



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Tuesday, 19 February 2019 at
10.00am at M7&8, Crown Promenade, 8 Whiteman Street,
Southbank, Victoria

Present:

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

Mary Manos (Secretary)

By invitation:

Ken Barton
Karl Bitar (Agenda Items 2 to 14 only)
Lachlan Cobon (EY) (Agenda Item 7.2 only)
Barry Felstead
Lauren Harris
Alan McGregor (Agenda Items 2 to 14 only)
Richard Murphy (MinterEllison) (Agenda Items 7.3 and 8 only)
Todd Nisbet

Apologies:

Mark Arbib

BUSINESS

"In Camera" Session

As Chair of the Nomination and Remuneration Committee, Geoff Dixon presented the Board with the results of the 2018 Board Evaluation in the absence of management.

Draft Minutes of Meeting:***Minutes of Meeting of the Board held on 11 December 2018:***

It was **RESOLVED** that the Minutes of the Board Meeting held on 11 December 2018 be approved.

Written Resolution dated 21 January 2019:

It was also **RESOLVED** that the Written Resolutions of the Board dated 21 January 2019 be noted.

Matters Arising:***VIP Operating Model***

Geoff Dixon provided the Committee with an update on the consideration of the proposed revisions to the VIP Operating Model noting that the Risk Management Committee had discussed the proposal at length at its last meeting and requested that a further meeting be scheduled to discuss the proposal, potential risks and the associated risk mitigation strategies.

Barry Felstead advised the Board that additional information had been obtained in relation to Singapore and that a further Risk Management Committee would be convened to consider the proposal in relation to Singapore.

Proposed Sale of Crown Aspinalls

The paper with respect to this item was taken as read and Ken Barton highlighted the following:

- At the June 2018 Board meeting, the Board supported a proposal to progress the review of strategic options in relation to the Company's UK assets.
- Management, together with Damian Aspinall, had been working on the strategic review.
- In relation to Aspers, discussions with other parties to date have proven to be unsuccessful.
- In relation to Aspinalls, while discussions with Caesars and Genting have proven to be unsuccessful, a non-binding indicative proposal (**Letter of Intent**) for the acquisition of Aspinalls was received in mid-December 2018 from Inventive Star Limited for £68 million with Crown to retain all cash and receivables associated with Aspinalls (**Proposed Transaction**). It was noted that a meeting with the principals of Inventive Star had been scheduled for Tuesday, 26 February 2019 and management was seeking the approval of the Board to

proceed with the Proposed Transaction broadly on the terms outlined in the paper with respect to this item.

Having regard to the Proposed Transaction, it was **RESOLVED** that:

1. the Proposed Transaction on terms broadly consistent with the terms described in the paper with respect to this item is considered to be in the best interests of the Company;
2. the Letter of Intent in relation to the Proposed Transaction, substantially on the terms described in the paper with respect to this item (and with such amendments approved by the Executive Chairman and the Chief Financial Officer), be approved for execution by either two directors or any director and secretary of the Company and/or the relevant subsidiaries of the Company;
3. the Executive Chairman and the Chief Financial Officer be authorised to:
 - (a) oversee the provision of financial, legal and tax due diligence information to Inventive Star Limited to allow it to conduct an appropriate level of due diligence on the Crown Aspinalls' business;
 - (b) finalise the commercial terms of the Proposed Transaction on terms broadly consistent with the terms described in this paper; and
 - (c) do all things necessary or desirable to finalise the Proposed Transaction including, without limitation, finalising the terms of the required transaction documents (the **Transaction Documents**);
4. to the extent that the Company is a party to any Transaction Documents, any two directors or any director and secretary of the Company, be authorised to execute the Transaction Documents on behalf of the Company;
5. the Disclosure Committee be authorised to approve an ASX release in relation to the Proposed Transaction should it proceed; and
6. any director or secretary of the Company be authorised to sign all documents and do all acts, matters and things as are necessary or desirable (in their opinion) to complete the transactions contemplated by or incidental to the Proposed Transaction and the Transaction Documents.

Trading Update:

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

- Crown Melbourne EBITDA was approximately \$4.6m below budget and Crown Perth was approximately \$3.6m below budget resulting from a significantly lower average spend per

visit.

- Crown Melbourne and Crown Perth experienced subdued VIP volumes over the Chinese New Year period.
- As compared to analyst consensus for the half year, EBITDA was approximately 6% below consensus and NPAT was approximately 8% below consensus. It was noted that there had been general softening in the VIP volumes across the region and the market was aware of volatility in the VIP business and that management continues to monitor analyst expectations on a periodic basis.
- Management was scheduled to meet next week to discuss further cost saving initiatives and to consider the full year budget and whether any revision is required having regard to current trading.

Barry Felstead provided the Board with an update on a number of initiatives at Crown Melbourne and Crown Perth, including in relation to the possible expansion options for the Dragon Link gaming machine product at Crown Melbourne and recent discussions with the relevant local Governments in relation to possible cashless transactions at Crown Melbourne and Crown Perth.

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

CEO's Report:

The CEO's Report was taken as read.

John Alexander noted that the annual meeting with the Victorian Commission for Gambling and Liquor Regulation and Crown Melbourne went well.

Barry Felstead provided the Board with an update on the Crown Melbourne Area Manager Enterprise Agreement negotiations noting that the matter may need to be referred to Fair Work. It was also noted that the Crown Perth United Voice Enterprise Agreement was due to expire in September 2019 with negotiations expected to commence in April 2019.

Mary Manos advised the Board that the Company had received a Notice to Produce from ASIC requesting extensive information regarding the Company's corporate governance practices in relation to executive remuneration, noting that in 2018, ASIC established a Corporate Governance Taskforce for the purpose of undertaking targeted reviews of corporate governance practices in large entities, with executive remuneration being one of the focus areas.

It was noted that the Company had engaged Ashurst to assist with responding to the Notice and that management was in the process of gathering the information required to comply with the request.

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

**Results for the Half Year ended 31
December 2018:**

Draft Results Presentation and ASX Announcement

Ken Barton led a page turn of the draft Half Year Results Presentation noting, among other matters, the following:

- Australian Resorts main floor gaming was up 0.9% on the prior comparable period, with Crown Melbourne up 2%; and
- VIP program play at Australian Resorts was down 12.2% on the prior comparable period.

Ken Barton advised the Board that any comments on the draft Results Presentation and ASX Announcement should be provided to Mary Manos by no later than 5:00pm.

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

Draft Minutes of Meeting of Audit and Corporate Governance Committee held 11 February 2019

The draft minutes were taken as read.

Helen Coonan noted that:

- Management undertook an assessment of the key impairment indicators for each of its subsidiaries and associates which indicated that Crown Perth and DGN had indicators of impairment so an updated carrying value assessment was undertaken for each business.
- The updated carrying value analysis for each business showed that the recoverable amounts remained higher than the carrying value and therefore no impairment charge was required, noting that for Crown Perth the headroom remained tight and it was possible that an impairment charge could be required in the future.
- Lachlan Cobon had been invited to attend the Board meeting to provide an update on the tax litigation matters.

It was **RESOLVED** that the draft minutes of meeting of the Audit and Corporate Governance Committee held on 11 February 2019 be noted.

Accounting issues

The Accounting Issues paper was taken as read.

It was **RESOLVED** that:

- the Accounting Issues Report be noted; and
- the proposed accounting treatments and valuations referred to in that Report be approved.

Dividend Recommendation

It was noted that the Audit and Corporate Governance Committee had:

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

Subject to finalisation of the Appendix 4D 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 year 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:

- an interim dividend of 30 cents per ordinary share be declared and paid, out of the Company's current year profits as at 31 January 2018, on 4 April 2019;

- the dividend be franked to 60%;
- the unfranked portion of the dividend be paid from conduit foreign income; and
- the dividend be paid to the holders of ordinary shares on the register of members as at 21 March 2019.

Appendix 4D

The draft Appendix 4D which had been recommended for approval by the Audit and Corporate Governance Committee was noted.

It was **RESOLVED** that the draft Appendix 4D be approved subject to final approval by the Executive Chairman.

It was **RESOLVED** that, in the opinion of the Directors:

- the financial statements and notes of the consolidated entity for the half year ended 31 December 2018 are in accordance with the *Corporations Act 2001* (Cth) including that they:
 - give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and the performance for the half year ended 31 December 2018; and
 - comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001* (Cth); and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

It was further **RESOLVED** that any one director be authorised to make the above declarations and sign the Directors' Report for and on behalf of the Board.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Development Update:

The Development Update was taken as read.

Crown Sydney

Among other matters, Todd Nisbet highlighted the following in relation to Crown Sydney:

- 26 residences have been sold with another three under negotiation, noting that this represents approximately 1/3rd of the total number of residences for sale and approximately 50% of the residential revenue that has been disclosed to the market; and
- operating agreements and interior design appointments for the restaurants are expected to be finalised over the next few months.

One Queensbridge

In relation to One Queensbridge, Todd Nisbet advised the Board that Management was in discussions with PDG Corporation in relation to the proposed acquisition by PDG Corporation of 50% of the project with the Company to maintain control over the hotel asset and project branding, noting that the total number of apartments would be reduced and commercial office space would be included in the project.

Mary Manos advised the Board that the Company is awaiting the decision of the Victorian Government in relation to the application lodged by the Company to extend the planning permit for One Queensbridge. It was noted that, following receipt of the decision, the Company would announce the decision to the market.

It was **RESOLVED** that the Disclosure Committee be authorised to approve an ASX release in relation to the decision of the Victorian Government on the planning approval extension application for

One Queensbridge.

Alon Las Vegas

Todd Nisbet advised the Board that the dispute with YWS Architects over the Alon Las Vegas project was settled with the final distribution of US\$3.2 million (after costs) having been repatriated to the Company.

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

Capital Management Update:

The Capital Management Update was taken as read.

It was **RESOLVED** that the Capital Management Update be noted.

Treasury and Compliance Update:

The Treasury and Compliance Update was taken as read.

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

Investor Relations Report:

The Investor Relations Report was taken as read.

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

Minutes of Meeting of Committees:

Draft Minutes of Meeting of the Risk Management Committee held on 11 February 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management Committee held on 11 February 2019 be noted.

Draft Minutes of Meeting of the Corporate Social Responsibility Committee held on 11 February 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Corporate Social Responsibility Committee held on 11 February 2019 be noted.

Draft Minutes of Meeting of the Occupational Health and Safety Committee held on 12 February 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Occupational Health and Safety Committee held on 12 February 2019 be noted.

Draft Minutes of Meeting of the Responsible Gaming Committee held on 12 February 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 12 February 2019 be noted.

Draft Minutes of Meeting of the Nomination and Remuneration Committee held on 12 February 2019:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Nomination and Remuneration Committee held on 12 February 2019 be noted.

Review of Charters:

The Review of Charters paper was taken as read.

Mary Manos noted that, with the exception of the Finance and Investment Committees, the proposed amendments to the Committee Charters of each of the Company's Board Committees, most of which were administrative amendments, were recommended for approval by the relevant Board Committees.

It was also noted that a number of non-substantive edits to the Board Charter were recommended by management.

Having reviewed and considered the proposed amendments to the Charters, it was **RESOLVED** that the revised Board Charter and the Committee Charters of each of the Company's Board Committees be approved in the form, or substantially in the form, presented to the Board.

Other Business:

Senior Executive Employment Contract – Peter Crinis:

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

John Alexander noted that the Nomination and Remuneration Committee had considered a proposal to promote Peter Crinis to the role of Chief Operating Officer – Crown Sydney and recommended that the Board approve this appointment.

Having regard to the matters set out in the paper, it was

RESOLVED that:

- it is in the Company's best interests to enter into the Employment Agreement with Mr Peter Crinis;
- the Chairman be authorised to negotiate the final form of the Employment Agreement within the parameters presented;
- the Employment Agreement be approved;
- the Employment Agreement be executed by two directors or a director and secretary;
- any director or secretary of the Company be authorised to sign, complete, make, execute, deliver, endorse, issue or file with any person all other documents and to pay all such payments as any of them may deem necessary or advisable in order to carry out or give effect to the above resolutions and to do all things necessary or desirable relating to the above resolutions.

Review of Political Donations Policy:

Mary Manos advised the Board that greater clarity needs to be sought on the application of the exceptions to the making of political donations in Victoria, however, the new law now helpfully distinguishes between Federal and State donations.

It was therefore proposed that the Company lift the embargo on political donations at a Federal level with the embargo to remain on political donations in Victoria until further clarification is sought.

It was **RESOLVED** that the Company be authorised to make political donations at a Federal level, with an embargo to remain of political donations in Victoria.

Future Meetings and Proposed 2020 Calendar:

The Board noted the future meeting dates and proposed 2020 calendar dates.

Mary Manos advised the Board that calendar invitations would be circulated for the 2020 Board and Committee meeting dates.

Closure:

There being no further business, the meeting was declared closed at 12.47pm.

Signed as a correct record



Chairman