

CROWN MELBOURNE LIMITED**MINUTES OF THE MEETING OF DIRECTORS
HELD GARDEN ROOM 1, LEVEL 1, CROWN TOWERS
WEDNESDAY, 8 AUGUST 2018
12:45PM**

IN ATTENDANCE:

Board:	Mr John Alexander (Chairman) Professor John Horvath Mrs Rowena Danziger (via teleconference) Mr Barry Felstead Mr Ken Barton
	Mr Joshua Preston (Co-Secretary) Ms Mary Manos (Co-Secretary)
By invitation:	Mr Alan McGregor Mr Xavier Walsh
Apologies:	Mr Todd Nisbet

1. Minutes of meeting

The Minutes of the Board meeting held on 3 July 2018 were approved.

2. Financial Results

Mr Felstead spoke to the F18 Full Year Financial Results for Melbourne and noted as follows:

- at theoretical Melbourne was 8.2% up on budget and 10.6% up on last year mainly due a strong performance in the International Business where volumes were well up on budget;
- local contribution was in line with budget however poor hold in Table Games and Gaming Machines had cost the business approximately \$15m;
- Table Games had a solid year despite poor hold;
- Gaming Machines had a good year from a volumes perspective however it was down on budget and on last year, with poor hold having a negative impact of approximately \$8.3m for the year;
- Interstate and International volumes in Gaming Machines were strong;
- Food & Beverage had a poor year and was down on budget, however up on last year;
- Hotels and other businesses were in line with budget and up on last year;
- overall local business made budget and it was a strong result at theoretical,


however was affected by very poor hold results.

3. Current Issues

Mr Felstead spoke to the Current Issues paper which was taken as read.

The following matters were specifically noted:

- high end machine players that we had last year had not been as apparent this year, however main gaming floor local performance has been improving which is very positive;
- the installation of the popular Lightning Link and Dragon Link gaming machine product sits at 560 units and remains the largest single site installation in the world and both products continue to produce positive results;
- IGT's latest product known as Crystal Curve was recently launched at Crown and has performed above expectations with installation currently sitting at 55 machines;
- there is a continued marketing focus on inactive players, being players who have not played for 12 months or longer;
- a new offer to mainstream customers with birthday offers had been activated;
- the development of the Teak Room non smoking gaming machine area which will accommodate approximately 60 machines is scheduled for completion in late September 2018;
- there are currently a total of 199 employees in the Crown Indigenous Employment program, with 90 employees at Crown Perth and 109 employees at Crown Melbourne;
- there are currently a total of 240 employees in the CROWNability across both properties encompassing 180 employees and 10 contractors at Crown Perth, with 102 employees and 10 contractors at Crown Melbourne;
- we currently have 90 international students undertaking courses at Crown College, with a further 30 international students to come in over the next three months, realising \$1.7m in revenue;
- Mr Walsh noted that there had been a heavy events calendar for VIP patrons which had seen some positive visitation results, for example the Celine Dion event;
- Mr Walsh also noted that headwinds had been encountered due to the actions of competitors, for example Jupiters Casino on the Gold Coast which has been providing very aggressive offers to our players to attend their premises;
- there are several ex-Star employees who will commence with the business at the end of the various restraint periods, which will complement our current team positively;
- it was noted that the Sovereign Room at the Star Casino will close later in the month and we understand that the Star is building a temporary VIP area to cater to their VIP players that may be displaced from the Sovereign Room refurbishment;

- our Crown Sydney Sales Office supporting our resort marketing for interstate business is due to open after fit out has been completed;
- the venues gaming machines performance in Victoria has out performed Crown over the last year largely as a result of the change in the values of cheques that could be cashed. It was also noted that the venues continue to work on TITO being able to be offered in their premises;
- loyalty club sign-ups continue to be approximately 1,350 to 1,400 per week which reflects relatively stable numbers;
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- it was noted that the VIP Protocols for our International Business continue to be a work in progress, noting that the Protocols that have been approved and have been in place for some period of time will continue to be revisited with the appropriate advices sought at each and every step;
- negotiation of the Crown Melbourne Enterprise Area Management Agreement is continuing with in principle agreement reached in relation to most non-monetary matters. Crown's current offer is at 2% per year for each of the years. The Union's request is for 4% and accordingly there is still some distance between the two financial offers. There is some concern regarding the Surveillance Operators who have been brought into this round of negotiations which is being monitored carefully.

4. Development Update:

The Development Update was taken as read.

5. Audit and Compliance Committee Updates

5.1. Regulatory and Governance Update

The Audit and Compliance Update was taken as read.

Mr Preston specifically noted the following:

- the two AUSTRAC Compliance Assessments of 2017 have now been formally closed by AUSTRAC;
- Crown Melbourne is continuing to work on enhancing its AML Program with an internal review of its transaction monitoring program underway;
- the development of a Joint AML Program for both Crown Melbourne and Crown Perth continues;
- there had been no further update regarding AUSTRAC's enquiry on Suncity;
- Crown was still awaiting its formal invite to join the Fintel Alliance;
- Mr Felstead, Mr Barton and Mr Preston were due to meet with the AUSTRAC CEO and Senior Management shortly. Mr Preston explained that there was a new structure in place which included the appointment of Peter Soros as Deputy CEO

Regulatory Strategy;

- it was noted that that VCGLR investigation into the China matter was continuing;
- Mr Preston and Mr Felstead were due to present to the VCGLR Commission on the compliance framework as a result of the blanking button outcomes;
- the enhanced Risk & Audit and Compliance frameworks continued to be developed and rolled out across the business.

5.2. Section 25 Update

Mr Preston spoke to the Section 25 Review of Casino Operator and Licence matter. Mr Preston noted the progress made on the RSG related recommendations and the strategy to address those recommendations. It was also noted that ongoing progress reports on the recommendations would be provided to the Board.

5.3. Audit Committee Minutes

The Audit Committee Minutes dated 1 August 2018 were taken as read.

5.4. Compliance Committee Minutes

The Compliance Committee Minutes taken 1 August 2018 were taken as read.

6. Responsible Gaming Update

The Responsible Gaming Committee minutes dated 1 August 2018 were taken as read.

7. Occupational Health & Safety Report

The Occupational Health & Safety Committee Report dated August 2018 was taken as read.

8. Other Business

8.1. Memo to the Board – Aristocrat Technologies: Proposed Games Licence and Gaming Hardware – Master Supply Agreement

Mr Preston spoke to the Aristocrat Technologies: Proposed Games Licence and Gaming Hardware Master Supply Agreement item and noted specifically that this was a proposed arrangement between Crown Melbourne and Aristocrat to supply new gaming machines, additional games software licences and develop new game titles for Crown. The Directors considered the terms of the proposed Master Supply Agreement and RESOLVED that:

- entry into the Supply Agreement with Aristocrat is in the interests of the Company;
- the Supply Agreement be approved;
- the performance as part of the Company of its obligation under the Supply

Agreement be approved;

- the Company execute (in accordance with section 127 of the *Corporations Act 2001*), enter into and perform its obligation under:
 - the Supply Agreement in the form provided to the directors or in any other form approved by any single director of the Company (such approval to be conclusively evidenced by the execution of the Supply Agreement);
 - any other document or agreement that any single director considers necessary or desirable in connection with the Supply Agreement or the transactions contemplated by it (such approval to be conclusively evidenced by the execution of the relevant document or agreement); and
 - any director or secretary of the Company be authorised and appointed on behalf of the Company to perform and do all acts and things as are necessary or desirable to give effect to each of the above resolutions.

8.2. Crown College Institute of Higher Education

Ms Danzinger noted that the first meeting of the Crown College Institute of Higher Education had taken place and everything was on track and that progress was satisfactory.

The meeting closed at 1.25pm.

