Minutes of Meeting of the Occupational Health and Safety Committee held on 1 August 2018:

The draft minutes were taken as read.

John Horvath noted that the Board will be presented with the Company's Occupational Health and Safety performance data at its October 2018 meeting.

It was **RESOLVED** that the draft minutes of meeting of the Occupational Health and Safety Committee held on 1 August 2018 be noted.

Draft Minutes of Meeting of the Responsible Gaming Committee held on 1 August 2018:

The draft minutes were taken as read.

John Horvath noted that a work plan is being developed in relation to the VCGLR's Responsible Gaming recommendations in the Section 25 Review Report and that a presentation would be made to the Board at its October 2018 meeting with ongoing six monthly updates to be presented to the Board.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 1 August 2018 be noted.

Draft Minutes of Meeting of the Nomination and Remuneration Committee held on 31 July 2018:

The draft minutes were taken as read.

Geoff Dixon noted that at the October 2018 Board meeting he would present the results of the Board evaluation to the Board.

It was **RESOLVED** that the draft minutes of meeting of the Nomination and Remuneration Committee held on 31 July 2018 be noted.

Other Business:***Nomination and Remuneration Committee Matters:***

The Nomination and Remuneration Committee Matters paper was taken as read.

Geoff Dixon and Ken Barton noted the following matters which were considered by the Nomination and Remuneration Committee at its 31 July 2018 meeting:

- the proposed F18 short term incentive bonus and F19 fixed

remuneration for selected senior executives and the broad principles proposed to apply at a property level;

- the proposal to issue options to 20 senior executives, as listed in Annexure B of the paper with respect to this item, under the Senior Executive Option Plan on the following terms:
 - each option is to have an exercise price of \$13.35 which was determined using the volume weighted average price for Company shares for the five day period immediately prior to the grant date (ie 7 August 2018);
 - each participant would be required to pay the tax market value of the options which is \$0.83 being 6.2% of issue price, funded by way of a limited recourse loan from the Company; and
 - the total number of options to be issued to each participant would be rounded to an equal number, with a total of 7,175,000 options to be issued.

Having regard to the matters set out in the paper with respect to this item and the recommendation of the Nomination and Remuneration Committee, the Board **RESOLVED** that:

- (a) the remuneration arrangements for selected Senior Executives as set out in Annexure A to the paper with respect to this item be approved; and
- (b) the remuneration arrangements for other employees be set within the principles set out in the paper with respect to this item.

In relation to the proposed issue of options to senior executives the Board further **RESOLVED** that:

- (a) the final list of participants as set out in Annexure B of the paper with respect to this item and the total number of options to be granted, being 7,175,000, be approved;
- (b) the exercise price and market value of the Options as presented to the Board be approved;
- (c) the options be issued on 8 August 2018, following the Board meeting;
- (d) the Terms of Issue be approved;
- (e) the Company Secretary be authorised to make such non-material amendments to the documents as deemed necessary or expedient; and
- (c) the Company Secretary be authorised and instructed

to:

- (i) issue the Terms of Issue and the required attachments to each of the approved participants;
- (ii) to cause an ASX notice and Appendix 3B to be released to the ASX when required;
- (iii) to cause the options to be entered into the Register of Options of the Company; and
- (iv) to cause the issue to each participant of an option certificate for the options issued to the participant.

<i>2018 Annual General Meeting:</i>	<p>The paper with respect to this item was taken as read.</p> <p>Mary Manos advised the Board that in addition to the newly appointed Directors, Mike Johnston and John Horvath would stand for re-election at the Company's 2018 Annual General Meeting.</p>
<i>Crown Sydney Committee:</i>	<p>The Crown Sydney Committee paper was taken as read.</p> <p>It was RESOLVED that the establishment and composition of the Crown Sydney Committee membership as set out in the paper with respect to this item be ratified and approved.</p>
<i>Review of Risk Management Policy:</i>	<p>The paper with respect to this item was taken as read.</p> <p>Having reviewed the revised Risk Management Committee Charter, it was RESOLVED that the Charter, in the form presented to the Board, be approved.</p>
<i>Audit and Corporate Governance Committee Charter:</i>	<p>The Audit and Corporate Governance Committee Charter paper was taken as read.</p> <p>Ken Barton advised the Board that the proposed changes to the Audit and Corporate Governance Committee Charter have been made to specifically include the consideration of material taxation matters as part of the Committee's responsibilities which, while already implicit in the Charter terms, is expected to provide the ATO with further assurance that the Company is committed to managing its tax risk at a Board level.</p> <p>Having reviewed the Audit and Corporate Governance Committee Charter, it was RESOLVED that the Charter, in the form presented to the Board, be approved.</p>
<i>Future Meetings:</i>	<p>The Board noted the remaining 2018 meeting dates and the proposed 2019 meeting dates. Mary Manos requested that the Directors consider the proposed dates and advise of any conflicts as soon as possible. She advised that once the dates are settled, calendar invitations would be circulated.</p>

**Capital Management Update
(continued):**

Representatives from Consolidated Press Holdings left the room.

Ken Barton noted that:

- the directors, other than the CPH nominee directors, would be required to set a price ceiling for buying-back Company shares for the purposes of the New Buy-back;
- the ASX Listing Rules provide that the purchase price must not be more than 5% above the volume weighted average price for Company shares, calculated over the last five days on which sale in the shares were recorded before the day on which the buy-back;
- the indicative sum of the parts valuation provides a current value of \$[redacted] per share;
- the volume weighted average price for Company shares, calculated over the last five trading days ending on 7 August 2018 was \$13.35.

It was **RESOLVED** that, for the purposes of both the current on-market share buy-back and the New Buy-back, having regard to the above, the maximum price payable per share be set at \$[redacted].

Closure:

There being no further business, the meeting was declared closed at 12.36pm.

Signed as a correct record


Chairman