



AUDIT & CORPORATE GOVERNANCE COMMITTEE

Meeting of the Committee

Chairman's Office Boardroom, Crown Towers

Monday, 11 February 2019 at 11.00am



Audit & Corporate Governance Committee

Meeting of the Committee to be held on Monday, 11 February 2019
at Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria at 11.00am

Attendees

<i>Committee:</i>	Helen Coonan (Chair) Mike Johnston Toni Korsanos
	Mary Manos (Secretary)
<i>By Invitation:</i>	John Alexander Ken Barton Lauren Harris Alan McGregor John Salomone Michael Collins, Ernst & Young Alison Parker, Ernst & Young Justin Law, Ernst & Young Ian Scott, Ernst & Young Lachlan Cobon, Ernst & Young Jeremy Nash, Ernst & Young

AGENDA

- 1. Minutes of Meeting**
 - 1.1. [Minutes of Meeting of the Committee held on 2 August 2018](#)
 - 1.2. [Minutes of Meeting of the Committee held on 5 September 2018](#)
- 2. Matters Arising**
- 3. Results for the Half Year ended 31 December 2018**
 - 3.1. [Accounting Issues](#)
 - 3.2. [ASX Appendix 4D](#)
 - 3.3. [Interim Dividend Recommendation](#)
 - 3.4. [Assurance from Associates](#)
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- 4. Treasury and Compliance Report**
- 5. Auditor's Report**
 - 5.1. Closing Report for the Half Year ended 31 December 2018
 - 5.2. Audit Plan for the Full Year ending 30 June 2019
 - 5.3. Assessment of Auditor Independence
- 6. Tax Report**
- 7. Continuous Disclosure Report**
- 8. Political Donations Report**
- 9. Expenses Policy**
- 10. Other Business**
 - 10.1. CEO and CFO Declarations
 - 10.2. Review of Committee Charter
 - 10.3. Future Meetings



AGENDA ITEM 1:
Minutes of Meeting



Audit & Corporate Governance Committee

Minutes of a Meeting of the Committee held at
Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria on
2 August 2018 at 1.00pm

Members Present:	<p>Helen Coonan (Chair) Toni Korsanos Michael Johnston</p> <p>Mary Manos (Secretary)</p>
By Invitation:	<p>John Alexander (Crown Resorts) Ken Barton (Crown Resorts) Lauren Harris (Crown Resorts) Alan McGregor (CFO – Australian Resorts) John Salomone (Crown Resorts)</p> <p>Lachlan Cobon (Ernst & Young) Michael Collins (Ernst & Young) Justin Law (Ernst & Young) Jeremy Nash (Ernst & Young) Alison Parker (Ernst & Young) Leigh Walker (Ernst & Young) (Agenda Item 4.2 only)</p>

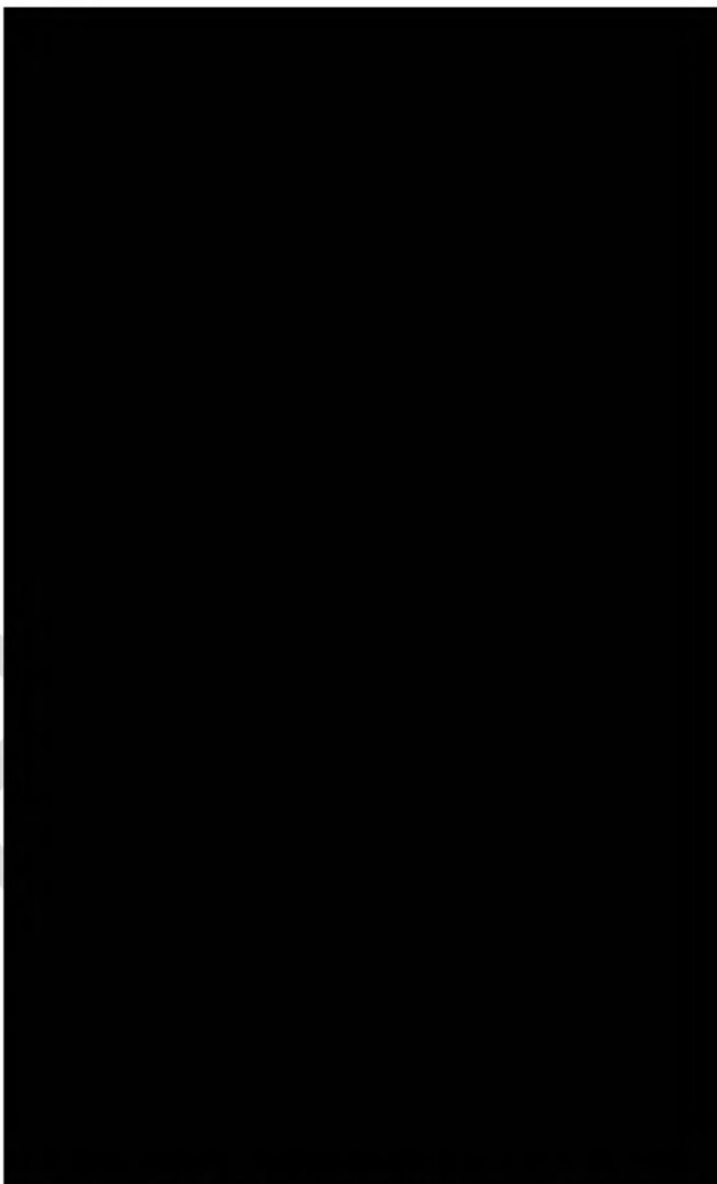
BUSINESS

Opening Business:	Helen Coonan welcomed Toni Korsanos to her first meeting as a member of the Committee and thanked Andrew Demetriou for his service to the Committee.
Minutes of Meeting held 14 February 2018:	It was RESOLVED that the Minutes of the Audit and Corporate Governance Committee Meeting held on 14 February 2018 be approved.
Matters Arising:	The Matters Arising paper was taken as read.

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

Accounting Issues Report:

Ken Barton spoke to the Accounting Issues Report and highlighted the following in relation to the Significant Items included in the Report:



Mr Barton spoke to the other key accounting issues noted in the Report, including:

- The restatement of prior period balances in relation to the Company's investment in DGN Games, LLC.
- The new revenue standard (AASB 15 *Revenue from Contracts with Customers*) will be effective for reporting periods beginning on or after 1 January 2018 that will result in commissions paid

on program play revenue being deducted from revenue, with a corresponding reduction in expenses.

- The decision to recognise the revenue on the sale of Crown Sydney residences upon completion of the sale when ownership is transferred to the purchaser which is consistent with AASB 118.
- The breakdown of Main Floor Gaming revenue into Tables and Gaming Machines in the segment note following requests made by Stephen Mayne and Tim Costello at the 2017 Annual General Meeting.
- The carrying values of Nobu and Crown Perth which will be closely monitored for any indicators of impairment.

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

ASX Appendix 4E:

An updated draft Appendix 4E was tabled at the meeting and Ken Barton led a page turn of the updated draft, noting that it was in close to final form.

The Committee considered the proposed amendment to the contingent liability note in relation to the Cannery tax dispute with the Australian Tax Office (ATO). Lachlan Cobon advised the Committee that:

- the proposed update is to reflect the current status of the matter, being that the ATO disallowed the Company's objections to the amended assessments in full and that the Company lodged applications to appeal in the Federal Court; and
- the ATO has advised the Company of its intention to issue further amended assessments, which the Company expects will be for approximately \$46 million, in respect of financial years ended 30 June 2014 to 30 June 2016 in relation to the Company's investments in North America.

Mike Johnston requested that Ernst & Young determine what the expected further amended assessments figure would be if the ATO based its calculations only on the Cannery related external interest component with a 50% penalty rate applied, including interest.

It was noted that if the Company receives the amended assessments before the release of the Appendix 4E, specific details, as set out in square brackets in the draft Appendix 4E, would be included in the Appendix 4E.

It was **RESOLVED** that the Appendix 4E be approved, subject to the updated calculation on the expected amended assessment in the contingent liability note, and that the Committee recommend the Appendix 4E to the Board for approval.

Dividend Recommendation:

Mr Barton spoke to the Dividend Recommendation paper and noted that, in accordance with the Company's dividend policy, Management has recommended a final dividend of 30.0 cents per share, franked at 60%.

Lachlan Cobon confirmed that the unfranked portion of the dividend would be declared to be conduit foreign income.

It was **RESOLVED** that it be recommended to the Board that a final dividend be declared as follows:

"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 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:

- (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 2017, on 5 October 2018;*
- (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."*

Assurance from Associates:

Mary Manos advised that the Company had obtained assurance certificates from its significant associates, Aspers and Nobu, to provide the Committee with a level of comfort in relation to the accounts of those associates.

It was **RESOLVED** that the Aspers and Nobu Assurance Certificates 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.
- Auditor's Report:** *Closing Report for Full Year Ending 30 June 2018*
- The Auditor's Closing Report was taken as read.
- Michael Collins advised the Committee that Ernst & Young expects to issue an unqualified audit report on the Company's FY18 financial report.
- It was noted that Ernst & Young is continuing to work with Crown Melbourne and Crown Perth to improve the IT change management and IT operations controls. It is expected that the controls will be in place by 1 July 2019 and can be relied upon for F20.
- It was **RESOLVED** that the Ernst & Young Closing Report to the Audit Committee for the full year ended 30 June 2018 be noted.
- Assessment of Auditor Independence*
- Mary Manos advised the Committee that Article 5.5 of the Committee's Charter requires that the Committee periodically review the independence of its external auditors, having regard to any relationships with Crown beyond the external audit function that could impair the external auditor's independence or judgment of Crown and has invited Leigh Walker, Country Independence Leader at Ernst & Young, to present to the Committee.
- It was noted that the Committee is required to provide a written advice to the Board of Directors in relation to the independence of the external auditor.
- Leigh Walker, Country Independence Leader at Ernst & Young, presented to the Committee providing a summary of the following systems used by Ernst & Young as part of its compliance program:
- the independence and monitoring programs, including the Global Independence System, the Personal Independence Compliance Testing Tools and PACE;
 - the periodic independence declarations provided by partners and employees; and
 - the provision of a comprehensive online training tool undertaken annually by all partners and employees.
- Michael Collins also advised the Committee that an independent partner undertakes the tax audit review.
- It was also noted that the Committee is required to consider annually any non-audit services provided by Ernst & Young to determine whether the provision of those non-audit services is

compatible with the independence of the external auditor and does not compromise the auditor's independence.

Based on the representations provided by Ernst & Young in relation to independence processes, it was **RESOLVED** that:

- having conducted a formal review, the Committee is satisfied that the external auditor, Ernst & Young, remains independent;
- in the opinion of the Committee, the provision of non-audit services by Ernst & Young during the 2018 financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and the Committee is satisfied that the provision of non-audit services during the 2018 financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*; and
- the draft advice included in the paper be approved, signed by the Chair of the Committee and provided to the Board of Directors of the Company.

Tax Report:

Lachlan Cobon provided an update to the Committee regarding various taxation matters currently under consideration.

Continuous Disclosure Report:

The Continuous Disclosure Report was taken as read.

The Committee noted the Continuous Disclosure Procedure which was approved by the Continuous Disclosure Committee.

Mary Manos noted that the ASX is in the process of introducing some additional requirements on companies when uploading ASX announcements to the ASX market announcements platform, including the requirement to indicate whether an announcement is "market sensitive" or "non-sensitive".

It was **RESOLVED** that the Continuous Disclosure Report be noted.

Diversity Report:

The Diversity Report was taken as read.

Ken Barton advised the Committee that Mercer had undertaken a gender pay gap analysis for all salaried roles below the Business Operations Team at Crown Melbourne and Crown Perth. The result of the analysis was that there was a 0.6% difference in pay for like-for-like roles which Mercer considered statistically insignificant. Mr Barton noted that the Workplace Gender Equity Agency data indicates a 24% pay gap as the Company's senior management is heavily weighted to males.

Ms Manos advised the Committee that following a review of the Gender Objectives by Management, the following proposed amendments be made with effect from 1 July 2018:

- *Objective 3* – To conduct an internal review on an annual basis of the remuneration for key roles within the group, with an external validation review to be undertaken every second year, to ascertain the existence of any gender pay gaps and to implement action plans to address any such gaps.
- *Objective 4* – To participate in local and national programs which promote gender equity and to implement relevant actions arising out of those programs.
- *Objective 5* – To progress the objectives of the Gender Action Plan for FY18 to FY21 (the **Plan**) and to annually assess the progress of the Plan's objectives.

It was **RESOLVED** that:

- having reviewed its previously adopted Gender Objectives, the revised Gender Objectives presented to the Committee be adopted with effect from 1 July 2018; and
- the appropriate Annual Report disclosures based on the information set out in the paper with respect to this item be included in the Company's 2018 Corporate Governance Statement.

Political Donations Report:

The Political Donations Report was taken as read.

It was **RESOLVED** that the list of Political Donations made by the Crown group during the period 1 July 2017 to 30 June 2018 be noted.

Other Business:

Draft Corporate Governance Statement

The draft Corporate Governance Statement was taken as read

Mary Manos noted that the draft Corporate Governance Statement was well progressed and that the form of the Board Skills Matrix would be circulated to the recently appointed Directors for completion.

Ms Manos also advised the Committee that the ASX has announced its proposal to introduce a fourth edition of the Corporate Governance Principles and Recommendations and upon release of the final version of the Principles and Recommendations, the Committee and the Board will be provided with a detailed update on the changes.

It was **RESOLVED** that the draft Corporate Governance Statement in a form substantially the same as attached to the paper be recommended to the Board for approval.

Annual Financial Report - CEO and CFO Declarations

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

It was **RESOLVED** that the draft CEO/CFO Declaration be approved for use in a form substantially the same as the draft attached to the paper.

Review of Committee Charter

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

Ken Barton advised that although already an inherent part of the Committee's responsibilities, it is proposed that the Committee Charter be updated to update the scope of the Committee's responsibilities to specifically refer to the consideration of material taxation matters.

Having reviewed its Charter, the Committee **RESOLVED** to recommend to the Board that the Charter of the Audit and Corporate Governance Committee be amended in line with that provided in the Committee papers.

Future Meetings

The 2018 Committee meeting dates were noted.

Closure:

There being no further business, the meeting was declared closed at 2.27pm.

Signed as a correct record

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Helen Coonan
Chair



Audit & Corporate Governance Committee

Minutes of a Meeting of the Committee on 5 September 2018 at 10.00am
by teleconference

Members Present:

Helen Coonan (Chair)
Michael Johnston
Toni Korsanos

Mary Manos (Secretary)

By Invitation:

John Alexander
Ken Barton
Lauren Harris
Alan McGregor
John Salomone

Michael Collins (Ernst & Young)
Justin Law (Ernst & Young)
Alison Parker (Ernst & Young)

Apologies:

Nil

BUSINESS

Addendum to Final Closing Report:

Michael Collins advised the Committee that since the last meeting of the Committee and the finalisation of the Appendix 4E for FY2018, Ernst & Young had closed out a number of outstanding items which had now been addressed in the Addendum to the Final Closing Report for FY2018.

Toni Korsanos requested that the draft language in the Key Audit Matters of the Independent Auditor's Report be updated to reflect that, in undertaking impairment assessments, Ernst & Young had applied a risk based approach to its impairment testing processes.

The Committee noted the Addendum to the Final Closing Report for FY2018 and the change proposed to be made by Ernst & Young in

relation to the assessment of impairments.

Full Financial Report for the year ending 30 June 2018:

Ken Barton led a page turn of the 2018 Full Financial Report summarising the main content on each page of the Report.

It was noted that the Financial Statements were consistent with the Appendix 4E which had been released to the market on 9 August 2018.

Among others, the following items were highlighted:

- the disclosure in Note 1.3 regarding AASB 15;
- the disclosures in Note 1.5, particularly in relation to the doubtful debts provisioning and the put option liability in relation to DGN Games;
- the disclosures in Note 1.6, particularly in relation to leases, put options, definition of revenues, share-based payments and segment information;
- the additional disclosure in relation to the carrying value of the Nobu Group in Note 9; and
- the impairment testing and sensitivity analysis disclosures in Note 13.

In relation to the contingent liabilities in Note 24, it was noted that the Company had not yet received the further amended assessments in relation to the financing of the Company's investment in North America, however, it is understood that these have been revised down from \$45 million to \$34 million. Ken Barton advised the Committee that the Note would be updated if the further amended assessments were received before the Board approved the Financial Report.

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

- (a) the financial statements and notes of the consolidated entity for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001* (Cth) including that they:
 - (i) give a true and fair view of the consolidated entity's financial position and performance of the Company and the consolidated entity for the year ended 30 June 2018; and
 - (ii) comply with the Accounting Standards and the *Corporations Regulations 2001* (Cth); and
- (b) 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, subject to any non-substantive amendments approved by the Chief Financial Officer, the 2018 Financial Report be recommended to the Board for approval.

Directors' Statutory Report:

Mary Manos noted that the Directors' Statutory Report was consistent with the previous year with some enhancements made to the Operating and Financial Review section of the Report to reflect ASIC guidance including in relation to its risk management and sustainability processes.

Mary Manos advised the Committee that the Corporations Act allows companies to omit material in the Operating and Financial Review that would be likely to result in unreasonable prejudice to the company and that the Company has relied upon this provision in relation to certain aspects of the Operating and Financial Review.

It was noted that the Nomination and Remuneration Committee was scheduled to meet later in the day to consider the draft Remuneration Report that would form part of the Directors' Statutory Report.

It was **RESOLVED** that, subject to any non-substantive amendments to the Directors' Statutory Report approved by the Chief Financial Officer, the Directors' Statutory Report be recommended to the Board for approval.

Corporate Governance Statement:

Mary Manos noted that the draft Corporate Governance Statement provided to the Committee at its last meeting had now been updated to include the required gender diversity disclosures, a completed Board skills matrix and other non-substantive edits, but was otherwise in the same form as had been previously provided to the Committee.

Mary Manos advised the Committee that, in relation to Gender Objective 1, the percentage of female candidates shortlisted Senior Management and Senior Executive positions within the group for which a recruitment process was undertaken during the financial year was 86%. She also noted that an additional sentence would be included in the Corporate Governance Statement to note that for the positions which did not have a female candidate shortlisted, there were no female applicants.

It was **RESOLVED** that, subject to any non-substantive amendments approved by the General Counsel and Company Secretary, the Corporate Governance Statement be recommended to the Board for approval.

Closure:

There being no further business, the meeting was declared closed at 10.34am.

Signed as a correct record

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Helen Coonan
Chair

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AGENDA ITEM 2:
Matters Arising



Audit and Corporate Governance Committee

Memorandum

To: Audit and Corporate Governance Committee
From: Mary Manos
Date: 7 February 2019
Subject: **Matters Arising**

Dear Committee Members

There are no outstanding matters arising from the previous meeting.

Kind Regards

Mary Manos
General Counsel & Company Secretary



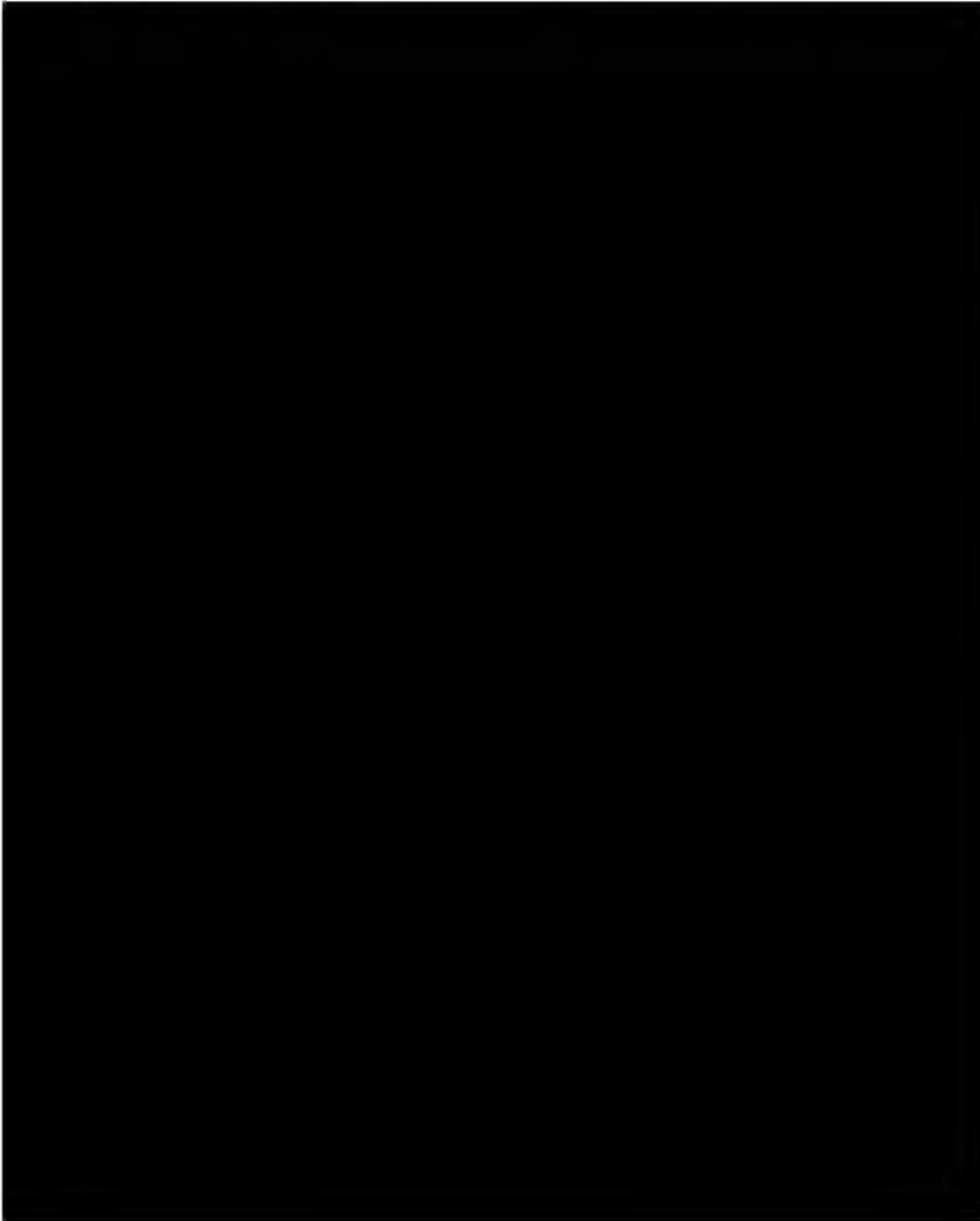
AGENDA ITEM 3:
Results for the Half Year
ending 31 December 2018



Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

Introduction

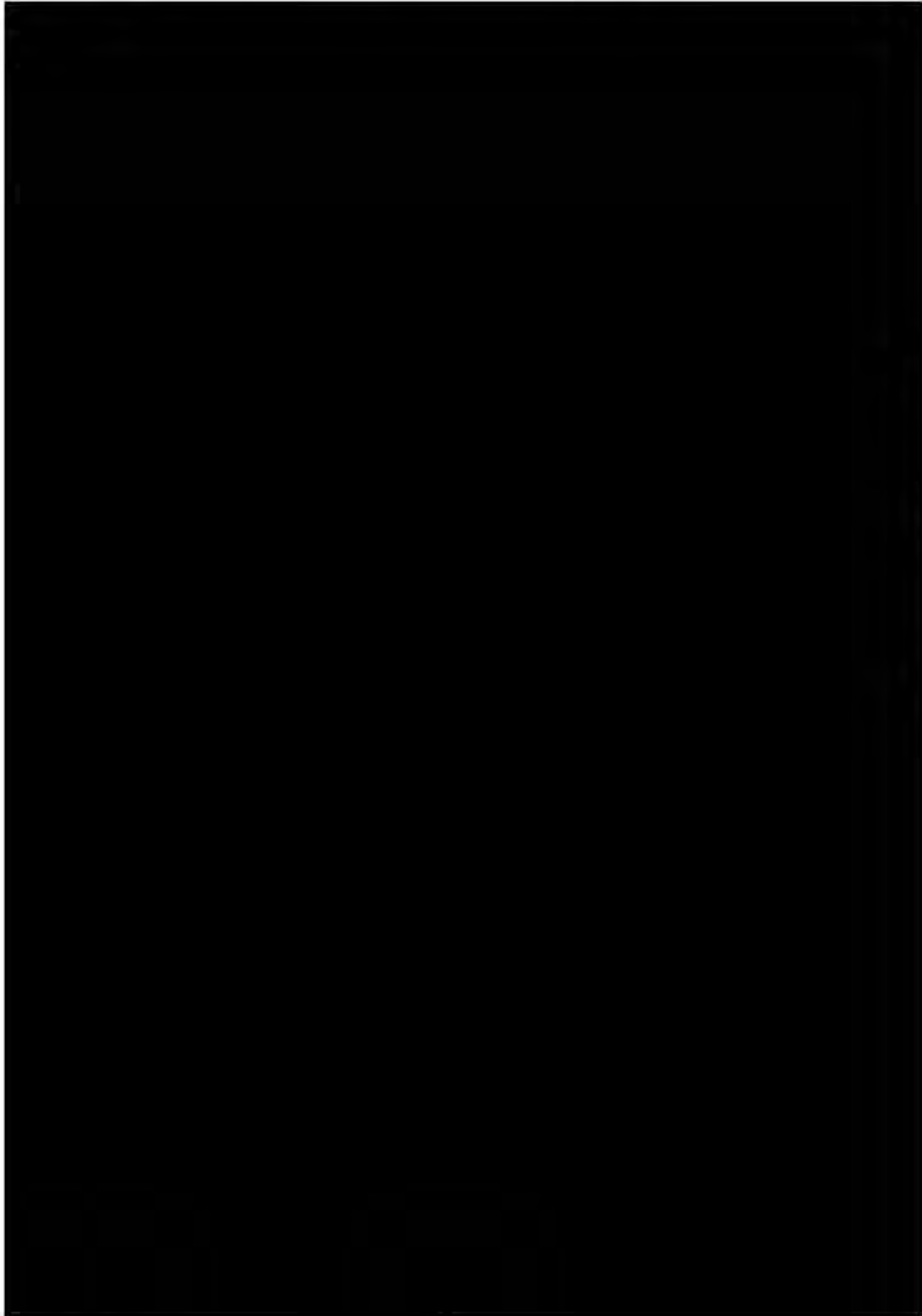
This paper discusses the key accounting issues arising in relation to the half year results for the period ended 31 December 2018.



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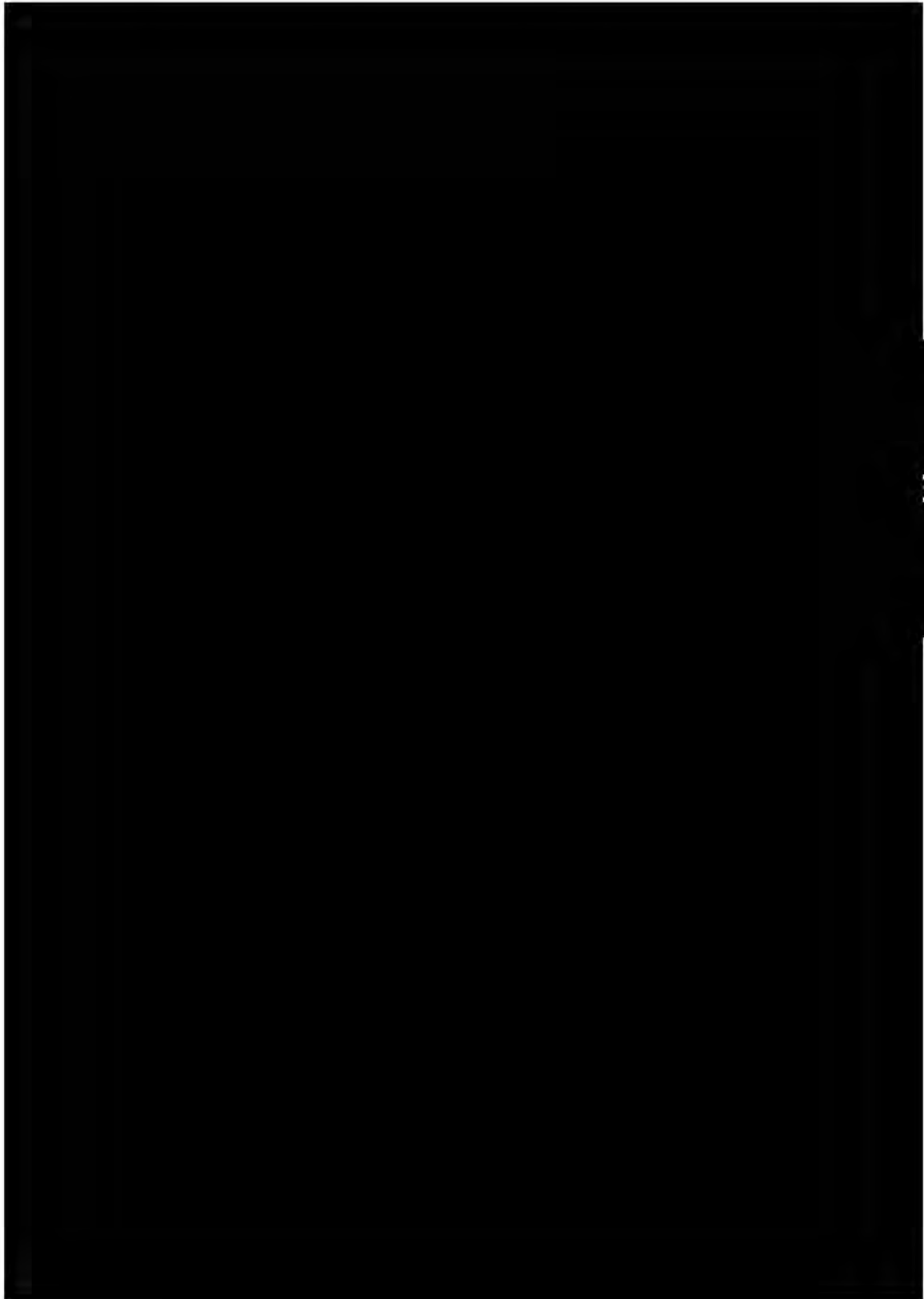
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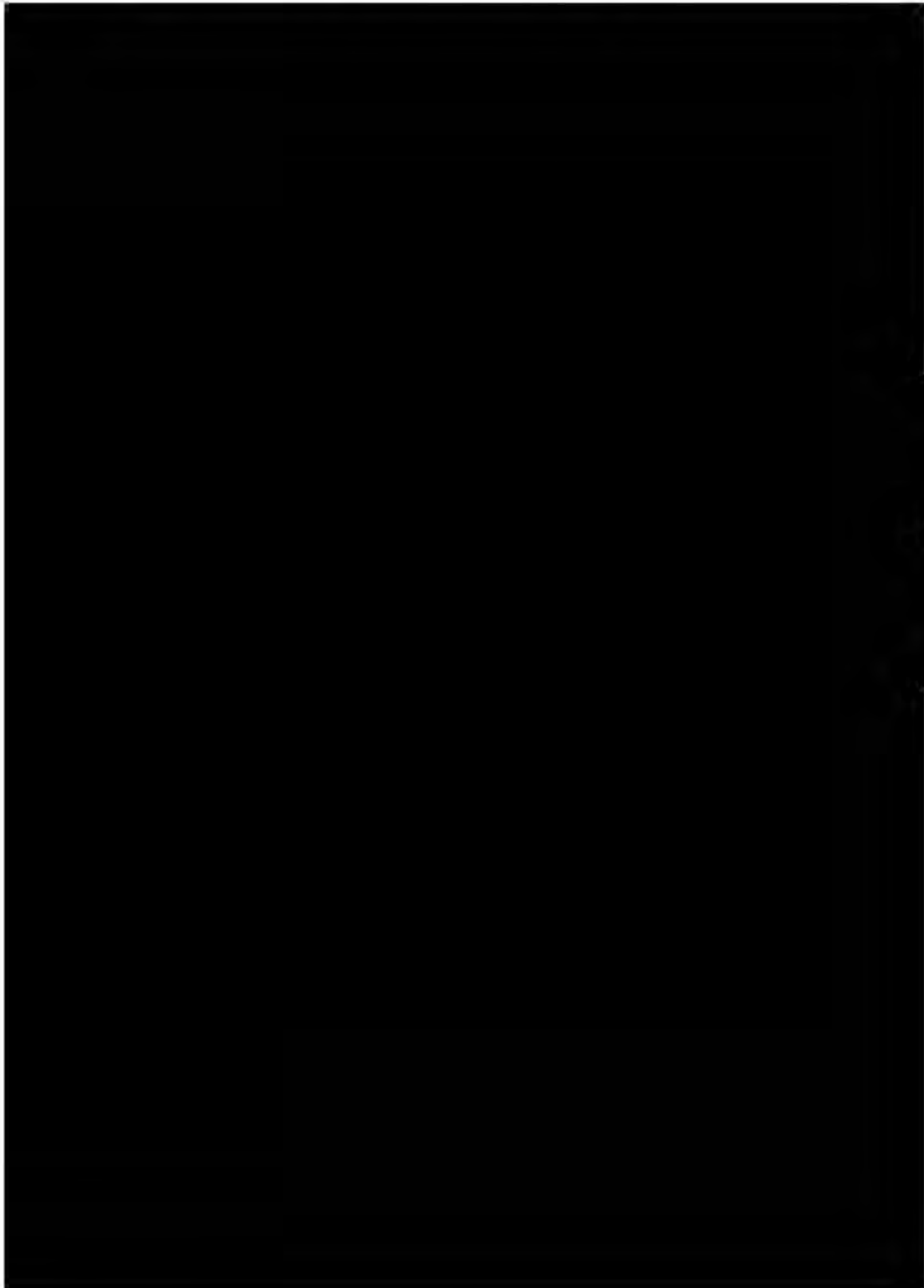


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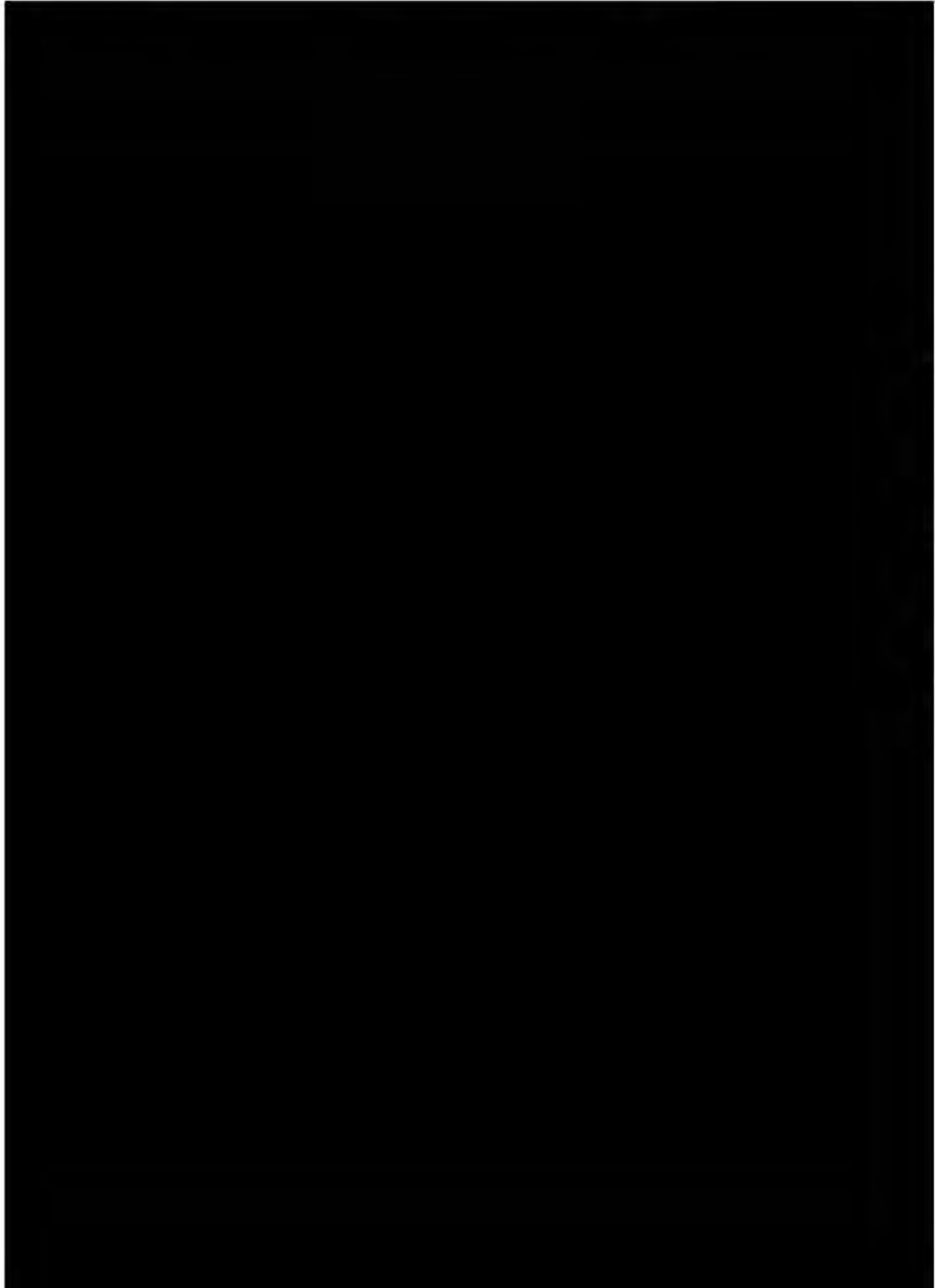
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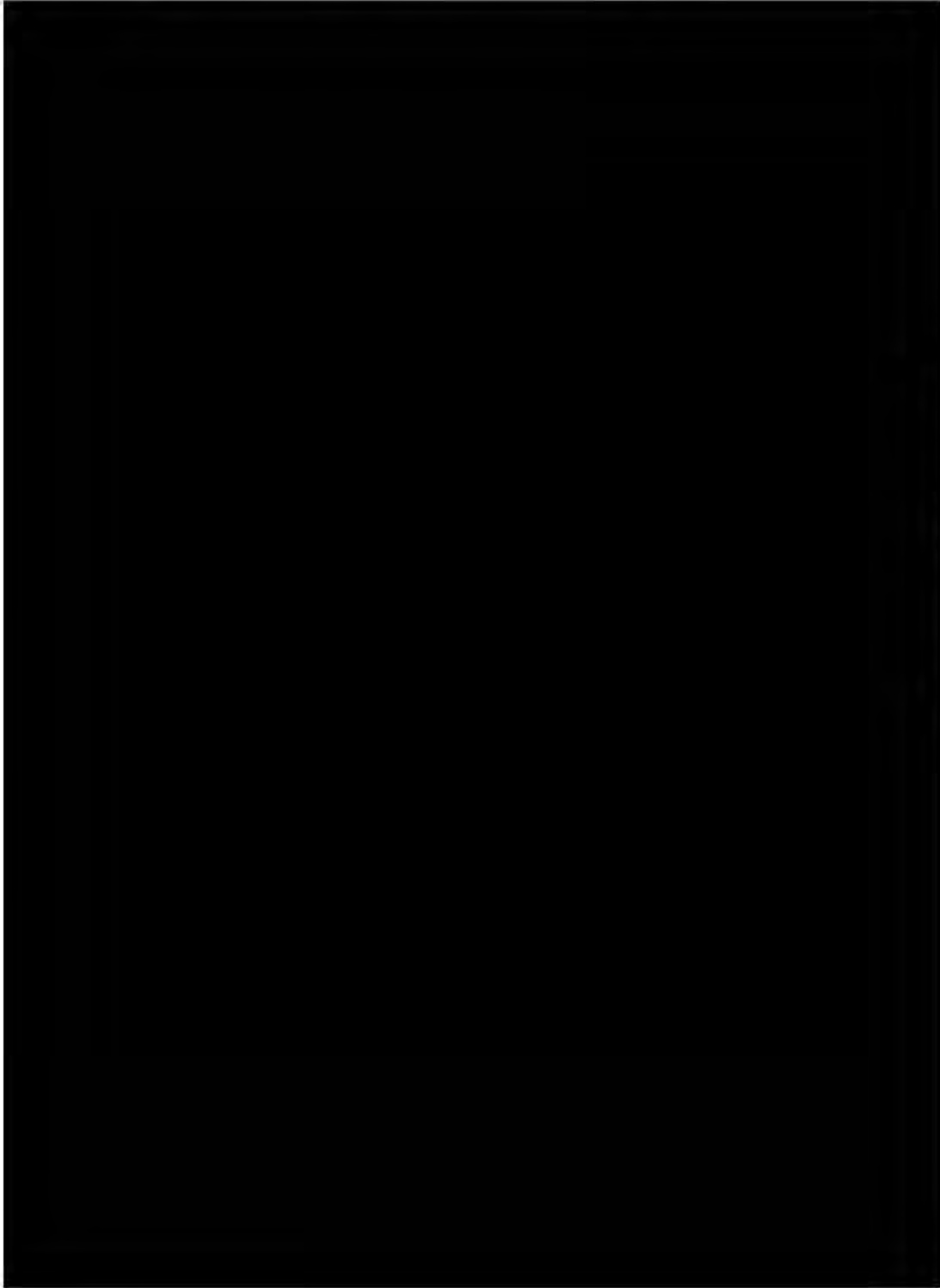
Crown Resorts Limited Audit Committee
Key Accounting Issues 11 February 2019



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Crown Resorts Limited Audit Committee
Key Accounting Issues 11 February 2019



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Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

c) Hedging of Options

During the period Crown entered into a derivative instrument with UBS to hedge its exposure under the February 2017 Option Plan. The features of the derivative instrument can be summarised as follows:



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Opportunities to hedge the exposure in relation to the 2018 Option Plan will be considered on a continuing basis.



Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

The table below shows the quantum, strike price and premium for the Call Spread Options under the UBS derivative instrument:

<p>The table content is redacted.</p>

The key issue in considering the reporting implications of this hedge is a determination whether the instrument will qualify for hedge accounting treatment. If hedge accounting applies, it is likely that any change in the value of the derivative will be recorded directly in equity, otherwise changes in fair value will be recorded as a profit or loss. In assessing whether hedge accounting can be applied, the definition of a hedge in AASB 9 Financial Instruments needs to be considered.

AASB 9 para 6.5.2 defines hedges as either:

- A *fair value hedge*: a hedge of an exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss; or
- A *cash flow hedge*: a hedge of the exposure to variability in cash flows that:
 - is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction; and
 - could affect profit or loss.

The fair value of the 2017 Option Plan was determined at the grant date, and is not subsequently adjusted. Accordingly the options granted under the 2017 Option Plan do not result in the recognition of an asset, liability or firm commitment with the capacity for fair value movements that will impact profit and loss. As a result the exposure does not meet the definition of a hedge exposure. On this basis, the hedged item does not qualify for hedge accounting under AASB 9.

As a result, the accounting treatment in this case for a call option under the derivative instrument that can be settled net in cash is as follows:

- The payment of the premium is initially recognised as a derivative financial asset.
- Subsequent movements in fair value of the option under the derivative instrument are recognised through profit or loss.
- The final net settlement is recorded against the derivative financial asset.

Consequently, entering into this derivative instrument creates the potential for additional volatility in reported results. In the event the options under the derivative instrument remain "out of the money" for its duration, it would progressively reduce in value and over the 2½ years of its duration the profit and loss would reflect the reduction in the value of the up-front premium of approximately [REDACTED]. If the options under the derivative instrument become progressively more valuable over the period, there may be profit or loss adjustments for each six month reporting period until settlement of the options.



Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

While the options under the derivative instrument introduce some potential volatility if they are "in the money", the economic benefits of a cash settlement that will mitigate the cost of the 2017 Option Plan is considered to be greater than the introduced P&L volatility.

Under the ASX Listing Rules, a company is required to disclose the total number of securities purchased during a reporting period and the average price paid per security where the securities were purchased on-market for the purposes of an employee incentive scheme. This requirement does not apply to the hedging arrangement as Crown is not acquiring any shares and the derivative instrument will be cash settled. It may however be necessary or desirable to make some disclosure in the 2019 Annual Report. This will be reviewed in conjunction with the audit of the 2019 Full Year results.

As discussed above, the 2017 Option Plan has been accounted for as equity settled share based payments whereby the fair value of the options will be expensed over the four year Plan period. The call options under the derivative instrument will have no impact on the accounting for the 2017 Option Plan (ie there is no impact on the share based payments expense).

d) Digital Option Plan

The components of Digital Holding Company are as follows:

- Global online social gaming business DGN Games (including Royal Gaming) (85% owned);
- Chill Gaming (50% owned) which will focus on innovation and providing current gaming customers with new product options; and
- Crown's "Genderfitness" application (100% owned), which provides information to businesses about the attendance of women in meetings and the quality of the meetings.

A summary of the features of the Digital Options is as follows:

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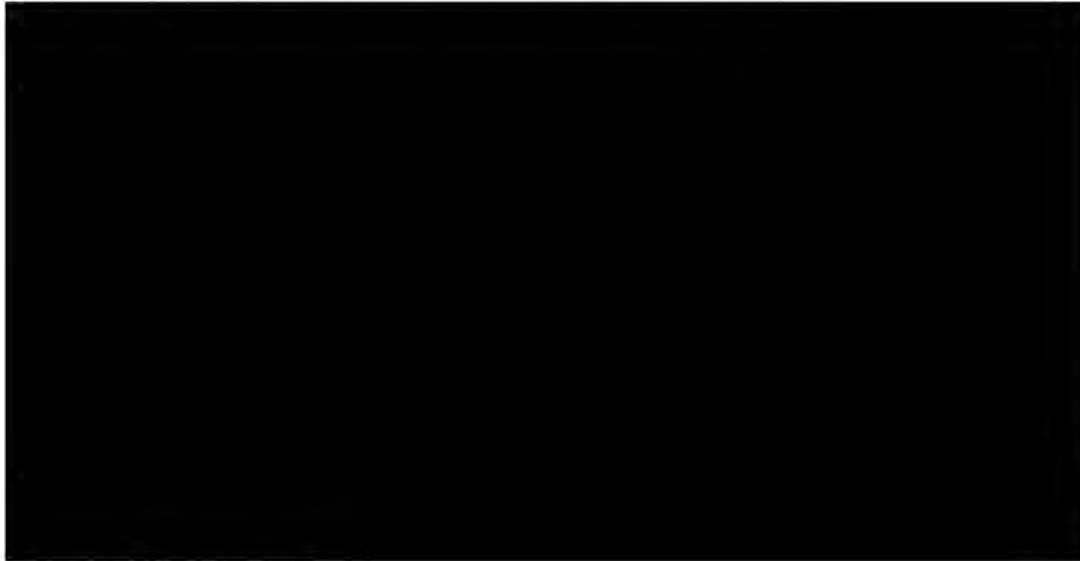


Consistent with the existing Senior Executive Option Plans, the cost of the options must be determined at the commencement of the vesting period and amortised evenly over the four year vesting period.

**3.1**



Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019



Disclosure Requirements

AASB 15 requires that an entity disaggregate revenue into “categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors”. The extent to which an entity’s revenue is disaggregated depends on the facts and circumstances that pertain to the entity. When selecting the types of categories to disaggregate revenue, an entity shall consider how information about the entity’s revenue has been presented for other purposes, including all of the following:

- disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations);
- information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and
- other information that is similar to the types of information identified above, and that is used by the entity or users of the entity’s financial statements to evaluate the entity’s financial performance or make resource allocation decisions.

Taking into account the above factors, Crown believes that disaggregating revenue by property (Crown Melbourne, Crown Perth and Crown Aspinalls) and Wagering & Online, is most closely aligned with information provided to the market (through the annual report and investor presentations) and to the Board as the chief operating decision maker. Accordingly, Crown will disaggregate its revenue as follows:

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Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019



Revenue Policy

Following the adoption of AASB 15, Crown's accounting policy in relation to Revenues, as disclosed in the interim financial statements, will be as follows:

Revenue from Contracts with Customers

Crown Melbourne, Crown Perth and Crown Aspinalls

Gaming Revenue

Gaming revenue is the net difference between gaming wins and losses, and is recognised upon the outcome of the game. Commissions rebated to customers or promoters are recorded as a reduction of revenue. Prior to adoption of AASB 15, commissions rebated to customers or promoters were recorded within operating expenses.



Food and beverage revenue

Food and beverage revenue is recognised as the goods are provided.

No changes to revenue recognition were identified upon adoption of AASB 15.

Hotel, entertainment and other operating revenues

Hotel, entertainment and other operating revenues are recognised as services are performed.

No changes to revenue recognition were identified upon adoption of AASB 15.

Complimentary goods or services

For gaming transactions that include complimentary goods or services being provided to customers, Crown allocates revenue from the gaming transaction to the good or service provided based on the standalone selling price.

Prior to the adoption of AASB 15, revenue from gaming transactions that included complimentary goods or services being provided to customers was not allocated from gaming revenue to the good or service provided.

As the gaming revenue and revenue from complimentary goods or services are contained within revenue for Crown Melbourne, Crown Perth and Crown Aspinalls, no restatement of the statement of profit or loss for the six months ended 31 December 2017 was required.

3.1



Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

Wagering and Online

Revenue from exchange betting

Revenue from exchange betting represents commission and other charges earned on betting activity. Revenue is recognised as the performance obligations are satisfied, which is considered to be upon the outcome of the bet being determined.

No changes to revenue recognition were identified upon adoption of AASB 15.

Online gaming revenue

Online gaming revenue is derived from the purchase of credits. Revenue is recognised in the accounting periods in which the transactions occur on a gross basis and commission costs are expensed as incurred.

No changes to revenue recognition were identified upon adoption of AASB 15.

7. Crown Sydney Apartment Sales

In January 2018, Crown commenced executing sale agreements and receiving deposits for apartment sales at Crown Sydney.

Crown has previously considered whether the revenue relating to Sydney apartments is Construction Contract revenue in accordance with AASB 111 or the sale of goods in accordance with AASB 118. Under these standards it was determined that Crown will only recognise the revenue once the apartments are complete and ownership is transferred to the customer. However, both standards were superseded by the new revenue standard (AASB 15) from 1 July 2018. Therefore, the accounting treatment has been reassessed under the new revenue standard.

Revenue will generally be recognised at a point in time, however, if any of the criteria in AASB 15 paragraph 35 are met, revenue should be recognised over time as construction is completed.

Criteria in AASB 15.35	Criteria met?	Explanation
(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs	No	The customer is only able to use the apartment once it has been completed and transferred to them.
(b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced	No	Crown will continue to control the asset until completion of the apartment.
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to	No, although the first part of the criteria is met (Crown does not have an alternative use of the asset), the second part of the criteria has not been met (Crown does not have an enforceable right to payment for performance completed)	An entity has a right to payment for performance completed to date if the entity would be entitled to an amount that at least compensates the entity for performance completed to date. Although Crown is entitled to

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Crown Resorts Limited Audit Committee Key Accounting Issues 11 February 2019

date		retain the deposits received, the amount of compensation Crown can receive is limited to the deposit, which is not reflective of Crown's performance up to when the contract would be terminated by the customer.
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The assessment of the above criteria indicates that Crown should recognise the revenue from the apartments at a point in time, when the apartments are transferred to the customers, and not over time during construction. Accordingly, Crown will only recognise the revenue once the apartments are complete and ownership is transferred to the customer.

Construction costs for the Crown Sydney project, including the apartments, are currently recognised in Property, Plant & Equipment. Once construction is complete, the apartment construction costs may be classified as held for sale assets. Under AASB 5 paragraph 7, to be classified as held for sale, an asset must be "available for immediate sale in its present condition...and its sale must be highly probable". Any gain or loss on subsequent disposal will be recognised in the profit or loss.

3.1

9. New Leases Standard – AASB 16

A new lease standard (AASB 16 *Leases*) will be effective for reporting periods beginning on or after 1 January 2019. This standard requires the recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis. For Lessor accounting, AASB 16 substantially carries forward the accounting requirements under the previous standard (AASB 117).

Under the new standard, Crown will recognise a right-of-use-asset and a corresponding liability in respect of its operating leases (ie Balance Sheet gross up). Based on the work completed to date, Crown is not expecting a material impact to financial performance, however there will be a change of classification between expenses. Following adoption of the new standard, there will be an increase in EBITDA, offset by higher depreciation and interest expense. These reallocated amounts are not expected to be significant.

Crown has been undertaking a review of the Group's lease arrangements, which include International and Interstate sales offices, warehouse space in Melbourne, part of the Aspinalls building in London, Betfair's offices, the Sydney Project Office and a small amount of plant & equipment (forklifts, photocopiers, etc). Service agreements across the Group are also being reviewed to ascertain if there are imbedded leases in any of the agreements.

Crown will continue to review its lease obligations and assess the impact of the new standard on its financial statements.



Crown Resorts Limited Audit Committee
Key Accounting Issues 11 February 2019



3.1



Impairment Review – 31 December 2018

SUMMARY

Crown has undertaken a review of all cash generating units (“CGUs”) to determine whether there were any indicators of impairment under either AASB 136 paragraph 9 (in respect of subsidiaries) or AASB 128 paragraph 40 (in respect of investment in associates).

The review concluded that there was no objective evidence of impairment at 31 December 2018 for any of Crown’s subsidiaries or associates.

BACKGROUND

Crown undertakes formal impairment testing of all its CGUs as part of its full year reporting obligations at 30 June each year. This is considered the most appropriate time to conduct the formal impairment testing given it is soon after Crown’s annual budget and four year financial planning process, which includes the latest EBITDA and cash flow forecasts for each CGU.

In addition to the requirement to perform annual impairment testing, Crown is required to assess whether there are any indicators of impairment for all of its subsidiaries and associates at the end of each reporting period (AASB 136.9). Where indicators of impairment exist, Crown will re-assess the carrying value of the CGU and recognise an impairment loss if this is below Crown’s existing book value.

The accounting standards provide guidance around impairment indicators for both subsidiaries and associates, with slight differences between the two. The indicators of impairment for subsidiaries and other assets with indefinite useful lives are covered in AASB 136 paragraph 12-14, whilst associates are covered by AASB 128 paragraph 41A-41C.

Impairment indicators for subsidiaries and other assets with indefinite useful lives

Outlined below is an extract of AASB 136 paragraphs 12-14, which provides a list of indicators of impairment for Crown’s subsidiaries and other assets with indefinite useful lives.

- 12 In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- a) there are observable indications that the asset’s value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset’s value in use and decrease the asset’s recoverable amount materially.
- d) the carrying amount of the net assets of the entity is more than its market capitalisation.

Internal sources of information

- e) evidence is available of obsolescence or physical damage of an asset.
- f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle,



Impairment Review – 31 December 2018

plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

- g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Dividend from a subsidiary, joint venture or associate

- h) for an investment in a subsidiary, joint venture or associate, the investor recognises a dividend from the investment and evidence is available that:
 - i. the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
 - ii. the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared.

13 The list in paragraph 12 is not exhaustive. An entity may identify other indications that an asset may be impaired and these would also require the entity to determine the asset's recoverable amount or, in the case of goodwill, perform an impairment test.

14 Evidence from internal reporting that indicates that an asset may be impaired includes the existence of:

- a) cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
- b) actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted;
- c) a significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset; or
- d) operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

Crown will assess each CGU against the indicators outlined above to determine whether there is any indication an impairment may exist.

Impairment Indicators for associates/joint ventures

Outlined below is an extract of AASB 128 paragraphs 41A to 41C, which provides a list of impairment indicators in relation to investments in associates/joint ventures.

41A The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:



Impairment Review – 31 December 2018

- (a) significant financial difficulty of the associate or joint venture;
 - (b) a breach of contract, such as a default or delinquency in payments by the associate or joint venture;
 - (c) the entity, for economic or legal reasons relating to its associate's or joint venture's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider;
 - (d) it becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganisation; or
 - (e) the disappearance of an active market for the net investment because of financial difficulties of the associate or joint venture.
- 41B The disappearance of an active market because the associate's or joint venture's equity or financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture, is not of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.
- 41C In addition to the types of events in paragraph 41A, objective evidence of impairment for the net investment in the equity instruments of the associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

In accordance with AASB 128, Crown will continue to assess each material associate against the impairment indicators outlined above to determine whether there is any objective evidence of impairment. Where the application of paragraphs 41A-41C indicates the existence of objective evidence that the investment may be impaired, Crown will compare its recoverable amount (higher of value in use and fair value less costs to sell) with the carrying amount, and recognise an impairment loss if necessary.

ASSESSMENT OF CGUs (EXCL. ASSOCIATES)

Outlined below is Crown's assessment of the key impairment indicators as outlined in AASB 136, for each of its controlled CGUs. In determining whether an indication of impairment exists, Crown will make an overall assessment for each CGU, taking into account prior period assessments and any other mitigating events. Each indicator in isolation will not necessarily result in an impairment. In particular, AASB 136 para 15 states that if previous calculations show that an asset's recoverable amount is significantly greater than its carrying amount, the entity need not re-estimate the asset's recoverable amount if no events have occurred that would eliminate that difference. Where one or more impairment indicators exist, Crown will determine whether it needs to re-estimate the asset's recoverable amount.



Impairment Review – 31 December 2018

CROWN RESORTS LIMITED - IMPAIRMENT INDICATOR CHECKLIST							
AASB Reference	Crown Melbourne	Crown Perth	Crown Aspinalls	Betfair	DGN	Crown Sydney	
Carrying Value - 30 June 2018	2,820.4m	2,282.2m	85.3m	79.5m	83.5m	728.7m	
Headroom - 30 June 2018	3,416.5m	211.2m	9.4m	106.6m	50.6m	N/A	
Headroom % of Carrying Value	121.14%	9.25%	11.02%	134.09%	60.60%	N/A	
External Impairment Indicators							
No observable indications of significant decline in asset value	AASB 136 para 12(a)	✓	✓	✓	✓	✓	✓
No significant adverse changes in technological, market, economic or legal environment	AASB 136 para 12(b)	✓	✓	✓	✓	✓	✓
No significant adverse change in market interest rates	AASB 136 para 12(c)	✓	✓	✓	✓	✓	✓
No significant adverse change in other market rates affecting discount rate	AASB 136 para 12(c)	✓	✓	✓	✓	✓	✓
No indications the carrying amount of assets is more than market capitalisation	AASB 136 para 12(d)	✓	✓	✓	✓	✓	✓
No adverse change in tax rates	AASB 136 para 13	✓	✓	✓	✓	✓	✓
No observable market information to indicate lowering terminal value	AASB 136 para 13	✓	✓	✓	✓	✓	✓
No additional market risks to consider in WACC calculation	AASB 136 para 13	✓	✓	✓	✓	✓	✓
Internal Impairment Indicators							
No evidence of obsolescence or physical damage to CGU assets	AASB 136 para 12(e)	✓	✓	✓	✓	✓	✓
No evidence of CGU assets becoming idle	AASB 136 para 12(f)	✓	✓	✓	✓	✓	✓
No plans to discontinue or restructure the operations of the CGU	AASB 136 para 12(f)	✓	✓	✓	✓	✓	✓
No plans to dispose of CGU assets before previously expected date	AASB 136 para 12(f)	✓	✓	✓	✓	✓	✓
No reassessment of useful life of CGU assets as finite rather than indefinite	AASB 136 para 12(f)	✓	✓	✓	✓	✓	✓
No licence breach	AASB 136 para 13	✓	✓	✓	✓	✓	✓
No covenant breaches	AASB 136 para 13	✓	✓	✓	✓	✓	✓
No event of default under banking documents	AASB 136 para 13	✓	✓	✓	✓	✓	✓
Key Carrying Value Inputs							
Actual YTD EBITDA not significantly below budget	AASB 136 para 14(b)	✓	✗	✗	✓	✗	N/A
Actual Capital Expenditure not significantly higher than original budget	AASB 136 para 14(a)	✓	✓	✗	✓	✓	✓
Forecast Capital Expenditure not significantly changed from original budget	AASB 136 para 14(a)	✓	✓	✓	✓	✓	✓
Forecast EBITDA for FY19 not significantly below budget	AASB 136 para 14(c)	✓	✗	✓	✓	✗	N/A
No sign of significant decline in forecast EBITDA for financial plan period	AASB 136 para 14(c)	✓	✓	✓	✓	✓	✓
No operating losses when current period amounts aggregated with future budgeted amounts	AASB 136 para 14(d)	✓	✓	✓	✓	✓	✓

3.1

Crown Melbourne

Based on the above checklist there are no indicators of impairment for Crown Melbourne.

Crown Perth

For the six months ended 31 December 2018, Crown Perth theoretical EBITDA was \$15.6m or 11.6% below budget, with local contribution down 7.6m or 5.9% and VIP program play down \$8.0m (noting the actual VIP result was \$10.8m above budget due to a strong win rate). In addition, Crown Perth's latest F19 theoretical EBITDA forecast of \$240.4m is 5.8% below the budget of \$255.1m. Prima facie, these two factors combined, along with the small headroom at Crown Perth at 30 June 2018 could indicate impairment in the CGU.

Whilst EBITDA for FY19 has been revised downward, there has been no change to Perth's F20-F22 financial plan, with the forecast for this period being in line with those presented to the Board in June 2018.

During the current reporting period, Crown Perth prepared revised F20-F22 forecasts based on the assumption that current trading trends continued. These revised forecasts were used for sensitivity analysis to determine what impact lower earnings in Perth would have on key metrics such as net debt levels, debt requirements for Sydney, ability to pay dividends etc. They were prepared solely for this purpose and were not presented to the Board.



Impairment Review – 31 December 2018

However, despite the lower revised Perth forecasts not being presented to the Board, Crown updated the carrying value analysis of Crown Perth at balance date using the revised EBITDA projections prepared by Crown Perth, reflecting the following changes:

- F20 capital expenditure of \$62.5m previously included placeholders for major projects including a new signature restaurant (\$10.0m), new theatre (\$7.5m) and refurbishment of Eve Nightclub (\$10.0m). For the purposes of the revised carrying value calculations, it has been assumed that the major projects would not proceed and Perth's F20 capital expenditure was therefore reduced down to \$35m. This is considered to be a fair assumption as it would be unlikely for Perth to proceed with the major projects if their EBITDA forecasts were being reduced. The latest forecasts do not include any additional earnings from the major projects.
- The allocation of corporate costs was adjusted to better reflect those costs that can be attributed directly, or allocated on a reasonable and consistent basis to Crown Perth (AASB 136.41). Previous allocations to Crown Perth included consulting fees (Cannery Tax dispute, audit fees for the group etc), marketing fees and other costs that have no reasonable basis to be allocated to Crown Perth. As a result, corporate costs allocated to Perth were reduced from \$11m to \$7m to better reflect directly attributable costs.

After applying the revised EBITDA projections and other cashflow changes, the updated analysis shows that the recoverable amount of Crown Perth has remained higher than the carrying value, thereby no impairment charge is required. A copy of the carrying value analysis undertaken is attached as Appendix A. It should also be noted that in the event the revised lower Crown Perth EBITDA projections were presented to the board, the other cashflow forecasts (capital expenditure, working capital etc.) would also be revised downwards, resulting in a higher recoverable amount. However any further deterioration in Perth's results during the second half and beyond could lead to an impairment of the CGU.

Crown Aspinalls

For the six months ended 31 December 2018, Crown Aspinalls theoretical EBITDA was £0.7m or 16.9% below budget. The YTD budget shortfall was all due to low turnover volumes in December, resulting in an £0.8m budgeted EBITDA miss for the month. Given the nature and size of the Aspinalls business, volumes are largely driven by a handful of key players and the timing of their visits is often difficult to predict. Management is still of the view that Aspinalls will achieve its F19 budgeted result and has not proposed any changes to the F20-F22 projections as previously submitted to the Board. Therefore, Crown has not undertaken a revised carrying value analysis at 31 December 2018 but will undertake a detailed impairment review at 30 June 2019.

Betfair

Based on the above checklist there are no indicators of impairment for Betfair.

DGN Games

For the six months ended 31 December 2018, DGN's EBITDA was US\$0.5m below budget. In addition, DGN has revised its F19 EBITDA forecast down from US\$3.2m to US\$1.6m. Prima facie, these two factors combined could indicate a possible impairment of the CGU.

DGN's EBITDA for the five months to 30 November 2018 was in line with budget. December underperformed with net revenue US\$0.4m below budget and marketing spend US\$0.3m above budget. This resulted in a breakeven EBITDA against a budget of US\$0.6m for the month. EBITDA for the remainder of FY19 has been revised downwards by a further US\$1m to reflect the softer December result and likely higher than budgeted marketing spend. Whilst EBITDA for FY19 has



Impairment Review – 31 December 2018

been revised downward, the current financial plan shows no change to DGN's EBITDA for the F20-F22 period with forecasts in line with those presented to the Board in June 2018.

Given DGN's below budget YTD results and forecast F19 budget miss is a prima facie indicator of impairment, Crown updated the carrying value analysis of DGN at balance date using the revised F19 EBITDA projection along with the Board approved forecasts for F20-F22. The updated analysis shows that the recoverable amount of DGN has remained higher than the carrying value, thereby no impairment charge is required. A copy of the carrying value analysis undertaken is attached as Appendix A.

DGN will prepare revised F20-F23 forecasts in April/May 2019 as part of Crown's annual business planning process. These revised forecasts will be used by Crown in re-assessing the carrying amount of its investment in DGN at 30 June 2019. Any further deterioration in the results for the second half of F19 and lower F20-F23 forecasts could lead to an impairment of the CGU. Crown will continue to monitor the CGU and undertake a detailed impairment review at 30 June 2019, once a revised financial plan has been presented to the Board.

Crown Sydney

Based on the above checklist there are no indicators of impairment for Crown Sydney.

ASSESSMENT OF ASSOCIATES

As outlined in AASB 128 paragraph 41A, Crown's investments in associates would be considered impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after acquisition of the associate (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.

In order to assess whether there has been any objective evidence of impairment as a result of a loss event (or events), Crown has undertaken a review of each event outlined in AASB 128 para 41A-41C as well as any other objective evidence of impairment to determine whether a detailed impairment analysis is required. Where one or more events have occurred that could provide objective evidence of impairment, Crown has undertaken a further review and where required performed an impairment test to determine if the recoverable amount of the associate is below the carrying value.

CROWN RESORTS LIMITED - IMPAIRMENT INDICATOR CHECKLIST			
	AASB Reference	Nobu	Aspers
Objective Evidence of Impairment Indicators			
No significant financial difficulty of the associate or joint venture	AASB 128 para 41A(a)	✓	✓
No breach of contract, such as default or delinquency in payments	AASB 128 para 41A(b)	✓	✓
No provision of concessions to associate for financial difficulty	AASB 128 para 41A(c)	✓	✓
It is not probable that the associate will enter bankruptcy or financial reorganisation	AASB 128 para 41A(d)	✓	✓
No disappearance of active market due to financial difficulties of associate	AASB 128 para 41A(e)	✓	✓
No downgrade of associate credit rating	AASB 128 para 41B	✓	✓
No observable decline in the fair value of the associate	AASB 128 para 41B	✓	✓
No significant adverse changes in technological, market, economic or legal environment	AASB 128 para 41C	✓	✓
No significant prolonged decline in fair value of the associate	AASB 128 para 41C	✓	✓



Impairment Review – 31 December 2018

Nobu

Using the guidance provided by AASB 128 paragraphs 41A-41C, there is no objective evidence of impairment of Crown's investment in Nobu at 31 December 2018.

Nobu continues to be profitable, generates cash and pays quarterly dividends to its investors. During the six month period there was one temporary loss event, being the forced closure of the Nobu Malibu restaurant for seven days in early November due to the Southern California wildfires. This resulted in lost sales of ~US\$1 million. The restaurant has since reopened and sales have recovered. Therefore, this is not considered to be a prolonged decline in the value of the Nobu Malibu restaurant.

Given that there is no objective evidence of impairment as a result of one or more events that have occurred during the six month period, under AASB 136 *Impairment of Assets* there is no requirement for Crown to test the carrying amount of its Nobu investment.

Aspers

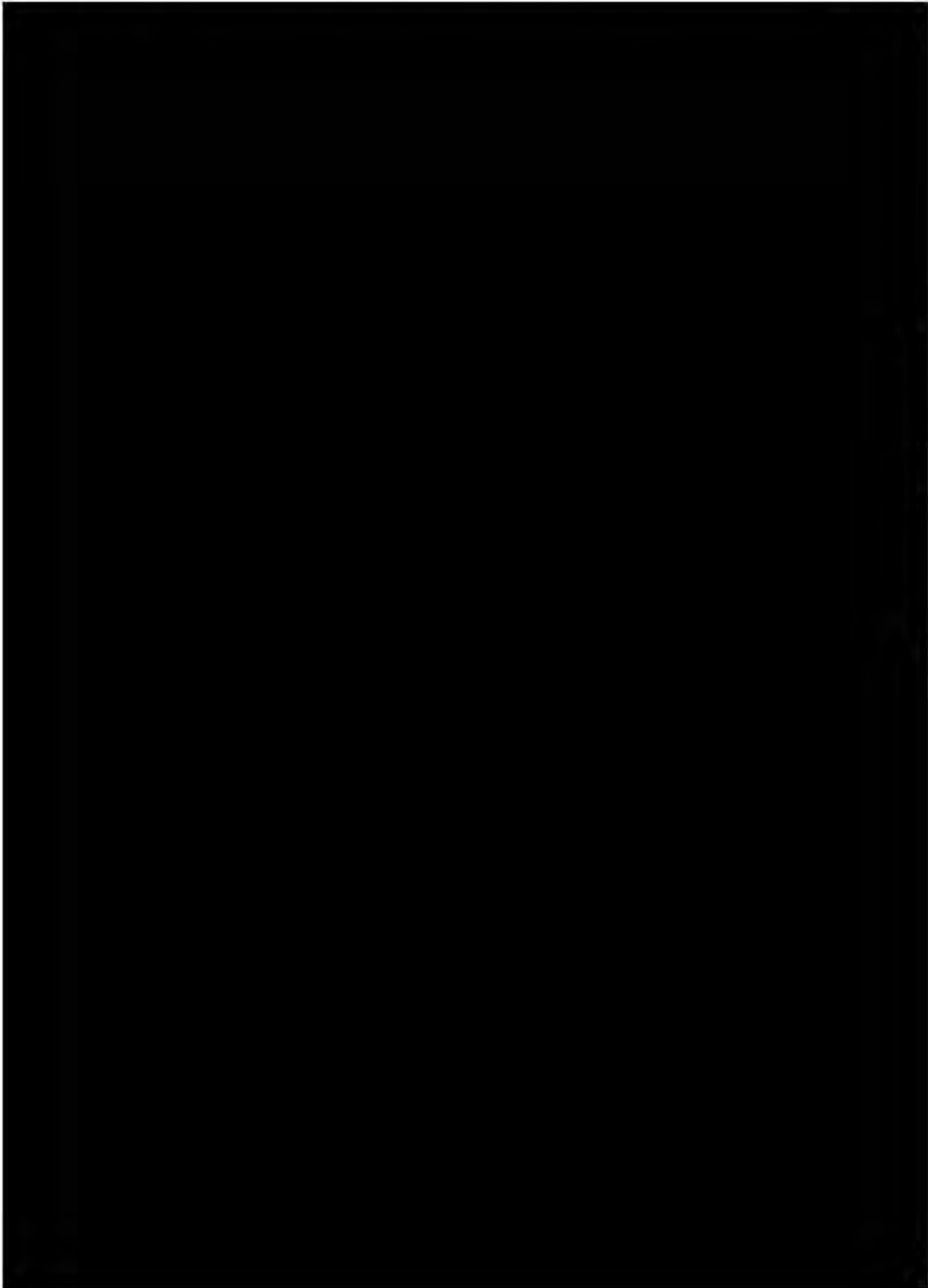
Using the guidance provided by AASB 128 paragraphs 41A-41C, there is no objective evidence of impairment of Crown's investment in Aspers at 31 December 2018.

Aspers continues to be profitable and generate positive operating cashflows. Further, Aspers remain in compliance with the banking covenants on its external debt facilities and have made the required debt amortisation repayments in accordance with the facility agreement.

Given that there is no objective evidence of impairment as a result of one or more events that have occurred during the six month period, under AASB 136 *Impairment of Assets* there is no requirement for Crown to test the carrying amount of its Aspers investment.



Impairment Review – 31 December 2018



3.1

CROWN RESORTS LIMITED**A.B.N. 39 125 709 953**

Appendix 4D

Half year ended 31 December 2018

(previous corresponding period: half year ended 31 December 2017)

Results for announcement to the market

Results in accordance with Australian Accounting Standards				\$m
Revenue from operations	down	7.3%	to	1,478.0
Net profit for the period attributable to members of the parent	down	26.7%	to	174.9

	Normalised Results ⁽¹⁾		Actual Results ⁽²⁾	
	\$m	% Movement	\$m	% Movement
Earnings before interest, tax, depreciation and amortisation	418.8	(6.5%)	391.8	(2.1%)
Depreciation & amortisation	(140.4)	(6.4%)	(140.4)	(6.4%)
Earnings before interest & tax	278.4	(6.5%)	251.4	0.4%
Share of associates' profits	7.2		7.2	
Net interest expense	(8.6)		(8.6)	
Income tax expense	(83.4)		(75.6)	
Net profit after tax	193.6	2.5%	174.4	(30.1%)
Non-controlling interest	0.5		0.5	
Net profit attributable to members of the Parent	194.1	0.9%	174.9	(26.7%)

(1) Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play (at Crown Melbourne, Crown Perth and Crown Aspinalls) and significant items in the prior year (refer note 4e). The theoretical win rate is the expected hold percentage on VIP program play over time. Accordingly, the normalised result gives rise to adjustments to VIP program play revenue, operating expenses and income tax expense. Refer to note 3 in the attached financial statements for more information. The Group believes that normalised results are the relevant measure of viewing performance of the business as it removes the inherent volatility in VIP gaming revenue. Normalised results are a non-IFRS measure.

(2) Actual results reflect revenues & expenses at actual win rates and include significant items in the prior year.

Dividends	Amount per security	Franked amount per security
Interim dividend	30.0 cents	18.0 cents
Previous corresponding period	30.0 cents	18.0 cents
Record date for determining entitlements to the dividend	21 March 2019	
Interim dividend payment date	4 April 2019	
Net Tangible Asset Backing	31 December 2018	31 December 2017
Net tangible asset backing per ordinary security on issue at period end	\$5.16	\$5.13

For an explanation of any of the figures reported above, see Crown Resorts' announcement made to the ASX on the same date as this Appendix 4D. Non-IFRS measures have not been subject to audit or review.

3.2

CROWN RESORTS LIMITED**Directors' Report**

For the half year ended 31 December 2018

Your directors submit their report for the half year ended 31 December 2018.

Directors

The directors of Crown Resorts Limited ("Crown" or the "Company") in office during the half-year, and until the date of this Report are as below. Directors were in office for this entire period unless otherwise stated.

John H Alexander
 The Hon. Helen A Coonan
 Andrew Demetriou
 Geoffrey J Dixon
 Jane Halton AO PSM
 Professor John S Horvath AO
 Guy Jalland
 Michael R Johnston
 Antonia Korsanos
 Harold C Mitchell
 John Poynton AO (appointed 20 November 2018)

Review and Results of Operations

For the half year ended 31 December 2018 Crown reported a net profit of \$174.4 million, compared to \$249.5 million in the prior comparable period ("pcp") which included a net significant item gain of \$93.8 million. The net profit attributable to members of the Parent was \$174.9 million. Total normalised revenue across Crown's Australian resorts decreased by 1.2% on the pcp. Main floor tables and machines revenue increased by 1.0% and 0.8% respectively, with modest revenue growth in Melbourne offset by softness in Perth. VIP program play turnover in Australia of \$19.9 billion decreased by 12.2%.

Cash flow

Net operating cash flow for the period of \$382.3 million compared to net operating cash flow of \$368.5 million in the pcp. After net capital expenditure of \$209.3 million, net proceeds for disposal of investments of \$6.9 million, dividend payments of \$205.9 million and share buy back payments of \$131.4 million, the Group's net cash position (excluding working capital cash of \$177.7 million) at 31 December 2018 was \$7.5 million, consisting of total debt of \$1,091.2 million and cash (excluding working capital cash) of \$1,098.7 million.

Dividend

The Directors have declared dividends totalling 30 cents per share franked at 60% payable on 4 April 2019 to shareholders registered at 5.00pm on 21 March 2019. The unfranked portion of the dividend has been declared to be conduit foreign income.

Auditor's Independence Declaration

Attached is a copy of the auditor's independence declaration in relation to the review for the half year ended 31 December 2018. This auditor's independence declaration forms part of this Directors' report.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest hundred thousand dollars unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Crown is an entity to which this Instrument applies.

Signed in accordance with a resolution of the directors.

John Alexander
 Executive Chairman

Melbourne, 20th day of February, 2019.

3.2

CROWN RESORTS LIMITED

For the half year ended 31 December 2018

Auditor's Independence Declaration

To be provided by Ernst & Young

DRAFT

3.2

CROWN RESORTS LIMITED

Statement of Profit or Loss

For the half year ended 31 December 2018

	Note	31 December 2018 \$m	31 December 2017 \$m
Revenues	4	1,478.0	1,594.9
Other income	4	0.1	0.2
Expenses	4	(1,211.3)	(1,225.7)
Share of profits/(losses) of associates and joint venture entities		7.2	(0.2)
Profit before income tax and finance costs		274.0	369.2
Finance costs	4	(24.0)	(41.2)
Profit before income tax		250.0	328.0
Income tax expense		(75.6)	(78.5)
Net profit after tax		174.4	249.5
Attributable to:			
Equity holders of the Parent		174.9	238.6
Non-controlling interests		(0.5)	10.9
		174.4	249.5

The above Statement of Profit or Loss should be read in conjunction with the accompanying notes.

	31 December 2018 Cents per share	31 December 2017 Cents per share
Earnings per share (EPS)		
Basic EPS attributable to ordinary equity holders of the Parent	25.59	34.64
Diluted EPS attributable to ordinary equity holders of the Parent	25.56	34.64
EPS calculation is based on the weighted average number of shares on issue throughout the period		
Dividends per share		
Current year interim dividend declared	30.00	30.00
Prior year final dividend paid	30.00	30.00

3.2

CROWN RESORTS LIMITED

Statement of Comprehensive Income

For the half year ended 31 December 2018

	31 December 2018	31 December 2017
	\$m	\$m
Net profit after tax	174.4	249.5
Other Comprehensive Income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation	13.4	(3.5)
Movement in cash flow hedge reserve	10.7	(6.0)
Other comprehensive income / (loss) for the period, net of income tax	24.1	(9.5)
Total comprehensive income / (loss) for the period	198.5	240.0
Attributable to:		
Equity holders of the Parent	198.8	229.7
Non-controlling interests	(0.3)	10.3
	198.5	240.0

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

3.2

CROWN RESORTS LIMITED

Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 \$m	30 June 2018 \$m
Current assets			
Cash and cash equivalents	6	1,276.4	1,844.6
Trade and other receivables		144.1	172.3
Inventories		18.3	17.3
Prepayments		37.9	32.8
Other financial assets		10.8	9.2
Total current assets		1,487.5	2,076.2
Non-current assets			
Receivables		156.9	143.0
Other financial assets		41.3	23.3
Investments in associates		199.1	187.8
Property, plant and equipment		3,984.8	3,880.7
Intangible assets - licences		1,072.3	1,080.6
Other intangible assets		464.9	462.8
Deferred tax assets		269.0	266.9
Other assets		49.6	50.4
Total non-current assets		6,237.9	6,095.5
Total assets		7,725.4	8,171.7
Current liabilities			
Trade and other payables		452.9	427.5
Interest-bearing loans and borrowings	7	300.3	25.7
Income tax payable		207.4	165.3
Provisions		200.1	225.1
Total current liabilities		1,160.7	843.6
Non-current liabilities			
Other payables		325.4	287.6
Interest-bearing loans and borrowings	7	790.9	1,467.0
Deferred tax liabilities		391.1	380.9
Provisions		20.9	32.6
Other financial liabilities		2.5	2.1
Total non-current liabilities		1,530.8	2,170.2
Total liabilities		2,691.5	3,013.8
Net assets		5,033.9	5,157.9
Equity			
Contributed equity	8	(203.3)	(71.9)
Treasury shares	8	-	(15.7)
Reserves		(37.8)	(60.5)
Retained earnings		5,275.0	5,306.0
Total equity		5,033.9	5,157.9

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

3.2

CROWN RESORTS LIMITED

Cash Flow Statement

For the half year ended 31 December 2018

	31 December 2018	31 December 2017
Note	\$m	\$m
Cash flows from operating activities		
Receipts from customers	1,743.7	1,883.4
Payments to suppliers and employees	(1,296.1)	(1,422.9)
Dividends received	3.9	3.9
Interest received	17.1	13.2
Borrowing costs paid	(42.3)	(59.1)
Income tax paid	(44.0)	(50.0)
Net cash flows from/(used in) operating activities	382.3	368.5
Cash flows from investing activities		
Purchase of property, plant and equipment	(209.4)	(167.0)
Proceeds from sale of property, plant and equipment	0.1	0.1
Investment in equity accounted associates	(0.7)	(3.9)
Proceeds from disposal of investments	7.6	100.7
Loans to associated entities	-	(1.0)
Net cash flows from/(used in) investing activities	(202.4)	(71.1)
Cash flows from financing activities		
Proceeds from borrowings	24.4	55.6
Repayment of borrowings	(436.1)	(458.1)
Payments for share buy-back	8 (131.4)	(0.1)
Dividends paid to equity holders of the Parent	(205.9)	(206.7)
Net cash flows from/(used in) financing activities	(749.0)	(609.3)
Net increase/(decrease) in cash and cash equivalents	(569.1)	(311.9)
Cash and cash equivalents at the beginning of the period	1,844.6	1,771.2
Effect of exchange rate changes on cash	0.9	0.1
Cash accounted for as held for sale assets	-	(23.5)
Cash and cash equivalents at the end of the period	6 1,276.4	1,435.9

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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CROWN RESORTS LIMITED

Statement of Changes in Equity

For the half year ended 31 December 2018

	Ordinary Shares \$m	Shares Held in Trust \$m	Retained Earnings \$m	Reserves \$m	Total \$m	Non- Controlling Interest \$m	Total Equity \$m
31 December 2018							
Balance at 1 July 2018	(71.9)	(15.7)	5,306.0	(60.5)	5,157.9	-	5,157.9
Profit for the period	-	-	174.9	-	174.9	(0.5)	174.4
Other comprehensive income/(loss)	-	-	-	23.9	23.9	0.2	24.1
Total comprehensive income for the period	-	-	174.9	23.9	198.8	(0.3)	198.5
Dividends paid	-	-	(205.9)	-	(205.9)	-	(205.9)
Share buy-back	(131.4)	-	-	-	(131.4)	-	(131.4)
Movement in non-controlling put option	-	-	-	(2.7)	(2.7)	0.3	(2.4)
Share based payments	-	15.7	-	1.5	17.2	-	17.2
Balance at 31 December 2018	(203.3)	-	5,275.0	(37.8)	5,033.9	-	5,033.9
31 December 2017							
Balance at 1 July 2017 ⁽¹⁾	(53.2)	(19.4)	5,153.1	14.4	5,094.9	24.8	5,119.7
Profit/(loss) for the period	-	-	238.6	-	238.6	10.9	249.5
Other comprehensive income	-	-	-	(8.9)	(8.9)	(0.6)	(9.5)
Total comprehensive income/(loss) for the period	-	-	238.6	(8.9)	229.7	10.3	240.0
Dividends paid	-	-	(206.7)	-	(206.7)	-	(206.7)
Movement in non-controlling put option ⁽¹⁾	-	-	-	1.8	1.8	(1.0)	0.8
Share based payments	-	3.7	-	0.9	4.6	-	4.6
Balance at 31 December 2017	(53.2)	(15.7)	5,185.0	8.2	5,124.3	34.1	5,158.4

⁽¹⁾ The balance at 1 July 2017 has been restated, refer note 20 of the 2018 annual financial report for further details. The restatement of the prior period includes the addition of the Movement in non-controlling put option.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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CROWN RESORTS LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2018

1. Corporate Information

The consolidated interim financial report of Crown Resorts Limited and its controlled entities (the Group) for the half year ended 31 December 2018 was authorised for issue, subject to final approval by a sub committee, in accordance with a resolution of the directors on 19 February 2019. Crown Resorts Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange

2. Basis of preparation and changes to the Group's accounting policies**Basis of preparation**

The half year financial report for the six months ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half year financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the annual financial report of Crown Resorts Limited as at 30 June 2018. It is also recommended that the half year financial report be considered together with any public announcements made by Crown Resorts Limited and its controlled entities during the half year ended 31 December 2018 and up to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX Listing Rules.

The half year financial report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand dollars unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Crown is an entity to which this Instrument applies. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the annual financial report of Crown Resorts Limited for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018.

The Group has adopted, for the first time, AASB 15 *Revenue from Contracts with Customers* that requires restatement of the previous financial statements. As required by AASB 134, the nature and effect of the changes are disclosed below.

Several other amendments and interpretations apply for the first time from July 2018, but do not have a material impact on the financial position or performance of the Group during the period.

AASB 15 Revenue from Contracts with Customers

This standard specifies the accounting treatment for revenue arising from contracts with customers providing a framework for determining whether, when and how much revenue should be recognised. The standard requires an entity to recognise revenue when it transfers promised goods or services to customers at the transaction price, at an amount that reflects what it expects to be entitled to receive in exchange for the goods or services.

The Group adopted AASB 15 using the full retrospective method of adoption. Certain prior period amounts have been adjusted to reflect the full retrospective adoption of the standard. There was no impact on the net profit or cash flows of the Group in the current or comparative reporting period.

The below table provide a reconciliation of the amounts previously reported in the statement of profit or loss for the six months ended 31 December 2017 and the restated balances:

	As restated	As Previously Reported	Impact of Restatement
For the half year ended 31 December 2017	\$m	\$m	\$m
Statement of Profit or Loss			
Revenues	1,594.9	1,793.2	(198.3)
Expenses	(1,225.7)	(1,424.0)	198.3

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CROWN RESORTS LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2018

2. Basis of preparation and changes to the Group's accounting policies *continued*

Crown's accounting policy for Revenue from Contracts with Customers and impact on adoption is as follows:

Revenue from Contracts with CustomersCrown Melbourne, Crown Perth and Crown Aspinalls***Gaming Revenue***

Gaming revenue is the net difference between gaming wins and losses, and is recognised upon the outcome of the game. Commissions rebated to customers or promoters are recorded as a reduction of revenue. Prior to adoption of AASB 15, commissions rebated to customers or promoters were recorded within operating expenses.

The statement of profit or loss for the six months ended 31 December 2017 was restated, resulting in a decrease in revenue of \$198.3 million and a decrease in expenses of \$198.3 million.

Food and beverage revenue

Food and beverage revenue is recognised as the goods are provided.

Other than described in the Complimentary goods or services section below, no changes to revenue recognition were identified upon adoption of AASB 15.

Hotel, entertainment and other operating revenues

Hotel, entertainment and other operating revenues are recognised as services are performed.

Other than described in the Complimentary goods or services section below, no changes to revenue recognition were identified upon adoption of AASB 15.

Complimentary goods or services

For gaming transactions that include complimentary goods or services being provided to customers, Crown allocates revenue from the gaming transaction to the good or service provided based on the standalone selling price.

Prior to the adoption of AASB 15, revenue from gaming transactions that included complimentary goods or services being provided to customers was not allocated from gaming revenue to the good or service provided.

As the gaming revenue and revenue from complimentary goods or services are contained within revenue for Crown Melbourne, Crown Perth and Crown Aspinalls as disclosed in note 4, no restatement of the statement of profit or loss for the six months ended 31 December 2017 was required.

Wagering and Online***Revenue from exchange betting***

Revenue from exchange betting represents commission and other charges earned on betting activity. Revenue is recognised as the performance obligations are satisfied, which is considered to be upon the outcome of the bet being determined.

No changes to revenue recognition were identified upon adoption of AASB 15.

Online gaming revenue

Online gaming revenue is derived from the purchase of credits. Revenue is recognised in the accounting periods in which the transactions occur on a gross basis and commission costs are expensed as incurred.

No changes to revenue recognition were identified upon adoption of AASB 15.

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CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

3. Segment Information

The Group's operating segments have been determined based on geographic location, management reporting structure and the nature of the products and services offered by the Group. Crown has identified the Board of Directors as its chief operating decision maker that allocates resources and assesses the performance of the operating segments. The segment information presented below is consistent with internal management reporting. The Group believes that normalised results⁽¹⁾ are the relevant measure of viewing the performance of the business. The normalised results presented below are reconciled to the reported results. The Group has four operating segments being Crown Melbourne, Crown Perth, Crown Aspinalls and Wagering & Online.

31 December 2018	Normalised Result ⁽¹⁾						Adjustment ⁽¹⁾⁽²⁾	Actual Crown Group
	Crown Melbourne \$m	Crown Perth \$m	Crown Aspinalls \$m	Wagering & Online \$m	Unallocated \$m	Crown Group \$m		
Operating revenue								
Main floor tables	397.7	99.4	-	-	-	497.1		
Main floor machines	233.0	137.5	-	-	-	370.5		
VIP program play	233.3	34.8	34.7	-	-	302.8		
Wagering & Non gaming	254.9	146.0	0.6	65.9	0.1	467.5		
Intersegment						(1.7)		
Operating revenue	1,118.9	417.7	35.3	65.9	0.1	1,636.2	(173.5)	1,462.7
Interest revenue						15.4	-	15.4
Total revenue	1,118.9	417.7	35.3	65.9	0.1	1,651.6	(173.5)	1,478.1 ⁽³⁾
Segment result								
Operating expenses	(804.0)	(300.1)	(29.1)	(58.4)	(27.5)	(1,219.1)	146.5	(1,072.6)
Intersegment						1.7	-	1.7
Earnings before interest, tax, depreciation and amortisation "EBITDA"	314.9	117.6	6.2	7.5	(27.4)	418.8	(27.0)	391.8
Depreciation and amortisation	(90.4)	(43.9)	(1.3)	(3.0)	(1.8)	(140.4)	-	(140.4)
Earnings before interest and tax "EBIT"	224.5	73.7	4.9	4.5	(29.2)	278.4	(27.0)	251.4
Equity accounted share of associates' net profit/(loss)						7.2	-	7.2
Net interest income/(expense)						(8.6)	-	(8.6)
Income tax benefit/(expense)						(83.4)	7.8	(75.6)
Profit/(loss) after tax						193.6	(19.2)	174.4
Non-controlling Interest						0.5	-	0.5
Profit/(loss) attributable to equity holders of the Parent						194.1	(19.2)	174.9

(1) Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play (at Crown Melbourne, Crown Perth and Crown Aspinalls). The theoretical win rate is the expected hold percentage on VIP program play over time. Accordingly, the normalised result gives rise to adjustments to VIP program play revenue, operating expenses and income tax expense. Revenue from gaming transactions that include complimentary goods or services being provided to customers is not allocated from gaming revenue to the good or service provided. Normalised results are a non-IFRS measure.

(2) During the period Crown incurred \$134.9 million of VIP program play commission expenses. This is included in the total normalised Operating Expenses for the period of \$1,219.1 million. In the actual results, the commission expenses have been allocated out of Operating Expenses and recognised as a reduction to revenue. This difference between the normalised and actual result is included in the Adjustment column above.

(3) Total revenue of \$1,478.1 million includes \$0.1 million of profit on disposal of non-current assets, which is not included in revenue in the Statement of Profit or Loss.

CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

3. Segment Information *continued*

31 December 2017	Normalised Result ⁽¹⁾						Adjustment ⁽¹⁾⁽²⁾	Significant Items ⁽⁴⁾	Actual
	Crown Melbourne	Crown Perth	Crown Aspinalls	Wagering & Online	Unallocated	Crown Group			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Operating revenue									
Main floor tables	387.3	104.9	-	-	-	492.2			
Main floor machines	230.9	136.5	-	-	-	367.4			
VIP program play	262.8	42.7	39.2	-	-	344.7			
Wagering & Non gaming	246.7	143.4	0.6	191.5	0.1	582.3			
Intersegment						(2.0)			
Operating revenue	1,127.7	427.5	39.8	191.5	0.1	1,784.6	(202.8)	-	1,581.8
Interest revenue						13.3	-	-	13.3
Total revenue	1,127.7	427.5	39.8	191.5	0.1	1,797.9	(202.8)	-	1,595.1 ⁽³⁾
Segment result									
Operating expenses	(802.4)	(298.8)	(30.1)	(182.7)	(24.9)	(1,338.9)	155.4	-	(1,183.5)
Intersegment						2.0	-	-	2.0
Earnings before interest, tax, depreciation and amortisation "EBITDA"	325.3	128.7	9.7	8.8	(24.8)	447.7	(47.4)	-	400.3
Depreciation and amortisation	(90.6)	(44.2)	(0.7)	(11.8)	(2.7)	(150.0)	-	-	(150.0)
Earnings before interest and tax "EBIT"	234.7	84.5	9.0	(3.0)	(27.5)	297.7	(47.4)	-	250.3
Asset impairment reversal						-	-	121.8	121.8
Restructuring & other expenses						-	-	(16.0)	(16.0)
Equity accounted share of associates' net profit/(loss)						2.5	-	(2.7)	(0.2)
Net interest income/(expense)						(27.9)	-	-	(27.9)
Income tax benefit/(expense)						(83.4)	14.2	(9.3)	(78.5)
Profit/(loss) after tax						188.9	(33.2)	93.8	249.5
Non-Controlling Interest						3.5	-	(14.4)	(10.9)
Profit/(loss) attributable to equity holders of the Parent						192.4	(33.2)	79.4	238.6

- (1) Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play (at Crown Melbourne, Crown Perth and Crown Aspinalls) and significant items. The theoretical win rate is the expected hold percentage on VIP program play over time. Accordingly, the normalised result gives rise to adjustments to VIP program play revenue, operating expenses and income tax expense. Revenue from gaming transactions that include complimentary goods or services being provided to customers is not allocated from gaming revenue to the good or service provided. Normalised results are a non-IFRS measure.
- (2) During the period Crown incurred \$198.3 million of VIP program play commission expenses. This is included in the total normalised Operating Expenses for the period of \$1,338.9 million. In the actual results, the commission expenses have been allocated out of Operating Expenses and recognised as a reduction to revenue. This difference between the normalised and actual result is included in the Adjustment column above.
- (3) Total revenue of \$1,595.1 million includes \$0.2 million of profit on disposal of non-current assets, which is not included in revenue in the Statement of Profit or Loss.
- (4) Significant items of \$79.4 million includes the Alon asset impairment reversal, partially offset by restructuring & other expenses and significant items relating to Crown's equity accounted interests.

CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

4. Revenue and Expenses

	31 December 2018 \$m	31 December 2017 \$m
Profit before income tax expense includes the following revenues and expenses:		
(a) Revenue		
Crown Melbourne	1,043.9	1,081.9
Crown Perth	437.7	444.0
Crown Aspinalls	32.1	44.7
Wagering & Online	65.4	191.0
Less Commissions	(134.9)	(198.3)
Total Revenue from Contracts with Customers	1,444.2	1,563.3
Tenancy revenue	18.3	18.3
Interest	15.4	13.3
Dividends	0.1	-
Total Revenue	1,478.0	1,594.9
(b) Other income		
Profit on disposal of non-current assets	0.1	0.2
	0.1	0.2
(c) Expenses		
Cost of sales	83.9	85.3
Operating activities	1,098.1	1,218.6
Asset impairment reversal	-	(121.8)
Restructuring & other expenses	-	16.0
Other expenses	29.3	27.6
	1,211.3	1,225.7
Depreciation of non-current assets (included in expenses above)		
Buildings	48.2	48.8
Plant and equipment	79.7	86.2
	127.9	135.0
Amortisation of non-current assets (included in expenses above)		
Casino licence fee and management agreement	10.2	10.2
Other assets	2.3	4.8
	12.5	15.0
Total depreciation and amortisation expense	140.4	150.0
(d) Other income and expense disclosures		
Finance costs expensed:		
Debt facilities	43.8	54.3
Capitalised interest	(19.8)	(13.1)
	24.0	41.2
(e) Significant items - income / (expense)		
Asset impairment reversal	-	121.8
Associates significant items	-	(2.7)
Restructuring & other expenses	-	(16.0)
Net tax on significant items	-	(9.3)
	-	93.8

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CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

5. Dividends Paid and Declared

	31 December 2018 \$m	31 December 2017 \$m
(a) Dividends declared and paid during the half year		
<i>Prior year final dividend (paid 5 October 2018)</i>		
Paid at 30.0 cents (2017: 30.0 cents) per share and franked at 60% (2017: 60%) at the Australian tax rate of 30% (2017: 30%)	205.9	206.7
(b) Dividends declared and not recognised as a liability		
<i>Current year interim dividend (expected to be paid 4 April 2019)</i>		
Declared at 30.0 cents (2017: 30.0 cents) per share and franked at 60% (2017: 60%) at the Australian tax rate of 30% (2017: 30%)	203.1 ⁽¹⁾	206.7

⁽¹⁾ Dollar value is based on the total number of shares on issue as at the date of declaration.

No shareholders' dividend plans are in operation.

The unfranked portion of the dividend has been declared to be conduit foreign income.

6. Cash and Cash Equivalents

For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2018 \$m	31 December 2017 \$m
Cash on hand and at bank	487.3	545.8
Deposits on call	789.1	890.1
	1,276.4	1,435.9

The above closing cash balances includes \$177.7 million (2017: \$168.4 million) of cash on the company's premises and cash held in bank accounts needed to run the day to day operations of the businesses and cash of \$1,098.7 million (2017: \$1,267.5 million) for other purposes.

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CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

7. Interest-Bearing Loans and Borrowings

	31 December 2018 \$m	30 June 2018 \$m
Current		
Bank Loans - unsecured	41.2	25.7
Capital Markets Debt - unsecured	259.1	-
	300.3	25.7
Non-current		
Bank Loans - unsecured	-	28.9
Capital Markets Debt - unsecured ⁽¹⁾	789.8	1,437.1
Other loans - unsecured	1.1	1.0
	790.9	1,467.0

⁽¹⁾ On 14 September 2018, Crown redeemed all of the outstanding Subordinated Notes listed on the ASX under the code "CWNHA" (the "Notes") in accordance with the terms of the Notes. This reduced Crown's gross debt by approximately \$400 million.

8. Contributed Equity

	31 December 2018 \$m	30 June 2018 \$m
Issued share capital		
Ordinary shares fully paid	(203.3)	(71.9)
Movements in issued share capital		
Carrying amount at the beginning of the financial year	(71.9)	(53.2)
Share buy-back, inclusive of costs	(131.4)	(18.7)
Carrying amount at the end of the financial period	(203.3)	(71.9)
Shares held in Trust		
Balance at beginning of the financial year	(15.7)	(19.4)
Shares transferred under the 2014 Crown Long Term Incentive Plan	15.7	3.7
Balance at the end of the financial period	-	(15.7)
	31 December 2018 No.	30 June 2018 No.
Issued share capital		
Ordinary shares fully paid	677,158,271	687,421,194
Movements in issued share capital		
Balance at the beginning of the financial year	687,421,194	688,847,822
Share buy-back	(10,262,923)	(1,426,628)
Balance at the end of the financial period	677,158,271	687,421,194

During the period, the Group carried out an on-market share buy-back as an element of its capital management program. For the half year ended 31 December 2018, shares to a value of \$131.4 million have been purchased.

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance of contributed equity is reflected as a negative balance, which shows the excess value of shares bought back over the original amount of subscribed capital.

CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

9. Financial Instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2018:

	Loans and receivables at amortised cost \$m	Fair value profit or loss \$m	Fair value other comprehensive income \$m	Present value equity reserve \$m
31 December 2018				
Financial assets:				
Trade and other receivables	144.1	-	-	-
Foreign currency derivative assets	-	-	10.8	-
Total current	144.1	-	10.8	-
Trade and other receivables	156.9	-	-	-
Cross currency swap contracts	-	-	37.4	-
Share option contracts	-	3.9	-	-
Total non-current	156.9	3.9	37.4	-
Total	301.0	3.9	48.2	-
Financial liabilities:				
Trade and other payables	452.9	-	-	-
Interest bearing loans and borrowings	300.3	-	-	-
Total current	753.2	-	-	-
Other long term payables	224.8	49.4	-	51.2
Interest bearing loans and borrowings	790.9	-	-	-
Interest rate swap contracts	-	-	2.5	-
Total non-current	1,015.7	49.4	2.5	51.2
Total	1,768.9	49.4	2.5	51.2
30 June 2018				
Financial assets:				
Trade and other receivables	172.3	-	-	-
Foreign currency derivative assets	-	-	9.2	-
Total current	172.3	-	9.2	-
Trade and other receivables	143.0	-	-	-
Cross currency swap contracts	-	-	23.3	-
Total non-current	143.0	-	23.3	-
Total	315.3	-	32.5	-
Financial liabilities:				
Trade and other payables	427.5	-	-	-
Interest bearing loans and borrowings	25.7	-	-	-
Total current	453.2	-	-	-
Other long term payables	191.8	47.0	-	48.8
Interest bearing loans and borrowings	1,467.0	-	-	-
Interest rate swap contracts	-	-	2.1	-
Total non-current	1,658.8	47.0	2.1	48.8
Total	2,112.0	47.0	2.1	48.8

Instruments allocated to the column 'fair value other comprehensive income' are derivative financial instruments designated as cash flow hedges.

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CROWN RESORTS LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2018

9. Financial Instruments *continued***Risk management activities**

The Group's business activities expose it to the following risks; market risks (interest rate, share price and foreign exchange), credit risk and liquidity risk. For each of these risks, the Group considers the counterparties, geographical area, currency and markets as applicable to determine whether there are concentrations of risk.

During the period, the Group held and entered into foreign exchange contracts to hedge future transactions in foreign currencies, which were designated in hedge accounting relationships. In addition, the Group maintained interest rate swap contracts and cross currency swap contracts, which were designated in hedge accounting relationships. These hedges were assessed to be highly effective as at 31 December 2018.

For the period ended 31 December 2018, an unrealised gain of \$10.7 million in relation to the above foreign exchange and interest rate contracts was included in other comprehensive income.

In December 2018, Crown entered into a derivative instrument to hedge its exposure under the 2017 Senior Executive Incentive Plan. This hedge does not qualify for hedge accounting and therefore has not been designated in a hedge accounting relationship. For the period ended 31 December 2018, no unrealised gain or loss in relation to this derivative instrument was included in the statement of profit or loss.

Fair value of financial instruments

The fair value of the Group's financial assets and financial liabilities approximates the carrying value as at balance date.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level One - the fair value is calculated using quoted prices in active markets;
- Level Two - the fair value is estimated using inputs other than quoted prices included in Level One that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level Three - the fair value is estimated using inputs for the asset or liability that are not based on observable market data, including cash flow forecasts, implied growth rates and implied discount rates.

As at 31 December 2018, the Group held the following classes of financial instruments measured at fair value:

3.2

CROWN RESORTS LIMITED

Notes to the Financial Statements

For the half year ended 31 December 2018

9. Financial Instruments *continued*Fair value of financial instruments *continued*

	Valuation Technique			Total \$m
	Quoted market price	Observable inputs	Non market observable	
	Level One \$m	Level Two \$m	Level Three \$m	
31 December 2018				
Financial Assets				
Foreign currency derivative assets	-	10.8	-	10.8
Share option contracts	-	3.9	-	3.9
Cross currency swap contracts	-	37.4	-	37.4
	-	52.1	-	52.1
Financial Liabilities				
Contingent consideration	-	-	49.4	49.4
Interest rate swap contracts	-	2.5	-	2.5
	-	2.5	49.4	51.9
30 June 2018				
Financial Assets				
Foreign exchange contracts	-	9.2	-	9.2
Cross currency swap contracts	-	23.3	-	23.3
	-	32.5	-	32.5
Financial Liabilities				
Contingent consideration	-	-	47.0	47.0
Interest rate swap contracts	-	2.1	-	2.1
	-	2.1	47.0	49.1

During the period ended 31 December 2018, there were no transfers between fair value measurement levels.

The contingent consideration as at 31 December 2018 is due in December 2020, based on the 2020 earnings of the DGN Group. A significant increase (decrease) in the future earnings of the DGN Group would result in a higher (lower) fair value of the contingent consideration liability.

Reconciliation of Level Three recurring fair value movements

	31 December 2018 \$m	30 June 2018 \$m
Financial Liabilities		
Opening balance	47.0	45.3
Other comprehensive income	2.4	1.7
Closing Balance - Financial Liabilities	49.4	47.0

The other comprehensive income amount in the prior comparative period represents a 12 month movement.

3.2

CROWN RESORTS LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2018

10. Impairment Testing of Intangible Assets

Intangible assets deemed to have indefinite lives are allocated to the Group's cash generating units (CGUs) identified according to the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of a CGU is determined based on a value in use calculation using a discounted cash flow methodology covering a specified period, with an appropriate residual value at the end of that period, for each CGU. The methodology utilises cash flow forecasts that are based primarily on business plans presented to and approved by the Board.

Note 13 of the 30 June 2018 Annual report described key assumptions on which management based its cash flow projections to undertake impairment testing of intangible assets which included cash flow forecasts, residual value, forecast growth rates, and discount rates.

The Group performs impairment testing for intangible assets on an annual basis (at 30 June each year) or when there are other indicators of impairment. At 31 December 2018 potential indicators of impairment were identified for the Crown Perth and DGN CGUs. No impairment indicators were identified for any other CGUs at 31 December 2018.

As a result of the potential indicator of impairment identified for Crown Perth and DGN CGU, the five-year cash flow forecasts were revised to determine their recoverable amount at 31 December 2018. No changes were made to other key assumptions adopted for the Crown Perth and DGN CGU from 30 June 2018.

No impairment loss has been recorded against the Group's intangible assets during the half year.

Sensitivity analysis

The key estimates and assumptions used to determine the value in use of the Crown Perth and DGN CGUs are based on management's current expectations based on past experience, future plans and external market information. They are considered to be reasonably achievable, however changes in any of the key estimates and assumptions may result in Crown Perth and DGN's carrying value exceeding its recoverable amount, resulting in an impairment charge.

The Group will continue to monitor the performance of all CGUs going forward, and consider the impact on the respective CGUs' impairment testing assumptions and carrying value.

11. Contingent Liabilities

On 15 February 2016 Crown was issued with amended assessments and notices of penalty by the Australian Taxation Office ("ATO") for a total of approximately \$362 million which comprise primary tax, interest and penalties. The amended assessments are in respect of income tax paid for the financial years ended 30 June 2009 to 30 June 2014 (inclusive) and relate to the tax treatment of some of the financing for Crown's investment in Cannery Casino Resorts ("Cannery") in North America. Crown formally objected to the amended assessments and notices of penalty, but those objections were disallowed in full by the ATO. On 10 July 2018 Crown lodged applications for an appeal against the objection decisions relating to the amended assessments in the Federal Court. On 7 September 2018 Crown applied to the Administrative Appeals Tribunal ("AAT") for a review of the objection decisions relating to the notices of penalty.

Crown was issued with further amended assessments and notices of penalty dated 31 August 2018 in respect of the financial years ended 30 June 2014 to 30 June 2016 (inclusive). The further amended assessments and notices of penalty have been issued for a total of approximately \$34 million which comprise primary tax, interest and penalties, and similarly relate to some of the financing for Crown's investment in Cannery. Crown formally objected to the amended assessments and notices of penalty, but those objections were disallowed in full by the ATO. On 21 December 2018 Crown lodged applications for an appeal against the objection decisions relating to the further amended assessments in the Federal Court, and applied to the AAT for a review of the objection decisions relating to the notices of penalty. Pursuant to orders made by the Federal Court and the AAT, the appeals and applications for review relating to the further amended assessments and notices of penalty have been joined to the existing Federal Court and AAT proceedings commenced in respect of the original amended assessments and notices of penalty issued to Crown on 15 February 2016.

Crown considers that it has paid the correct amount of tax in respect of these matters and intends to continue to pursue all available avenues of resolution.

As announced by Crown on 4 December 2017, Maurice Blackburn Lawyers have commenced a class action proceeding against Crown in the Federal Court of Australia. The proceeding has been filed on behalf of persons who acquired an interest in Crown shares between 6 February 2015 and 16 October 2016. Crown has announced that it intends to vigorously defend the proceeding.

CROWN RESORTS LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2018

11. Contingent Liabilities *continued*

In addition to the above matters, entities within the group are defendants from time to time in legal proceedings arising from the conduct of their business. The group does not consider that the outcome of any proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

The group has no other material contingent liabilities at 31 December 2018.

12. Events After the Reporting Period

Subsequent to 31 December 2018, the directors of Crown Resorts declared an interim dividend on ordinary shares in respect of the half year ended 31 December 2018. Based on the number of shares on issue at 31 December 2018, the total amount of the dividend is expected to be \$203.1 million, which represents a dividend of 30 cents per share franked at 60%. The unfranked portion of the dividend has been declared to be conduit foreign income.

CROWN RESORTS LIMITED

Directors' Declaration

In the opinion of the directors:

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

Signed in accordance with a resolution of the Directors.

John Alexander
Executive Chairman

Melbourne, 20th day of February, 2019.

3.2

CROWN RESORTS LIMITED

Independent Auditor's Review Report

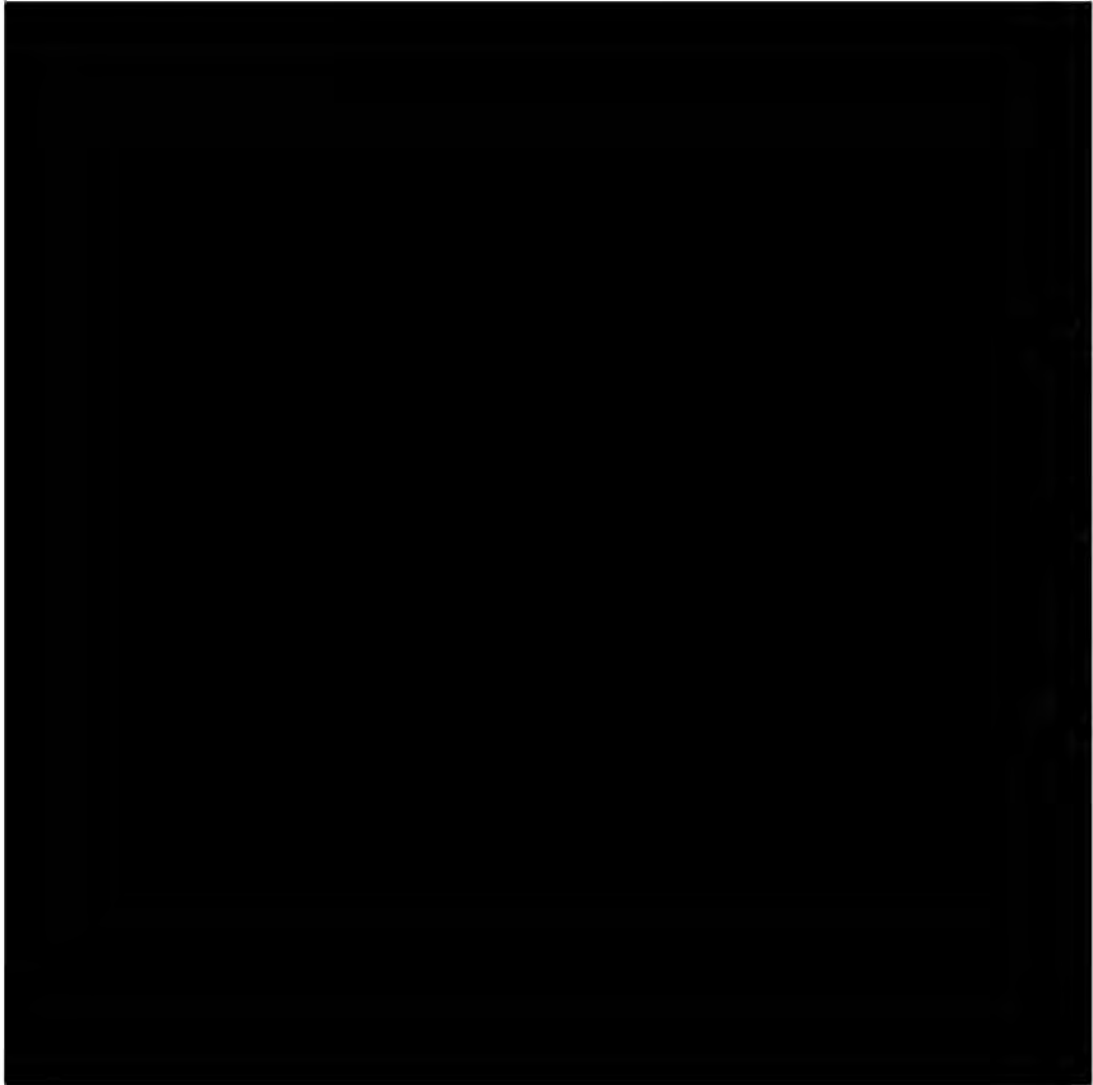
To be provided by Ernst & Young

DRAFT

3.2



Crown Resorts Limited Audit Committee
Interim Dividend 11 February 2019



3.3



Crown Resorts Limited Audit Committee Interim Dividend 11 February 2019

Legal Requirements to pay dividend

Retained Earnings / Current Year Profits

Crown Resorts Limited is required to have sufficient retained earnings and/or current year profits to support the payment of the dividends. Management has reviewed Crown's capacity to pay the dividend currently contemplated, as well as forecast dividends under the dividend policy, from retained earnings. This analysis had regard to current earnings forecasts. Subject to forward earnings assumptions proving accurate, sufficient retained earnings are available to support these dividends.

A key assumption underlying this analysis is that Crown Resorts Limited is not required to formally test for, nor record, an impairment of its investment in Crown Entertainment Group Holdings Pty Ltd. This assumption is supported by current sum-of-the-parts valuations. Management will continue to monitor potential indicators of impairment in order to validate the appropriateness of proposed dividends in future periods.

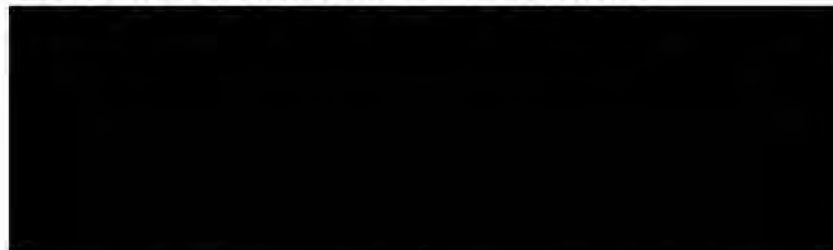
Solvency Test

As previously advised, Section 254T of the Australian Corporations Act 2001 (Cth) (Act) requires a three pronged "solvency test" to permit companies to pay dividends, as follows:

- the company's assets exceed its liabilities and the excess is sufficient for the payment of the dividend;
- the dividend payment is fair and reasonable to the company's shareholders as a whole; and
- the dividend payment does not materially prejudice the company's ability to pay its creditors.

The first limb provides a safeguard by requiring companies to have sufficient assets in excess of their liabilities in order to pay the dividend. The second and third limbs mirror the requirements already imposed on companies in relation to share capital reductions and share buy-backs under Part 2J of the Act.

Under the new test Crown's assets exceed its liabilities as set out below:



Management considers that the payment of the recommended dividend is fair and reasonable to Crown Resorts Limited's shareholders and will not materially prejudice Crown Resorts Limited's ability to pay its creditors.

As the test must be applied at the date of payment of the dividend (currently anticipated to be 4 April 2019), management will confirm the above position at that time as a precondition to payment of the dividend.



Crown Resorts Limited Audit Committee
Interim Dividend 11 February 2019

DIVIDEND HISTORY	2019 F/CAST	2018 ACTUAL	2017 ACTUAL	2016 ACTUAL	2015 ACTUAL	2014 ACTUAL	2013 ACTUAL	2012 ACTUAL	2011 ACTUAL	2010 ACTUAL	2009 ACTUAL	2008 ACTUAL
INTER M DIVIDEND PER SHARE RECOMMENDED	30.0c	30.0c	30.0c	33.0c	18 0c	18.0c	18 0c	18.0c	18.0c	18.0c	18 0c	25.0c
COST \$M	203.1	206.7	218.5	240.4	131.1	131.1	131.1	131.1	136.5	136.5	136.5	169.5
% OF FULL YEAR NORMALISED PROFIT AFTER TAX	51%	54%	60%	46%	31%	35%	41%	41%	42%	47%	49%	46%
SPECIAL DIVIDEND PER SHARE			83.0c									
COST \$M			604.6									
FINAL DIVIDEND PER SHARE FORECAST	30.0c	30.0c	30.0c	39.5c	19 0c	19.0c	19 0c	19.0c	19.0c	19.0c	19 0c	29.0c
COST \$M	203.1	206.2	206.7	287.7	138.4	138.4	138.4	138.4	144.1	144.1	144.1	196.7
% OF FULL YEAR NORMALISED PROFIT AFTER TAX	51%	54%	57%	55%	33%	37%	43%	43%	45%	50%	51%	53%
TOTAL COST \$M	406.3	412.9	1,029.7	528.1	269.5	269.5	269.5	269.5	280.6	280.6	280.6	366.2
TOTAL DIVIDEND - cents per share	60.0c	60.0c	143.0c	72.5c	37 0c	37.0c	37 0c	37.0c	37.0c	37.0c	37 0c	54.0c
NORMALISED PROFIT AFTER TAX*	394.9	384.9	365.6	527.8	416.8	377.9	322.3	319.8	323.6	288.4	280.7	370.1
% DISTRIBUTED (excluding special dividend)			116%									
% DISTRIBUTED	103%	107%	282%	100%	65%	71%	84%	84%	87%	97%	100%	99%

*For financial years 2008 to 2010 NPAT includes profit from associates

For financial years 2011 to 2013 NPAT excludes profit from associates

For financial years 2014 onwards NPAT excludes profit from associates and includes dividends received from associates



Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee

From: Mary Manos

Date: 7 February 2019

Subject: Assurance from Associates

Dear Committee Members

In support of the CEO and CFO declaration that John Alexander and Ken Barton will make in relation to the half year accounts, equivalent declarations are obtained from Crown's wholly owned subsidiaries, Crown Melbourne, Crown Perth, Crown Aspinalls and Betfair.

In addition to assurances obtained from the subsidiary CEO and CFO declarations, management has received assurances from Crown's material associates, currently considered to be Aspers and Nobu.

Attached to this paper are signed Assurance Certificates from Aspers and Nobu.

We have a number of other associates that are either dormant or are not reporting any profits for which we have not requested Assurance Certificates, including Chill Gaming. An Assurance Certificate will be sought from Chill Gaming when it starts reporting a profit.

Kind regards

Mary Manos
General Counsel & Company Secretary



25 January 2019

The Directors
Crown Resorts Limited
Level 3, Crown Towers
8 Whiteman Street
Southbank VIC 3006
Australia

Dear Directors

Corporate Governance

This letter has been prepared at your request as part of your Corporate Governance procedures. We acknowledge that Aspers UK Holdings Limited ("**Aspers**") is an Associate of Crown Resorts Limited ("**Crown**") and accordingly, the results of Aspers are reflected in Crown's financial results to the extent of Crown's ownership interest.

Financial Reporting

1. We have reviewed the monthly management accounts ("**Accounts**") for the half year ended 31 December 2018 for Aspers.
2. With regard to the integrity of the Accounts:
 - (a) the Accounts comply in all material respects with the accounting standards as required by UK law, other than certain adjustments to be made in the statutory accounts of Aspers;
 - (b) the Accounts give a true and fair view, in all material respects, of the financial position as at 31 December 2018 and performance of Aspers for the half year then ended; and
 - (c) all information has been provided to Crown through Aspers Board meetings and associated papers which would allow the CEO and CFO of Crown to make the judgment as to whether Aspers will be able to pay its debts as and when they become due and payable.
3. With regard to the financial records and systems of risk management and internal compliance and control for the half year ended 31 December 2018:
 - (a) the financial records of Aspers have been properly maintained in accordance UK law;

- (b) the statements made in 2 above regarding the integrity of the Accounts are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by Aspers Board of Directors;
 - (c) the risk management and internal compliance and controls system of Aspers were operating efficiently and effectively in all material respects during the half year ended 31 December 2018; and
 - (d) subsequent to 31 December 2018, no changes or other matters have come to our attention that would have material effect on the operation of risk management and internal compliance and control systems of Aspers.
4. We will advise Crown Management of any adjustments to the results presented in the Accounts as they occur.

Internal Controls and Procedures

5. We are responsible for establishing and maintaining internal financial control and procedures at Aspers and we have:
- (a) either designed such controls and procedures or caused controls and procedures to be designed under our supervision to ensure that material information is made known to us, particularly during the period in which the Accounts have been prepared;
 - (b) evaluated the effectiveness of Aspers' internal controls and procedures as of the end of the period covered by the Accounts; and
 - (c) we believe, based on this evaluation, that the controls and procedures are operating effectively in all material respects.
6. Based on our most recent evaluation, there:
- (a) have not been any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting during the half year ended 31 December 2018 which are reasonably likely to adversely affect Aspers' ability to record, process, summarise and report financial information; and
 - (b) has not been any fraud, to our knowledge during the half year ended 31 December 2018, whether or not material, that involves management or other employees who have a significant role in the Aspers internal controls.
7. There were no changes in Aspers' internal controls over financial reporting that occurred during the half year covered by this report that have materially affected, or is reasonably likely to materially affect Aspers' internal controls over financial reporting.

Risk Management

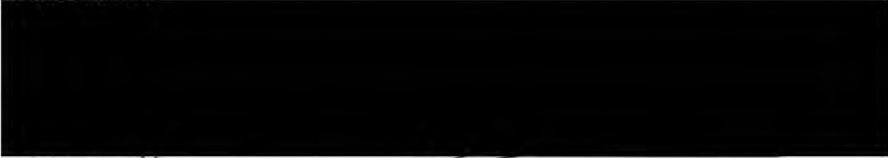
8. At Aspers:
 - (a) appropriate processes and responsibilities for identifying, managing and reporting material business risks have been established and operated throughout the half year to 31 December 2018; and
 - (b) appropriate steps have been taken to review the effectiveness of Aspers' risk management and internal control system and we confirm no material weaknesses have been identified.
9. The following HIGH RATED risks have been identified at Aspers:
 - (a) Gaming Integrity; and
 - (b) Anti-Money Laundering; and
 - (c) Responsible Gambling/Safeguarding of customers
10. Policies and procedures around HIGH RATED risk areas are continuously monitored to minimise our exposures.

Occupational Health and Safety

11. At Aspers, the oversight of the health and safety of employees, contractors and customers (Occupational Health and Safety or OHS) including:
 - (a) provision of a safe workplace through identification and mitigation of OHS risks;
 - (b) maintaining an effective incident reporting and investigation process;
 - (c) maintaining an effective Workers' Compensation claims management and return to work process;
 - (d) maintaining an effective OHS induction and on-going training program;
 - (e) ensuring appropriate staff consultation on OHS matters via an OHS committee and/or through other means; and
 - (f) undertaking an annual review of the effectiveness of the OHS management system through analysis of available data (eg incident and hazard report data and compliance audit results) and to use this to drive continuous improvement in OHS performance,
- is the responsibility of local General Managers, with additional oversight through a quarterly executive review meeting.

- 12. Effective plans and controls to address OHS risks have been implemented and Aspers complies with relevant OHS laws.

Yours sincerely



JDA Aspinall
Director
For and on behalf of Aspers UK
Holdings Ltd

~~Richard Noble~~
Director
For and on behalf of Aspers UK
Holdings Ltd

3.4



2 February 2019

The Directors
Crown Resorts Limited
Level 3, Crown Towers
8 Whiteman Street
Southbank VIC 3006
Australia

Dear Directors

Corporate Governance

This letter has been prepared at your request as part of your Corporate Governance procedures. We acknowledge that Nobu Hospitality, LLC and Nobu Restaurant Group Holding Company, LLC together with their subsidiaries ("**Nobu Group**") are associates of Crown Resorts Limited ("**Crown**") and accordingly, the results of the Nobu Group are reflected in Crown's financial results to the extent of Crown's ownership interest.

Financial Reporting

- 1) We have reviewed the monthly management accounts ("**Accounts**") for the full year ended 31 December 2018 for the Nobu Group.
- 2) With regard to the integrity of the Accounts:
 - (a) the Accounts comply in all material respects with the accounting standards as required by US law, other than certain adjustments to be made in the statutory accounts of the Nobu Group; and
 - (b) the Accounts give a true and fair view, in all material respects, of the financial position as at 31 December 2018 and performance of Nobu Group for the financial year then ended.
- 3) With regard to the financial records and systems of risk management and internal compliance and control for the financial year ended 31 December 2018:
 - a) the financial records of the Nobu Group have been properly maintained in accordance US law;
 - b) the statements made in 2 above regarding the integrity of the Accounts are founded on a sound system of risk management and internal compliance and

Nobu Restaurant Group LLC | Nobu Hospitality LLC
40 West 57th Street, Suite 320, New York, NY 10019
www.noburestaurants.com

- control which, in all material respects, implements the policies adopted by the Nobu Group's Board of Directors;
- c) the risk management and internal compliance and controls system of the Nobu Group were operating efficiently and effectively in all material respects during the financial year ended 31 December 2018; and
 - (c) subsequent to 31 December 2018, no changes or other matters have come to our attention that would have material effect on the operation of risk management and internal compliance and control systems of the Nobu Group.
- 4) We will advise Crown Management of any adjustments to the results presented in the Accounts as they occur.

Internal Controls and Procedures

- 5) We are responsible for establishing and maintaining internal financial control and procedures at the Nobu Group and we have:
- a) either designed such controls and procedures or caused controls and procedures to be designed under our supervision to ensure that material information is made known to us, particularly during the period in which the Accounts have been prepared;
 - b) evaluated the effectiveness of the Nobu Group's internal controls and procedures as of the end of the period covered by the Accounts; and
 - c) we believe, based on this evaluation, that the controls and procedures are operating effectively in all material respects.
- 6) Based on our most recent evaluation, there:
- (a) have not been any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting during the financial year ended 31 December 2018 which are reasonably likely to adversely affect the Nobu Group's ability to record, process, summarise and report financial information; and
 - (b) has not been any fraud, to our knowledge during the financial year ended 31 December 2018, whether or not material, that involves management or other employees who have a significant role in the Nobu Group's internal controls.
- 7) There were no changes in the Nobu Group's internal controls over financial reporting that occurred during the half year covered by this report that have materially affected, or are reasonably likely to materially affect, the Nobu Group's internal controls over financial reporting.

Risk Management

- 8) At the Nobu Group:
- (a) appropriate processes and responsibilities for identifying, managing and reporting material business risks have been established and operated throughout the financial year to 31 December 2018; and
 - (b) appropriate steps have been taken to review the effectiveness of the Nobu Group's risk management and internal control system and we confirm no material weaknesses have been identified.
- 9) The following HIGH RATED risks have been identified at the Nobu Group:

Labor

- We have a class action lawsuit pertaining to the Nobu 57 tip pool. We are in the process of settling this lawsuit and the entire expense was recorded in 2018. The cash payment to settle the lawsuit should occur in the first half of calendar 2019.
- The US Supreme Court issued a ruling in 2018 that permits companies such as Nobu to require employees to submit to individual arbitration for wage and other disputes, thus eliminating class action lawsuits for the most part. Individual arbitration is now a company-wide policy and all employees in all restaurants except Nobu 57 have been informed of this change. On advice of counsel, Nobu 57 employees will become subject to this new policy at a later date.

We still are seeing wage pressure in New York, California and London. Fortunately, we have pricing power to mitigate some of the increased labor and related tax costs. We are constantly reviewing prices to limit decreases in margin associated with increasing labor costs. We continue to minimize costs through effective scheduling of personnel and minimizing overtime.

Potential loss of key licenses or leases

- We do not anticipate any issues with licenses or leases.
- We extended the license agreement with Caesars Palace for the hotel and restaurant and this license was renewed several years early at Caesars' request. We exercised our right to renew the restaurant lease at Nobu 57 for an additional five years (2020-2025). We are not in default on any leases. And our relationships with our landlords are generally very good.

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- Nobu Malibu has some push back from the city of Malibu about customer parking and we have been providing off street parking to our guests since we opened for business.
- Nobu Malibu was closed for seven days in early November due to the Southern California brush fires. While law enforcement mandated the closure, the restaurant suffered no damage. The restaurant lost sales of approximately \$950 thousand, between the days we were closed and the resulting start up days after reopening when sales volume was lower than normal. Sales have now returned to previous levels. We are assembling data to file a business interruption insurance claim.
- Nobu Houston opened June 1, 2019 to favourable reviews and we anticipate calendar year sales of \$10 - \$11 million.
- We do not anticipate losing any hotel management agreements.

Economic factors leading to a decline in discretionary spend

- Economic factors in the US are reasonably good; economic factors in the UK are less so.
- Event sales (catering and in-house events) remain steady at 7% of sales in the US.

Reputational impacts from events e.g. food quality/contamination

- Food quality is the highest priority. Clean kitchens are a major priority. We do have the very occasional, random food-related complaint and such complaints have been handled at the restaurant level.

None of these issues pose a significant risk to Nobu Group.

- 10) Policies and procedures around HIGH RATED risk areas are continuously monitored to minimise our exposures.

Occupational Health and Safety

- 11) At the Nobu Group, the oversight of the health and safety of employees, contractors and customers (Occupational Health and Safety or OHS) including:
- (a) provision of a safe workplace through identification and mitigation of OHS risks;
 - (b) maintaining an effective incident reporting and investigation process;
 - (c) maintaining an effective Workers' Compensation claims management and return to work process;
 - (d) maintaining an effective OHS induction and on-going training program;

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- (e) ensuring appropriate staff consultation on OHS matters via an OHS committee and/or through other means;
- (f) undertaking an annual review of the effectiveness of the OHS management system through analysis of available data (eg incident and hazard report data and compliance audit results) and to use this to drive continuous improvement in OHS performance is the responsibility of local General Managers and the Human Resources department of the Nobu Group; and
- (g) effective plans and controls to address OHS risks have been implemented and Nobu Group complies with relevant OHS laws,

Health and Safety compliance is the responsibility of local General Managers, with input from corporate human resources.

Yours sincerely



John Kendrick
Chief Financial Officer



3.4



Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee

From: Mary Manos

Date: 7 February 2019

Subject: Draft Resolutions

Dear Committee Members

It is proposed that the Committee resolve as follows:

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

ASX Appendix 4D: Results for the Half Year ended 31 December 2017: It was **RESOLVED** that the draft Appendix 4D be approved subject to those amendments suggested in the meeting and agreed to by the Committee (if any), and that the Committee recommend the draft Appendix 4D to the Board for approval.

It was further **RESOLVED** that that in the opinion of the Committee:

- (a) 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:
 - (i) 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
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001* (Cth); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Interim Dividend Recommendation: It was **RESOLVED** that it be recommended to the Board that an interim dividend be declared as follows:

“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:*

- (a) 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;*
- (b) the dividend be franked to 60%;*
- (c) the unfranked portion of the dividend be paid from conduit foreign income; and*
- (d) the dividend be paid to the holders of ordinary shares on the register of members as at 21 March 2019.”*

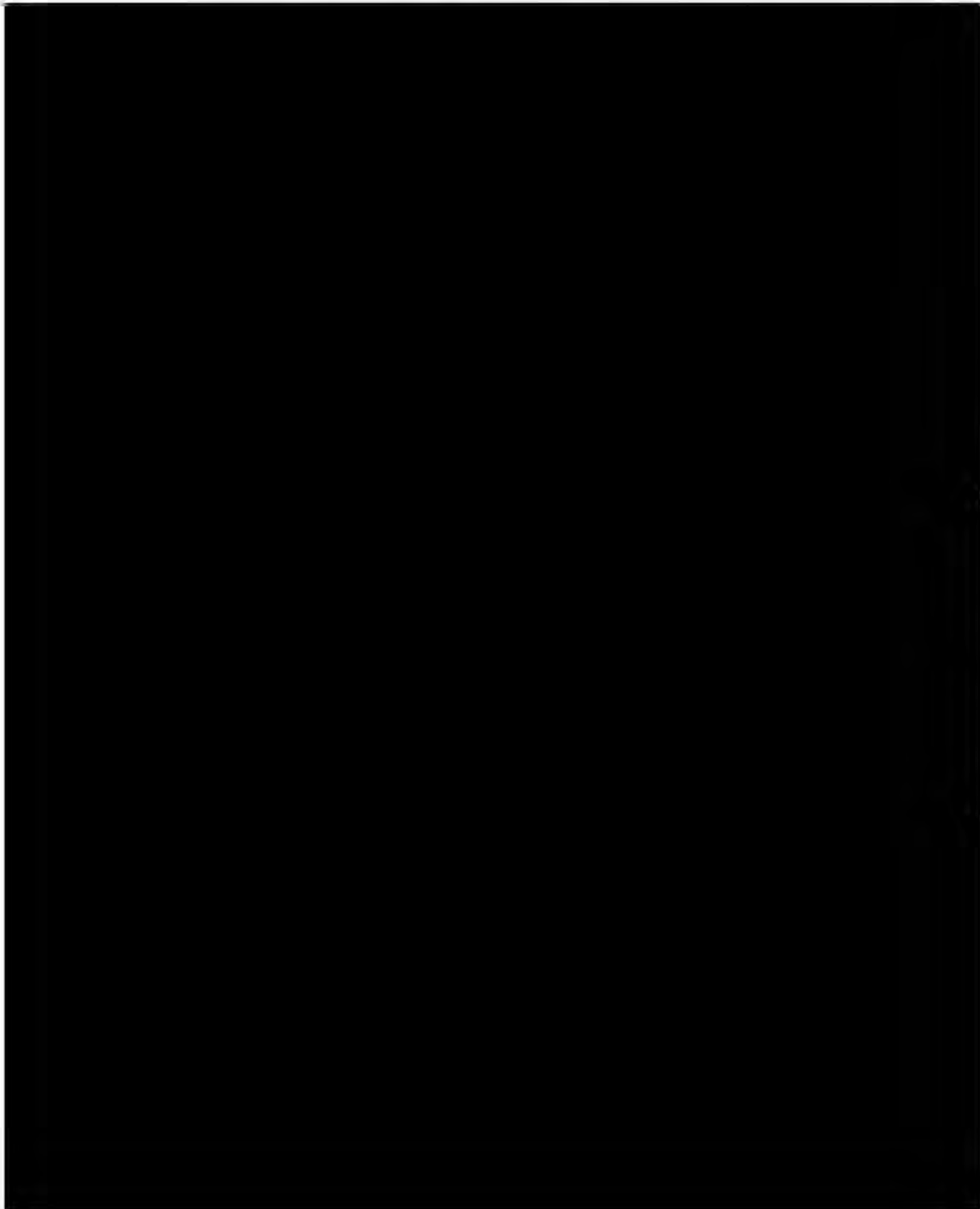


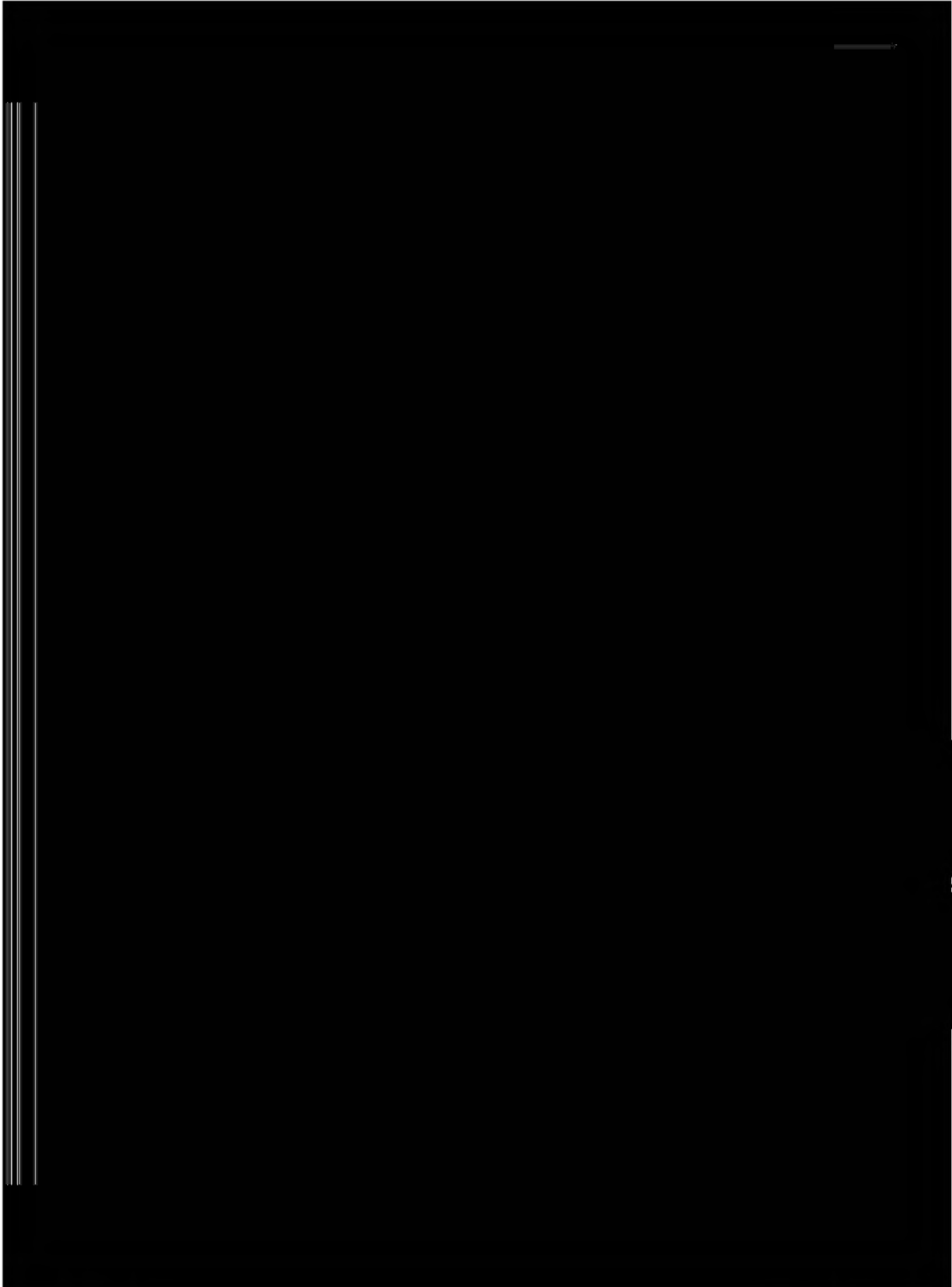
AGENDA ITEM 4:
Treasury and Compliance Report



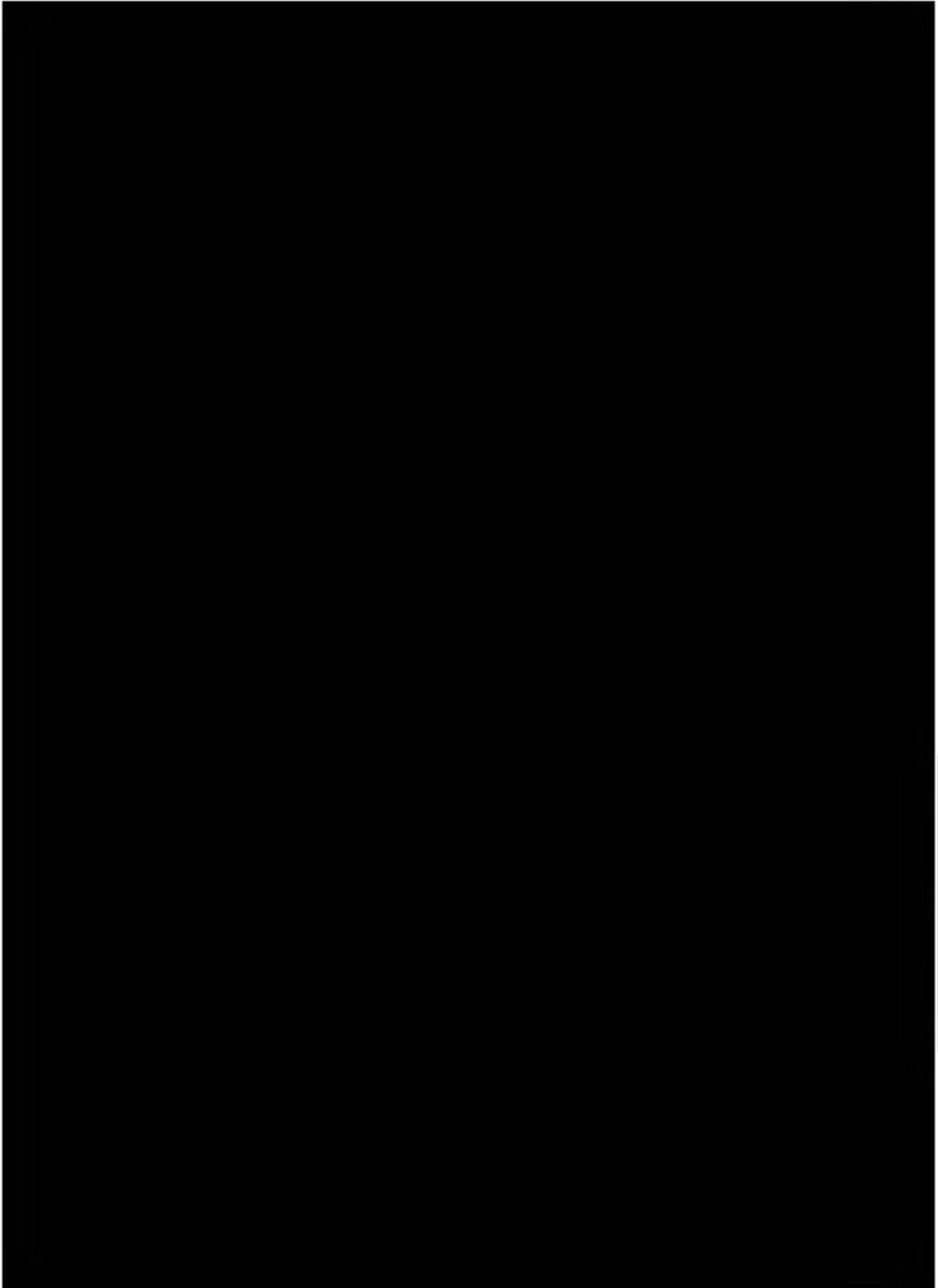
Crown Resorts Limited

Treasury and Compliance Report – 11 February 2019

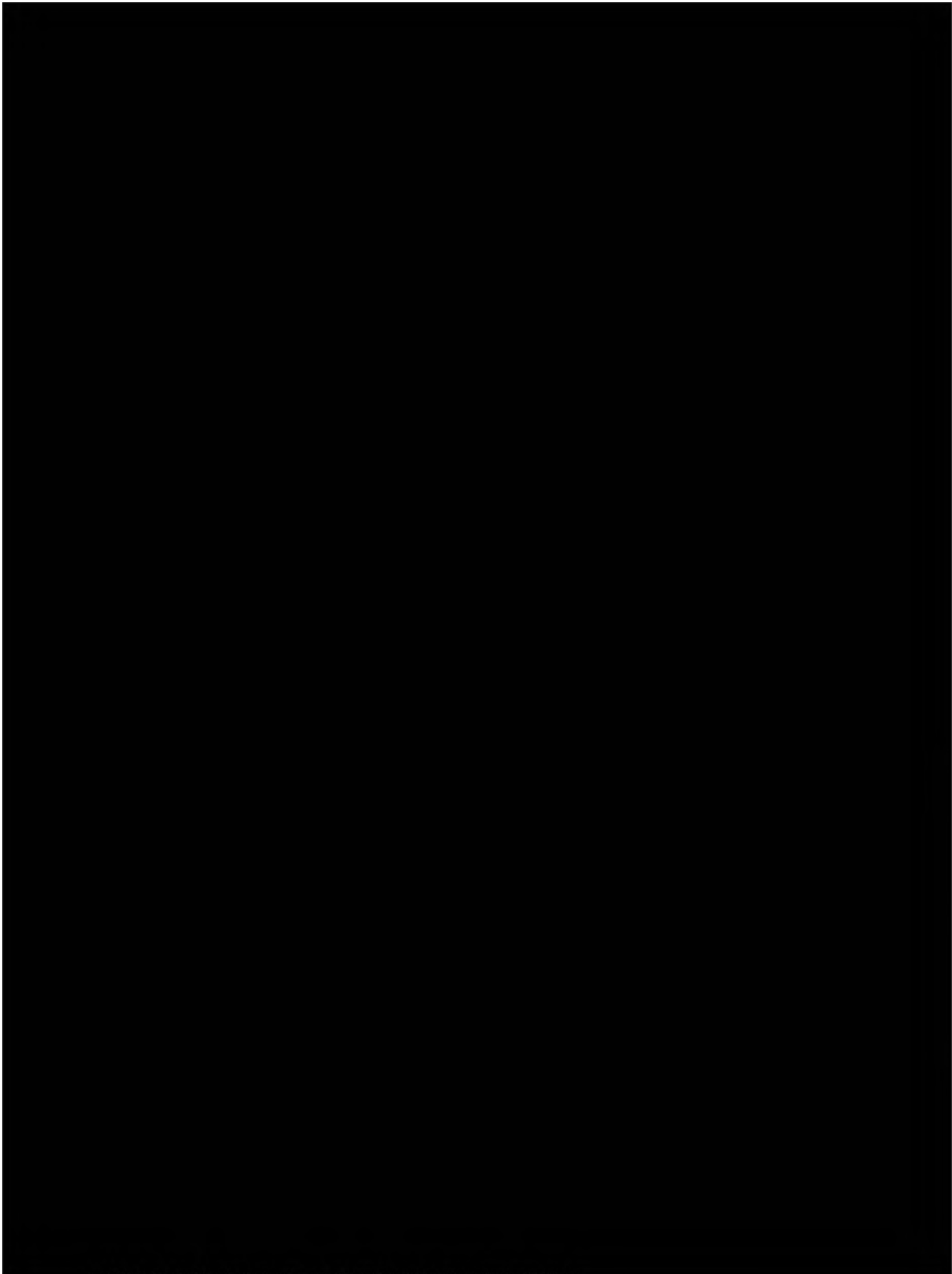




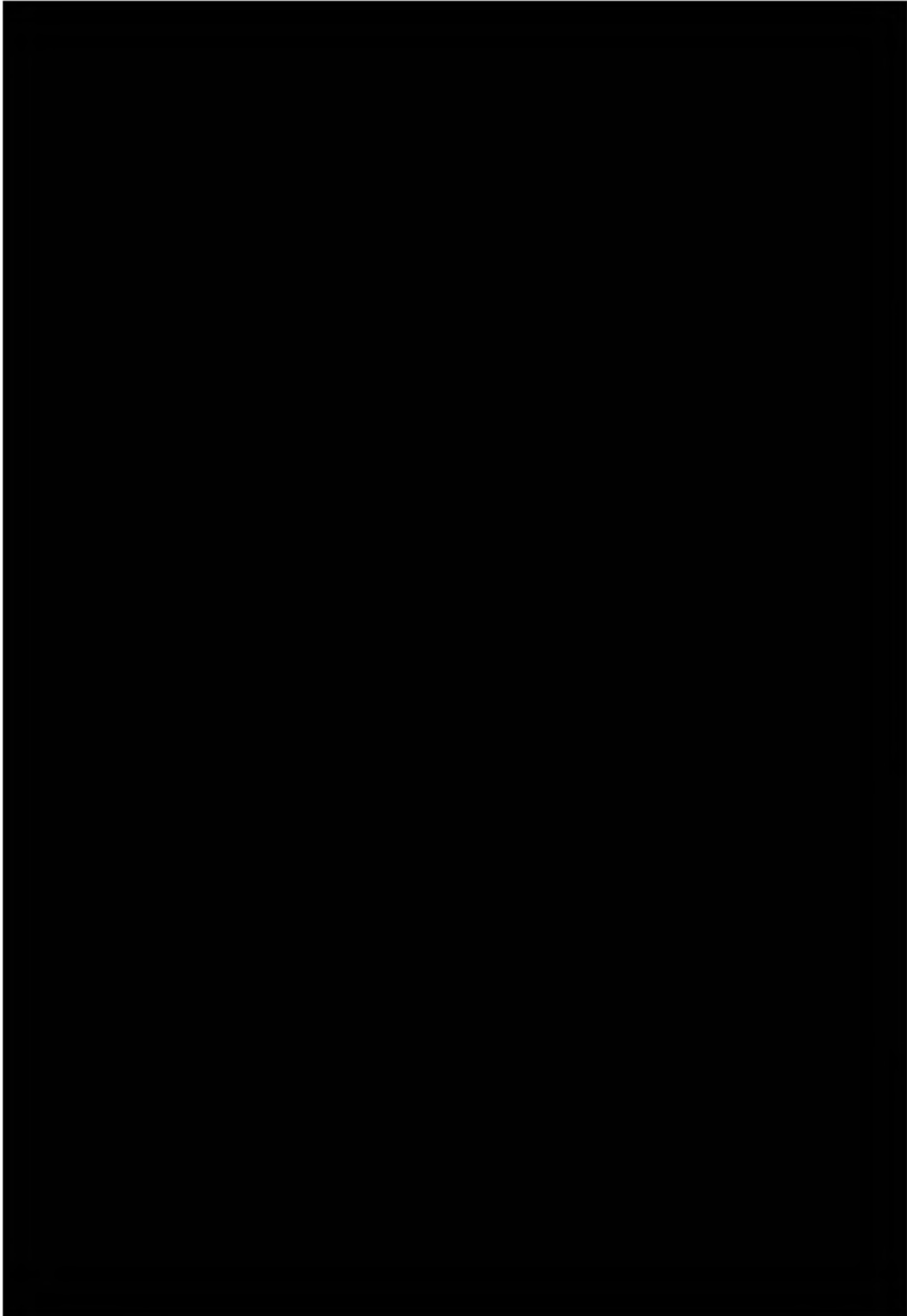
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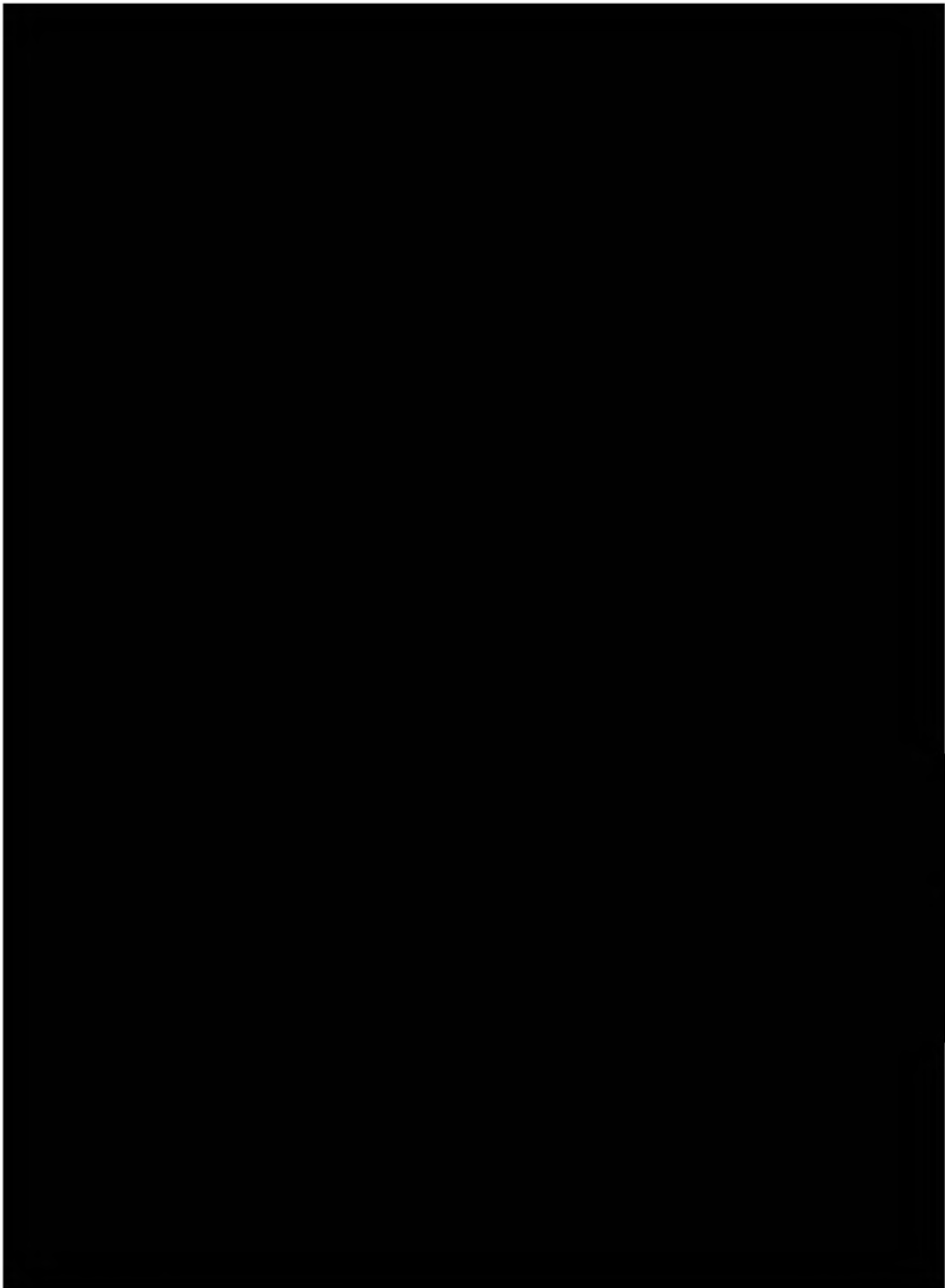
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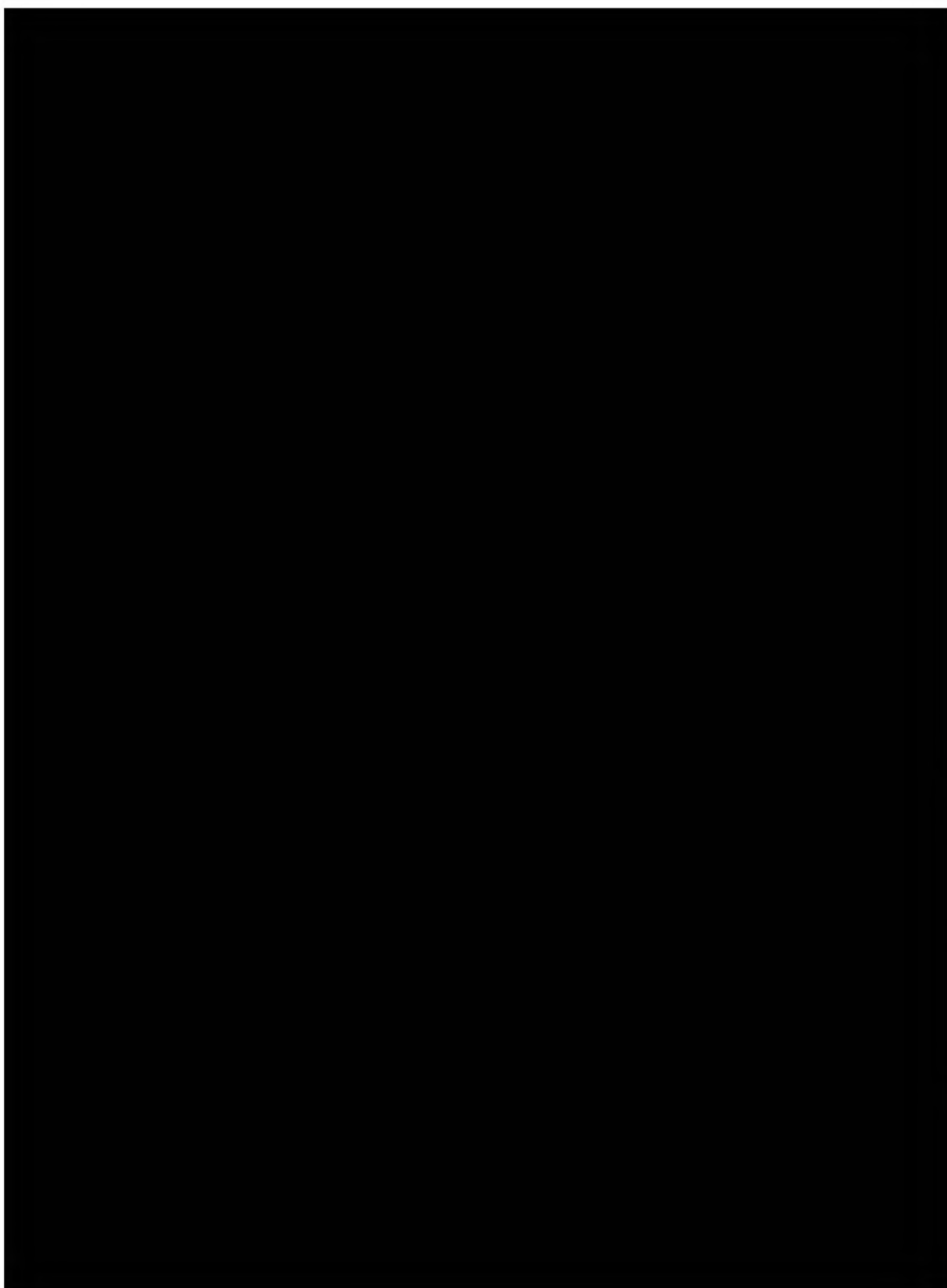


within the range established by the Treasury Policy of 50%-70%.

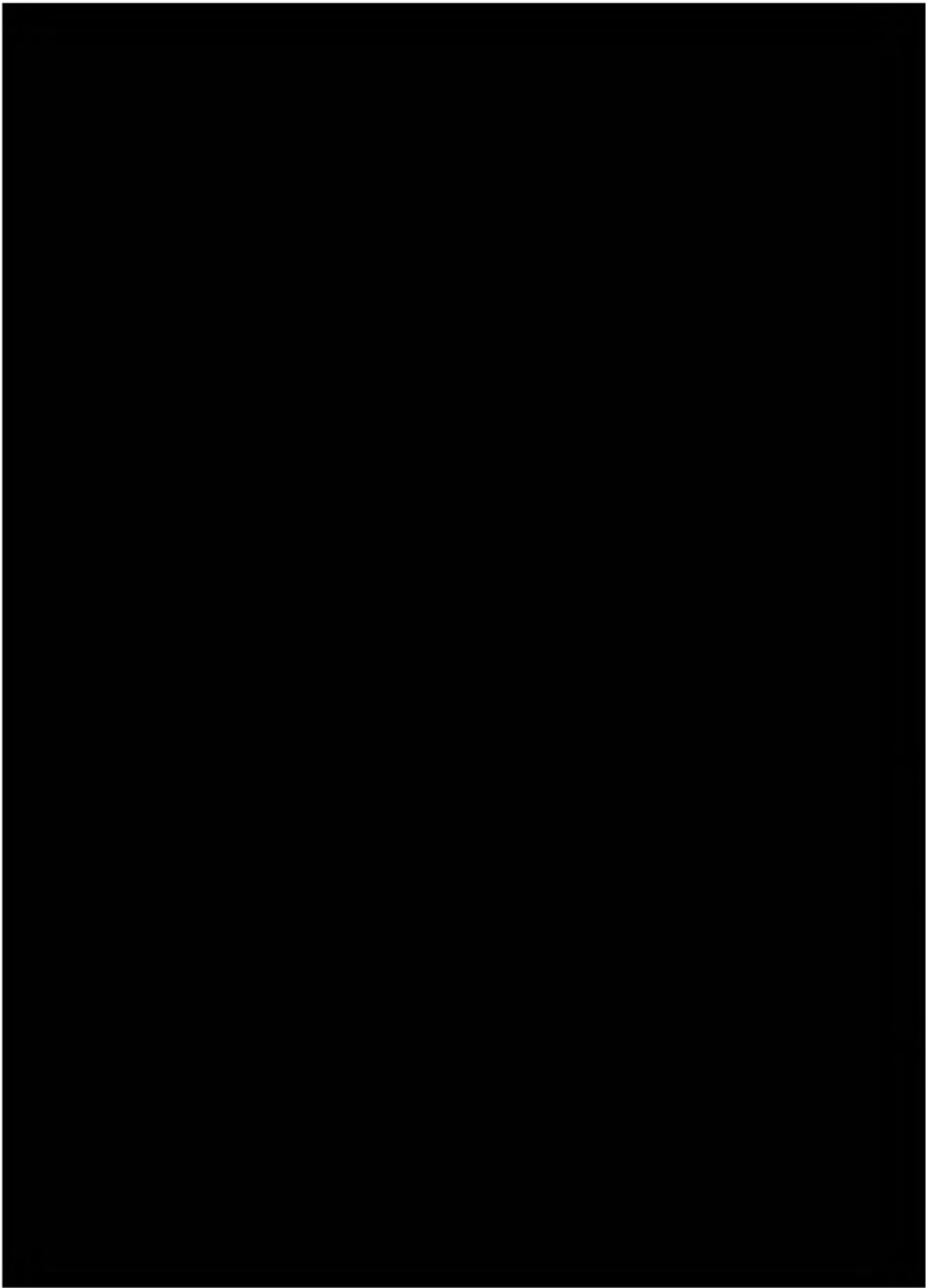


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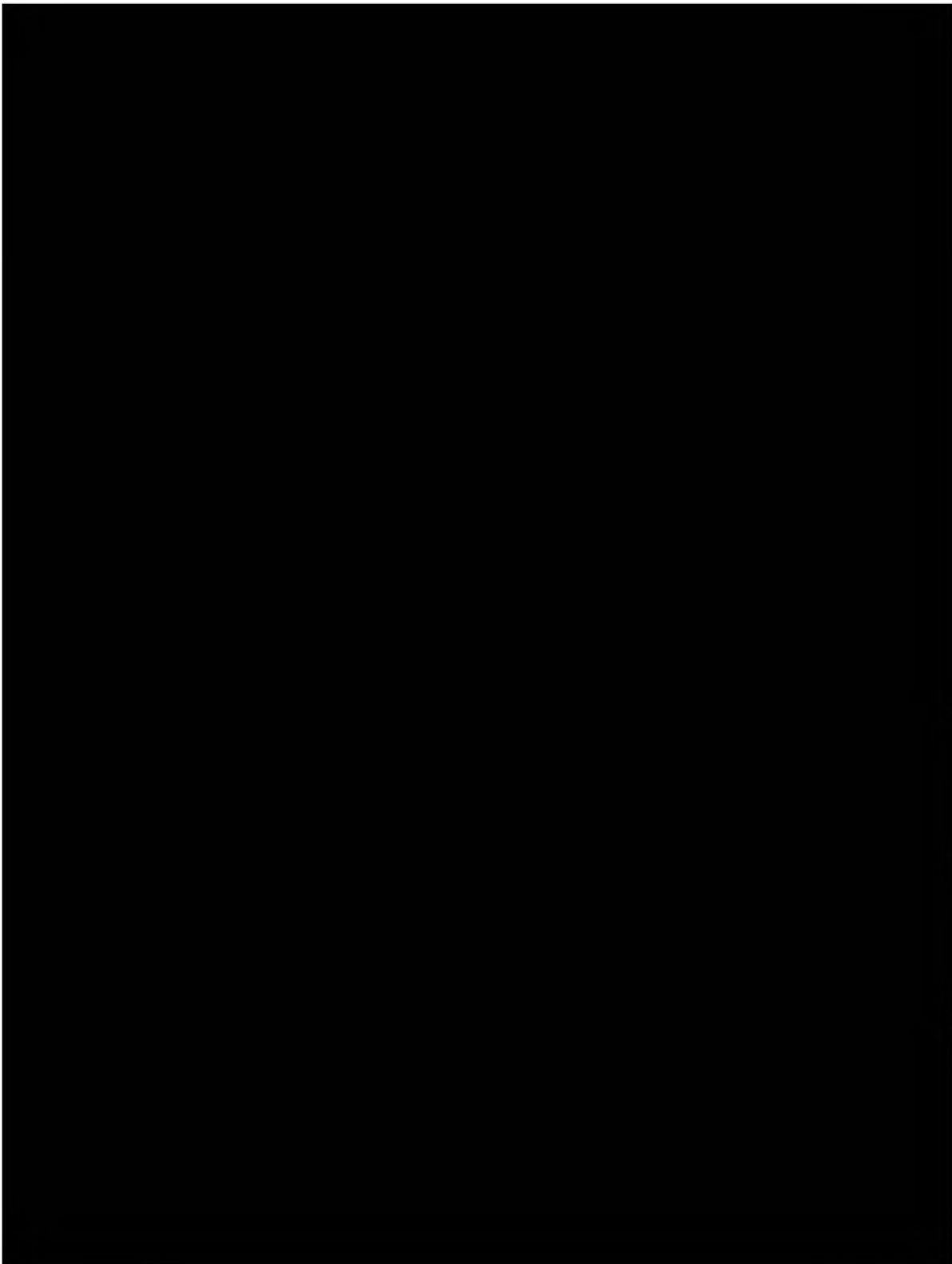




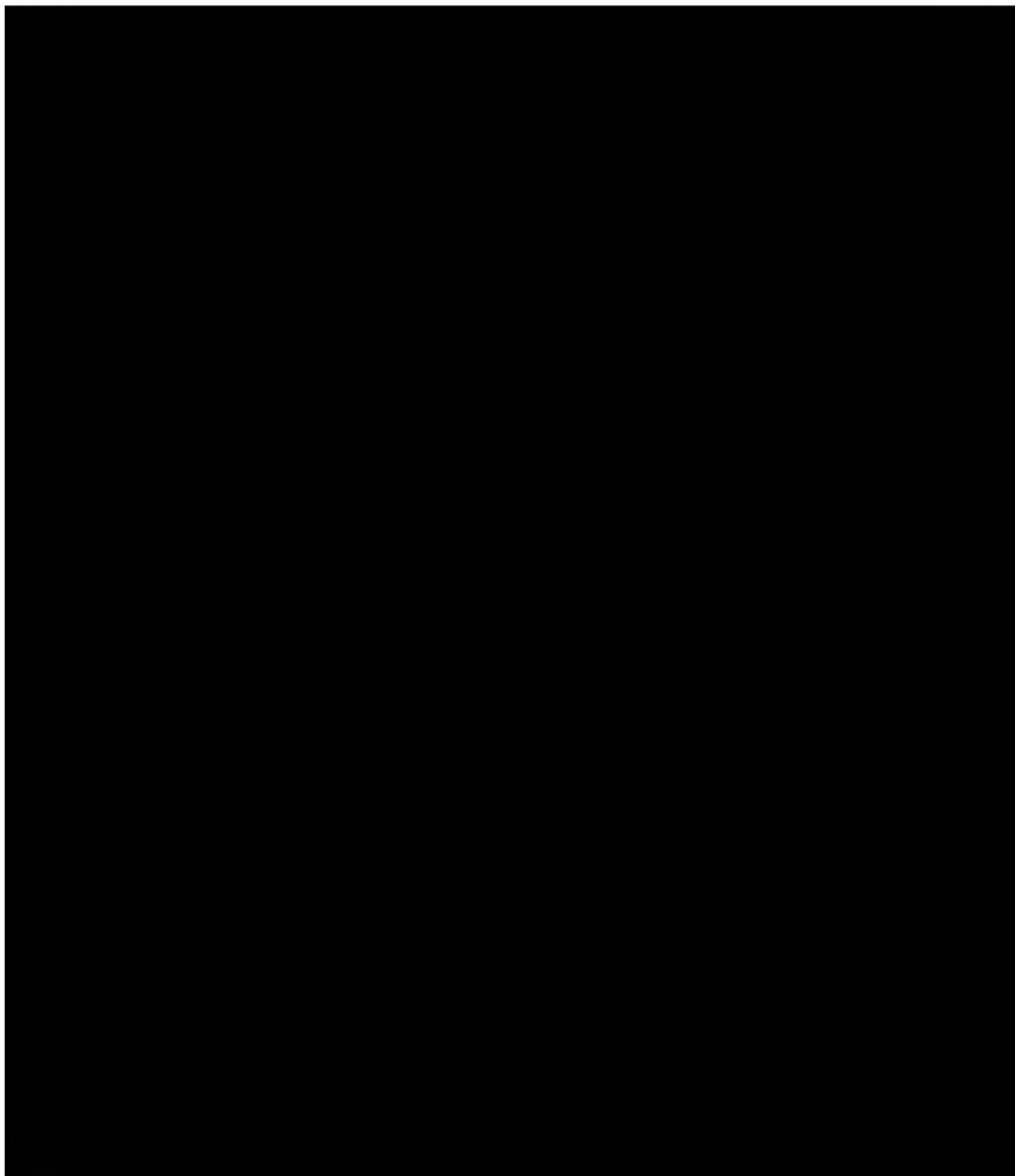
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AGENDA ITEM 5:
Auditor's Report

Crown Resorts Limited

Closing report to the Audit and Corporate
Governance Committee for the half-year ended
31 December 2018

5.1



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Crown Resorts Limited

For the half-year ended 31 December 2018

Executive Summary Areas of Review Focus Review Differences Appendices

Welcome

Dear Audit and Corporate Governance Committee Members



Michael Collins
EY Assurance
Partner



Alison Parker
EY Assurance
Partner

We have substantially completed our review of Crown Resorts Limited for the half-year ended 31 December 2018.

Subject to the resolution of outstanding matter listed in this report, we confirm that we expect to issue an unqualified review opinion on the half-year financial statements.

This report is intended solely for the use of the Audit and Corporate Governance Committee ('Audit Committee'), other members of the Board of Directors and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

I look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work.

If you have any queries in the meantime, please feel free to contact Alison Parker on [REDACTED] or myself on [REDACTED].

Yours faithfully,

[REDACTED]
Michael Collins
Partner
7 February 2019

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary | Areas of Review Focus | Review Differences | Appendices

Executive Summary

<p>STATUS OF REVIEW</p> <p>1</p> <p>outstanding item for an unqualified review opinion</p> <p>Apart from the signed half-year financial report, management representation letter and completion of our subsequent event procedures, the outstanding items are:</p> <ul style="list-style-type: none"> Receipt of the final draft 4D and half year financial report following Audit Committee review. 	<p>AREAS OF REVIEW FOCUS</p> <p>10</p> <p>key areas of focus where there are potential risks and exposure</p> <p>The areas of review focus and level of complexity or management judgement applied are:</p> <ul style="list-style-type: none"> HIGH Gaming debtor provisioning HIGH CGU impairment assessment MEDIUM Carrying value of equity accounted investments MEDIUM Carrying value of Crown Sydney and Queensbridge MEDIUM Revenue recognition MEDIUM Measurement of DGN earn-outs MEDIUM Long term incentive plans MEDIUM Taxation LOW Capital management & covenants LOW Restructuring and legal provisions <p>See Areas of Review Focus for more details</p>	<p>SCOPE & MATERIALITY</p> <p>\$12.5m</p> <p>final materiality based on net profit before tax</p> <p>Our review procedures have been performed using a materiality of \$12.5m. This is based on 5% of net profit before tax for the period. The threshold for reporting review differences which impact the income statement is \$1.1m.</p>
<p>REVIEW DIFFERENCES</p> <p>\$10.1m</p> <p>aggregated review differences considered immaterial to the financial statements</p> <p>The impact of unadjusted review differences would be a \$10.1m increase to profit after tax (before the turn around effect of prior year unadjusted audit differences). The impact of the unadjusted review differences would be a \$2.7m increase to profit after tax (after turnaround). We do not consider this to be material to the half-year financial statements.</p> <ul style="list-style-type: none"> See Review Differences section for more details 		<p>INDEPENDENCE</p>  <p>We confirm that we have complied with the <i>Corporations Act 2001</i>, and in our professional judgement, the engagement team and the Firm are independent.</p>

5.1



Gaming debtors



Key judgements: Provision for doubtful debts
Relevant accounting standards: [AASB 9 Financial Instruments](#)

HIGH

Our Understanding

The following table summarises the net exposure to gaming receivables at 31 December 2018:

[REDACTED]	
------------	--

- Management determines provisioning rates for VIP gaming debtors based on the requirements of AASB 9, reflecting:
 - An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;
 - The time value of money; and
 - Reasonable and supportable information about past events, current conditions and forecasts of future conditions.
- Due to the subjective nature and significant level of judgement associated with the estimate of expected credit loss, VIP debtor provisioning remains a key area of review focus.

EY Perspective

Our review included, but was not limited to the following procedures:

- Enquired with management if there have been any changes to internal controls over credit granting;
- Reviewed credit control debt reports for recent VIP activity and outstanding amounts owing;
- Reviewed the ageing of the gaming receivables; and
- Reviewed whether the assumptions and calculations used in the determination of the VIP debtor provisioning were consistent with Crown's policy.

Application of the Crown provisioning policy

- Based on our review procedures, we understand that Crown's policy has been applied in a manner consistent with the prior year and that there are no changes to internal controls over credit granting.
- Management has applied their provisioning policy at 31 December 2018 against all outstanding debtors, with the exception of certain debtors where VIP gaming management was aware of circumstances relevant to specific debtors (e.g. China and SunCity debtors). After applying its discretion for these circumstances relevant to specific debtors, management has increased the provision by [REDACTED]
- Based on our enquiries of management around significant debtor balances, the provisioning related to specific debtors does not appear unreasonable.

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary **Areas of Review Focus** Review Differences Appendices

- The table below shows the provisioning rates determined and used by management:

Age of Debt	< 6 months	6 - 12 months	12 - 24 months	24 - 36 months	> 36 months
% Provided	5%	25%	50%	75%	100%

- Crown's policy allows that if management becomes aware of circumstances relevant to an individual or group of debtors that results in their provisioning rates not being an appropriate basis, then management discretion is applied.

Corporate debtors provisions

- An additional provision of \$20 million relating to a collective assessment of debtors based on current and forward looking information, not captured in the provision for doubtful debts held in the operating entities (i.e. Crown Melbourne, Crown Perth and Aspinalls). This is consistent with the provision raised at 30 June 2018.

Corporate debtors provision

- The corporate debtors' provision represents 16% of the net debtors' position (after specific provisions). This is within the range observed over the past three financial year ends (12.3% to 19.5%).
- Consistent with prior year, the determination of the provision is driven by management's assessment on the qualitative factors relating to the corporate debtors. Based on our review procedures, there were no changes in circumstances that would require a change in the corporate debtors provision. Therefore, the provision does not appear to be unreasonable.

Reconciling differences

- During the course of our review, we identified a \$5.1 million overstatement of the provision due to the general ledger provision being recorded based on a set percentage of turnover used for Crown's daily reporting. We have raised an unadjusted review difference, refer 'Review Differences' section below.

5.1



CGU impairment assessment

Key judgements: Impairment indicator assessment

Operating and cost assumptions underpinning cash flows, discount rates, terminal value, growth rates and financial statement disclosures

Relevant accounting standards: [AASB 136 Impairment of Assets](#)



HIGH

Our Understanding

- At the half year, as required by AASB 136 *Impairment of Assets*, to the extent that impairment indicators are identified, a cash-generating unit ('CGU') is tested for impairment, by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU.
- Management's assessment of impairment indicators at 31 December 2018 identified that impairment indicators were present for the Crown Perth and DGN CGUs. Accordingly, management performed impairment testing for these two CGUs, concluding that no impairment charge is required. No impairment indicators were identified for any other CGU's.
- Management has determined the recoverable amount of a CGU based on a value in use ('VIU') calculation using a discounted cash flow ('DCF') methodology. This methodology utilises the Group's internal cash flow forecasts. The methodology has not changed compared to 30 June 2018.
- Management's analysis of the recoverable amount and carrying value of Crown Perth and DGN CGUs is as follows:

CGUs ('m)	Management analysis (at 31 December 2018)				Headroom	
	Recoverable amount HY19	Recoverable amount FY18	Carrying value	('m)	(%)	
Crown Perth (AUD)	2,331	2,493	2,298	33	1.4%	
DGN (USD)	115	108	83	32	39%	

EY Perspective

Our review at 31 December 2018 included, but was not limited to the following procedures:

- Reviewed management's assessment of existence of impairment indicators;
- Reviewed management's impairment models for Crown Perth and DGN CGUs;
- Reviewed the cash flow forecasts used by management in the VIU impairment models for each CGU and considered the historical reliability of the Group's cash flow forecasting process; and
- Considered whether the methodology applied is in accordance with Australian Accounting Standards and involved our valuation specialists to review the key assumptions, including the discount rates and terminal value assumptions.

Valuation methodology

Consistent with 30 June 2018, management applied a multiple approach to calculate terminal value, whereas we performed our assessment using a Gordon growth model. Further, in performing our assessment of recoverable value, we utilised our preferred discount rate range and considered the impact of residual unallocated corporate costs.

For the purposes of our review, we have also adjusted management's carrying value analysis to take into account working capital liability balances, which had been reflected in the forecast cash flows and considered adequacy of Capital Expenditure estimates. We understand that management are working with some external consultants to update their valuation methodology in advance of 30 June 2019.

Valuation outcomes

On the basis of our analysis our estimates of recoverable amount for each of these CGUs is summarised as follows:

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary **Areas of Review Focus** Review Differences Appendices

Crown Perth

- ▶ We understand that management revised its four year plan for Crown Perth in November 2018 following actual performance tracking behind budget during the HY19 period. HY19 theoretical EBITDA of \$119 million was 11.6% behind budget, primarily due to shortfalls in international gaming and local table games. This was considered by management as a potential indicator of impairment.
- ▶ At 31 December 2018 the recoverable amount for the Crown Perth CGU exceeded its carrying value by \$32.3m (a decrease in headroom of \$162 million compared to 30 June 2018), primarily due to a decrease in forecast future cash flows, and some adjustments to discretionary capex.
- ▶ The long term forecasts continue to reflect management's expectation that the WA economy will remain subdued in the near future.

DGN

- ▶ The recoverable amount for the DGN CGU was materially consistent with 30 June 2018.
- ▶ We understand that management revised its forecast for FY19 due to the December 2018 results being below plan. However due to FY19 forecast EBITDA being relatively low, this does not have a significant impact on the overall recoverable amount. We note that up until November 2018, DGN's performance for the period was in line with plan.
- ▶ The forecasts for FY20 onwards have not changed on the basis that the longer term business plan for DGN remains in place, which has a significant ramp-up in marketing spend to drive user growth. We understand that the long term plan will be revisited in the second half of FY19 as part of the Group's annual business plan process.

Aspinalls

- ▶ Whilst the Aspinalls CGU is below budgeted EBITDA for the six months ended 31 December 2018, management expect the full year budget to be achieved.



Based on our analysis, our carrying values for Crown Perth and DGN CGUs fall within the feasible range of valuation outcomes. Therefore, management's conclusion of no impairment charge does not appear to be unreasonable. However, given the limited headroom available, we consider these CGU's to be at heightened risk of impairment. We therefore highlight the need for careful and detailed analysis of these CGU's in advance of 30 June 2019.

Crown Perth

We note that the headroom for Crown Perth in management's assessment is only 1.4% above the carrying value at 31 December 2018. As a result of the limited headroom, should the revised cash flow forecasts not be met, or a change in any other key assumption in the model, an impairment charge may result in the future.

We have enquired with management as to the basis of the revised four year plan, noting that it was prepared based on actual performance year to date and conservative expectations around future growth. We understand that management has identified several revenue and cost saving opportunities, which will be further explored in the second half of FY19. We understand that these opportunities have not been reflected in the revised four year plan.

DGN

We have enquired with management as to the year to date results of DGN and management's expectation of future growth. While headroom based on management's assessment is 39% of the carrying value, the future forecast cash flows are dependent on significant growth in users over the short to medium term.

Disclosures

Management have included some disclosures in the half year financial report to highlight the identification of impairment indicators at 31 December 2018 for Crown Perth and DGN CGU's, and the changes in key assumptions in relation to the impairment testing from 30 June 2018.

5.1



Carrying value of equity accounted investments

Key Judgements: Indicators of impairment

Relevant accounting standards: [AASB 128 Investments in Associates and Joint Ventures](#)
[AASB 136 Impairment of Assets](#)



MEDIUM

Our Understanding

Crown has a number of investments which are recorded using the equity method of accounting in its consolidated financial statements. The table below sets out the equity accounted investments as at 31 December 2018:

Equity accounted investments	Carrying amount HY19 (\$m)	Crown's share of profit HY19 (\$m)	Crown's share of profit FY18 (\$m)
Nobu	142.2	3.9	7.2
Aspers	50.9	3.9	5.1
Chill Gaming	6.0	(0.6)	(0.4)

Management has performed an assessment of impairment indicators at 31 December 2018, considering the factors outlined in AASB 128. Management did not identify any indicators of impairment in their assessment.

EY Perspective

Our review procedures focused on management's impairment indicators assessment in relation to the carrying value of the investments in Nobu and Aspers, given the size of these investment balances.

We note that management's assessment that no impairment indicators exists does not appear unreasonable, noting that both Nobu and Aspers have operated profitably for the period. Based on our review procedures, we have not identified indications of objective evidence of impairment as at 31 December 2018.

We note that Crown's investment value of \$142.2 million significantly exceeds its notional 20% interest in the carrying value of assets as recognised in the Nobu entity. We recommend the carrying value of this investment continue to be monitored by management. For the 30 June 2019 year end audit, we will evaluate management's assessment as to whether there is objective evidence of impairment which may result in working with management to seek further access to understand and audit the cash flow forecasts of Nobu.

5.1



Carrying value of Crown Sydney and Queensbridge



Key judgements: Indicators of Impairment

Relevant accounting standards: AASB 136 Impairment of Assets

MEDIUM

Our Understanding

Crown Sydney

- During the six months ended 31 December 2018 Crown capitalised \$172.6m of costs (inclusive of capitalised interest) associated with the design and construction of the Crown Sydney Hotel Resort at Barangaroo South in the Sydney CBD. At 31 December 2018, total costs capitalised were \$801.3 million (excluding the License of \$100.0 million).
- \$30.7 million of deposits were received during the half year period in relation to apartment sales.
- We understand that Crown and Lendlease were successful in their legal proceedings relating to sight lines during the period [REDACTED / PRIVILEGE].
- Management has concluded that there are no indicators of impairment as at 31 December 2018.

Queensbridge

- \$54.1 million of acquisition costs remain capitalised as at 31 December 2018 in relation to the One Queensbridge project. No amounts have been capitalised during the six months ended 31 December 2018.
- The project's conditional planning approval from the Victorian State Government, expires on 2 March 2019. We understand that management has lodged an application for extension of the planning approval.
- Further, we understand that Crown continues to seek a third party equity investor for the Queensbridge residential component.
- Management has concluded that there are no indicators of impairment as at 31 December 2018.

EY Perspective

- As part of our review, we:
 - Enquired with management as to the status and impact of the ongoing sight line negotiations for Crown Sydney and third party investment as well as planning approval for Queensbridge; and
 - Involved our valuation specialists to consider if anything had come to their attention that would provide evidence of an indicator of impairment of the land value for Queensbridge at 31 December 2018.
- We understand from management that the Crown Sydney project continues to progress in accordance with the original business case, with project completion currently tracking to Q1 2021. We understand that apartment sales to date have yielded higher sale prices compared to the assumptions in the original business case.
- We have enquired with management around Crown's process for capitalisation of costs and the nature of costs capitalised during the period, noting that the process is consistent with the 2018 financial year and that only costs that are incremental and attributable to the project have been capitalised.
- Based on our review procedures, we concur with management's assessment that no indicators of impairment exists as at 31 December 2018 in relation to Crown Sydney and Queensbridge.

5.1



Revenue recognition



Key judgements: Revenue recognition, measurement and disclosure
Relevant accounting standards: [AASB 15 Revenue from Contracts with Customers](#)

MEDIUM

Our Understanding

- ▶ AASB 15 is now effective for Crown for the first time, beginning from 1 July 2018.
- ▶ Based on management's assessment of the adoption of AASB 15, the key changes for Crown's revenue recognition are as follows:
 - ▶ Commission payments made to VIP players and junket operators will be recorded as a reduction to gaming revenue; and
 - ▶ Complementary benefits are recognised as a separate component of revenue (i.e. hotel, food and beverages, parking) with a corresponding reduction in gaming revenue.
- ▶ In accordance with the disclosure requirements of AASB 15, management disaggregated its revenue categories in the half year report as follows:
 - ▶ Crown Melbourne
 - ▶ Crown Perth
 - ▶ Crown Aspinalls
 - ▶ Wagering & Online

EY Perspective

- ▶ Our review included, but was not limited to the following procedures:
 - ▶ Enquired with management if there have been any changes to internal controls over key revenue processes;
 - ▶ Enquired with management if there was significant gaming activity that occurred near balance date, particularly towards the end of the gaming day, and reviewed the gaming receivable reconciliations at balance date;
 - ▶ Reviewed management's calculation of commission payments to be recorded as a reduction to gaming revenue; and
 - ▶ Enquired with management as to the treatment of complimentary benefits recognised as a reduction to gaming revenue.
- ▶ Based on our enquiry with management, the complementary benefits are recognised as a separate component of revenue which a corresponding reduction to gaming revenue. This is in accordance with the requirements of AASB 15.
- ▶ We have reviewed the revenue disclosure in Crown's half year report at 31 December 2018 in light of the requirements of AASB 15 noting this does not appear unreasonable.

5.1

Measurement of DGN earn-outs

Key judgements: Present value of amount payable on exercise of the put option, fair value of contingent consideration

Relevant accounting standards: [AASB 3 Business Combinations](#), [AASB 9 Financial Instruments](#),
[AASB 10 Consolidated Financial Statements](#), [AASB 13 Fair Value Measurements](#),
[AASB 132 Financial Instruments: Presentation](#)


MEDIUM

Our Understanding

- ▶ As part of the DGN and Winners Club acquisitions in FY16, two earn-out arrangements were entered into:
 - Put and call options over the remaining 30% ownership interest held by existing DGN shareholders ("NCI"), in two tranches of 15% based on CY2017 and CY2020 EBITDA for the DGN Group. The CY2017 tranche was exercised in FY18; and
 - Deferred consideration with respect to DGN's acquisition of Winners Club, payable in two tranches based on CY2017 and CY2020 EBITDA for the DGN Group. No amounts were payable in relation to the CY2017 tranche.
- ▶ Each of these arrangements are recognised as financial liabilities in the Balance sheet of CRL as follows:

	Carrying amount 31 December 2018 (\$m)	Carrying amount 30 June 2018 (\$m)
DGN put option	51.2	48.8
Winners Club contingent consideration	49.4	47.0

- ▶ The valuation of the put option is consistent with prior year which is based on the present value of the expected cash outflows arising on exercise of the put option.
- ▶ At 31 December 2018, Crown continues to hold the CY2020 options. No options were exercised in HY19.
- ▶ Consistent with 30 June 2018, the valuation of contingent consideration is based on its fair value.

EY Perspective

- ▶ As part of our review, we:
 - Reviewed management's assessment of the CY2020 put option financial liability and the CY2020 Winners Club deferred consideration;
 - Reviewed the key assumptions management adopts in calculating the earn-out liabilities, including discount rates and cash flow forecasts; and
 - Reviewed management's assessment of the value of the CY2020 call option.
- ▶ We note that the cash flow forecasts used to calculate the value of the earn-out liabilities have not been changed compared to 30 June 2018. This is on the basis that management is expecting to achieve the CY2020 forecasts that were set in FY18.
- ▶ In the event that forecasts were not met, or partially achieved, we note that a reduction in liability values would be recognised.

5.1



Long term incentive plans

Key judgements: Spot price, expected option life, expected volatility, expected dividend yield
Relevant accounting standards: [AASB 2 Share based payments](#)



MEDIUM

Our Understanding

2018 LTIP



Hedge arrangements

- We understand that Crown has entered into a call option arrangement on 27 December 2018 to hedge the potential exposure arising from an increase in Crown's share price should the options under the 2017 Incentive Plan vest.
- The option premium of \$4.0 million is recognised as a derivative financial asset at the half year end. As this derivative is over Crown's shares, hedge accounting is not applied.

Crown Digital Options



Finalisation of 2014 LTIP

- All shares were issued in relation to the 2014 LTIP during the period, via delivery of treasury shares.

EY Perspective

- Our review procedures included:
 - Involving our valuation specialists to review the key assumptions included in the calculation for the value of the 2018 LTIP and Crown Digital options, including the volatility, dividend yield, interest rate and expected life of the options;
 - Reviewing management's calculation for the share based payment expense in relation to these options and assessing management's determination of the grant date for these options;
 - Enquiring with management regarding whether there were any changes to the accounting for the 2017 LTIP;
 - Reviewing management's accounting treatment of the settlement of the 2014 LTIP during the period; and
 - Reviewing management's accounting treatment of the call options entered into over Crown shares.
- We have assessed the accounting for 2018 LTIP and Crown Digital Options which have been issued during the half year, including the related hedging arrangements and are satisfied that these have been treated in accordance with relevant Australian Accounting Standards.

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary **Areas of Review Focus** Review Differences Appendices

Taxation

Key judgements: Determination of tax assets and liabilities
Relevant accounting standards: [AASB 112 Income Taxes](#)



MEDIUM

Our Understanding

- In recent years, Crown has been involved in a number of material tax negotiations and rulings which require audit focus.
- Crown continues to hold a provision of \$157 million at 31 December 2018 for the ongoing tax disputes in relation to Cannery matter (30 June 2018: \$157 million). In the period to 31 December 2018, we understand there has been no change in management's consideration of the probability of a range of possible outcomes. Crown has continued to pursue the Cannery matter into litigation, which is expected to take place in July 2019.
- We understand that Crown made a further "50/50" stop loss payment of \$14 million during the period in respect of the latest amended assessments issued by the ATO on 31 August 2018, which has been recorded as a non-current asset (consistent with the treatment of the \$125 million stop loss payment made in prior years).

EY Perspective

- We obtained an update from management on the development of the material tax matters, noting that there was no change in facts and circumstances compared to 30 June 2018.
- Our enquiries of management indicated that the preparation for court proceedings has not in any way altered the view of probability of outcomes and therefore the measurement of the Cannery provision.
 We also made enquiries of King Wood Mallesons, who also represented the preparation for court proceedings (including interview of witnesses and gathering of evidence) has validated the key assumptions that previously informed Crown's judgement as to the prospects of success. Further, KWM represented that through this process of preparation, no new information has arisen that would be detrimental to Crown's prospects.
- We involved our tax specialists in reviewing management's tax calculation with respect to income tax expense, deferred tax assets and deferred tax liabilities.

5.1



Capital management and covenants



Key judgements: Compliance with debt covenants

Relevant accounting standards: [AASB 132 Financial Instruments: Presentation](#), [AASB 9 Financial Instruments](#)

LOW

Our Understanding

Borrowings

- On 14 September 2018, Crown redeemed all of the outstanding "CWNHA" subordinated notes which amounted to approximately \$400 million, of which \$397.7 million redeemed in HY19 period. At 31 December 2018, Crown held \$1,091.2 million of borrowings:

(\$ million)	Current	Non-current	Total
Balance as at 30 June 2018	25.7	1,467.0	1,492.7
Subordinated notes buy back in period	-	(397.7)	(397.7)
Reclassification due to maturity profile	279.0	(279.0)	-
Other movements	(4.4)	0.6	(3.8)
Balance as at 31 December 2018	300.3	790.9	1,091.2

- Based on enquiries with management, there was no breach of covenants during the period.

Equity

- On 9 August 2018, Crown announced its intention to buy back \$400 million worth of ordinary shares on issue during the period from August 2018 to August 2019. During the period to 31 December 2018, Crown has bought back \$131 million worth of ordinary shares (which equates to approximately 10 million ordinary shares).

EY Perspective

- As part of our procedures, we:
 - Reviewed the buy-back and redemption of subordinated note transactions recorded during the period; and
 - Reviewed management's accounting for the early redemption of subordinated notes.
- Based on our procedures, we note that the share buy back and sub-ordinated redemption transactions are appropriately reflected in Crown's half year financial report.
- We enquired with management regarding compliance with debt covenants, noting that there was no change in covenant requirements during the period and that there continued to be significant headroom for existing covenants.

5.1



Restructuring and legal provisions

Key judgements: Provision for restructuring

Relevant accounting standards: [AASB 137 Provisions, Contingent Liabilities and Contingent Assets](#)

LOW



Our Understanding

- During the half year period, the majority of matters relating to both the restructuring and legal provisions were settled. This included the K&L Gates matter, planned redundancies and settlement payments in respect of the China matter.
- Crown continues to recognise a restructuring provision in relation to a number of activities of internal reorganisation occurring within the Group.

(\$ million)	Internal restructuring	China matter	Legal	Total
Provision at 30 June 2018	5.1	10.6	5.8	21.5
Released in period	-	-	(1.6)	(1.6)
Utilised in period	(0.6)	(8.3)	(2.1)	(11.0)
Re-measured/recognised in period	-	1.4	5.1	6.5
Provision at 31 December 2018	4.5	3.7	7.2	15.4

- We understand that the K&L Gates settlement approximated the provision held at 30 June 2018. At 31 December 2018 a provision of \$5.8 million has been recognised relating to legal and other professional services costs expected in respect of the Cannery matter. The remaining legal provision relates primarily to a number of small public liability claims.
- A receivable in respect of the recoverable legal costs for the Class Action of \$1.4m has been recognised on the balance sheet as a receivable at 31 December 2018.

EY Perspective

China matters

[REDACTED - PROVISION]

Internal Restructuring

- Based on our review, and our understanding of expected costs to complete residual restructuring activities we consider that \$4.5 million does not meet the requirements of AASB 137, as it does not specifically relate to announced activities. However, consistent with prior periods, management believe that it is prudent to recognise this provision at 31 December 2018. Accordingly, we have raised a review difference for the full amount, representing a reduction to the provision at 31 December 2018. Refer to our Summary of Review Differences section of this report.

Legal

- Based on our review, in regards to the expected costs associated with the Cannery matter, in assessing the recognition requirements of AASB 137, the 'present obligation' criteria of the accounting standard does not appear to have been met for \$4.8m of the amount provided. Refer to our Summary of Review Differences section of this report.

5.1



Review Differences

Summary of unadjusted differences

The following differences have been identified during the course of our review and have not been considered material by management or by us for adjustment. We are bringing these to the Audit Committee's attention to enable you to form your own view on these items:

Account 31 Dec 2018 (\$m)	CY Adjustments [Before turnaround effect] (Increase)/Decrease to profit	PY Adjustments (Increase)/Decrease to profit	Profit impact- Total [After turnaround effect] (Increase)/Decrease to profit
Adjustment for overstatement of gaming provision [2018: overstatement]	(5.1)	(1.9)	(3.2) ▲
Adjustment for overstatement of internal restructuring provision [2018: overstatement]	(4.5)	(6.1)	1.6 ▼
Adjustment for overstatement of Cannery professional services provision [2018: N/A]	(4.8)	-	(4.8) ▲
2018: Adjustment for overstatement of bonus provision	-	(2.6)	2.6 ▼
Total review differences before tax	(14.4)	(10.6)	(3.8) ▲
Tax impact	4.3		1.1
Total review differences after tax	(10.1)		(2.7) ▲
Percentage of profit after tax	(5.8%)		(1.5%)

Key:

- ▲ Increase to profit
- ▼ Decrease to profit

Appendices



Other required audit committee communications

Auditing Standards require us to report to you certain matters not in the body of this report.



Draft auditor independence declaration

Here is the auditor's independence declaration to the Directors of Crown Resorts Limited.



Outstanding matters

The items in here relates to outstanding matters at the date of the release of this report.



Draft review report

Independent auditor's review report to the members of Crown Resorts Limited.



Other communications

Provides explanatory guidance on other communication such as climate change, governance, new regulatory requirements, etc.



5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary Areas of Review Focus Review Differences **Appendices**

Other Required Audit Committee Communications

Auditing Standards require us to report to you certain matters that are not otherwise detailed in this report.

Matter	How matter was addressed
Material uncertainties and ongoing concern	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Crown Resorts Limited's ability to continue as a going concern for 12 months from the date of our report.
Disagreements with management	During our review, there was no unresolved difference with management.
Compliance with laws and regulations	During our review, we have not identified any material instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>We have made enquiries of management regarding:</p> <ul style="list-style-type: none"> • Knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report • Knowledge of any allegations of fraud, or suspected fraud, affecting Crown Resorts Limited's financial information <p>Based on our enquiries and review procedures, we did not become aware of any fraud or illegal acts during our review.</p>

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Crown Resorts Limited

For the half year ended 31 December 2018


Executive Summary Areas of Review Focus Review Differences **Appendices**


Outstanding Matters

The following items relating to the completion of our review procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Final draft 4D and half year financial report	Receipt and review of the final draft 4D and half year financial report following review by the Audit Committee	 
Signed half-year financial report	Receipt of the signed half-year financial report, including directors report	
Management representation letter	Receipt of signed Management representation letter	
Subsequent events review	Completion of subsequent events procedures to the date of signing the review report	 

Key:

 EY responsibility

 Management responsibility

5.1



Other Communications

ASIC's Audit Inspection Program 2017-2018

Regulatory

ASIC's Perspective

On 24 January 2019, ASIC released the results of its Audit inspection program covering inspections undertaken in the 18 months ended 30 June 2018. This covers audits of companies with reporting year ends from June 16 to December 17. Across the big 6 network firms, in ASIC's view, in 20% of the key audit areas reviewed auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement. This compares to 23% in the previous 18-month period and represents a 13% reduction in the level of ASIC's findings.

ASIC adopt a risk based approach to selecting audit files and areas for review. ASIC's inspections focus on some of the more complex, demanding and challenging audits and the more significant and highest risk areas of the financial report. ASIC notes that "caution is needed in generalising the results across the entire market". A random approach to file selection would result in a different level of findings.

Whilst ASIC has seen improvement in the audit of asset values, particularly impairment of non-financial assets, and revenue, these continue to be the areas with the highest level of findings.

ASIC's inspection findings report states they believe that sustainable improvement in audit quality requires a focus on culture and talent. In particular – partners and staff should embrace the need to improve the quality and consistency of audit execution, partners and staff should be accountable for their roles in conducting quality audits and firm leadership should give strong, genuine and consistent messages that audit quality is not negotiable.

"We recognise the efforts by firms to improve audit quality and the consistency of execution, which is reflected in some improvements in findings collectively for the largest 6 firms. However, the overall level of findings suggests that further work and, in some cases, new or revised strategies, are needed to improve audit quality."

John Price, ASIC Commissioner

Our Commitment to Audit Quality

We understand that as independent auditors, we have an important responsibility in establishing trust in the capital markets through delivering high quality audits. We agree with ASIC's observation that culture and talent are critical to audit quality and believe the combined skills, knowledge and mindsets of our people remain our most important asset in delivering high quality audits.

EY's commitment to quality starts at the top of our organisation. We have an established culture, embedded through our values, of demonstrating integrity, respect and teaming and building relationships based on doing the right thing. We openly discuss the specific behaviours that contribute to audit quality and how as professionals we incorporate these into our daily activities. These behaviours include maintaining an objective and inquisitive sceptical mindset, knowing the business and industry, calling it like we see it and having open and direct conversations.

Our commitment to delivering quality audits is reflected in the EY Global organisation's Sustainable Audit Quality program, which is the highest priority of our assurance practices across the globe. We use the word "sustainable" to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement. The program facilitates the development of our people, embraces innovation, encourages simplification, provides coaching and enablement and monitors our performance to help us continually improve our audit quality.



Whilst each of these components are critical to audit quality we are living in a transformative age with technology reshaping every aspect of business, including ours. We are investing in the right technology to build a truly digital audit that enhances audit quality supported by a focus on simplifying our processes enabling our teams to focus on what matters most in each audit.

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary Areas of Review Focus Review Differences **Appendices**

Audit Committee Chairs Audit Quality Survey

In September 2018, the FRC and AUASB issued the results of their survey of audit committee chairs on their perspectives of audit quality. Their report highlights the results of the survey and extracts the key features that are important in a quality audit.

Out of the top 300-listed company audit committee chairs, 91 of them completed the survey. 92% of respondents rated their external auditors as 'Above average' or 'Excellent'.

Key highlights from the Survey are outlined below

Features of quality audits:

- Quality of team (including specialists)
- Good, frequent, and open communications
- Evidence of professional scepticism and an independent mind-set
- An understanding of the business and the industry
- Skills, experience and mind-set of the audit partner
- Understanding of risks
- Constructive challenges of management
- A focus on the reliability of financial statements

Things auditors could do more of:

- Further innovation and use of technology including data analytics
- Explore future and emerging risks
- More communication between meetings
- Benchmarking and best practice insights
- Insights into risk culture and capability of the client's people
- Demonstrate appropriate distance from management

Things auditors could do less of:

- Long, verbose reporting
- Too close to management
- Basic manual testing instead of using technology
- Processes that add little value

Our Commitment to Audit Quality

Our Sustainable Audit Quality program aligns with the important features of a quality audit that were highlighted by the FRC Survey.

Our focus on people

We are focused on development, training and enablement which is industry specific to strengthen our team's capabilities in understanding the business and the industry risks. In our training we continue to focus on teaching our professionals how to think critically and apply the knowledge they have gained.

Our enablement and simplification initiatives, including EY perspectives on judgements in our audit committee reporting, facilitate effective communication of judgements and the independent mindset we apply in forming our conclusions.

Industries are converging and business models are changing rapidly and becoming more complex. We are committed to EY specialists playing an important role in the audit to help address the increasingly complex IT environments, technical tax matters and valuation issues.

Our approach to communication

Our enablement and simplification initiatives are continuous and include a focus on clear communication which articulates our point of view. This is reflected in the audit committee reporting which includes graphic analysis of our perspectives on judgements in your financial reporting and our perspectives demonstrate the independent mindset we apply in forming our conclusions.

Our focus on technology and data analytics

This year we continued to invest in how our teams use technology and data analytics in our audits. Our initiatives included a focused team of graduates with diverse backgrounds exploring how we turbo charge the use of data analytics and robotics in our audit engagements.

Our audit documentation platform EY Canvas and our bespoke Client Portal facilitate the sharing of information in an efficient and highly secure manner. EY Helix, our library of data analysers, is transforming the audit through the analysis of larger populations of audit-relevant data, identifying unseen patterns, and delivering richer client insights and a deeper understanding of transactions and areas of risk.

Our digital road map included in the Audit Plan demonstrates the application of our digital tools on the Crown audit, both now and in the near future.

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary Areas of Review Focus Review Differences **Appendices**

Draft Auditor Independence Declaration

Auditor's Independence Declaration to the Directors of Crown Resorts Limited

As lead auditor for the review of Crown Resorts Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Crown Resorts Limited and the entities it controlled during the financial period.

Ernst & Young

Michael Collins
Partner

5.1



Crown Resorts Limited

For the half year ended 31 December 2018

Executive Summary Areas of Review Focus Review Differences **Appendices**

Draft Auditor's Review Report

Independent Auditor's Review Report to the Members of Crown Resorts Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Crown Resorts Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Michael Collins
Partner
Melbourne

5.1



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ED None

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Crown Resorts Limited
Audit Plan for the year ending 30 June 2019

5.2



Crown Resorts Limited

For the year ending 30 June 2019

[Executive Summary](#) [Areas of Audit Focus](#) [Audit Approach](#) [Your EY Team](#) [Engagement Execution](#) [Appendices](#)

Welcome

Dear Audit and Corporate Governance Committee Members ('Audit Committee')



Michael Collins
EY Assurance
Partner

We are pleased to present our External Audit Plan (Audit Plan) for Crown Resorts Limited ('Crown' or 'the Group') for the year ending 30 June 2019. Our meeting with you on 11 February 2019 is a forum to discuss our Audit Plan, the scope of our work, confirm your current expectations and make certain that our efforts are aligned with your expectations.

Our review is designed to express a review conclusion on the 31 December 2018 half year financial report and our audit is designed to express an audit opinion on the 30 June 2019 full year financial report.

Should you have any questions or comments, please do not hesitate to contact Michael on [REDACTED] or Alison on [REDACTED]. We look forward to discussing our Audit Plan with you at the Audit Committee meeting on 11 February 2019.

Yours faithfully,



Alison Parker
EY Assurance
Partner

[REDACTED]

Michael Collins
Partner
7 February 2019

5.2



Crown Resorts Limited

For the year ending 30 June 2019

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Executive Summary

AREAS OF AUDIT FOCUS

10

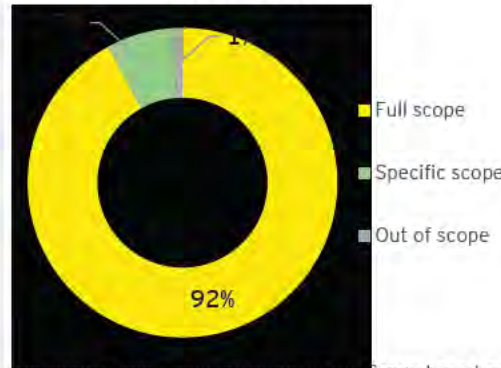
key focus areas identified that remain broadly consistent with the prior year.

The Areas of Audit Focus and the level of complexity or management judgement to be applied are:

- HIGH** Gaming debtor provisioning **KAM**
- HIGH** CGU impairment assessment **KAM**
- MEDIUM** Carrying value assessment of equity accounted investments
- MEDIUM** Carrying value assessment of Crown Sydney and Queensbridge
- MEDIUM** Revenue recognition – including implementation of IFRS 15
- MEDIUM** Measurement of DGN earn-outs
- MEDIUM** Long term incentive plans
- MEDIUM** Taxation
- LOW** Capital management & covenants
- LOW** Restructuring and legal provisions

[Read more on Areas of Audit Focus](#)

AUDIT SCOPING



The above is our audit coverage of the Group based on the 2019 forecast profit before tax.

Our multi-location audit scoping is performed based on the size and risk of the Group's business units.

PLANNING MATERIALITY

\$27M

Our planning materiality has been set at \$27M, calculated at 5% of forecast profit before tax (2018: \$23.5M). We will report all audit differences over \$1.4M to the Audit Committee. We will regularly assess materiality throughout the engagement, and where a change is necessary we will advise the Audit Committee.

OUR AUDIT APPROACH

As in prior years we seek to rely on controls over the key financial statement processes and therefore expect to take a control based approach for the following processes:

- Revenue to cash (table games, gaming machines, hotel and F&B);
- Main bank close-out;
- Credit granting to VIP players;
- Capitalisation of costs into PPE (Crown Sydney);
- Purchase to pay; and
- Payroll.

The nature and extent of our controls testing is dependent on and considers whether the IT general control environment of Crown is operating effectively for Peoplesoft HR and Finance, as well as SYCO.

There continues to be a substantive approach taken to areas of significant management judgement.

INDEPENDENCE



We will confirm our independence throughout the audit and remain in compliance with the *Corporations Act 2001* independence requirements.

5.2



Crown Resorts Limited

For the year ending 30 June 2019

Executive Summary **Areas of Audit Focus** Audit Approach Your EY Team Engagement Execution Appendices

Areas of Audit Focus

Set out below are the areas of significant focus and a description of our planned approach. We have identified matters that are likely to be Key Audit Matters (**KAM**) within the 2019 audit report, which will be validated and reassessed throughout the course of our audit.

We have also outlined the expected level of complexity or management judgement to be applied as either **LOW**, **MEDIUM** or **HIGH**.

Gaming debtors - VIP debtor provisioning



5.2

Key judgements: Provision for doubtful debts

Relevant accounting standards: [AASB 9 Financial Instruments](#)

KAM

HIGH

Background

- ▶ Crown Melbourne, Crown Perth and Aspinalls provide for VIP gaming debtors that are considered impaired.
- ▶ Management determines provisioning rates based on the requirements of AASB 9, reflecting:
 - An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;
 - The time value of money; and
 - Reasonable and supportable information about past events, current conditions and forecasts of future economics.
- ▶ Due to the subjective nature and significant level of judgement associated with the estimate of expected credit loss, VIP debtor provisioning requires significant management judgement and remains a key area of audit focus.
- ▶ Management discretion is applied if management becomes aware of circumstances relevant to an individual or group of debtors that results in the provision rates not being an appropriate basis for provisioning.
- ▶ As at 30 June 2018, the Group recorded a \$425 million provision for gaming receivables, representing 75% of the gross gaming receivables. Of this provision, \$20 million was recorded at the Group level relating to a collective assessment of debtors based on current and forward looking information.

Planned Audit Approach

- ▶ As part of our audit procedures, we will:
 - Assess the design and operating effectiveness of relevant controls in relation to granting of credit facilities, including credit checks;
 - Test the ageing of gaming receivables on a sample basis;
 - Evaluate management's assessment of customers' financial circumstances and ability to repay the amounts owing to Crown;
 - Assess the provision for expected credit losses, including management's analysis of historical collection trends, time value of money, current conditions and forward looking information;
 - Assess the VIP gaming activity towards the end of the gaming day at year end, as part of our cash count procedures;
 - Examine receipts subsequent to year end to determine any remaining exposure at the date of the financial report; and
 - Assess the adequacy of the disclosures in relation VIP debtor provisioning included in Crown's consolidated financial statements.



Crown Resorts Limited

For the year ending 30 June 2019

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Carrying value assessment - CGU impairment testing

Key judgements: Operating and cost assumptions underpinning cash flows, discount rates, terminal value, growth rates and financial statement disclosures

Relevant accounting standards: [AASB 136 Impairment of Assets](#)

KAM **HIGH**



Background

- As required by AASB 136 *Impairment of Assets*, a cash-generating unit ('CGU') is tested for impairment when there is an indication of impairment. Where a CGU has goodwill or indefinite life intangible assets, impairment is tested at least annually, by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU.
- Management determines the recoverable amount of a CGU based on a value in use ('VIU') calculation using a discounted cash flow ('DCF') methodology. This methodology utilises cash flow forecasts based on the business plans presented to and approved by the Board.
- The recoverable amount and carrying value of the CGUs as at 30 June 2018 is outlined below:

CGU	Recoverable Amount (M)	Carrying Value (M)	Headroom	
			(M)	(%)
Crown Melbourne	6,237	2,820	3,417	121%
Crown Perth	2,493	2,282	211	9%
Aspinalls (GBP)	95	85	10	12%
Betfair	186	79	107	135%
DGN (USD)	108	83	25	30%

Planned Audit Approach

- As part of our audit procedures, we will:
 - Evaluate management's assessment of existence of impairment indicators at each reporting date, i.e. 31 December 2018 and 30 June 2019.
 - Management prepare a formal impairment assessment on an annual basis at 30 June. At the half year, to the extent that impairment indicators are identified, accounting standards require a formal impairment assessment to be completed. Should this be required, we will also evaluate management's impairment models at 31 December 2018.;
 - Evaluate the cash flow forecasts used by management in the VIU impairment models for each CGU and test whether the models are mathematically accurate;
 - Compare the forecasts to Board approved budgets and long term financial plan, and consider the historical reliability of the Group's cash flow forecasting process;
 - Assess whether the methodology applied is in accordance with Australian Accounting Standards and involve our valuation specialists to evaluate the key assumptions applied in the impairment models, including the discount rates and terminal value assumptions;
 - Perform sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that would either individually or collectively result in an impairment charge, and assess the sensitivity analysis performed by the Group; and
 - Assess the adequacy of the disclosures included in the financial report.

5.2



Crown Resorts Limited

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Carrying value assessment of equity accounted investments

Key judgements: Indicators of impairment. In the event there is an impairment indicator, judgements include those outlined in the section above

Relevant accounting standards: [AASB 128 Investments in Associate and Joint Ventures](#)
[AASB 136 Impairment of Assets](#)



MEDIUM

5.2

Background

- ▶ Crown has a number of investments which are recorded using the equity method of accounting in its consolidated financial statements.
- ▶ As at 30 June 2018, these equity accounted investments included Nobu (\$135.2 million), Aspers (\$46.3 million) and Chill Gaming (\$6.2 million).
- ▶ Crown's investment value for Nobu significantly exceeded its notional 20% interest in the carrying value of assets recognised in the Nobu entity. Whilst the value of the investment at 30 June 2018 was supported by evidence of market value, there was limited opportunity for us to obtain detailed audit evidence to support the underlying cash flow forecasts underpinning the management's assessment of recoverable amount for Nobu.
- ▶ For FY19, we recommend that management seek to obtain further evidence to support the forecast cash flows for Nobu and continue to monitor the carrying value of this and other equity accounted investments.

Planned Audit Approach

- ▶ We will focus our procedures, as outlined below, on the investments in Nobu and Aspers given the size of these investment balances. In doing so, we will:
 - Evaluate management's assessment of existence of impairment indicators at each reporting date. To the extent that impairment indicators are identified, we will evaluate the impairment assessment as required;
 - For the 30 June 2019 year end audit, we will evaluate management's assessment as to whether there is objective evidence of impairment which may result in working with management to seek further access to understand and audit the cash flow forecasts of Nobu. To the extent DCF models are prepared, we will assess the DCF models including key inputs such as forecast cash flows, discount rates and terminal value assumptions; and
 - Involve our valuation specialists in evaluating the key assumptions and the methodology applied in management's impairment models.



Crown Resorts Limited

For the year ending 30 June 2019

Executive Summary **Areas of Audit Focus** Audit Approach Your EY Team Engagement Execution Appendices

Carrying value assessment - Crown Sydney and Queensbridge

Key judgements: Indicators of impairment

Relevant accounting standards: [AASB 116 Property, Plant and Equipment and AASB 136 Impairment of Assets](#)

MEDIUM



Background

Crown is required to assess whether any indicators of impairment exists for the capitalised costs in respect of the Crown Sydney and Queensbridge projects and perform impairment testing when indicators are identified.

Crown Sydney

- ▶ Crown incurs significant costs associated with the design and construction of the on-going Crown Sydney project. As at 30 June 2018, total costs capitalised were \$728.7 million (including the license of \$100 million).
- ▶ Crown brought legal proceedings against the Barangaroo Delivery Authority ('BDA') with the NSW Supreme Court deciding that the BDA had breached its contracts with Crown and Lendlease over harbour views from Barangaroo. We understand the NSW government plans to appeal this court decision.
- ▶ As the project continues, there is a need for management to consider the allocation of capitalised costs to the residential element of the development, which may be required to be reflected as inventories in the financial statements.

Queensbridge

- ▶ At 30 June 2018, \$54.1 million had been capitalised in relation to the One Queensbridge project. The project has previously received conditional planning approval from the Victorian State Government, which expires on 2 March 2019.
- ▶ We understand that Crown continues to seek a third party equity investor for the residential component. We further understand that preliminary meetings have been held with the Victorian Department of Premier and Cabinet and Planning with a view to applying for an extension to the conditional planning approval.

Planned Audit Approach

- ▶ As part of our audit procedures, we will:
 - Assess the design and operating effectiveness of key controls in relation to capitalisation of costs;
 - Test a sample of costs capitalised, considering the capitalisation criteria of AASB 116;
 - Test a sample of any pre sales of residential units and assess the accounting implications of such transactions;
 - Enquire with management as to the status and impact of the ongoing sightline legal proceedings for Crown Sydney and third party investment and planning approval for Queensbridge;
 - Assess management's consideration regarding the allocation of costs between inventories (residential) and PP&E (non-residential); and
 - Evaluate management's assessment of indicators of impairment.

5.2



Crown Resorts Limited

For the year ending 30 June 2019

Executive Summary **Areas of Audit Focus** Audit Approach Your EY Team Engagement Execution Appendices

Revenue recognition

Key judgements: Revenue recognition, measurement and disclosure
 Relevant accounting standards: [AASB 15 Revenue from Contracts with Customers](#)

MEDIUM

Audit Approach



Background

- ▶ AASB 15 is effective for Crown's consolidated financial statements for the first time for the year ending 30 June 2019.
- ▶ In FY18, management completed its assessment of the impact of adoption of AASB 15 on each of its key revenue streams. The key changes upon adoption in FY19 are:
 - Commission payments made to VIP players and junket operators will be netted against gaming revenue; and
 - Complimentary benefits will need to be tracked and recognised as a separate component of revenue (i.e. hotel, food and beverage, parking), with a corresponding reduction in gaming revenue.
- ▶ Historically, Crown's revenue has been grouped within 'revenue from services' and 'revenue from sale of goods'. At 30 June 2018, we recommended that management consider whether additional categories of revenue should be disclosed based on the nature and timing of revenue.
- ▶ Management will be required to also consider additional disclosure requirements under AASB 15 for the December 2018 half year and June 2019 year end. We recommend this be performed early in the financial reporting process to ensure that the relevant and appropriate data is collected.

Planned Audit Approach

- ▶ As part of our audit procedures, we will:
 - Assess the design and operating effectiveness of relevant controls in respect of key revenue to cash processes (table games, gaming machines, hotel and F&B);
 - Substantively test revenue for the above revenue processes as well as other revenue processes (tenancy, parking, DGN, Betfair and miscellaneous/sundry revenue);
 - Test cut-off of revenue at year end, including observation of management's cash count procedures at year end and assess VIP gaming activity at 30 June 2019 (towards the end of the gaming day between 4-6am);
 - Assess management's calculation of commission payments to be netted against gaming revenue;
 - Evaluate management's assessment of complimentary benefits being recognised as a separate component of revenue, with a corresponding reduction to gaming revenue; and
 - Assess the adequacy and appropriateness of the disclosures in relation to revenue, as required by AASB 15, included in Crown's consolidated financial statements at both the half year and year end.

5.2



Crown Resorts Limited

For the year ending 30 June 2019

Executive Summary **Areas of Audit Focus** Audit Approach Your EY Team Engagement Execution Appendices

DGN earn-outs

Key judgements: Present value of amount payable on exercise of the put option, fair value of contingent consideration

Relevant accounting standards: [AASB 3 Business Combinations](#),
[AASB 9 Financial Instruments](#), [AASB 10 Consolidated Financial Statements](#),
[AASB 13 Fair Value Measurements](#), [AASB 132 Financial Instruments: Presentation](#)

MEDIUM

Audit Approach



Background

- ▶ As part of the DGN and Winners Club acquisitions in FY16, two earn-out arrangements were entered into:
 - Put and call options over the remaining 30% ownership interest held by existing DGN shareholders ("NCI"), in two tranches of 15% based on CY2017 and CY2020 EBITDA for the DGN Group; and
 - Deferred consideration with respect to DGN's acquisition of Winners Club, payable in two tranches based on CY2017 and CY2020 EBITDA for the DGN Group.

Put and Call Options

- ▶ In FY18, the NCI exercised the CY2017 put option, hence Crown acquired a further 15% interest in DGN for the exercise price of USD 8.4 million. No payment was required in relation to the CY2017 deferred consideration for Winners Club.
- ▶ The financial liability for the CY2020 put option (30 June 2018: \$48.8 million) is recorded based on the present value of the expected cash outflows arising on exercise of the put option. Movements in value is attributed directly to an equity reserve.
- ▶ The value of the CY2020 call option was concluded to be immaterial at 30 June 2018 and therefore no amount was recorded in the financial statements in relation to the call option.

Deferred Consideration

- ▶ The CY2020 deferred consideration (30 June 2018: \$47.0 million) is recorded based on its fair value, which differs from the valuation basis for the put option financial liability.

Planned Audit Approach

As part of our audit procedures, we will:

- Evaluate management's assessment of the CY2020 put option financial liability and the CY2020 Winners Club deferred consideration at each reporting date;
- Evaluate the key assumptions management adopts in calculating the earn-out liabilities at each reporting date, including discount rates and cash flow forecasts;
- Assess the adequacy of the disclosures in relation to the liabilities included in Crown's consolidated financial statements; and
- Evaluate management's assessment of the value of the CY2020 call option.

5.2



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Long term incentive plans

Key judgements: Spot price, expected option life, expected volatility, expected dividend yield
Relevant accounting standards: *AASB 2 Share based payments*

MEDIUM



Background



We understand that management is considering entering into a call option arrangement to hedge the potential exposure arising from an increase in Crown's share price should the options under the 2017 Incentive Plan and 2018 LTIP vest.

Planned Audit Approach

- As part of our audit procedures, we will:
 - Involve our valuation specialists to assess the key assumptions included in the calculation for the value of the options, including the volatility, dividend yield, interest rate and expected life of the options;
 - Evaluate management's calculation for the share based payment expense in relation to these options and assess management's determination of the vesting period for these options;
 - Assess management's accounting treatment of any call options entered into over Crown shares; and
 - Assess the adequacy of the disclosures in relation to the share options included in Crown's consolidated financial statements and remuneration report.

5.2



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Taxation

Key judgements: Determination of tax assets and liabilities
 Relevant accounting standards: [AASB 112 Income Taxes](#)

MEDIUM



Background

- ▶ In recent years, Crown has been involved in a number of material tax negotiations and rulings which require audit focus.
- ▶ These tax matters include the ongoing tax dispute in relation to the Cannery matter for which management has recognised a provision of \$157 million at 30 June 2018 after consideration of the probability of a range of possible outcomes.
- ▶ Crown has also recognised \$25.9 million of deferred tax assets at 30 June 2018 in relation to tax losses associated with DGN, based in the US.

Planned Audit Approach

- ▶ As part of our audit procedures, we will:
 - ▶ Obtain an update from in-house legal counsel on the development of the material tax matters and assess the financial impact of these matters on an on-going basis;
 - ▶ Obtain representation from Crown's legal advisor to confirm external views on the Cannery tax matter as to the strength of Crown's argument and litigation risk factor in estimating the potential cash outflows should a payment be required;
 - ▶ Assess the disclosures in the financial statements, including the contingent liability disclosures reflecting the current status of the Cannery matter; and
 - ▶ Involve our tax specialists in assessing management's tax calculation with respect to income tax expense, deferred tax assets and deferred tax liabilities. We will evaluate management's assessment as to whether tax losses are able to be utilised against future taxable income.

5.2



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Capital management & covenants

Audit Approach



Key judgements: Compliance with debt covenants

Relevant accounting standards: [AASB 132 Financial Instruments: Presentation](#), [AASB 9 Financial Instruments](#)

LOW

Background

- ▶ At 30 June 2018, Crown held \$1,493 million of borrowings. Debt agreements contain a number of covenants that the Group must comply with.
- ▶ On 14 September 2018, Crown redeemed all of the outstanding subordinated notes which amounted to approximately \$400 million.
- ▶ On 9 August 2018, Crown announced its intention to buy back \$400 million worth of ordinary shares on issue during the period from August 2018 to August 2019. As at 23 November 2018, Crown has bought back \$116.9 million worth of ordinary shares (which equates to 9,049,117 ordinary shares).

Planned Audit Approach

- ▶ As part of our audit procedures, we will:
 - ▶ Agree the buy-back and redemption of subordinated note transactions recorded in FY19 to supporting documentation, including bank statements;
 - ▶ Assess management's accounting for the early redemption of subordinated notes;
 - ▶ Examine management's assessment of compliance with debt covenants, including any covenant calculations; and
 - ▶ Assess the adequacy of the disclosures in relation to the transactions included in Crown's consolidated financial statements.

5.2



Restructuring and legal provisions

Audit Approach



Key judgements: Recognition and measurement

Relevant accounting standards: AASB 137 Provisions, Contingent Liabilities and Contingent Assets

LOW

Background

Restructuring provision

- As at 30 June 2018, Crown recognised a total restructuring provision of \$15.6 million, of which \$10.6 million related to the China matter.
- In respect of the China matter, we understand that [REDACTED - PRIVILEGE]

Provision for legal claims

- Crown has a range of legal claims and litigation in progress, falling into the following main categories:
 - Gaming related litigation;
 - Litigation to pursue outstanding gaming debts; and
 - Personal injury claims.
- At 30 June 2018, provisions for legal claims amounted to \$5.8 million.

Planned Audit Approach

Restructuring provision

- We will update our understanding of management's basis of assumptions for these provisions.
- We will assess the restructuring costs utilised in FY19 and whether any remaining provision at year end meets the requirements of AASB 137.

Provision for legal claims

- We will meet with in-house legal counsel to obtain an update on Crown's current position with respect to open cases.
- Where appropriate, we will request legal representation letters from Crown's external solicitors handling these claims.
- We will assess management's provision for legal claims and assess disclosure of any contingent liabilities in light of the requirements of AASB 137.

5.2

Assessment of Internal Control Environment

The primary responsibility for the design and operating effectiveness of the internal control environment, including the prevention and detection of fraud and error, rests with those charged with governance and management.

We obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control to you.

Our assessment of internal controls covers:

- ▶ The control environment including entity level controls;
- ▶ Crown's risk assessment procedures;
- ▶ The design and operating effectiveness of internal controls (including IT general controls); and
- ▶ Monitoring of controls (internal audit and self-assessment).

We communicate with management our findings and our recommendations on where improvements in internal controls can be made.

Where significant deficiencies come to our attention, we will communicate these to the Committee and management.

Internal Audit – Crown Melbourne and Crown Perth

We consider where we can place reliance on internal audit during our audit procedures to minimise duplication and to rely on their work wherever possible. This includes over the payroll and purchase to pay processes for Crown Melbourne and Crown Perth where we have historically relied upon the work performed by Internal Audit.

Where it is considered efficient to rely on internal audit work, we will:

- ▶ Understand significant processes and perform walkthrough of a transaction through the entire process;
- ▶ Consider the appropriateness of the internal audit scoping and testing and sampling approach;
- ▶ Retest a sample of the controls tested by internal audit; and
- ▶ Adjust substantive audit procedures at year end based upon the results of the testing.

The Risk of Fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Audit Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).





Assessment of Internal Control Environment

IT General Controls (“ITGCs”) - Crown Melbourne and Crown Perth

Evaluating ITGCs is an integral part of our audit in assessing the controls that underpin financially significant systems and support the confidentiality, integrity and availability of information processing. Our evaluation of ITGCs focuses on two key areas:

Areas	Descriptions
Access to programs and data	Controls are in place to determine that only authorised persons have access to data and applications (including programs, tables, and related resources) and that they can perform only specifically authorised functions
Change management	Controls are in place to determine that only appropriately authorised, tested, and approved changes are made to applications, interfaces, databases, and operating systems

We performed an assessment of Crown Melbourne and Crown Perth’s IT environment associated with PeopleSoft HR, PeopleSoft Finance and SYCO in FY18, and noted areas for control improvement which predominantly relates to user access management. Effective IT general controls allow us to put a higher degree of reliance on the IT systems to an extent we could reduce our substantive procedures on output data produced by these IT systems.

We understand that management are in the process of implementing a strategic solution, with main focus currently being on PeopleSoft and SYCO for FY19. The current expectation is that an automated solution providing reliance on ITGCs for PeopleSoft and SYCO will be achieved in advance of FY20 and a manual controls process has been implemented effective October 2018. We understand management will then focus on the ancillary applications including DACOM, IGT, SIMPHONY and OPERA.

Our expected reliance on the IT systems that underpin your significant accounting processes is as follows for FY19 for Crown Melbourne and Crown Perth:

System	IT General Controls (Logical Access and Change Management Controls)	
	FY19	FY20
PeopleSoft Finance	Manual controls	Automated controls
PeopleSoft HR	Manual controls	Automated controls
SYCO (Table Games)	Manual controls	Automated controls
DACOM, IGT (Gaming Machines)	No planned audit testing	Automated controls
SIMPHONY (F&B)	No planned audit testing	Automated controls
OPERA (Hotel)	No planned audit testing	Automated controls

Controls Reliance

Set out below is the level of controls reliance we expect to achieve over the key processes.

Key financial processes	Audit strategy
Financial statement close	
Purchase to pay (*)	
Payroll (*)	
Revenue to receivables (table games, gaming machines, hotel, F&B)	
Main bank close-out	
Doubtful debts provision (incl. credit granting to VIP players)	
Capitalisation of costs into PPE (Crown Sydney)	
Accrued gaming liabilities	

(*) External audit will explore the potential to rely on the work of Internal Audit for Crown Melbourne and Crown Perth.

5.2



Scoping of Our Engagement

We determine individual audit scopes for the Group's significant business units based on a variety of factors including:

- ▶ The size of the business units
- ▶ The specific risks of the business units
- ▶ Changes in the business environment
- ▶ The effectiveness of internal controls at the individual business unit and throughout the Group

We identify the significant accounts at a consolidated level and the critical accounting processes that impact these accounts. We consider where material components of the consolidated accounts and related processes are located throughout the Group and determine the audit scope to address these areas.

We have three main tiers of audit scope being full scope, specific scope and out of scope (explained below).

Scope	Description
Full scope	Audit procedures are performed by the local audit team on all significant accounts using materiality levels assigned by the Group Audit Team (i.e. EY Melbourne Team) for the consolidated Group audit.
Specific scope	Specific audit procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group Audit Team.
Out of scope	Procedures limited to inquiries of management to ensure that this scoping remains appropriate at each reporting period.

Audit coverage

We have set out below a summary of the audit coverage (by forecast profit before tax) for FY19.



The table below summarises the business units that are in-scope for the FY19 audit:

Business unit	Scope	Rationale
Crown Resorts	Full	Significant based on size.
Crown Melbourne	Full	Significant based on size.
Crown Perth	Full	Significant based on size.
Aspinalls	Specific	Significant based on size/risk of specific account balances.
Betfair	Specific	Significant based on size/risk of specific account balances.
DGN	Specific	Significant based on size/risk of specific account balances.
Crown Sydney	Specific	Significant based on size/risk of specific account balances.
Queensbridge	Specific	Significant based on size/risk of specific account balances.
Crown Foundation	Specific	Significant based on size/risk of specific account balances.
Aspers	Specific	Significant based on size of equity accounted carrying value.
Nobu	Specific	Significant based on size of equity accounted carrying value.

5.2



Crown Resorts Limited

For the year ending 30 June 2019

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Independence

Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both Crown's and broader regulatory independence requirements.

Under ASX Principle 4 we have a mutual obligation to maintain independence. We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ Section 307C of the *Corporations Act 2001*
- ▶ APES 110 *Code of Ethics for Professional Accountants*

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit Committee.



5.2



Crown Resorts Limited

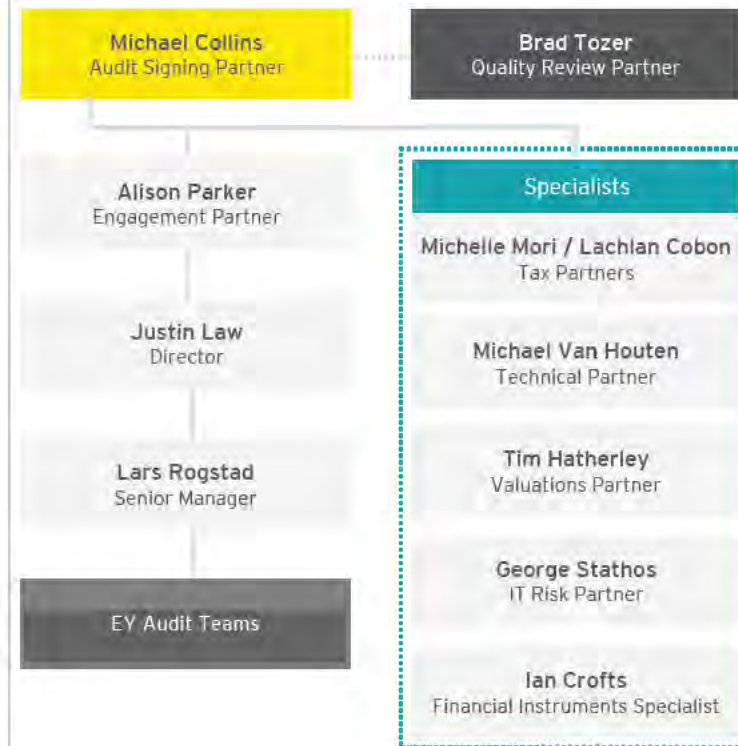
For the year ending 30 June 2019

Your EY Team

We understand that our team is the most important element of your relationship with us.

Our core team is consistent with the prior year, and many of the audit team members have been involved in the audit of Crown for a number of years. This stability provides Crown with continuity, historical knowledge of your business and industry expertise. These combined factors enable us to focus on the significant issues facing your business.

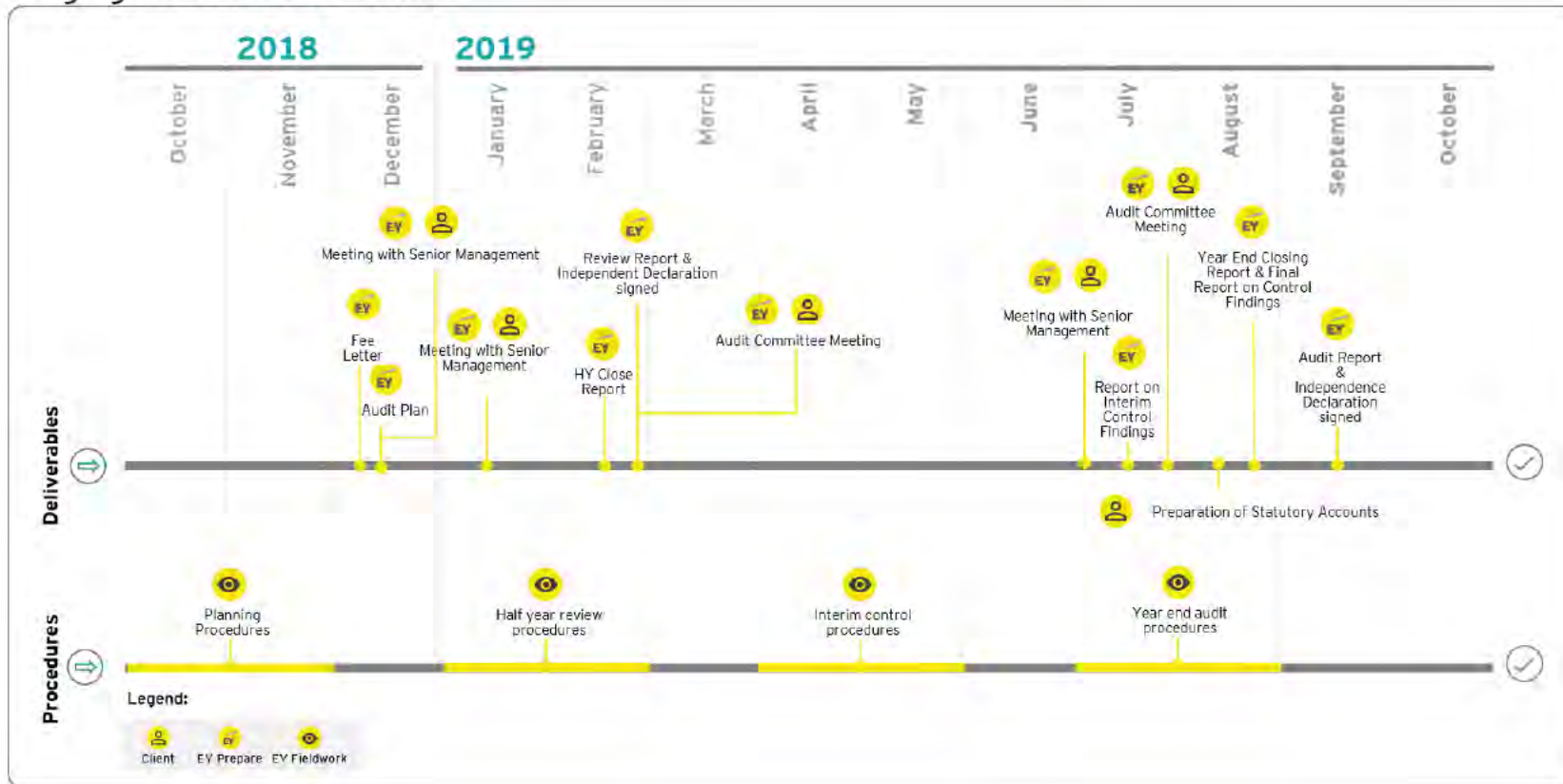
As in previous years, we have incorporated experts from our Taxation, IT Risk & Assurance, Valuations and Technical groups to assist us in addressing the financial risks facing Crown.



5.2



Engagement Execution



5.2




Appendices



Digital audit
We will continue to incorporate digital innovations in our approach in order to deliver a quality audit, and continue the use of EY Helix analytic tools that has been embedded in our digital audit in previous years.

→



Financial statement opinions
Our audit is conducted accordance with Australian Auditing Standards and the requirements of the *Corporations Act 2001*.

→




Focused on your future
Audit Committee members should be aware of focus areas, which includes the impact of new accounting standards.

→



Data security and privacy
Our digital audit is supported by a well-articulated data privacy and information security strategy.

→



Other communications
Provides explanatory guidance on other communication such as climate change, governance, new regulatory requirements, etc.

→

5.2



Crown Resorts Limited

For the year ending 30 June 2019

Digital Audit

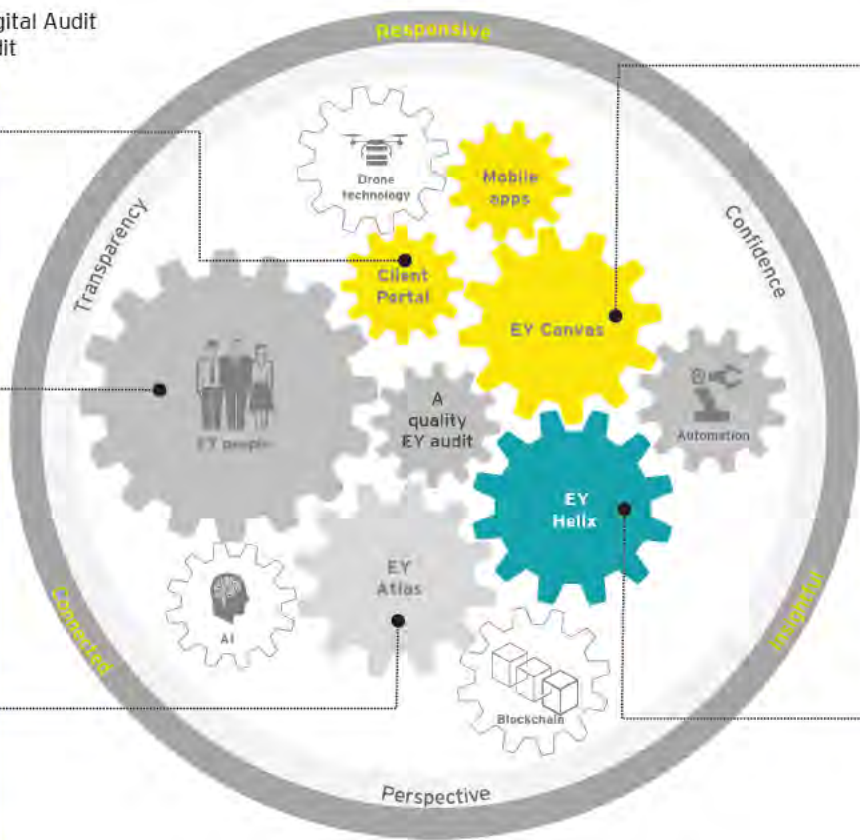
Each of the components of the EY Digital Audit work together to deliver a quality audit

The Client Portal
 We will continue to use the Client Portal. It enables you to securely provide supporting audit evidence, automated uploading the information to EY Canvas and gives you reporting of the status of the audit progress. This streamlines our communications with you and saves you time.

EY People
 The EY engagement team is uniquely placed to appropriately execute a digital audit strategy.

EY Atlas
 Our global accounting and financial reporting research platform, keeps our audit team up-to-date with the most relevant accounting, auditing and industry information globally. This enables us to share accounting precedents efficiently and deliver a more relevant audit.

EY Atlas Client Edition is the client version of EY Atlas allowing clients to keep up to date on accounting and reporting requirement.



EY Canvas
 Our state-of-the-art global online audit platform is the engine that drives the EY Digital Audit. It enables teams to drive an integrated and consistent audit, allows us to better identify and respond to audit risks and leverage our industry experience to customise our audit approach.

EY Helix
 We will continue to use our General Ledger Analyzer (in conjunction with our journal entry sample selection tool) to provide better, more relevant audit evidence and a deeper understanding of your business. This will support our testing of general journals.

5.2



Digital Audit Roadmap

We will continue to incorporate digital innovations in our approach in order to deliver a quality audit. Our plan to implement the digital audit strategy for the Crown Resorts Limited audit from FY19 and beyond is set out below. The roadmap shows the expected timing of when each digital solution will be implemented:



5.2



EY Helix

General Ledger Analyzer

We will continue to use this Analyzer (in conjunction with our journal entry sample selection tool) to:

- ▶ Identify business insights, hidden patterns, correlations and trends in 100% of Crown's general ledger data and direct our investigative effort in the risk areas
- ▶ Allow us a deeper understanding of Crown's business by analysing larger populations of audit relevant data, to present a fuller picture of what happened and identify the risks that matter

This tool facilitates efficient and targeted journal entry analysis and assessment, containing filters to enable multi-layered analysis of journal data, including by source, user and manual journals



Payroll Analyzer

The Payroll Analyzer uses payroll subledger data including wages and salaries by employee for each period and employee master file data.

The use of the Analyzer enables us to focus on payroll transactions including components of gross pay, staff turnover, pay deductions and comparison of gross pay to headcount.



5.2



EY Helix

Property, Plant & Equipment Analyzer

This Analyzer uses sub-ledger data to enable us to understand, identify and assess risk in Crown's PPE balances, e.g. costs capitalised for Crown Sydney. This allows an assessment of:

- ▶ 100% of PPE transactions, providing greater insight into PPE balances and risks within the PPE process
- ▶ The profile and quality of the PPE subledger, resulting in more targeted testing.



Trade Payables Analyzer

This Analyzer uses general ledger and subledger data to enable us to focus on the process flow of payables through to cash payment.

This allows an assessment of:

- ▶ 100% of payable transactions, providing greater insight into payable balances and risks within the payables process
- ▶ The profile and quality of the accounts payable subledger, resulting in more targeted testing.



5.2



Crown Resorts Limited

For the year ending 30 June 2019

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Financial Statement Opinions

Audit of the full year financial statements

Our audit will be conducted to provide reasonable assurance as to whether the financial report for the year ending 30 June 2019 is free of material misstatement. We conduct our audit in accordance with Australian Auditing Standards and the requirements of the *Corporations Act 2001*.

Half year review

On completion of our half year review we will issue a review opinion on the consolidated interim financial report for the half year ending 31 December 2018. We will perform our half year review in accordance with Australian Auditing Standard ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*.

Other audit opinions

We will audit the statutory financial statements of the controlled entities listed below for the relevant year end as required by the *Corporations Act 2001* and other local statutory requirements.

ENTITY NAME	TYPE OF FINANCIAL STATEMENTS
Crown Melbourne Limited	<ul style="list-style-type: none"> • General purpose reduced disclosure regime (RDR) financial statements • Statement of Compliance to the Victorian Work-cover Authority • Statement of Outgoings • Statement of Promotional Expenses • Statements of Statutory Outgoings
Crown Resorts Foundation Limited	<ul style="list-style-type: none"> • Special purpose financial statements
Crown Resorts Foundation Private Ancillary Fund	<ul style="list-style-type: none"> • Special purpose financial statements
Crown Resorts Pte Limited	<ul style="list-style-type: none"> • Financial statements prepared in accordance with Singapore Financial Reporting Standards (SFRS)

5.2



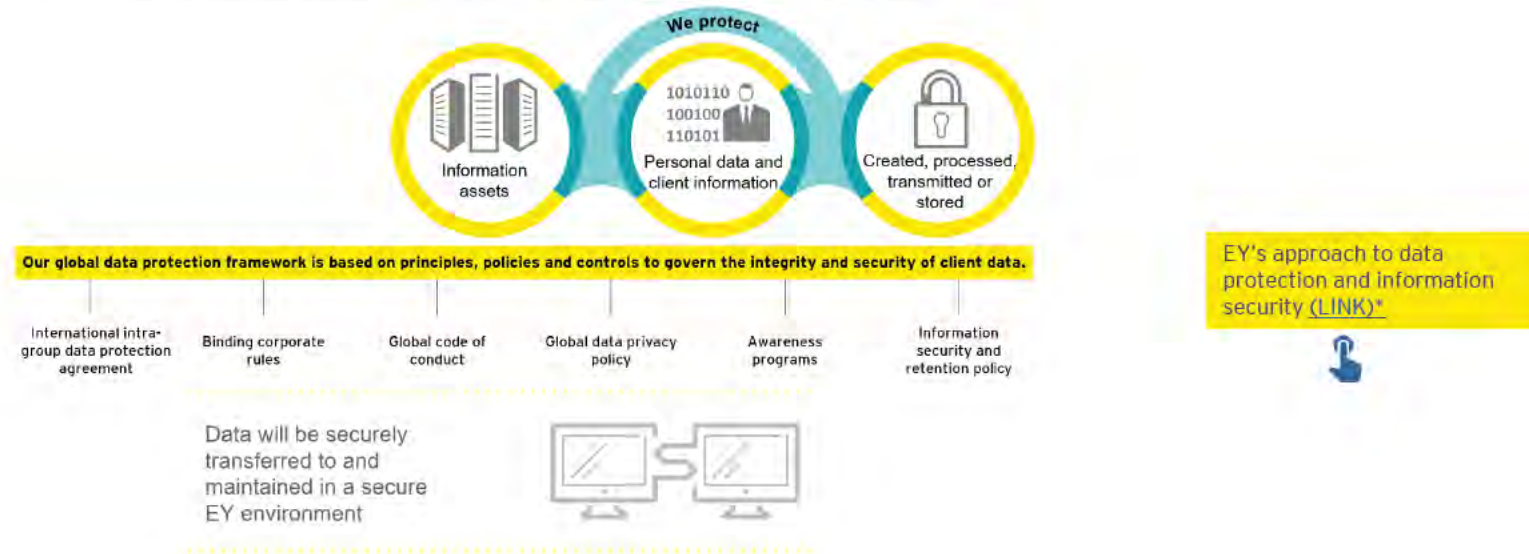
Data Security And Privacy

Our ability to provide seamless, consistent, high-quality client service worldwide is supported by a well-articulated data privacy and information security strategy.

For the audit of Crown the following applies:

- ▶ Access to EY Canvas is restricted to members of the engagement team only.
- ▶ Audit relevant information is transferred to EY securely via EY Canvas Client Portal and emails.

5.2



*Link: <https://www.ey.com/publication/vwLUAssets/ey-protecting-your-data/SFILE/ey-protecting-your-data.pdf>



Crown Resorts Limited

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Focused on Your Future

New Leases Standard AASB 16

Accounting

5.2

Explanation

During February 2016, the AASB issued AASB 16 Leases, which replaces the existing leases guidance in AASB 117 Leases and related interpretations. AASB 16 is equivalent to IFRS 16 Leases issued by the IASB.

AASB 16 is effective for annual periods beginning on or after 1 January 2019, i.e. for the year ending 30 June 2020 for Crown. Early application is permitted provided that an entity adopts AASB 15 *Revenue from Contracts with Customers* on or before the initial date of application of AASB 16.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The definition is based on the premise of control, where a lease is identified when a customer has the right to (1) obtain substantially all of the economic benefits from the use of the identified asset and (2) direct the use of the identified asset.

AASB 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the balance sheet of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments.

Expenses in respect of leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability.

The standard provides for two approaches to transition:

- (a) Modified retrospective - including two alternatives in measuring the associated ROU asset, or
- (b) Full retrospective.

Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is de-recognised and a lease receivable is recognised.

Impact On Your Business

AASB 16 provides new criteria for determining whether an arrangement meets the definition of a lease. While many entities will reach similar conclusions as they do today, significant judgement may be required, particularly for arrangements that are not referred to as leases and contain significant services. As a result, there is likely to be a change in current information collection, processing, and interpretation of lease arrangements.

The new Standard represents a significant change for lessees of operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee's balance sheet. Accordingly, lessees will have one accounting model for accounting for leases, which is similar to the current finance lease model in AASB 117.

The new Standard may also significantly impact the lessee's income statement, impacting profit and other measures of performance such as EBIT and EBITDA.

Lessor accounting is substantively unchanged from existing guidance. That is, lessors will continue to account for leases as operating or finance leases.

The implementation of AASB 16 is likely to require practical and commercial consideration, particularly in relation to debt covenants, investor relations, performance measures and KPIs, financing decisions and education and training.

The standard's specific requirements around identifying a lease, the treatment of optional periods, and determination of discount rates can prove challenging to implement.

Given the broad range of potential impacts these new lease requirements may have on Crown, an assessment of potential impacts is critical to managing a successful implementation. Entities should be aware of the potential for differing financial outcomes and differing levels of implementation effort depending on the method of transition approach chosen. Management should also consider if there are any leases where lease payments do not reflect fair value of the property being leased (i.e. peppercorn leases), electricity leases and outsourced service arrangements (e.g. cleaning and laundry leases).

We have held initial discussions with management and an assessment of the impact of IFRS 16 is currently underway. Crown is required to disclose the impact upon adoption in their FY19 financial statements.

With an effective date of 1 July 2019, the start of the comparative period for Crown has already commenced 1 July 2018. All existing and new contracts entered into on or before 1 July 2019 and not expiring before 30 June 2020 will be subject to the new standard on the date of initial application.



Crown Resorts Limited

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ASIC has noted the requirement that 30 June 2019 financial statements should disclose the impact on future financial position and results from new standards, and that reasonable market expectations would be for this disclosure to include quantification in respect of the new leases standard.

Entities proposing to use the modified retrospective approach are reminded of the disclosure requirement in AASB 16 to explain any difference between operating lease commitments disclosed applying AASB 117 at the end of the reporting period immediately preceding the date of initial application (30 June 2019), discounted using the incremental borrowing rate at the date of initial application and lease liabilities recognised in the statement of financial position on date of initial application (1 July 2019).

5.2



Crown Resorts Limited

For the year ending 30 June 2019

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Other Communications

Regulatory

ASIC areas of focus

Explanation

On 3 December 2018, ASIC announced its areas of focus for 31 December 2018 financial reports of listed entities and other entities of public interest with many stakeholders. The [Media Release](#) focusses heavily on new accounting standards covering revenue recognition, financial instruments, lease accounting, accounting by insurers, and the definition and recognition criteria for assets, liabilities, income and expenses. Attention is also drawn to continuous disclosure requirements, as well as the impact on any fundraising and other transaction documents.

The release also draws attention to the new conceptual framework released by the IASB and that companies need to adequately consider the future impact of the criteria in the new framework in making their statement of compliance with IFRS as at 31 December 2018.

The areas of focus for ASIC's financial reporting surveillance program are broadly unchanged from last year other than the addition of two areas of focus:

- ▶ Operating and financial review (OFR)
- ▶ Non-IFRS financial information

Attention is drawn in these areas to what entities are reporting in their OFR. Information should be useful and meaningful covering underlying drivers of results, information around strategies, key risks and other matters impacting future prospects. Directors are cautioned around the potential for non-IFRS information to be potentially misleading. Reference is made to ASIC Regulatory Guides [247 Effective disclosure in an operating and financial review](#) and [RG 230 Disclosing non-IFRS financial information](#).

The role of directors and management is also specifically identified as ASIC calls on preparers to focus on the quality of financial information. Companies must have *'appropriate processes, records and analysis to support information in the financial report'* and companies should apply appropriate experience and expertise. Further information is available in ASIC's Information Sheets [183 Directors and financial reporting](#) and [203 Impairment of non-financial assets: Materials for directors](#).

Impact on Your Business

We note that the two new areas of focus, OFR and Non-IFRS financial information, is relevant to Crown's financial reporting. We recommend that Crown consider these aspects of its financial reporting in light of the ASIC regulatory guides.

We further note that ASIC continues to focus on the following areas which are relevant to Crown:

- ▶ Impact of new accounting standards (refer next page)
- ▶ Impairment testing and asset values
- ▶ Revenue recognition
- ▶ Expense deferral
- ▶ Off-balance sheet arrangements
- ▶ Tax accounting
- ▶ Estimates and accounting policy judgements

5.2



Crown Resorts Limited

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Other Communications

ASIC emphasises the disclosure impact of new accounting standards

Regulatory

Explanation

On 16 December 2016, ASIC issued a [Media Release](#) in which ASIC states that the new accounting standards on financial instruments, revenue recognition and lease accounting which come into force over the next two years may have an even more significant impact on the reported results for some companies than the initial adoption of International Financial Reporting Standards (IFRS) in 2005. This was further enforced in the ASIC [Media Release](#) covering the Areas of Focus for December 2018 issued on 3 December 2018.

In summary, ASIC states that companies should consider:

- ▶ Determining whether and how the new standards will impact on their future reports and develop implementation plans
- ▶ Identifying system, process and internal control changes to produce the information under the new standards, including related disclosures
- ▶ Determining the impact on compliance with financial condition requirements (e.g. loan covenants and regulatory capital requirements), future tax liabilities, the ability to pay dividends and employee incentive schemes
- ▶ Providing disclosure of known or reasonably estimable information relevant to assessing the possible impact of adoption on future financial statements prior to the effective date of the new standards
- ▶ Providing adequate information to the market on the company's preparedness and the possible financial impact in accordance with any continuous disclosure obligation
- ▶ Providing appropriate disclosure of the future impact of the new standards in fundraising and other transaction documents.

Impact on Your Business

ASIC has clearly stated that notes to the financial statements must disclose the impact on future financial position and results of new requirements for recognising revenue, for valuing financial instruments and accounting for leases.

ASIC has also stated, in the context of disclosure in the notes to the financial statements, they consider it is reasonable for the market to expect that quantitative information will be available and disclosed for the reporting date that coincides with the start of the first comparative period that will be affected in a future financial report.

Crown should revisit the disclosures provided of the possible impact of new standards on the company's financial reporting. Examples of items to consider including are:

- ▶ When the company intends to adopt the standards, and the approach to transition
- ▶ The governance and processes of managing the project
- ▶ Businesses and products likely to have an effect, and areas still to be assessed
- ▶ Narrative description of the possible changes on the financial report
- ▶ Quantitative estimates, including for those areas completed.

Information that there will be no material impact could also be useful information for disclosure.

The quality and status of the implementation plan should be assessed by management to ensure sufficient time and resources have been allocated to achieve an effective implementation of the new standards.

5.2



Other Communications

Modern Slavery reporting requirements

Regulatory

5.2

Explanation	Impact On Your Business
<p>Immediate Regulatory Issue New legislation will require mandatory reporting on how businesses are addressing modern slavery risks within their operations and supply chains from next year.</p> <p>Modern Slavery The term ‘modern slavery’ refers to forms of forced or compulsory labour often compelled through fraud, debt bondage or other coercion. Estimates suggest there are more than 40 million people currently living in slavery conditions globally, with approximately two thirds of these working in the Asia-Pacific region. A large proportion are working with global supply chains for the consumer products industry, including thousands working onshore particularly within Australia’s food production supply chains.</p> <p>Legislation In June 2018, Modern Slavery legislation was passed into law by the NSW State Parliament. Concurrently, the Australian Federal Government introduced a Modern Slavery Bill to Federal Parliament which is expected to be passed by the end of the year.</p> <p>This legislation seeks to significantly improve transparency in corporate and public sector activities, with the ultimate aim of eliminating modern slavery across Australian entities operations and supply chains.</p> <p>Both pieces of legislation have similar reporting provisions. That is, to disclose areas of modern slavery risks and to describe how the business is seeking to identify and mitigate risks, including how it assesses the effectiveness of its due diligence activities. The Federal Act will apply to entities that carry out business in Australia with annual revenue over \$100m. The NSW Act will apply to entities with employees in NSW that are not reporting under the Federal Act and have an annual revenue over \$50m.</p>	<p>Issues relating to forced or bonded labour, fair pay and equality have placed a spotlight on businesses, which is only expected to intensify as Australian businesses start to report on their human rights and modern slavery risks.</p> <p>Acting now to address modern slavery risks is essential to support mandatory reporting from next year. We propose the following key steps to help prepare your business:</p> <ul style="list-style-type: none"> ▶ Engage with stakeholders to map areas of greatest risk, including procurement categories, geographies, and suppliers. ▶ Understand existence and adequacy of current policies and procedures to detect and mitigate forced labour risks in the supply chain. ▶ Establish and implement supplier compliance frameworks – strengthening supplier screening, ongoing evaluation, auditing and follow-up. ▶ Consider opportunities to improve supplier practices including through collaboration, building better relationships and providing training and guidance to suppliers. ▶ Disclose performance, lessons learned and planned next steps for continuous improvement. <p>We recognise that embedding modern slavery controls across business operations can be a challenge for many businesses. However, it is important that this does not prevent businesses from starting the process of identifying and assessing risks.</p> <p>The Government and other stakeholders have made very clear that the purpose of the regulation is not to penalise or shame businesses who identify instances of modern slavery in their supply chains. Rather, risk identification is to be encouraged to improve transparency, understanding and remediation of risks.</p>



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Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee

From: Mary Manos

Date: 7 February 2019

Subject: **Assessment of Auditor Independence**

Dear Committee Members

Article 5.5 of the Committee's Charter requires that the Committee periodically review the independence of its external auditors, having regard to any relationships with Crown beyond the external audit function that could impair the external auditor's independence or judgment of Crown.

Review of Independence

To assist the Committee in its review, we have requested that Ernst & Young confirm that it continues to meet all internal independence processes and criteria which have previously been presented to the Committee. Attached as **Annexure A** is an independence statement provided by Ernst & Young for this purpose.

Recommendation and Proposed Resolution

Based on the representations provided by Ernst & Young in relation to independence processes, it is open to the Committee to conclude that it remains satisfied with the independence of its Auditor. It is proposed that the Committee resolve as follows:

RESOLVED that having conducted a formal review, the Committee is satisfied that its Auditor remains independent.

Kind regards

Mary Manos
General Counsel & Company Secretary

Annexure A
 Independence Statement provided by Ernst & Young

Appendix A – Independence

We confirm that we have complied with the Corporations Act 2001, and in our professional judgement, the engagement team and the Firm are independent.

We are satisfied that all EY locations world-wide which have provided services in the past or are currently providing services to Crown Resorts Limited have complied with the Crown Resorts Limited non-audit services policy during the half-year ended 31 December 2018. We are satisfied that the services provided by EY during the half-year ended 31 December 2018 do not impact our independence.

We are not aware of any other relationships between the Firm or other firms that are members of the global network of EY firms and Crown Resorts Limited that, in our professional judgement, may reasonably be thought to bear on independence.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Board consider the facts of which you are aware and come to a view.

MEETING YOUR INDEPENDENCE REQUIREMENTS

- Independent in appearance:**
 - We have no conflict of interest. As these matters have previously confirmed our independence.
 - We do not provide any prohibited services.
 - We do not provide any prohibited services.
 - We do not provide any prohibited services.
- Independent in mind:**
 - The scope of any such services provided to you is limited solely to the nature and quality of the normal tasks governing audit independence.
 - We bring differences of opinion to management and the Board.
 - We discuss with EY, its Partners and former partners, other members of the EY global network, or former EY partners, any financial interests in Crown Resorts Limited.



AGENDA ITEM 6:
Tax Report



Audit and Corporate Governance Committee

Memorandum

To: Audit and Corporate Governance Committee

From: Ken Barton

Date: 7 February 2019

Subject: **Tax Report**

Dear Committee Members

At its meeting on 2 August 2018, the Committee approved a change to the Committee's charter to specifically refer to the consideration of material taxation issues in order to provide some assurance to the Australian Taxation Office regarding the Company's commitment to managing its tax risk at a Board level.

As foreshadowed at that meeting, attached is a written overview of the Company's material taxation issues for the period 1 July 2018 to 31 December 2018. A tax report will be provided to the Committee twice a year.

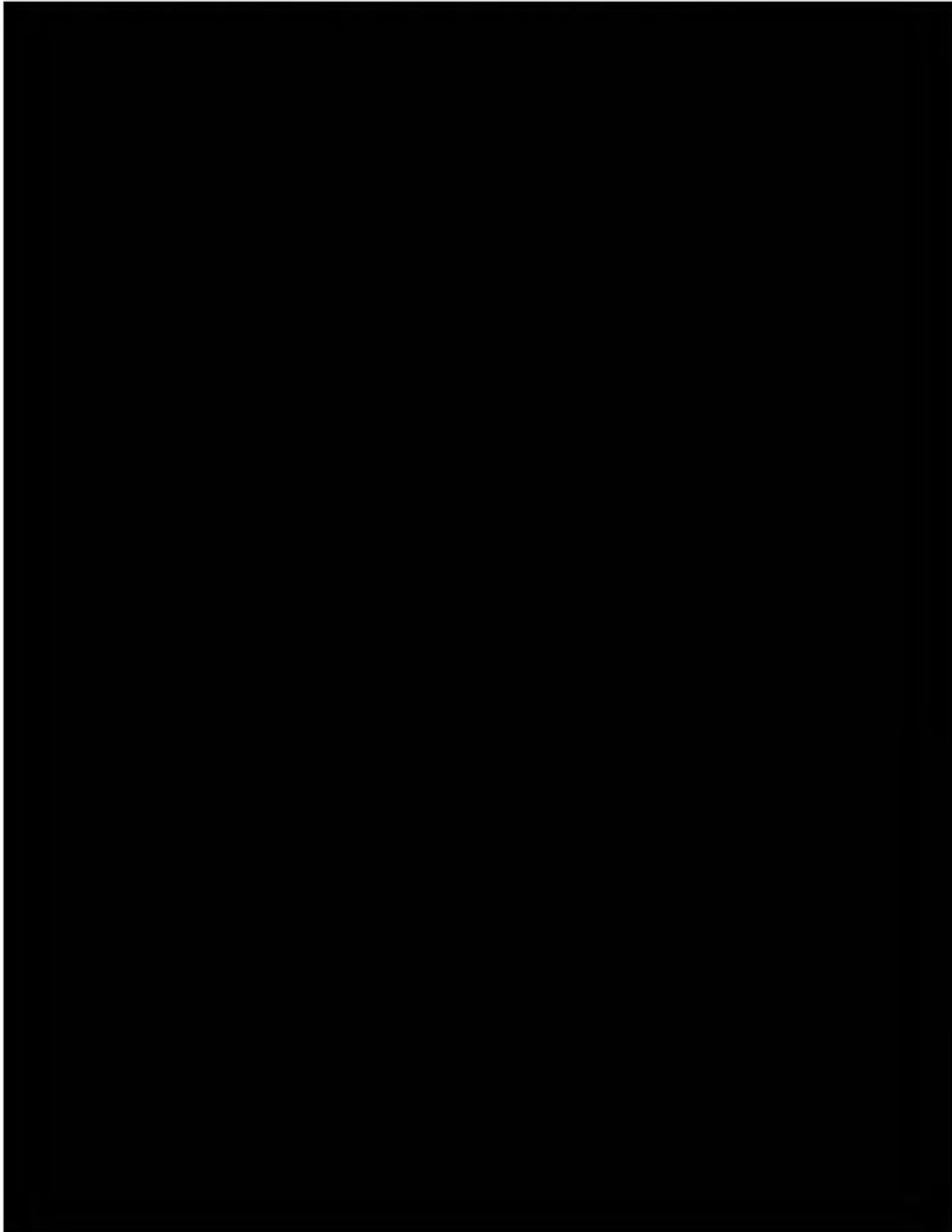
Kind Regards

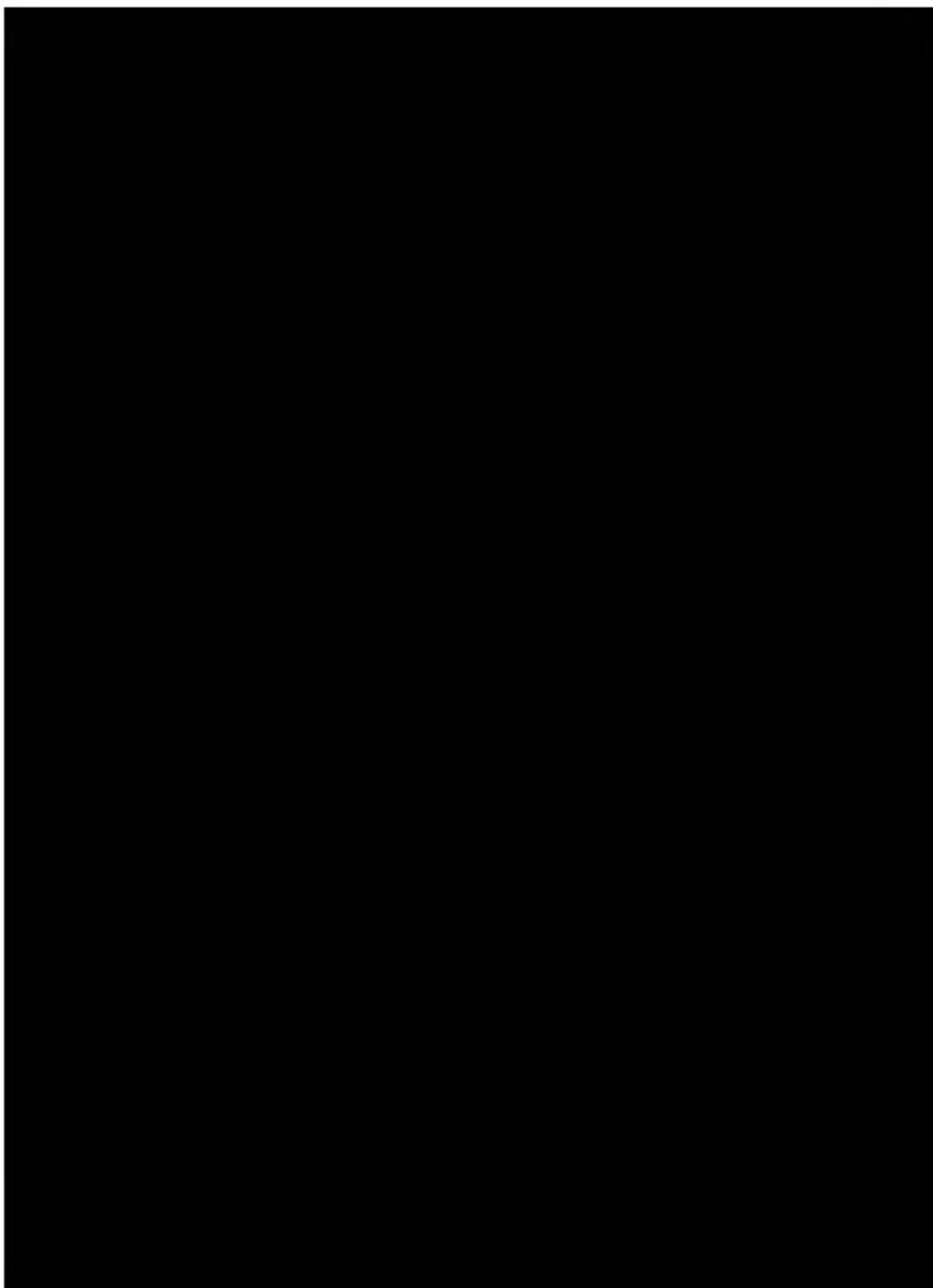
Ken Barton
Chief Financial Officer

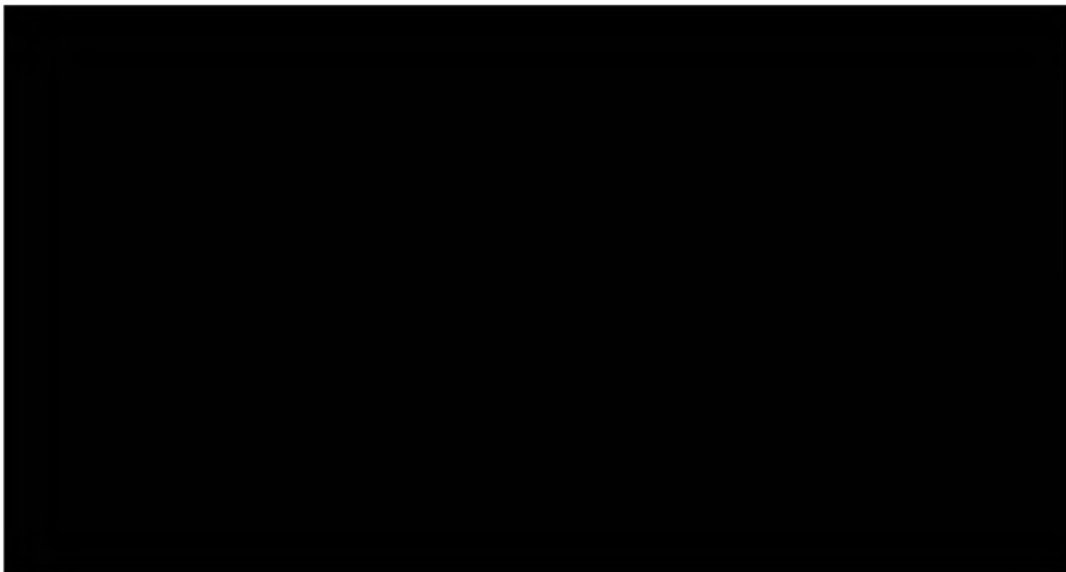
Tax Status Report

1. Period

This Tax Status Report is for the period 1 July 2018 to 31 December 2018.







¹ The GAAR Panel assists the ATO in their administration of the General Anti-Avoidance Rules by providing independent advice to ATO decision makers on matters referred to it.



AGENDA ITEM 7:
Continuous Disclosure Report



Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee

From: Mary Manos

Date: 7 February 2019

Subject: **Continuous Disclosure Report**

7

Dear Committee Members

Continuous Disclosure Policy

As the Committee is aware, in June 2018, the Board adopted a revised Continuous Disclosure Policy and established a Disclosure Committee comprised of the Executive Chairman, General Counsel and Company Secretary, Chief Financial Officer, Chief Executive Officer – Australian Resorts, Executive Vice President – Strategy and Development.

Under the Policy, decisions on what information should be disclosed to the ASX may be made by the General Counsel (Disclosure Officer) together with at least two other members of the Disclosure Committee (ie three out of five members). The Policy notes that some decisions may be referred to the full Board and that other routine administrative matters can be made by the Disclosure Officer.

During the period, all announcements were made in accordance with the Policy requirements.

For the Committee's information, set out below is a list of all announcements which have been placed on the Company's ASX platform since the last report provided in August 2018 (with the most recent on top). The column on the far right indicates who approved the announcement prior to release.

Date	Title	Pages	Approved by
31/12/2018 2:57 PM	Suspension of Buy-Back of Ordinary Shares	1	Disclosure Officer
14/12/2018 12:38 PM	Interest Payment - CWNHB	4	Disclosure Officer
14/12/2018 12:13 PM	Crown Sydney Sight Lines	1	Disclosure Committee
12/12/2018 10:41 AM	Cancellation of Shares - Buy Back - ASIC Form 484	3	Disclosure Officer
11/12/2018 3:08 PM	Crown Resorts Limited - Securities Trading Policy	10	Board
06/12/2018 8:26 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
05/12/2018 8:23 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer

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03/12/2018 8:27 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
27/11/2018 8:19 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
26/11/2018 8:28 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
23/11/2018 8:22 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
22/11/2018 8:26 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
21/11/2018 8:21 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
20/11/2018 5:15 PM	Initial Director's Interest Notice - John Poynton	2	Disclosure Officer
20/11/2018 5:13 PM	Appointment of John Poynton as a Director	1	Disclosure Officer
20/11/2018 8:24 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
19/11/2018 9:29 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
16/11/2018 9:17 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
15/11/2018 8:53 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
08/11/2018 4:49 PM	Change of Director's Interest Notice - Antonia Korsanos	2	Disclosure Officer
02/11/2018 4:15 PM	Cancellation of Shares - Buy Back - ASIC Form 484	3	Disclosure Officer
01/11/2018 2:56 PM	2018 Annual General Meeting - Results of Resolutions	2	Disclosure Officer
01/11/2018 12:14 PM	2018 Annual General Meeting - Presentation Slides	18	Board
01/11/2018 12:11 PM	2018 Annual General Meeting - Executive Chairman's Address	5	Board
17/10/2018 8:20 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
16/10/2018 9:10 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
15/10/2018 9:11 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
12/10/2018 9:06 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
11/10/2018 10:27 AM	Cancellation of Shares - Buy-Back - ASIC Form 484	3	Disclosure Officer
11/10/2018 8:26 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
10/10/2018 9:02 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
09/10/2018 9:14 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
08/10/2018 9:18 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer

05/10/2018 8:20 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
04/10/2018 9:08 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
28/09/2018 9:05 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
27/09/2018 9:15 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
26/09/2018 9:11 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
25/09/2018 8:27 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
24/09/2018 9:21 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
21/09/2018 9:23 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
21/09/2018 9:21 AM	2018 Notice of Annual General Meeting	8	Board
21/09/2018 9:21 AM	Appendix 4G - Key to Corporate Governance Disclosures	12	Board
21/09/2018 9:20 AM	2018 Annual Report	140	Board
20/09/2018 9:18 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
19/09/2018 8:32 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
18/09/2018 11:33 AM	Amended Appendices 3E	5	Disclosure Officer
18/09/2018 8:30 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
17/09/2018 10:01 AM	Subordinated Notes (ASX Code- CWNHA) - Removal	1	ASX
17/09/2018 9:29 AM	Daily share buy-back notice - Appendix 3E	2	Disclosure Officer
14/09/2018 2:13 PM	Redemption of Subordinated Notes - CWNHA	1	Disclosure Officer
14/09/2018 12:13 PM	Interest Payment - CWNHB	4	Disclosure Officer
05/09/2018 10:41 AM	Suspension of Notes (CWNHA)	1	Disclosure Officer
05/09/2018 10:10 AM	Pause in Trading	1	ASX
03/09/2018 3:39 PM	2018 Annual General Meeting	1	Disclosure Officer
22/08/2018 4:52 PM	Final share buy-back notice - Appendix 3F	2	Disclosure Officer
09/08/2018 12:55 PM	CWN Subordinated Notes II - Key Financial Ratios	2	Disclosure Officer
09/08/2018 12:54 PM	CWN Subordinated Notes I - Key Financial Ratios	2	Disclosure Officer
09/08/2018 9:44 AM	Crown Announces 2018 Full Year Results	6	Board
09/08/2018 9:37 AM	Appendix 3C - Announcement of Buy-back	3	Board

09/08/2018 9:35 AM	2018 Full Year Results Presentation Slides	18	Board
09/08/2018 9:29 AM	Dividend/Distribution - CWN	3	Board
09/08/2018 9:29 AM	2018 Full Year Results - Appendix 4E	13	Board
08/08/2018 4:01 PM	Appendix 3B - New Issue Announcement	8	Disclosure Officer
08/08/2018 4:01 PM	Crown Senior Executive Incentive Plan - Issue of Options	1	Disclosure Officer
03/08/2018 3:22 PM	Review of Crown Melbourne Casino Licence in Victoria	11	Disclosure Committee



AGENDA ITEM 8:
Political Donations Report



Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee
From: Mary Manos
Date: 7 February 2019
Subject: **Political Donations Report**

Dear Committee Members

Political Donations Policy Review

As the Committee is aware, the political donations laws in Victoria were amended in November 2018 with Crown having placed an embargo on all political donations in Victoria and at a Commonwealth level with effect from 25 November 2018 until such time that the Board has considered and approved changes to the Political Donations Policy.

It is anticipated that, while management continues to work through the legislative changes in Victoria, a proposal will be put to the Board at its February meeting to lift the embargo at the Commonwealth level with the embargo to remain on political donations in Victoria.

Political Party Disclosure Return – 1 July 2017 to 30 June 2018

Attached as **Annexure A** is a copy of the Donor to Political Party Disclosure Return for the period 1 July 2017 to 30 June 2018.

As required by law, the Return was lodged with the Australian Electoral Commission (AEC) in November 2018 and was posted on the AEC website.

Political Donations – 1 July 2018 to 31 December 2018

By way of update, in **Annexure B** we have provided a list of Political Donations made by the Crown group during the period 1 July 2018 to 31 December 2018.

Donations for the full financial year ending 30 June 2019 will be disclosed to the AEC in November 2019 and will then become public in February 2020.

We will provide a list of all F19 Political Donations to the Committee at its meeting in August 2019. A copy of the lodged F19 Return will be provided to the Committee at its February 2020 meeting.

Suggested resolutions

RESOLVED that the Donor to Political Party Return for the period 1 July 2017 to 30 June 2018 and the list of Political Donations made by the Crown group during the period commencing 1 July 2018 to 31 December 2018 be noted.

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**ANNEXURE A
DONOR TO POLITICAL PARTY DISCLOSURE RETURN FOR THE PERIOD 1 JULY 2017 TO 30 JUNE 2018**



Donor to Political Party Disclosure Return – Organisations

FINANCIAL YEAR 2017-18

**Section 305B(1) requires donors to furnish a return within 20 weeks after the end of the financial year.
The due date for lodging this return is 19 November 2018.**

Completing the return:

- This return is to be completed by organisations who made a donation to a registered political party (or a state branch), or to another person or organisation with the intention of benefitting a registered political party.
- This return is to be completed with reference to the *Financial Disclosure Guide for Donors to Political Parties*.
- Further information is available at www.aec.gov.au.
- This return will be available for public inspection from Friday 01 February 2019 at www.aec.gov.au.
- **Any** supporting documentation included with this return may be treated as part of a public disclosure and displayed on the AEC website.
- The information on this return is collected under s 305B of the *Commonwealth Electoral Act 1918*.

NOTE: This form is for the use of organisations only. Please use the form Donor to Political Party Disclosure Return – Individuals if you are completing a return for an individual.

Details of organisation that made the donation

Name	Crown Resorts Limited		
Address	8 Whiteman St		
	Suburb/town	Southbank	State VIC Postcode 3006
ABN	39125709953	ACN	125709953

Details of person completing this return

Name	Robert Nathan		
Capacity or position (e.g. company secretary)	Finance Manager		
Postal address	8 Whiteman St		
	Suburb/town	Southbank	State VIC Postcode 3006
Telephone number		Fax number	
Email address			

Certification

I certify that the information contained in this return and its attachments is true and complete to the best of my knowledge, information and belief. I have made due and reasonable inquiries of the organisation on whose behalf I am authorised to complete this form.

I understand that submitting an incomplete, false or misleading return is an offence under section 315 of the Commonwealth Electoral Act 1918.

Signature	 Robert Nathan	Date	08/11/2018
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Enquiries and returns should be addressed to:

Disclosure and Compliance
Australian Electoral Commission
Locked Bag 4007
Canberra ACT 2601

Phone: 02 6271 4552
Fax: 02 6293 7655
Email: fad@aec.gov.au

Office use only

Date received

Donor Organisation Return (05/18) – Page 1 of 6

Part 1a: Other business names

Do you operate or
conduct business
under any other
names?

No Yes List other trading names

Crown Perth
Crown Melbourne
Burswood Entertainment Complex

Part 1b: Related bodies corporate

Subsection 287(6) of the *Commonwealth Electoral Act 1918* deems bodies corporate related under the provisions of the *Corporations Act 2001* to be a single entity for disclosure purposes. The parent company of the group, therefore, should lodge under its name a return consolidated across the entire group.

Does this return cover
any other related
bodies corporate?

No Yes List any related bodies corporate **you are lodging on behalf of**

Name	Crown Melbourne Ltd		
Postal address	Level 3, Crown Towers 8 Whiteman Street		
Suburb/town	SOUTHBANK	State VIC	Postcode 3006
ABN	46 006 973 262	ACN	006 973 262
Name	Burswood Ltd		
Postal address	Level 3, Crown Towers 8 Whiteman Street		
Suburb/town	Southbank	State VIC	Postcode 3006
ABN	36 075 071 537	ACN	075 071 537

Part 2: Donations made

Details of **donations**, including **gifts-in-kind**, made to a political party **totalling** more than \$13,500, between 1 July 2017 and 30 Jun 2018. If the total of donations made to one political party exceeds the disclosure threshold, all donations made to that political party, regardless of their value, must be disclosed.

For **each** donation made, the following details must be disclosed:

- Party code* and the address of the political party to which the donation was made
- date each donation was made
- value of each donation made.

Party details		Date of donation	Value of donation** (GST inclusive)
Name/Party code	Liberal Party (W.A. Division) Inc	22 Jun 2018	\$5,000
Postal address	PO Box 49		
Suburb/town	WEST PERTH State WA Postcode 6872		
Name/Party code	Liberal Party (W.A. Division) Inc	25 Jun 2018	\$4,000
Postal address	PO Box 49		
Suburb/town	WEST PERTH State WA Postcode 6872		
Name/Party code	Australian Labor Party (N.S.W. Branch) ^{*1}	27 Jul 2017	\$2,500
Postal address	PO Box K408		
Suburb/town	HAYMARKET State NSW Postcode 1240		
Name/Party code	Australian Labor Party (Western Australian Branch)	10 Nov 2017	\$1,156
Postal address	PO Box 8117		
Suburb/town	PERTH BUSINESS CENTRE State WA Postcode 6849		
Name/Party code	Australian Labor Party (ALP)	17 May 2018	\$5,500
Postal address	PO Box 6222		
Suburb/town	KINGSTON State ACT Postcode 2604		
Name/Party code	Liberal Party of Australia (Victorian Division)	27 Jul 2017	\$30,000
Postal address	104 Exhibition Street		
Suburb/town	MELBOURNE State VIC Postcode 3000		
Name/Party code	Australian Labor Party (Victorian Branch)	11 Sep 2017	\$30,000
Postal address	Locked Bag 3240		
Suburb/town	MELBOURNE State VIC Postcode 3001		
Name/Party code	Australian Labor Party (Victorian Branch) ^{*2}	01 Sep 2017	\$1,200
Postal address	Locked Bag 3240		
Suburb/town	MELBOURNE State VIC Postcode 3001		
Name/Party code	Australian Labor Party (Victorian Branch)	08 Mar 2018	\$4,000
Postal address	Locked Bag 3240		
Suburb/town	MELBOURNE State VIC Postcode 3001		
Name/Party code	Liberal National Party of Queensland	22 Jun 2018	\$3,000
Postal address	PO Box 940		

Party details				Date of donation	Value of donation** (GST inclusive)
Suburb/town	SPRING HILL	State	QLD	Postcode	4004
Name/Party code	Liberal Party (W.A. Division) Inc			10 Aug 2017	\$25,000
Postal address	PO Box 49				
Suburb/town	WEST PERTH	State	WA	Postcode	6872
Name/Party code	Liberal Party (W.A. Division) Inc			09 Feb 2018	\$22,000
Postal address	PO Box 49				
Suburb/town	WEST PERTH	State	WA	Postcode	6872
Name/Party code	Liberal Party (W.A. Division) Inc			23 Feb 2018	\$648
Postal address	PO Box 49				
Suburb/town	WEST PERTH	State	WA	Postcode	6872
Name/Party code	Liberal Party (W.A. Division) Inc			07 Jun 2018	\$3,488
Postal address	PO Box 49				
Suburb/town	WEST PERTH	State	WA	Postcode	6872
Name/Party code	Australian Labor Party (Western Australian Branch)			18 Jan 2018	\$25,000
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			10 Mar 2018	\$2,296
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			09 Apr 2018	\$2,208
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			30 Apr 2018	\$2,608
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			14 Jun 2018	\$2,296
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			19 Jun 2018	\$400
Postal address	PO Box 8117				
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849
Name/Party code	Australian Labor Party (Western Australian Branch)			16 Jun 2018	\$70
Postal address	PO Box 8117				

Party details					Date of donation	Value of donation** (GST inclusive)
Suburb/town	PERTH BUSINESS CENTRE	State	WA	Postcode	6849	
Name/Party code	National Party of Australia (WA) Inc				18 Jan 2018	\$3,000
Postal address	PO Box 1418					
Suburb/town	WEST PERTH	State	WA	Postcode	6872	
Name/Party code	National Party of Australia (WA) Inc				09 Feb 2018	\$2,404
Postal address	PO Box 1418					
Suburb/town	WEST PERTH	State	WA	Postcode	6872	
Name/Party code	National Party of Australia (WA) Inc				28 Apr 2018	\$2,864
Postal address	PO Box 1418					
Suburb/town	WEST PERTH	State	WA	Postcode	6872	

Total \$180,638

**Donation is a gift within the meaning of Division 4 – Disclosure of donations, in Part XX the *Commonwealth Electoral Act 1918*.

Part 3: Donations received

Details of **donations** of more than \$13,500 and used (wholly or partly) to make donations shown in Part 2 of this return. The 'donations received' section of this return applies to a donor:

- who received a donation of more than \$13,500 (whether within the 2017-18 financial year or not); **and**
- used that donation, or part of it, to make donations totalling more than \$13,500 to a political party in the 2017-18 financial year.

For donations that meet the disclosure criteria above, the following details must be reported:

- full name and address details*** of the person or organisation from whom the donation was received
- date each donation was received
- value or amount of each donation.

Donation received from	Date of donation	Value of donation** (GST inclusive)
Name		
Postal address		
Suburb/town	State	Postcode

Total

*** **Donation** is a gift within the meaning of Division 4 – Disclosure of donations, in Part XX of the *Commonwealth Electoral Act 1918*.

***** Name and address details**

- If the gift was from an unincorporated association (other than a registered industrial organisation), the name of the association and the name and addresses of all the executive committee members are required.
- If the gift was from a trust, the name of the trust, and the name and addresses of all the trustees are required.

*1 Donation to ALP McMahon Federal Campaign

*2 Payment to associated entity-Progressive Business Association Inc

ANNEXURE B

POLITICAL DONATIONS 1 JULY 2018 – 31 DECEMBER 2018

**Political Party Donations Analysis -
at 31 December 2018**

Date	Donating Entity	Political Party	Event or Donation	Additional Notes	Crown	GST	Total
FEDERAL							
<i>Liberal (Federal)</i>							
5/10/2018	Liberal	Me bourne	Liberal NSW (Federal Wentworth campaign)	Donation	15,000.00	-	15,000.00
					15,000.00	-	15,000.00
<i>ALP (Federal)</i>							
07/03/18	ALP	Me bourne	Australian Labor Party	Federal Labour Business Forum - Crown	20,000.00	2,000.00	22,000.00
10/09/2018	ALP	Me bourne	ALP NSW Branch McMahon Federal Campaign	Ticket for Chris Bowen Fundraiser Aria Restau. Attended by Sorja Bauer	2,272.73	227.27	2,500.00
29/10/2018	ALP	Me bourne	Australian Labor Party NSW Branch	DONATION TO BANKS FED/CAMPAIGN	2,500.00	-	2,500.00
					24,772.73	2,227.27	27,000.00
TOTAL DONATIONS TO FEDERAL POLITICAL PARTIES					39,773	2,227	42,000
VICTORIA							
<i>Liberal (Vic)</i>							
04/7/18	Liberal	Me bourne	Liberal Party	Enterprise Membership	27,272.73	2,727.27	30,000.00
					27,272.73	2,727.27	30,000.00
<i>National (Vic)</i>							
19/09/2018	National	Me bourne	National Party of Australia - Vic	Attendance at boardroom dinner w h Danny O'Brien Shadow Minister for Liquor and Gaming Regulation	1,818.18	181.82	2,000.00
					1,818.18	181.82	2,000.00
<i>ALP (Vic)</i>							
2/10/2018	ALP	Me bourne	Victorian Labor Party	Donation	16,000.00	-	16,000.00
1/09/2018	ALP	Me bourne	Progressive Business Association	Business Membership	1,090.91	109.09	1,200.00
					17,090.91	109.09	17,200.00
TOTAL DONATIONS TO VICTORIAN POLITICAL PARTIES					46,182	3,018	49,200
WESTERN AUSTRALIA							
<i>Liberal (WA)</i>							
11/09/2018	Liberal	Perth	WA Liberal Party	Provided voucher for State Conference of the Liberal Party	548.00	-	548.00
06/11/2018	Liberal	Perth	Liberal Party WA	Donation	22,000.00	-	22,000.00
23/11/2018	Liberal	Perth	Liberal Party WA	Leaders Forum of WA - membership 2017/2018	22,727.27	2,272.73	25,000.00
					45,275.27	2,272.73	47,548.00
<i>ALP (WA)</i>							
06/11/2018	ALP	Perth	WA Labor	Donation	25,000.00	-	25,000.00
23/11/2018	ALP	Perth	WA Labor	Provided voucher for Bert Hawke Dinner	1,236.00	-	1,236.00
					26,236.00	-	26,236.00
<i>National (WA)</i>							
06/11/2018	National	Perth	Nationals WA	Donation	3,000.00	-	3,000.00
07/11/2018	National	Perth	Nationals WA	Dinner at S lks No staff attended	2,613.18	-	2,613.18
					5,613.18	-	5,613.18
TOTAL DONATIONS TO WA POLITICAL PARTIES					77,124	2,273	79,397
TOTAL POLITICAL DONATIONS					163,079	7,518	170,597
Crown Resorts Group Summary:							
ALP					68,100	2,336	70,436
Liberal					87,548	5,000	92,548
National					7,431	182	7,613
Other					-	-	-
					163,079	7,518	170,597
Crown Resorts Group Summary (excl WA & Qld Donations) Victorian Statutory Cap:							
ALP					41,864	2,336	44,200
Liberal					42,273	2,727	45,000
National					1,818	182	2,000
Other					-	-	-
					85,955	5,245	91,200
Group Summary:							
CREGH					-	-	-
Melbourne					85,955	5,245	91,200
Perth					77,124	2,273	79,397
					163,079	7,518	170,597



AGENDA ITEM 9:
Expenses Policy



Audit & Corporate Governance Committee Memorandum

To: Audit & Corporate Governance Committee
From: Mary Manos
Date: 7 February 2019
Subject: **Senior Executive Expenses Policy**

Dear Committee Members

At the request of the Committee, we have prepared the attached draft Senior Executive Expenses Policy to articulate expectations in relation to business related expenses.

As detailed expense policies exist at operating level, the attached will be aimed at a more limited audience comprising members of Crown's Key Management Personnel, the executive teams in Melbourne and Perth and the Crown Resorts equivalents.

The Committee is invited to provide any feedback it may have on the draft Policy.

Subject to any feedback of the Committee, it is proposed that the Policy be approved by the Committee and communicated accordingly.

Kind Regards

Mary Manos
General Counsel & Company Secretary



Crown Resorts Limited Senior Executive Expense Reimbursement Policy

Crown Resorts Limited ACN 125 709 953
A public company limited by shares

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DRAFT

1. Background

Crown has agreed to pay for or reimburse **[Senior Executives]** for the Senior Executive's reasonable work-related expenses, approved by Crown, subject to the Senior Executive providing appropriate receipts and tax invoices as required by Crown.

This document sets out Crown's policy in relation to allowable work-related expenses.

2. Expense reimbursement principles

Crown work related expenses may only be incurred if they meet the following broad principles:

- (a) The expense must be **necessary** to perform the role of the Senior Executive;
- (b) The expense must be **reasonable** meaning it should not be extreme or excessive; and
- (c) The expense must be **appropriate** in the context of the business purpose.

3. Specific expense categories

3.1. Airline travel

- (a) When travelling on Crown business, Senior Executive must use the most direct and economical route.
- (b) Senior Executives are entitled to travel business class on all domestic and international flights. Any upgrade to a higher class of travel will be at the Senior Executive's own expense. **[Note: Crown Melbourne has a detailed travel policy directed at economy flights. Business class would apply to the limited definition of Senior Executives as proposed.]**
- (c) It is acceptable for business related travel to attract loyalty and frequent flyer rewards for the relevant Senior Executive provided the incentive does not cause Crown to incur a higher airfare, accommodation or associated service.

3.2. On ground transport

- (a) Expense claims for transfers to and from a Senior Executive's primary residence to their normal place of work for the usual daily commute are not permitted.
- (b) Other private transfers must meet the expense reimbursement principles set out in Section 2.
- (c) Parking fees are permitted for work related travel of less than 24 hours. Parking costs above 24 hours are only acceptable in the case of legitimate delays. If it is anticipated the parking will be required in excess of 24 hours, alternative means of transport should be utilised.

3.3. Accommodation

Senior Executives are expected to obtain accommodation which is fair and reasonable and provides value for money. Senior Executives must use their judgment to obtain the best rate based on quality and location of accommodation, reducing Crown costs where appropriate.

3.4. Private travel

- (a) Travel expenses for a spouse or partner of a Senior Executive will not be paid by Crown unless it can be demonstrated that the presence of the spouse or partner was both essential and directly related to the accomplishment of Crown business.
- (b) Travel expenses for holidays and other private travel during the course of a business trip will not be paid by Crown.
- (c) Crown's travel management company may be engaged to assist with arranging private travel at the beginning or end of their business travel.

3.5. Food and Beverage

- (a) All entertainment expenses relating to food and beverages should be reasonable and may only be incurred for legitimate Crown business purposes.
- (b) The total cost of food and beverages should be commensurate with the status of the guest. Excessive expenditure on food and wine and other alcohol is to be avoided.
- (c) The Senior Executive who is most senior in attendance must pay the bill on their credit card unless impractical.
- (d) Tipping at a reasonable level is permissible in relation to food and beverage expenses.

3.6. Cash Advances

- (a) The issue of cash advances for taxis, meals, tips etc is restricted to international business travel only. Cash advances will not be issued for domestic travel purposes.
- (b) Unless otherwise approved by the Chief Financial Officer, cash advances will be limited to AUD \$100 per day.
- (c) Cash advances must be accounted for within two weeks of the Senior Executive's return from international travel. Supporting documentary evidence of funds spent must be provided upon request. Crown may deduct from any payment due to a Senior Executive any amount unaccounted for cash advance.

3.7. Medical Expenses for or while travelling

- (a) Where the cost of required immunisations is not covered by a Senior Executive's health insurance, those costs may be reimbursed by Crown.
- (b) The following medical charges are not eligible for reimbursement:
 - (i) over the counter drugs without a doctor's prescription;
 - (ii) services not requiring immediate medical attention and could be reasonably postponed until the Senior Executive returns to their home country.

3.8. Other

- (a) **(Donations):** Donations (including charitable or political) are generally not permitted unless in accordance with Crown policy.

- (b) **(Fines):** Fines, including parking and speeding fines are not eligible for reimbursement.
- (c) **(Gifts):** Flowers and gifts to directors and staff are permissible for significant events, birth of a child, significant birthdays, weddings, exits, condolences or serious illnesses.
- (d) **(Subscriptions):** professional subscriptions are permissible only where there is a clear business necessity to subscribe.
- (e) **(Professional memberships):** professional memberships are permissible only where there is a clear business necessity to subscribe.

4. Enforcement

Failure to comply with this Policy may result in disciplinary action up to and including termination of employment.

5. Policy responsibility

- (a) The Crown Resorts Audit and Corporate Governance Committee has responsibility for maintaining this policy.
- (b) This Policy must be reviewed from time to time to ensure it remains consistent with the Crown Group's objectives and existing regulatory requirements and recommendations.

Crown Resorts Limited
[February] 2019



AGENDA ITEM 10:
Other Business



Audit & Corporate Governance Committee

Memorandum

To: Audit & Corporate Governance Committee

From: Mary Manos

Date: 7 February 2019

Subject: **CEO and CFO Declarations**

Dear Committee Members

Background

The ASX Corporate Governance Council recommends that CEO/CFO Declarations should be obtained by the Company in respect of financial statements for the half year financial period. Accordingly, this paper presents a form of half year CEO/CFO Declaration for approval. The form of statement is consistent with forms presented to the Committee in previous years.

Content of the CEO/CFO Declaration

Section 295A of the Corporations Act specifies the matters which the CEO and CFO must attest to in the CEO/CFO Declaration. The CEO/CFO Declaration is consistent with those requirements.

In addition, the ASX Corporate Governance Council best practice recommendations recommend that the Board should obtain separate assurance from the CEO and CFO that their Declaration is formed on the basis of a sound system of risk management and internal control which is operating effectively (**Assurance Statement**).

The draft Assurance Statement we have included in the CEO/CFO Declaration is in accordance with the best practice recommendations and is in the same form as has been made for previous Financial Reports.

Crown Group Operating Subsidiaries - declarations and certifications

In support of the CEO/CFO Declaration from the Crown Resorts Limited Executive Chairman and CFO, corresponding declarations have been obtained from Crown Melbourne, Crown Perth, Crown Aspinalls and Betfair.

In addition, Crown Melbourne, Crown Perth, Crown Aspinalls and Betfair have been asked to complete a comprehensive Financial Reporting Certification and Internal Control Questionnaire. The responses in the Certifications and Questionnaires have assisted the businesses in making their declarations.

The Declarations and Questionnaires received from the businesses can be made available to the Committee should they be required.

10.1

Recommendation and suggested resolution

The draft CEO/CFO Declaration meets relevant requirements and is recommended to the Committee for approval. It is recommended that the Committee resolve as follows:

RESOLVED that the draft CEO/CFO Declaration be approved for use in a form substantially the same as the attached draft.

Kind regards

Mary Manos
General Counsel and Company Secretary



Crown Resorts Limited - CEO and CFO Declaration

To: The Board of Directors, Crown Resorts Limited

From: John Alexander, Executive Chairman
Ken Barton, Chief Financial Officer

CEO/CFO Declaration

We, John Alexander and Ken Barton, occupying positions of Executive Chairman and Chief Financial Officer of Crown Resorts Limited (**Crown Resorts**) declare that in our opinion:

1. the financial records of Crown Resorts for the six months ended 31 December 2018 have been properly maintained in accordance with section 286 of the *Corporations Act 2001* (Cth);
2. the financial statements, and the notes required by the accounting standards, for the six months ended 31 December 2018 comply with the accounting standards; and
3. the financial statements and notes for the six months ended 31 December 2018 give a true and fair view of:
 - (a) the financial position and performance of Crown Resorts; and
 - (b) the financial position and performance of the consolidated entity.

Assurance Statement

Basis for declaration

Our Declaration is founded on the following:

- that Crown Resorts has a sound system of risk management and internal controls in place (**Risk Management System**); and
- that the Risk Management System is operating effectively in all material respects in relation to **financial reporting risks**.

System of risk management and internal controls

Crown Resorts has in place formal policies for the oversight and management of material business risks and has adopted a formal Risk Management Policy (see attached **Annexure A**).

The Policy sets out procedures which are designed to identify, assess, monitor and manage risk at each of Crown Resorts' controlled businesses and requires that the results of those procedures are reported to the Crown Resorts Board via the Board convened Risk Management Committee.

The Board has received, and will continue to receive, periodic reports through the Risk Management Committee, summarising the results of risk management initiatives at Crown Resorts.

In addition to the Risk Management Policy, Crown Resorts has adopted further policies which foster a strong ethical climate. These include, the Crown Securities Trading Policy and the Employee Code of Conduct.

Effective operation of systems in relation to financial reporting risks

Crown's Appendix 4D comprising:

- statement of profit or loss;
- statement of comprehensive income;
- statement of financial position;
- cash flow statement;
- statement of changes in equity; and
- accompanying notes and declarations,

have each been reviewed by Crown Resorts' independent external auditor, Ernst & Young.

Ernst & Young was provided unrestricted access to all financial records and related data (including minutes of all meetings of members, the Board of Directors and committees of the Board), and other information, explanations and assistance necessary for the conduct of its audit.

Ernst & Young has, as part of its review, confirmed that the Appendix 4D complies with the accounting standards.

All representations that Ernst & Young requested during the conduct of its review have been made and we therefore understand that Ernst & Young's audit opinion on Crown Resorts' Appendix 4D for the six months ended 31 December 2018 will be unqualified.

Operating businesses – declarations

Notwithstanding a formal audit of the Crown Resorts consolidated group has been undertaken, we have asked the senior executives of each of Crown Melbourne, Crown Perth, Crown Aspinalls and Betfair to provide corresponding declarations in relation to the entities and businesses for which they are primarily responsible (see attached **Annexure B**).

The senior executives of each of Crown Melbourne, Crown Perth, Crown Aspinalls and Betfair have also completed a comprehensive Financial Reporting Certification and Internal Control Questionnaire in relation to the entities and businesses for which they are primarily responsible (see attached **Annexure C**).

Limitations to be borne in mind

There are inherent limitations in the effectiveness of any system of risk management and internal compliance and control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective system, no matter how well designed, can provide only reasonable assurance with respect to compliance with the Board's policies and the integrity of the preparation of the Appendix 4D.

Our judgment about the operation of Crown's systems is based upon currently known facts and circumstances.

The effectiveness of Crown's systems of risk management and internal compliance and control may vary over time.

Declaration made on _____ 2019 by:

John Alexander
Executive Chairman

Ken Barton
Chief Financial officer

.....

.....

Draft



Audit & Corporate Governance Committee Memorandum

To: Audit & Corporate Governance Committee
From: Mary Manos
Date: 7 February 2019
Subject: **Review of Committee Charter**

Dear Committee Members

Article 6 of the Committee's Charter requires that the Charter be reviewed on an annual basis. Management has conducted a formal review of the Charter and has recommended a number of non-substantive amendments.

A copy of the updated Committee Charter is attached.

Proposed Resolution

Having reviewed the Charter, it was **RESOLVED** that the Committee recommend the attached updated Charter for approval by the Board.

Kind Regards

Mary Manos
General Counsel & Company Secretary



Crown Resorts Limited Audit & Corporate Governance Committee Charter

Crown Resorts Limited ACN 125 709 953
A public company limited by shares

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1. Introduction and background

The role of the Audit & Corporate Governance Committee includes the review and consideration of half and full year accounts of Crown Resorts Limited (the Company), the consideration of the independence and competencies of external auditors, the consideration of material taxation matters, the review and assessment of the continuous disclosure obligations of Crown the Company and the review and development of appropriate corporate governance policies for Crown the Company.

2. Membership of the Committee

2.1. Structure

Committee members are appointed by the Board and the Committee will at all times include a minimum of three Directors, a majority of whom shall be independent.

The Chairperson of the Committee will be an independent director nominated by the Board. If the Chairperson of the Committee is not present at a Committee meeting, the members present must elect one of themselves who is also an independent director to Chair the meeting.

Independence of a Committee member will be determined in accordance with the principles described in paragraph 2.2 of the Crown Resorts Limited Company's Board Charter.

Unless otherwise nominated by the Board, Crown Resorts Limited's the Company Secretary will act as secretary of the Committee.

The appointment of a Committee member will cease if that person ceases to be a director of the Company or as otherwise determined by the Board.

2.2. Compensation

The only compensation to members will be fees paid to them as a Director of Crown the Company and for acting as a Chair or member of the Committee.

2.3. Expertise

Members will have a range of diverse and yet complementary skills and the Chair of the Committee should have a significant background in accounting and/or financial management disciplines.

3. Purpose of the Committee

The Committee will assist the Board to fulfil its responsibilities in relation to Crown's the Company's:

- external financial reporting;
- internal financial controls;
- external audit function;
- material taxation matters; and
- corporate governance policy and practices.

In carrying out these functions, the Committee will maintain unobstructed lines of communication between the Committee, the external auditors, the taxation advisors, ~~Crown~~ management and the Board. The Committee ~~has~~ will have full access to ~~Crown's~~ management and employees, and ~~mayis able to~~ engage any external independent counsel or advisors it feels appropriate in order to assist the Committee fulfil its functions.

4. Proceedings

4.1. Meeting frequency

The Committee shall meet three times annually and additionally as required.

4.2. Committee papers

Relevant documents to be considered at Committee meetings shall be compiled and distributed by the Committee Secretary to all members of the Committee, as well as to any invitees of the Committee.

4.3. Attendance at Committee Meetings

The Committee may extend an invitation to any person to attend all or part of a scheduled Committee meeting. This invitation may extend to management attending future meetings. Only Committee members shall be eligible to vote.

4.4. Quorum

A quorum for a meeting of the Committee is two members.

4.5. Minutes

Minutes of proceedings and resolutions of meetings of the Committee and resolutions passed by members of the Committee without a meeting, are to be approved by the Committee (or in the case of written resolutions, tabled) at its next meeting.

Minutes of a meeting must be signed by the ~~e~~Chair of the meeting or the Chair of the next meeting within a reasonable time after the meeting at which the minutes are approved.

A resolution may be made if a document containing the relevant resolution is assented to by all Committee members eligible and willing to participate in the making of the resolution.

The resolution will be taken to have been passed when the document is last assented to by a Committee member. Where a Committee member has assented by means other than writing, that Committee member must sign the document containing the relevant resolution within a reasonable time after having provided their assent.

5. Duties and responsibilities of the Committee

5.1. External Financial Reporting

The Committee will oversee the process of ~~Crown's~~ the Company's external financial reporting on behalf of the Board and convey its observations to the Board. In particular, the Committee will review the full year ASX Appendix 4E and half year ASX Appendix 4D prior to submission to the Board.

This review may include making recommendations to the Board on the following matters:

- general accounting policies and practices, and any changes in them;
- whether Crown is compliant with relevant accounting standards and ASX Listing Rules relating to financial reporting;
- the impact of any unusual transactions or audit adjustments on the Financial reports and the manner in which they are disclosed; or
- the clarity and adequacy of the financial reports.

The ultimate responsibility for ~~Crown's~~ the Company's accounting policies and external financial reports lies with the Board. The Committee ~~can~~ may recommend changes in accounting policies to the Board as it feels appropriate, and the external auditor should provide any opinion on the appropriateness of any change in accounting policy for the Committee.

5.2. Assessing accounting and financial controls

The Committee will discuss with the external auditors and management:

- the effectiveness of ~~Crown's~~ the Company's accounting and financial controls; and
- the report to the Committee and the Board from the external auditors on the results of the audit.

The Committee will report to the Board on any significant unresolved differences of opinion over ~~Crown's~~ the Company's external financial reporting, between ~~Crown's~~ management and the external auditors.

5.3. Appointment of the external auditors

The Committee will be responsible for recommending to the Board the appointment, reappointment and removal of the external auditors. The Committee will review the appointment of external auditors at least every five years.

5.4. Rotation of the External Audit Engagement Partners

The Committee will ensure that ~~Crown's~~ the Company's external auditor, from time to time, has an internal policy requiring rotation of audit partners every five years.

5.5. Independence of the external auditors

The Committee will periodically review the independence of the external auditors, having regard to any relationships with ~~Crown~~ the Company beyond the external audit function that

could impair the external auditor's independence or judgment of ~~Crown~~the Company. The Committee will consider annually any non-audit services provided by the external auditor to determine whether the provision of those non-audit services is compatible with the independence of the external auditor.

5.6. External audit scope

The Committee will review the scope and materiality level of the external audit with the external auditors and will have particular regard to any areas of identified risk. These areas of identified risk will be notified to the Risk Management Committee.

5.7. ~~Good~~ Corporate Governance Practices

The Committee will review the corporate governance practices ~~at Crown~~of the Company as against the ASX Corporate Governance Principles and Recommendations (as may be amended or updated from time to time) and other examples of best practice. The Committee will review ~~Crown's~~the Company's corporate governance policies, including in relation to taxation, and will recommend to the Board any additional corporate governance policies it considers appropriate for ~~Crown~~the Company.

5.8. Continuous Disclosure

The Committee will ~~review~~monitor compliance with the ~~Crown~~Company's Continuous Disclosure Policy.

5.9. Development and administration of the Diversity Policy

The Committee will be responsible for reviewing and monitoring the application of the Diversity Policy.

5.10. Board reporting

The Committee will update the Board from time to time as required and make relevant recommendations in relation to matters arising for consideration by the Committee.

6. Amendment and review

The Committee must review this Charter on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations. Any proposed changes must be referred to the ~~Crown~~Board for approval.



Audit & Corporate Governance Committee Memorandum

To: Audit & Corporate Governance Committee
From: Mary Manos
Date: 7 February 2019
Subject: **Future Meetings**

Dear Committee Members

The 2019 meetings of this Committee have been scheduled as follows:

Meeting Date	Time
Monday, 12 August	1.00pm
Wednesday, 4 September (Teleconference)	10.00am

The meeting on 12 August 2019 will be held in the Chairman's Office, Level 3, Crown Towers.

Kind Regards

Mary Manos
General Counsel & Company Secretary