



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Thursday, 3 August 2017 at 10.00am
at Garden Room 1, Level 1, Crown Towers, 8 Whiteman Street,
Southbank, Victoria

Present: John Alexander (Chairman)
Helen Coonan
Rowena Danziger
Andrew Demetriou
Geoff Dixon (by telephone)
John Horvath
Michael Johnston
Harold Mitchell

By invitation: Ken Barton
Andy Carr
Barry Felstead
Lauren Harris
Guy Jalland (CPH)
Alan McGregor
Richard Murphy (Minter Ellison) (Agenda Item 5 only)
Todd Nisbet
James Packer (by telephone)
Ian Scott (Ernst & Young) (Agenda Item 10.3 only)

Apologies: Mark Arbib (CPH)
Karl Bitar
Mary Manos

B U S I N E S S

Executive Chairman's Report: The Executive Chairman's Report was taken as read.

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

Trading Update:

Ken Barton spoke to the Trading Update for the Group. He noted that Group EBITDA was ahead of budget and Group NPAT was slightly below budget due to higher tax rates.

Barry Felstead spoke to the Trading Update for the Australian resorts and noted that the Melbourne local business had started the year well with strong local gaming volumes and steady hold performance and that the Perth local business had started well however the high end business had been difficult.

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

Results for the Full Year ending 30 June 2017:***ASX Announcement and Presentation:***

Ken Barton outlined the process for announcing and presenting the Company's full year results. He advised the directors that any comments on the draft presentation and announcement should be provided to Andy Carr and Lauren Harris by no later than 5.00pm.

Mr Barton took the Board through the draft Full Year Results Slide Presentation.

It was **RESOLVED** that the ASX 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 the Audit and Corporate Governance Committee held on 31 July 2017:

The draft Minutes were taken as read.

Helen Coonan noted that the 2017 financial year marked the fifth year of David McGregor's appointment as Crown's lead audit partner and following a formal review process conducted by Management, a recommendation was made to the Audit and Corporate Governance Committee that Michael Collins be appointed as Crown's lead audit partner from the 2018 financial year. It was noted that Michael Collins' CV was available for inspection by the Directors. Ms Coonan advised that, after considering the recommendation from Management, the Audit and Corporate Governance Committee recommended to the Board that Michael Collins replace David McGregor as Crown's lead audit partner from the 2018 financial year.

It was **RESOLVED** that Michael Collins replace David McGregor as Crown's lead audit partner from the 2018 financial year.

Ms Coonan also noted that:

- the Audit and Corporate Governance Committee reviewed the independence of Crown's external auditor and received a presentation from Leigh Walker, Country Independent Leader at Ernst & Young, with an overview of Ernst & Young's independence systems;
- following formal consideration of the non-audit services provided by Ernst & Young during the 2017 financial year, the Audit and Corporate Governance Committee was satisfied that Ernst & Young remains independent; and
- a copy of the signed advice to the Board of Directors confirming the reasons why the provision of non-audit services is compatible with, and did not compromise, the independence of the auditor was included in the Board papers.

It was **RESOLVED** that the Draft Minutes of Meeting of the Audit and Corporate Governance Committee held on 31 July 2017 be noted.

ASX Appendix 4E:

Mr Barton confirmed that the Audit and Corporate Governance Committee had closely reviewed the draft Appendix 4E and recommended it be approved by the Board and that Ernst & Young had indicated that it will provide an unqualified audit opinion in relation to the 2017 accounts.

It was **RESOLVED** that the Appendix 4E be approved for release subject to any amendments agreed to by the Board and subject to final approval by the Executive Chairman.

Accounting Issues:

The Accounting Issues paper was taken as read.

It was **RESOLVED** that:

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

Dividend Recommendation:

Mr Barton noted that the Audit and Corporate Governance Committee had:

- considered the final dividend recommendation of 30 cents per share franked at 60%;
- confirmed that the Corporations Act requirements were satisfied; and
- recommended the declaration of the final dividend to the Board.

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 final dividend of 30 cents per ordinary share be declared and paid, out of the Company's current year profits as at 31 July 2017, on 6 October 2017;
- the dividend be franked to 60%;
- no part of 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 22 September 2017.

Annual Occupational Health and Safety Update:

The Annual Occupational Health and Safety Update presentation was taken as read.

The substantial improvements in occupational health and safety performance and associated financial benefits as a result of the work of Management and the Occupational Health and Safety Committee were noted by the Board.

Capital Management Plan Update:

Ken Barton presented the update on the Capital Management Plan paper and noted that:

- there has been a thin market for the Subordinated Notes I buy-back;
- the Company had repaid \$300 million of Australian Medium Term Notes that matured in July 2017; and
- the Company intends to early terminate \$105.7 million of jet lease agreements with effect from 19 September 2017.

It was also noted that:

- (a) **(Recent On-market Buy-back)** at its meeting on 22 February 2017, the Board approved an on-market buy-back by the Company of its ordinary shares for an amount of up to \$500 million (**On-market Buy-back**). The On-market Buy-back was announced on 6 March 2017, commenced on 20 March 2017 and ended on 30 June 2017. During this period 39,546,363 shares were bought back for a total consideration of \$499,587,065.24;
- (b) **(Proposed Second On-market Buy-back)** noting the matters discussed at the meeting, it is proposed that the Company consider approving a further On-market Buy-back subject to the 10/12 limit (further described below as the **Second On-market Buy-back**), and consider the establishment of a sub-committee of the Board (**Buy-back Committee**) with the authorisation and delegation to consider and determine specific matters relating to the Second On-market Buy-back as described below;
- (c) **(FIRB)** on 15 February 2017, FIRB was given notification of a proposed on-market buy-back of up to 10% of the Company's shares over a 12 month period. Provided that the On-market Buy-back and the Second On-market Buy-back together do not involve the Company buying back more than 72,839,418 shares in total (being 10% of the Company's ordinary shares on issue as at 15 February when the FIRB notification was lodged), a further FIRB notification is not required;
- (d) **(Corporations Act)** under the Corporations Act, the Company can undertake an on-market buy-back without shareholder approval if:
 - (i) it is within the "**10/12 limit**" (prescribed under the Corporations Act), ie the number of shares to be bought back under the on-market buy-back, together with the number of shares bought back during the last 12 months, does not exceed 10% of its shares during the last 12 months (which is calculated as 10% of the smallest number of ordinary shares on issue in the 12 months before the proposed buy-back);
 - (ii) the on-market buy-back does not materially prejudice

- the Company's ability to pay its creditors; and
- (iii) the Company follows the procedures set out set out in the Corporations Act;
- (e) **(10/12 limit)** applying the 10/12 limit to the Company (noting the 39,546,363 shares already bought back under the earlier On-market Buy-back), up to 29,338,419 shares (being 4.26% of ordinary shares currently on issue) can be bought back under the Second On-market Buy-back;
- (f) **(ASX Listing Rules)** under the ASX Listing Rules, the Company can only undertake the Second On-market Buy-back if:
- (i) transactions in the Company's shares were recorded on ASX on at least 5 days in the 3 months before the Company buys back the shares; and
- (ii) the purchase price is not more than 5% above the volume weighted average price for shares, calculated over the last 5 days on which sales in the shares were recorded before the day on which the particular buy-back is made (**Maximum Price**); and
- (g) **(Insider trading prohibition)** the Company:
- (i) will not be in a position to announce the Second On-market Buy-back and make the required filings on ASX (including ASX Appendix 3C) if the Company is in possession of "**Inside Information**" in relation to the Company's shares (being information that is not generally available but, were it generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's shares) at the time of making the announcement; and
- (ii) must not buy-back any shares under the Second On-market Buy-back at any time while the Company is in possession of Inside Information in relation to the Company's shares.

Having regard to the above, the Board, with the exception of Michael Johnston (CPH Nominee director), **RESOLVED** that:

- (i) **(no material prejudice)** the Second On-market Buy-back is not materially prejudicial to the Company's ability to pay its creditors;
- (ii) **(establishment of Committee)** the 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 Second On-market Buy-back;

and

- (iii) **(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 a proposed on-market buy-back of up to 29,338,419 shares (being the number of shares which does not cause the Company to exceed the 10/12 limit and represents 4.26% of the Company's ordinary shares on issue) **(Second On-market Buy-back)**; and
- (iv) **(authority to manage and confirm logistics)** the Buy-back Committee be authorised to manage and confirm matters concerning the logistics of the Second On-market 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 and the maximum price set by the Board) throughout the Second On-market Buy-back process.

The Board, with the exception of Michael Johnston (CPH Nominee director), 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 Second On-market 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 Second On-market 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 On-market 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 Second On-Market Buy-back for up to 29,338,419 shares, being the number of shares which does not exceed the 10/12 limit and representing 4.26% of the Company's ordinary shares on

issue.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



Key Development Matters:

The Development Update presentation was taken as read.

Todd Nisbet noted that there had been no material changes to the Key Development Matters since the last Board meeting.

Crown Sydney Update:

Todd Nisbet noted that Crown Sydney is proceeding on schedule.

It was noted that following the opening of the Convention Centre in Sydney, there had been an outperformance of hotel rates in Sydney and Management would reconsider the hotel rates projected for Crown Sydney with an update to be provided at the October Board meeting.

The Board discussed the status of the Barangaroo Central Sightline negotiations.

One Queensbridge Update:

Todd Nisbet noted that Management had continued the third party equity marketing efforts to solicit a new equity investor into the One Queensbridge project with a number of potential third party investors having submitted expressions of interest.

Alon Update:

In relation to the proposed sale of the Alon land, Todd Nisbet noted that:

- CBRE had commenced a global marketing campaign and were working with parties that had expressed interest; and
- Alon had filed answers to the complaint and filed a counter-claim against YWS Architects in relation to the complaint over disputed payments.

Japan Update:

Todd Nisbet noted that Yokohama / Yamashita Pier is of interest and any potential opportunities in Japan will be further explored in the next calendar year.

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

Ellerston:

Consideration of this matter was deferred until the end of the meeting to allow representatives from Consolidated Press Holdings to leave the room.

Draft Minutes of Meeting of the Board:

It was **RESOLVED** that the Minutes of the Board Meeting held on 21 June 2017 be approved.

- CEO's Report:** The CEO's Report was taken as read.
It was **RESOLVED** that the CEO's Report be noted.
- CFO's Report:**
- Management Accounts YTD June 2017:*** The Management Accounts were taken as read.
It was **RESOLVED** that the Management Accounts be noted.
- Treasury and Compliance Report:*** The Treasury and Compliance Report was taken as read.
It was **RESOLVED** that the Treasury and Compliance Report be noted.
- Tax Update:*** Ian Scott, Tax Leader at Ernst & Young, provided an update to the Board regarding various taxation matters currently under consideration.
- 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 Occupational Health and Safety Committee held on 24 July 2017:*** 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 24 July 2017 be noted.
- Draft Minutes of Meeting of the Responsible Gaming Committee held on 24 July 2017:*** The draft minutes were taken as read.
It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 24 July 2017 be noted.
- Draft Minutes of Meeting of the Nomination and Remuneration Committee held on 26 July 2017:*** Geoff Dixon advised the Board that at its last meeting, the Nomination and Remuneration Committee had considered a bonus payment proposed to be paid to Karl Bitar and noted the following:
- In June 2016, Crown announced that the NSW Planning

Assessment Commission had approved the applications for the modification of the concept plan for Barangaroo and for the construction of the Crown Sydney Hotel Resort (the June 2016 Approvals). This was the final government approval required to enable the construction of the Crown Sydney Hotel Resort;

- In recognition of the work performed by Karl Bitar in obtaining the June 2016 Approvals, Karl was advised that he would be entitled to receive an additional payment from Crown of \$1.75 million as a bonus payment (the Bonus Payment);
- The Committee requested that going forward, should any additional out of cycle payments referable to Crown's senior executives be proposed, that these be advised to the Committee; and
- The Committee had recommended that the Bonus Payment be approved by the Board.

It was **RESOLVED** that :

- having regard to the work performed by Karl Bitar in obtaining the June 2016 Approvals and the commitment of the former Chairman of the Company, it is in the Company's best interests to make the Bonus Payment;
- the Bonus Payment be hereby approved; and
- any director or secretary of the Company be authorised take such action as any of them may deem necessary or advisable in order to carry out or give effect to the above resolutions.

Geoff Dixon provided a high level summary of responses received by directors on the Board evaluation questionnaire and noted the following:

- it was suggested that at least one additional female director be added to the Board and that the number of females not reduce below the current level of two; and
- following the considerable change in senior management, their performance as a group will need to be kept under review.

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Nomination and Remuneration Committee held on 26 July 2017 be noted.

Annual General Meeting:

The Annual General Meeting paper was taken as read.

It was **RESOLVED** that:

- an Annual General Meeting of the Company be convened on 26 October 2017 commencing at 10.00am, to be held at Crown Melbourne;
- notice of the Annual General Meeting, in the manner required by the Corporations Act and in a form required by the Company's Constitution, be given to each member, each director and to Ernst & Young (the Company's auditor); and
- the Company Secretary be authorised to prepare the Notice of Meeting and to take such steps as are necessary to procure the service of the Notice of Meeting.

Board and Committee Appointments:

The Board and Committee Changes paper was taken as read.

It was **RESOLVED** that:

- the resignation of Robert Rankin as a director of the Company with effect from 21 June 2017 be noted;
- Guy Jalland be appointed as a director of the Company subject to:
 - the receipt by the Company Secretary of a signed consent to act as a director of the Company; and
 - the receipt of all necessary regulatory approvals;
- upon the appointment of Guy Jalland as a director of the Company becoming unconditional, Guy Jalland be appointed as Chair of the Investment Committee; and
- John Horvath be appointed as a member and Interim Chair of the Investment Committee until such time as Guy Jalland's appointment becomes effective.

Annual Review of Anti-bribery and Corruption Policy:

The Annual Review of Anti-bribery and Corruption Policy paper was taken as read.

It was **RESOLVED** that:

- the Board reinforce and endorse its commitment to a zero tolerance approach to acts of bribery or corruption; and
- the updated Anti-bribery and Corruptions Policy presented to the Board be approved.

2017 Meeting Schedule:

The Board noted the remainder of the 2017 Meeting Schedule.

Ellerston Update:

Representatives from Consolidated Press Holdings left the room.

Helen Coonan provided an update on the Ellerston sale process to the non-conflicted directors.

Helen Coonan advised the directors of the following:

- the Independent Valuer had determined that the headline valuation number for Ellerston was \$125 million;
- the subcommittee was looking to obtain a price for Crown's 50% share in Ellerston which would recover some of the holding and other costs which Crown has incurred in relation to the investment and it was noted that a range of between \$60m and \$65m would do so;
- although no agreement has yet been reached with CPH, Crown management has been discussing a potential proposal with CPH whereby CPH would acquire Crown's 50% interest in Ellerston for \$65m and Crown and CPH would enter into a long term access agreement on arm's length terms which would allow Crown to continue to access Ellerston for an upfront payment of \$3m for 550 access days, and once those initial 550 days have been used, then arm's length fees for access would apply, which fees would be consistent with the arm's length fees in the existing arrangements between Crown and CPH;
- draft documentation in relation to the potential proposal noted above is currently with CPH;
- CPH is currently considering the draft documentation and is also considering the structuring of the transaction further;
- the sub-committee has asked Crown management to press CPH to progress the transaction as expeditiously as

possible; and

- once Crown management hears back from CPH and the transaction is further advanced, it is proposed that when the subcommittee next meets it is presented with a full set of draft documentation, a briefing note, the updated valuation report and a recommendation to put to the Board.

Closure:

There being no further business, the meeting was declared closed at 11.34am.

Signed as a correct record

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Chairman