



## Crown Melbourne Limited

Meeting of the Board of Directors held on Tuesday, 12 February 2019 at  
10.00am at Chairman's Office Boardroom, Level 3, Crown Towers

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**Members Present:**

Mr John Alexander (Chairman)  
Professor John Horvath  
Mrs Rowena Danziger  
Mrs Toni Korsanos  
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

### BUSINESS

**Draft Minutes of Meeting:**

***Minutes of Meeting held on 26  
November 2018:***

It was **RESOLVED** that the Minutes of the Board Meeting held on 26  
November 2018 be approved.

***Minutes of Meeting held on 24  
December 2018:***

It was **RESOLVED** that the Minutes of the Board Meeting held on 24  
December 2018 be approved.

**Financial Results:**

Mr Felstead spoke to the Year to Date performance and noted as  
follows:

- following a strong December, January saw soft trading conditions with the business down on budget by \$4.4 million, resulting in local contribution year to date, being \$9.8m below

budget;

- the main issue continued to be in Tables Games, specifically related to local premium. Business was however seeing continued positive visitation volumes however spend was less. There was also some evidence of softness in the lower end Table Games activity. This performance trend was felt through a lack lustre Lunar New Year Festival period.
- the Gaming Machine business is trading satisfactorily with the main gaming floor progressing well;
- Table Games and Gaming Machines performance has both been affected by poor hold;
- Food & Beverage was reasonably soft for the period off the back of a poor festive season;
- the UFC activity in Melbourne was very positive for Food & Beverage;
- Hotels had mixed results with occupancy being up, however the rate was not as strong as budgeted which affected contribution levels;
- Food & Beverage results were well done on budget, however up year on year; and
- generally speaking the business was seeing subdued trade year to date.

#### **Current Issues:**

Mr Felstead referred to the Current Issues Update which was taken as read. Mr Felstead however noted the following:

- the management of tier offers to patrons initiative was showing positive results;
- there had been a significant number of dinner events for Gold, Platinum and Black customers in the lead up to and during the Lunar New Year Festival period;
- there are a range of other dinner offers and events equating to approximately 70-80 through the course of the calendar year, with results to date being positive, but not as strong as historical events which evidence poor consumer sentiments. This is also seen through economic conditions such as the decline in housing prices in the Victorian market;
- the outbound marketing telephone activity continued with approximately 7,500 calls being made per week, with an approximate 3% hit rate;
- the property visitation was up by 4%, however the continuing issue was the reduction in spending. The challenging factor with

an increase in patron visitation was the limited opportunities to reduce labour costs as there was still the same number or a greater number of people attending who required service levels to be met;

- it was noted that The Star's performance was solid however noting some softness in International;
- The Star's Gold Coast property was providing very strong offers for its local players which made it increasingly difficult for Crown Melbourne to attract interstate players from Queensland to Melbourne;
- over the course of two very poor months for Melbourne, it has shifted the year to date performance which was before that largely positive;
- it was noted that Perth's review of Table Games by an external party only provided minor initiatives with no great revelations. It was noted that there was nothing to be gained from engaging the external party to review Crown Melbourne as the findings from Perth were also directly relevant to Melbourne and accordingly were not overly helpful;
- the Teak non-smoking expansion has been positive for the business and there is a proposal to expand it further in due course at an approximate cost of \$1.4m;
- mandatory health checks for staff working in the smoking exempt areas continued, being a positive initiative;
- the installation of the popular Lightning Link and Dragon Link gaming machines had increased to over 600 units and continue to perform well. The JJBX gaming machine is also performing well;
- more than 25% of the Gaming Machine compliment are new devices which has been positively received by our customers, evidenced by the stable performance in the Gaming Machine business;
- there was one Bloomtopia gaming machine on the main gaming floor. It was performing with less win per hour, due to the activation of the feature;
- Pop Shots and Fortunes of the Brave were to come in due course with regulatory approval taking an extended period of time to be obtained;
- negotiation of the Crown Melbourne Limited Area Manager Enterprise Agreement (EA) has recommenced with United Voice despite 94% of coveted employees voting no in the ballot held at the end of December relating to this EA. Crown continues to maintain its position of a 2.5% wage offer. United Voice was not moving from its 4% at present which has the potential for the

matter going to the Fair Work Commission;

- there are currently a total of 278 employees and contractors in the CROWNability program across both properties with 121 direct employees and 10 contractors at Crown Melbourne and 139 direct employees and 8 contractors at Crown Perth;
- it was noted that Kurt Fearnley still provided fantastic leadership as an ambassador for the CROWNability program. Unfortunately Kurt didn't win the Australian of the Year as he was a magnificent candidate. Our work with Kurt will continue in a very positive manner;
- there are currently 207 indigenous Australians employed across Crown with 113 at Crown Melbourne and 94 at Crown Perth under the Indigenous Employment Program;
- a number of tours with Parliamentarians continued to occur with Chris Reilly, Barry Felstead, Xavier Walsh and Joshua Preston hosting the tours to educate key stakeholders;
- Ms Danziger spoke to the Crown College International Higher Education program and noted that it was progressing well, however there was a detailed process to address all of the Government regulatory requirements. It was expected that the College was aiming to start teaching activities in May 2020.

#### **Development Update:**

Mr Felstead spoke to the Development Update which was taken as read. Mr Felstead noted the following points:

- the Karaoke Bar development continued in a positive matter. It was noted that there is a proposal to install a small number of Table Games in an area close to the Karaoke facility, as the patrons attending the Karaoke Bar might be gamers;
- Fun Lab / Holey Moley development continues in the retail strip near Crown Metropol. This was a positive development in an area that is currently quiet. It was also noted that Holey Moley was considering developing a facility at Crown Perth;
- he would be reinstating regular property walks with appropriate staff to make sure presentation is up to standard.

#### **Audit and Compliance Updates:**

##### ***Regulatory and Governance Update:***

The Regulatory and Governance Update was taken as read with Mr Preston noting the following:

- AUSTRAC would be carrying out a Compliance Assessment on Crown Perth later in the financial year. It was expected that an Assessment would be carried out on Melbourne post the Perth

#### Assessment;

- it was noted that the drafting of the Joint AML/CTF Program for both Crown Perth and Crown Melbourne continued to progress with MinterEllison currently reviewing a draft. It was also noted that an independent expert was reviewing the transaction monitoring program, which was an important component of the AML/CTF Program. The AML/CTF Program will ultimately be adopted by Crown Melbourne and Crown Perth and Crown Sydney in due course;
- Crown Melbourne is scheduled to host approximately 35 participants in AUSTRAC's Financial Intelligence Analyst Course where Crown explains to the participants the nature of the casino business and how it operated and its relevance the AML;
- it was noted that the Risk Appetite had now been approved by all three boards (Crown Resorts Limited, Crown Melbourne Limited and Burswood Limited) and that further enhancements to risk reporting at Board, Committee and Executive levels continued;
- an external consulting company had been engaged to review the risk framework which would assist Crown Melbourne in satisfying itself that the framework was appropriate and also assist with respect to responding to the relevant Section 25 Review Recommendation;
- the Corporate Risk Profile Review had been undertaken by the Executive Team with two suggested changes being a new risk of *'Breakdown in relationship with key Government and Regulatory Bodies'* and the splitting of the *'Responsibility Business Model'* risk into *'Responsible Service of Gaming'* and *'Responsible Service of Alcohol'* risks. The Board noted the new changes to the Risk Profile;
- the plastic pick used on continuous play machines and multiple loyalty cards issued to patrons complaint raised by Mr Wilkie with the VCGLR was still in progress;
- the VCGLR China investigation continues with further documentation being provided recently. It was expected that a draft report would be issued in the not too distance future for Crown to review and provide comment before it was finalised and ultimately sent to the Minister.
- the business continued to remain engaged with relevant Government Ministers and Officers regarding the Black Economy Taskforce proposal;
- the Compliance Framework continued to be rolled out and had been adopted positively by the business. It was expected that the final departments will be commissioned into the framework by end of the financial year;

- there had been no update on the poker tax matter;
- the Crown Resorts Responsible Gaming Board Committee continued to progress the initiative regarding the appointment of the Responsible Gambling Advisory Panel in a positive manner. It was hopeful that this Panel would, in due course, assist Crown with strong independent commentary on its RSG framework and any initiatives or trends;

REDACTED - PRIVILEGE

***Section 25 Review Update:***

Mr Preston spoke to the Section 25 Review Update which was taken as read.

It was noted that Crown had now formally responded to Recommendations 1 and 2 through the provision of a submission to the Commission together with a progress report on all of the other recommendations.

***Audit Committee Minutes:***

Mrs Korsanos spoke to the Audit Committee Minutes which were taken as read.

***Compliance Committee Minutes:***

Professor Horvath spoke to the Compliance Committee Minutes which were taken as read.

***Responsible Gaming Update:***

It was noted that the Minutes of the Responsible Gaming Committee meeting held on 12 February 2019 will be included in the June Board papers.

***Occupational Health & Safety Report:***

Professor Horvath spoke to the Occupational Health & Safety Committee Report which was taken as read. Professor Horvath did however note that the F&B incidents had not settled back to levels that were satisfactory to us and accordingly continued investigations would be made to assess any issues that needed to be attended to.

***Other Business:***

**Payment of Dividend**

Mr Barton spoke to the Crown Melbourne Limited Payment of Dividend Memorandum.


It was noted that the Company wishes to pay a dividend to absolve shareholders of Crown Entertainment Group Holdings Pty Ltd in the amount of \$300 million. It was resolved that on the basis that immediately before the dividend is declared and, at the proposed date of payment:

- the proposed dividend will be played out of the Company's current year profits;
- the current year profits from which the proposed dividend is to be paid as 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 dividends;
- the proposed dividend payment is considered by the Board to be fair and reasonable to the Company's sole shareholder; and
- the proposed dividend payment will not materially prejudice the Company's ability to pay its creditors,

it was **RESOLVED** that a dividend of \$300 million be declared and paid to the Company's sole shareholder, Crown Entertainment Group Holdings Pty Ltd, out of the current year profits of the Company to be credited on the date of this resolution against the Intercompany Loan between the Company and Crown Entertainment Group Holdings Pty Ltd dated 24 December 2018.

**Closure:**

There was no further business and the meeting was declared closed at 11.00am.



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Chair  
John Alexander