

Fourth Review of the Casino Operator and Licence June 2008



Victorian Commission
for Gambling Regulation



Victorian Commission
for Gambling Regulation

Fourth Review of the Casino Operator and Licence

30 June 2008

VICTORIAN COMMISSION FOR GAMBLING REGULATION

**Fourth Review
of the Casino Operator and Licence**

Table of Contents

<p>1. INTRODUCTION 1</p> <p>Melbourne Casino Licence 1</p> <p>2. EXECUTIVE SUMMARY 3</p> <p>Background 3</p> <p>Methodology and Investigations 3</p> <p>2003 Report - Outstanding Matters 4</p> <p>Findings and Opinion 5</p> <p>3. SCOPE OF THE REVIEW 7</p> <p>Background 7</p> <p>Statutory Provisions 7</p> <p>Probity and Process Audit 9</p> <p>Public Submission Process 10</p> <p>Crown Melbourne Submission Process 10</p> <p>4. METHODOLOGY 12</p> <p>Gaming Activities 12</p> <p>Probity 12</p> <p>Commercial Compliance 13</p> <p>Benchmarking Study 14</p> <p>5. GAMING ACTIVITIES 15</p> <p>Scope 15</p> <p>Management Expertise 15</p> <p>Business Ability 16</p> <p>Infrastructure Management 16</p> <p>Operational Compliance 17</p> <p>Patron Complaints 18</p> <p>Prevention of Minors Entering Casino 18</p> <p>Excluded Persons 19</p> <p>Approvals of Controlled Contracts and Gaming Equipment 19</p> <p>Compliance with External Agencies 20</p> <p>International Comparisons 20</p>	<p>Disciplinary Actions 22</p> <p>General Litigation 22</p> <p>Pending Litigation 23</p> <p>Responsible Gambling 24</p> <p>Gaming Activity Conclusions 25</p> <p>6. PROBITY 26</p> <p>Scope 26</p> <p>Associates 26</p> <p>Associated Entities 26</p> <p>Business Associates 27</p> <p>Report from Victoria Police 29</p> <p>Report from ASIC 30</p> <p>Matters Excluded from Consideration 30</p> <p>Probity Conclusions 32</p> <p>7. COMMERCIAL COMPLIANCE 33</p> <p>Scope 33</p> <p>Transaction Documents and Other Agreements 33</p> <p>Corporate Governance 33</p> <p>Risk Management 34</p> <p>Audit Committee 35</p> <p>Internal Audit Function 35</p> <p>Compliance Committee 36</p> <p>Compliance Alert System 37</p> <p>Other Regulatory Investigations 37</p> <p>Independence of Directors 37</p> <p>Board Meetings 38</p> <p>Financial Performance 38</p> <p>World Class Standards 40</p> <p>Commercial Compliance Conclusions 41</p>
---	---

8. FINDINGS	43
Issues for Determination.....	43
Suitability of Crown Melbourne.....	44
Continuity of the Licence.....	44
9. COMMISSION'S OPINION.....	45
APPENDIX 1—TERMS OF REFERENCE	46
APPENDIX 2—GLOSSARY	48
APPENDIX 3—LIST OF DISCIPLINARY ACTIONS	53
APPENDIX 4—LIST OF TRANSACTION DOCUMENTS	56

APPENDIX 5—CASINO OPERATOR RESTRUCTURE	57
APPENDIX 6—CALL FOR SUBMISSIONS.....	59
APPENDIX 7—PROCESS AUDITOR'S LETTER	62
APPENDIX 8—RESPONSE OF CROWN MELBOURNE LIMITED TO THE RESULTS OF INVESTIGATION AND FINDINGS OF THE REVIEW	64

1. INTRODUCTION

Melbourne Casino Licence

Crown Melbourne Limited (“Crown Melbourne”) operates the Melbourne Casino (“the Casino”), as part of the Melbourne Casino and Entertainment Complex (“the Casino Complex”), at Southbank, as authorised by a licence granted under and subject to the provisions of the *Casino Control Act* 1991 (“the Casino Control Act”) on 19 November 1993.

One of the requirements of the Casino Control Act is that the Victorian Commission for Gambling Regulation (“the Commission”) must review the casino operator and the licence at least once every five years. On 21 August 2005 an amendment to the Casino Control Act changed the legislative criteria for the review and the regularity of the review from three years to five years.

The previous reviews examined whether or not the casino operator was suitable to continue to hold the casino licence, and whether it was in the public interest for the casino licence to continue in force.

The amendment added additional criteria to the statutory provisions the Commission must follow for the Fourth Review (“the review”). The Commission must now also determine the following as provided by section 25 (1) (b) and (1) (c) of the Casino Control Act:

- whether or not the casino operator is complying with this Act, the *Casino (Management Agreement) Act* 1993, the *Gambling Regulation Act* 2003 and the regulations made under any of those Acts;
- in the case of the Melbourne Casino operator, whether or not the casino operator is complying with-
 - (i) the transaction documents; and
 - (ii) any other agreements between the Melbourne Casino Operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming.

In considering this report, it should be understood that the Commission continuously monitors activities at the Melbourne Casino. Commission inspectors are stationed on-site 24 hours a day to monitor gaming activity and Crown Melbourne's compliance with its regulatory obligations. The Commission conducts weekly meetings where any issues can be raised and matters addressed as they arise. A Monthly Report of Casino Activities is provided to the Commission, which acts on any issues as they become known.

The First Triennial Review was finalised on 30 June 1997, three years after casino operations began in temporary premises and shortly after the transfer of those operations from the Temporary Casino to Southbank. The Second Triennial Review was finalised on 30 June 2000 and the Third Triennial Review on 30 June 2003.

This report documents the Fourth Review and covers the period from 1 July 2003 to 30 June 2008.

2. EXECUTIVE SUMMARY

Background

Legislation mandating the review not only involves assessing the suitability of the casino operator to continue to hold the casino licence and whether it is in the public interest that the casino licence continue in force, but also requires scrutiny of Crown Melbourne's compliance with relevant legislation, Transaction Documents, and other agreements between it and the State or the State's representative.

The Commission established Terms of Reference, which were considered by the Auditor-General to be sufficient for the conduct of the review and included a Process Audit role.

The review began with announcements on the Commission's website on 30 March 2007 and newspaper advertisements on 30 and 31 March 2007.

Following the demerger and reorganisation of Publishing and Broadcasting Limited ("PBL") on 12 December 2007, Crown Limited became the new listed parent company of Crown Melbourne Limited, the holder of the Melbourne Casino Licence. Further detail of this restructure is provided in Appendix 5 – Casino Operator Restructure.

Methodology and Investigations

As in previous reviews the Auditor-General was invited to be the Process Auditor but declined. He also confirmed that the Terms of Reference for the review were sufficient to provide a sound basis for the review to proceed.

Mr Mark Bartley, Partner of DLA Phillips Fox, was appointed as the Probity and Process Auditor for the review. He provided the Commission with a written comment for this report which is at Appendix 7.

As well as inviting submissions from the public, the Commission invited Crown Melbourne to make a submission on the matters comprising the review, by 30 June 2007. Following an extension of time granted by the Commission, Crown Melbourne's confidential submission was received on 2 October 2007. Crown Melbourne was also provided with a draft of this report, encompassing the results of

investigations and findings, and invited to respond. Crown Melbourne's response forms part of this report.

The Commission conducted extensive investigations in line with its Terms of Reference, which categorised all matters as Gaming Activities, Probity or Commercial Compliance.

In past reviews, the Commission's investigations encompassed the casino operator and associated entities, as well as all of its associates and Category A licensed employees. The Casino Control Act requires the Commission to monitor continuously all those entities and individuals, which it does in the course of its everyday business.

The Commission's monitoring also relates to all facets of Crown Melbourne's operations, including its licensed employees, effectively on a day-by-day basis.

For this review, the Commission determined that the overall task in previous reviews entailed duplication of work already completed in its ongoing monitoring activities. The Commission further determined that investigations should focus on significant associates, business associations and probity issues, particularly involving the casino operator and its parent company in other business arrangements.

Significant associates and business associations were identified as those with any significant or relevant financial interest or any relevant power or position in the casino business of Crown Melbourne.

Accordingly, 21 significant associates and nine significant business associations were investigated.

To assess whether Crown Melbourne has complied with its obligations under the Casino Agreement and relevant legislation to maintain a world-class casino complex, the Commission undertook a benchmarking study of eight large international casinos in the United States and Macau.

2003 Report – Outstanding Matters

In the Authority's 2003 Report, two matters were unresolved. They were the "Wooltech Matter" and the "One.Tel Matter".

The Authority considered the results of an extensive investigation of the Wooltech matter at its meeting of 21 October 2003. It determined that the evidence in this matter was insufficient to form the view that Consolidated Press Holdings Limited (“CPH”) and/or the relevant senior executive may be unsuitable to continue as associates of the casino operator, or that they had engaged in unacceptable conduct.

Investigation of the involvement of Mr James Packer and PBL in One.Tel Limited in light of that company’s collapse in 2001, and the subsequent regulatory investigation undertaken by ASIC into that collapse, was undertaken for the Third Review. Legal proceedings by ASIC and the liquidator were not concluded at the time of the Third Review and are not concluded at this time. They are discussed further in the section “*Matters Excluded from Consideration*”.

Findings and Opinion

The Commission found that Crown Melbourne continues to be at the forefront of Australian casinos, meets the requirements of an international world class casino complex and has a satisfactory degree of operational compliance, in all areas of its gaming activities, despite some minor issues of concern to the Commission to which we refer later.

In respect of probity, the Commission is satisfied that its investigations found that:

- Crown Melbourne is of good repute;
- there is currently no business associate of Crown Melbourne, or each of its associates, that is not of good repute or has undesirable or unsatisfactory financial resources; and
- Crown Melbourne is of sound and stable financial background.

Investigations reveal that commercial compliance issues raised in earlier reviews have been properly addressed. With the exception of minor deviations from corporate governance best practice and disclosure and in respect of classification of items within its financial statements, this review found that Crown Melbourne has an appropriate level of commercial compliance.

Following its investigation for the purposes of section 25 of the *Casino Control Act* 1991 in respect of the period 1 July 2003 to 30 June 2008, the Victorian Commission for Gambling Regulation has formed the following opinion:

- (a) Crown Melbourne Limited is a suitable person to hold the casino licence;
- (b) Crown Melbourne Limited is complying with the *Casino Control Act* 1991, the *Casino (Management Agreement) Act* 1993, the *Gambling Regulation Act* 2003 and the regulations made under all of those Acts;
- (c) Crown Melbourne is complying with-
 - (i) the transaction documents; and
 - (ii) any other agreements between it and the State, or a body representing the State, that impose obligations on Crown Melbourne in relation to gaming;
- (d) it is in the public interest that the casino licence should continue in force.

3. SCOPE OF THE REVIEW

Background

The Commission determined the scope of the review by establishing terms of reference derived from an analysis of the statutory provisions relevant to the granting of a casino licence, and the criteria in section 25 of the Casino Control Act for the conduct of a review.

The terms of reference for this review were considered sufficient by the Auditor-General to provide a sound basis for the review to proceed. They included provision for a process audit role, as did the terms of reference for the previous reviews. The terms of reference for this review are set out in Appendix 1.

In 2007, PBL reorganised its gaming and media businesses into two separately listed companies: Crown Limited (“Crown Limited”) (a newly incorporated and listed company) and Consolidated Media Holdings Limited (“CMHL”) (formerly known as Publishing and Broadcasting Limited). The company holding the casino operator’s licence changed its name to Crown Melbourne Limited.

The demerger resulted in Crown Limited owning a diversified portfolio of gaming businesses, including Crown Melbourne. A more detailed account of the demerger is in Appendix 5.

Statutory Provisions

Section 25 of the Casino Control Act sets out the requirement for the review:

25. Regular investigations of casino operator’s suitability etc.
 - (1) Not later than 3 years after the commencement of operations in a casino, and thereafter at intervals not exceeding 5 years, the Commission must investigate and form an opinion as to each of the following matters—
 - (a) whether or not the casino operator is a suitable person to continue to hold the casino licence;

- (b) whether or not the casino operator is complying with this Act, the **Casino (Management Agreement) Act 1993**, the **Gambling Regulation Act 2003** and the regulations made under any of those Acts;
- (c) in the case of the Melbourne Casino Operator, whether or not the casino operator is complying with—
 - (i) the transaction documents; and
 - (ii) any other agreements between the Melbourne Casino Operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming;
- (d) whether or not it is in the public interest that the casino licence should continue in force.

(1A) In sub-section (1)—

"Melbourne Casino Operator" has the same meaning as in the **Casino (Management Agreement) Act 1993**;

"transaction documents" means Transaction Document as defined in the Agreement within the meaning of the **Casino (Management Agreement) Act 1993**.

- (2) The Commission must report its findings and opinion to the Minister, giving reasons for its opinion and must take whatever action it considers appropriate in the light of its findings.

For the purposes of section 25(1)(b), section 3(1) of the Casino Control Act defines the meaning of "public interest" as:

"public interest" or **"interest of the public"** means public interest or interest of the public ... having regard to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations.

"Agreement", which is referred to in the definition of "transaction documents" above, refers to the Casino Agreement. The expression "suitable person", as used in section 25(1)(a), is not defined in the Casino Control Act. However, some assistance is provided by section 9 of the Casino Control Act, which provides as follows:

- 9. Matters to be considered in determining applications

- (1) The Commission must not grant an application for a casino licence unless satisfied that the applicant, and each associate of the applicant (as defined in section 4), is a suitable person to be concerned in or associated with the management and operation of a casino.
- (2) In particular, the Commission must consider whether—
 - (a) each such person is of good repute, having regard to character, honesty and integrity;
 - (b) each such person is of sound and stable financial background;
 - (c) in the case of an applicant that is not a natural person, the applicant has, or has arranged, a satisfactory ownership, trust or corporate structure;
 - (d) the applicant has or is able to obtain financial resources that are adequate to ensure the financial viability of the proposed casino and the services of persons who have sufficient experience in the management and operation of a casino;
 - (e) the applicant has sufficient business ability to establish and maintain a successful casino;
 - (f) any of those persons has any business association with any person, body or association who or which, in the opinion of the Commission, is not of good repute having regard to character, honesty and integrity or has undesirable or unsatisfactory financial resources;
 - (g) each director, partner, trustee, executive officer and secretary and any other officer or person determined by the Commission to be associated or connected with the ownership, administration or management of the operations or business of the applicant is a suitable person to act in that capacity.

The Commission has been guided by the definition in section 9 in determining whether the casino operator is a suitable person under section 25(1)(a).

Probity and Process Audit

The Executive Commissioner advised the Auditor-General of the proposed terms of reference for the review and sought his interest in performing the role of Process

Auditor. The Auditor-General supported the decision to appoint a Process Auditor to oversee the investigations and declined the invitation to act as Process Auditor given his independent statutory role as Parliament's auditor.

Given DLA Phillips Fox's experience and previous probity work for the Commission, that firm was invited to submit a proposal to provide probity and process auditing services. Following receipt of DLA Phillips Fox's proposal, the Commission appointed Mr Mark Bartley, a partner of DLA Phillips Fox, to be the Probity and Process Auditor for the review.

As the Probity and Process Auditor, Mr Bartley was given access to all relevant papers and personnel, was made aware of the times and places of all meetings of Working Parties and received all relevant documents and reports.

The Probity and Process Auditor has provided a written comment for inclusion in this report. It is included at Appendix 7.

Public Submission Process

The public was invited to make submissions on the matters to be addressed by the review by notice published in the *Herald Sun* on Friday, 30 March 2007 and *The Age* and the *Australian* on Saturday, 31 March 2007. A notice was also placed on the Commission's website on 30 March 2007. A copy of the notice is contained in Appendix 6. The closing date for receipt of submissions was 31 May 2007 and the Commission received one submission. The submission received was not considered relevant because it related to a complaint by a patron regarding his own gaming activities. This particular complaint had already been the subject of review by the Commission which considered that it was without merit and therefore outside the scope of the review.

Crown Melbourne Submission Process

At the start of the review, the Commission invited Crown Melbourne to make a submission by 30 June 2007 on the matters to be addressed by the review. Crown Melbourne subsequently sought and gained an extension of time to 30 September 2007. Crown Melbourne's confidential submission was received on 2 October 2007.

In the closing stages of preparation of this report, the Commission provided Crown Melbourne with a copy of a draft of this report, encompassing the results of investigations and findings of the review. The Commission invited Crown Melbourne to make a submission. This was done to afford fairness to Crown Melbourne and to ensure accuracy and completeness in the material on which conclusions would be based. Crown Melbourne was advised that its response may be appended in part or in full to this report and that the Minister for Gaming may release the report to the public. Crown Melbourne's full response is at Appendix 8.

4. METHODOLOGY

The Commission categorised all matters it wished to review into three areas:

- Gaming Activities;
- Probity; and
- Commercial Compliance.

Gaming Activities

The Gaming Activities investigations in general terms comprised assessment of Crown Melbourne's management expertise and business ability, its infrastructure management, operational compliance with Games Rules and Procedures, patron complaints, minors entering the casino, excluded persons, approvals of controlled contracts and gaming equipment, compliance with external agencies' requirements, compliance with responsible gambling obligations, responsible gambling programs and initiatives and an operational comparison with other international casinos.

The expertise and experience of the executive management structure of Crown Melbourne was assessed by reviewing the Curriculum Vitae of the departmental Executive General Managers and gaming related line managers, as listed in its organisational structures, to determine whether relevant and appropriate expertise exists to perform the functions detailed in the position descriptions.

The activities of five departmental business units were reviewed in the areas of Table Games, Gaming Machines, Surveillance, Security and Service and Cage and Count.

Crown Melbourne's executive management provided presentations of its business plans for those operational business units. Also assessed was its compliance with legislation, Rules of the Games and its Internal Control Manual.

Probity

Probity investigations focused on Crown Melbourne as the casino licence holder, its parent company Crown Limited, significant associates, associated companies and

business associations, relevant to whether Crown Melbourne is of good repute with a sound and stable financial background and whether it has any undesirable business associations.

Inquiries and checks were conducted with a number of gaming and non-gaming regulatory and law enforcement agencies within Australia and overseas. National Police Certificates in respect of individual associates were obtained and assessed. Extensive media and public record searches were conducted for any material relating to the casino operator, its parent company, its significant associates and its relevant business associates. The searches retrieved in excess of 57,000 pages of material, all of which were assessed to find any probity concerns and all matters of potential concern were investigated.

A comprehensive review and assessment was made of the probity and financial background of Crown Melbourne and Crown Limited.

Personal interviews of associates and authorised officers were held. All allegations concerning the casino operator, associates or other individuals having a direct or indirect business association with the casino operator, whether made directly to the Commission or in the media, and all matters separately identified by the Commission's investigations, were investigated.

Commercial Compliance

Crown Melbourne's commercial compliance was assessed on the basis of its compliance with the Transaction Documents and other Agreements. An assessment was also made of its approach to corporate governance, gaming legislation and corporate regulatory obligations, and its corporate structure. A comprehensive review and assessment of its financial performance was undertaken, as was a benchmarking exercise with international casinos.

Crown Melbourne documents, including agendas, papers, reports and minutes relating to the Crown Melbourne Board of Directors, Compliance Committee, Audit Committee and the monthly PBL/Crown Melbourne Management Meetings were reviewed and assessed.

Matters such as the organisation structure, lines of reporting (between Crown Melbourne executives and the Crown Limited Board, the PBL Board and to the monthly PBL/Crown Melbourne Management Meeting), the Audit Committee, the Compliance Committee and Crown Management Pty Ltd were thoroughly assessed.

Formal presentations were made by Crown Melbourne executives on many of these topics. The following were inspected and assessed:

- Crown Melbourne and PBL Annual, Half Yearly and Quarterly Reports;
- Crown Melbourne's annual budgets;
- gaming activities;
- business plans;
- risk management strategies; and
- insurance policies.

Benchmarking Study

Crown Melbourne is obliged by the Casino Agreement and the *Casino (Management Agreement) Act 1993* to maintain a world-class casino complex. Those obligations include cleaning the complex to a high standard, a capital asset replacement and upgrade program, maintaining a world-class operation in the use of technology in business, training and development of staff, operational excellence, responsible gambling and the responsible serving of alcohol.

To assess whether Crown Melbourne meets its "world-class" obligations, the Commission conducted a major Benchmarking Study and visited eight comparable international casinos, being the Venetian Casino, Wynn's Casino, Caesars Palace Casino and Paris Las Vegas Resort Casino in Las Vegas, and Wynn's, Sands, the Venetian and Crown Macau casinos in Macau. Comparative studies with Sydney's Star City Casino and Perth's Burswood Casino were also undertaken. The information collected was used to compare Crown Melbourne with other "world-class" casinos.

5. GAMING ACTIVITIES

Scope

The Gaming Activities investigations focused on the following aspects that relate to Crown Melbourne's performance: management expertise, business ability, infrastructure management, operational compliance, benchmarking with other casinos, and responsible gambling.

Management Expertise

During the review period there were considerable changes to Crown Melbourne's executive management structure, with a number of senior Crown Melbourne staff having taken up appointments at Crown Limited's casino in Perth or the casino operated by its joint venture associate in Macau. All of the replacement senior gaming appointees have come from within the Crown Group. During the review period Crown Melbourne's Chief Executive Officer was appointed CEO of Crown Limited and was succeeded at Crown Melbourne by the former CEO of Crown Limited's Perth Casino, who prior to that appointment had been Chief Financial Officer at Crown Melbourne. Second tier management in the various operational gaming departments and their respective position descriptions remained consistent since the Third Review.

Curriculum Vitae of the departmental Executive General Managers and gaming related line managers were reviewed to determine whether they had relevant and appropriate experience.

As with the Third Review, Crown Melbourne's senior line managers in operational gaming-related departments all had extensive previous experience in the casino and/or gaming industry. Those who moved to executive manager positions demonstrated the necessary business acumen required at that level. Crown Melbourne's senior executives have broad competencies and considerable business experience, many within the gaming industry and its line managers bring sufficient technical expertise to their respective areas of gaming management.

The Commission found that Crown Melbourne has sufficient skills and expertise in its casino management structure to satisfactorily operate the casino.

Business Ability

For the purpose of this review, Crown Melbourne's business ability relates to its commercial compliance and the ability to manage its five operational business units of Table Games, Gaming Machines, Security and Service, Surveillance, and Cage and Count.

In order to assess its business ability in these areas, Crown Melbourne provided presentations by the senior executives responsible for each business unit's business plans, and covered the topics of: responsible gambling, cleaning, security and service, surveillance, table games and gaming machines and VIP gaming.

The presentations established that Crown Melbourne has comprehensive business planning and budget processes in place, supported by a Continuous Improvement Plan. They showed that Crown Melbourne has clear objectives, marketing strategies, training and resource management which enables it to offer gaming products of high quality and efficient and effective services.

The Commission considers that Crown Melbourne has sufficient casino operational business ability to maintain a successful casino.

Infrastructure Management

Crown Melbourne must maintain a world-class facility. It provided information on its infrastructure, which includes such elements as its accommodation for gaming and non-gaming activities, size and amenities of the facility, ancillary functions, staff, training methods, gross gaming revenue, casino taxes and levies, gaming products including new developments and internal controls.

Crown Melbourne's infrastructure, encompassing gaming facilities and the extensive range of non-gaming facilities, such as hotel, convention, ballroom, showroom, retail space, restaurants, bars, food outlets, nightclubs, cinemas and other associated infrastructure, benchmarked against other similar casino complexes, establishes the

Casino and Entertainment Complex as the largest in Australia and one of the largest and most diverse entertainment complexes of its type in the world.

Technological systems and programs at Crown Melbourne are continually subject to development and refinement to provide enhanced business and gaming activities. A notable development is an enhancement of its systems to support legislated responsible gaming measures, including the ability for patrons to set limits on their gambling activity using a card-based system.

The casino complex continues to attract high levels of patronage.

Operational Compliance

Compliance with Games Rules and Procedures

An assessment was undertaken of Crown Melbourne's compliance with its operational obligations under legislation, Rules of the Games and Internal Control Manual.

Observation and monitoring of gaming confirmed that only games approved by the Commission were played at the casino during the review period.

During this period, 207 breaches of table gaming rules and procedures were detected and reviewed by inspectors. This equates to an average of 3.5 breaches detected each month, which compares very favourably with an average of 22 per month over 36 months of the previous review period. Most of the breaches concern minor errors by game dealers. The decline in errors is attributed to greater experience of Crown Melbourne's staff and an increased application of electronic technology in table games eliminating human error.

Breaches of gaming machine rules and procedures averaged 27.8 a month in this review period, compared with fewer than one breach a month in the 2003 review. The breaches in the current review relate almost entirely to dislodgement of "talker" signs from gaming machines, absence of mandatory time displays or clocks showing the wrong time. These breaches are wholly attributable to players removing the clocks and "talker" signs and are comparable in number with breaches detected at other gaming venues. Since 1 January 2008 a requirement to display the time on

gaming machine electronic displays has negated the need for physical clocks to be attached to machines, eliminating that category of breach. All breaches were rectified immediately the casino operator became aware of them.

Patron Complaints

The average number of patron complaints received by staff of the Commission decreased from 8.3 each month in the previous review period to 5.9 each month in this review period, despite increased patronage. The Commission considers that the complaint level is not excessive.

Prevention of Minors Entering the Casino

The average estimated casino attendance of 1.25 million people a month places considerable pressure on Crown Melbourne's ability to detect prohibited persons trying to enter the gaming area of the casino. An average of 6,859 minors a month attempted but were refused entry into the gaming area during the review period. This is a significant increase in detections on the 2,060 per month during the previous review period. The monthly average number of minors detected within the gaming area of the casino in this review period was 2.47, down from an average of 5 a month detected in the previous review period.

Given the high level of patronage and number of minors prevented from entering the casino, the Commission considers the number of minors detected in the gaming area of the casino not to be excessive. Crown Melbourne satisfactorily complied with its obligations under section 85 of the Casino Control Act to report the detection of minors in the casino to the Commission's inspectors. All reported incidents were investigated by inspectors to determine the appropriate form of compliance action that should be taken.

Excluded Persons

There are 2,199 persons excluded from entering the casino (apart from Chief Commissioner of Police issued exclusions). On 2,328 occasions during the review period, excluded persons entered the casino contrary to their Exclusion Orders. This is an average of 1.27 a day and an increase of 0.21 on the previous review period. The few excluded persons who entered the casino many times made up a significant number of the breaches of exclusion orders. Given the number of people excluded from the casino, the high number of visitors per month and the recidivist nature of most of the breaches, the Commission does not consider the figures excessive.

Since 1 July 2004 section 78B of the Casino Control Act requires all winnings paid or payable to an excluded person who enters or remains in the casino contrary to an Exclusion Order to be forfeited to the State and paid to the Commission to go into the Community Support Fund. Up to 31 December 2007 88 forfeitures occurred, with amounts forfeited ranging from \$7.00 to \$48,326.13. In all, \$169,870.07 was forfeited and paid into the Community Support Fund.

Approvals of Controlled Contracts and Gaming Equipment

Crown Melbourne complied with controlled contract requirements under section 29 of the Casino Control Act and the approval procedures for the supply and use of gaming equipment.

Inspectors closely monitored Crown Melbourne's procedures for the receipt, storage and use of sensitive gaming equipment. Audits revealed that Crown Melbourne's use and handling of this equipment has been in accordance with the approved procedures.

Disciplinary action against Crown Melbourne was taken eight times during the Third Review period in relation to controlled contracts. No such action has been taken during this period.

As foreshadowed in the previous review, legislative amendments of June 2002 and amendments to the Internal Control Manual approved by the Victorian Casino and Gaming Authority in December 2002 seem largely to have contributed to the reduction of non-compliance with controlled contracts.

Compliance with External Agencies

External agencies advised the Commission that Crown Melbourne complied with legislative requirements in the areas of Occupational Health and Safety, Liquor Licensing, non-smoking requirements and casino crime related matters.

In previous reviews AUSTRAC, the responsible agency for cash transaction reporting, advised that Crown Melbourne had complied with its cash transaction reporting obligations. Subsequently, the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* has come into operation, preventing AUSTRAC at this stage, from providing the Commission with any information regarding Crown Melbourne's compliance or otherwise with the new legislation, as the Commission is not an agency authorised to receive AUSTRAC information. The Commission is concerned about this significant gap in the provision of information to the Commission which restricts the ability of the Commission to fulfil all its regulatory responsibilities. The Commission is pursuing available avenues to gain approval to receive information under that Act.

In its submission to the Commission, Crown Melbourne advised that an AUSTRAC audit in June 2007 found a positive compliance culture aimed at meeting the requirements of the *Financial Transactions Reports Act 1988*. Crown Melbourne also advised that AUSTRAC found one area of inadvertent non-compliance that has been rectified. AUSTRAC made a number of additional recommendations for procedural changes, which Crown Melbourne says are being followed to ensure future full compliance.

International Comparisons

The benchmarking study provides a realistic and appropriate basis for the comparison of the Crown Casino and Entertainment Complex with the best international casinos.

Las Vegas casinos compete in close proximity with each other for passing trade. Resort casinos, by their nature, will offer something extra to capture the "tourist

dollar”. The basic gaming proposition in each of the three jurisdictions of Melbourne, Las Vegas and Macau, is markedly different.

The major properties in Las Vegas provide for destination casino/resorts where the average stay is four to five nights with most patrons in the casino living outside the state of Nevada. By contrast, most gamblers in Macau are day-trippers from China. Consequently, the average room stay is only just in excess of one night. Both these places differ from Crown Melbourne, which, being adjacent to the Central Business District cannot be considered to be a resort casino. It draws its clientele from a wide range of sources, including the local population, visitors from interstate and from overseas as well as targeted high rollers from overseas.

In order, however, to be satisfied that Crown Melbourne is maintained to the highest of international standards, in respect of capital asset replacement, use of technology in business, training and development of staff, operational excellence and responsible gambling, it is useful to compare it with these premium casinos.

Internationally, the casino industry has gone through substantial change, with consolidation of casino operators. As a result of changes to the Casino Agreement, which among other things removed the single purpose condition, Crown Melbourne is benefiting from the synergies that exist through other Crown related gaming businesses, such as Burswood and Crown Macau.

The comparative study confirmed that Crown Melbourne continues to provide facilities that would be considered necessary for a “world-class” casino.

As discussed further in the section on Responsible Gambling, the Commission recognises that the comprehensive approach by Crown Melbourne to responsible gambling (while there is still room for improvement) makes Crown Melbourne a world leader.

One particular matter requires specific comment. The Authority expressed concerns in its Second Review, with respect to world quality standard in relation to management attention to detail (and possibly dedication of resources) in maintenance and cleaning. Crown Melbourne has undertaken several initiatives in order to remedy this, including the implementation of Quality Control Procedures for Cleaning and Services and the recruitment of a dedicated manager to oversee its cleaning contracts. The

Commission is satisfied that the Casino and Entertainment Complex is now being maintained to a satisfactory standard.

Disciplinary Actions

During the review period the Commission took disciplinary action against Crown Melbourne on 25 occasions. Disciplinary action was taken 26 times during the previous review period.

A significant proportion of the disciplinary actions related to errors by gaming staff. Investigations concluded that such mistakes showed a lack of training by the staff member in isolation and that those types of errors were neither endemic nor systemic.

In the context of patron numbers, gambling transactions, and the numbers of people denied entry to the casino, the Commission considers that the overall number and range of matters resulting in disciplinary action from all Crown Melbourne's activities are not unexpected. Appendix 3 details all disciplinary actions taken against Crown Melbourne for this review period.

The Third Review reported that Crown Melbourne had implemented a Compliance Alerter System to aid compliance with the range of regulatory obligations and had also initiated a post-disciplinary action review process. Given the effective reduction in disciplinary action proceedings over the longer time span of this review, it is likely that these processes have effected greater compliance.

General Litigation

Crown Melbourne disclosed 171 litigation matters brought against it since the Third Review. They are categorised into five groups: Equal Opportunity/Discrimination, General Litigation, Personal Injury, Unfair Dismissal, and Work Cover Litigation. Of those matters, 148 have either been completed or settled. The litigation was assessed, and where necessary investigated. The total of the litigation matters is not considered by the Commission to be excessive having regard to the size and operations of the organisation, nor is it an indication of a lack of good repute or suitability.

On 4 April 2006, Crown Melbourne, with other defendants settled a legal action, Global Issues Ltd & Ors v Frank De Stefano & Ors, St George Bank v Crown Limited, in the Supreme Court. The action was initiated in 2002 and arose from the gambling activities of De Stefano, a former accountant, and his alleged misappropriation of monies from his Trust Fund account. Two Trust Account cheques were accepted by Crown Melbourne from De Stefano to fund his gambling activities.

Crown Melbourne's conduct in accepting the Trust Account cheques was investigated at the time and no breaches of legislation or Crown Melbourne's operating procedures were detected. Crown Melbourne's Internal Control Manual at that time contained no reference to the treatment or prohibition of acceptance of 'Trust Fund' cheques. The Commission was concerned that Crown Melbourne accepted Trust Account cheques in these instances, but following further investigation is satisfied that it does not now accept Trust Account cheques.

Pending Litigation

A number of litigation matters could not be fully assessed as part of this review because they are unresolved. Two of them, which will be closely monitored by the Commission, remain unresolved in the Supreme Court:

First Spectrum Pty Ltd & Ors v Crown Limited & Ors. The plaintiffs are seeking recovery of monies misappropriated by former accountant Frank De Stefano and gambled at Crown.

Harry Kakavas v Crown Limited and John Williams. Mr Kakavas is seeking damages against Crown for allegedly breaching the Trade Practices Act for unconscionable conduct.

The Commission will continue to monitor and investigate as necessary all pending litigation matters. When each matter and the Commission's investigations are completed, if the Commission considers it appropriate, it will exercise its powers pursuant to the relevant provisions of the Casino Control Act.

Responsible Gambling

The Commission examined Crown Melbourne's compliance with relevant harm minimisation (responsible gambling) legislation and its corporate approach to the provision of problem gambling services, such as counselling services, patron exclusion processes, the provision of problem gambling services information and how Crown Melbourne informs itself of problem gambling research.

The examination confirmed that Crown Melbourne has not breached its statutory obligations in relation to responsible gambling and Crown Melbourne's participation in responsible gambling working parties and its establishment of complementary programs indicate a commitment to deliver its gaming products in a responsible manner.

Indicative of this commitment is the operation of the Crown Melbourne Responsible Gaming Support Centre, established by Crown Melbourne in 2002. The initiative, a 24 hour on-site counselling and referral service, is believed by Crown Melbourne and the Commission to be a world first. Crown Melbourne's Centre led to the development of similar centres across eight provinces in Canada. The Commission recognised, as a result of its benchmarking exercise with Australian and international casinos, that the Centre is unique in that company and a milestone initiative for helping those with gambling problems.

In 2007, Crown Melbourne added a further element to the Centre with the establishment of a Chaplaincy Support Service.

Crown Melbourne offers and operates, within the framework of the Casino Control Act, a "Self Exclusion Program" by which those with actual or potential gambling problems can exclude themselves from gaming areas of the casino. The Commission is aware that the Self Exclusion Program combined with its extended problem gambling assistance services referred to above is one of only a few such programs in the world. In addition, the Commission notes that most people who self exclude do not re-enter the gaming area of the casino. It is true that for some people self exclusion has been unsuccessful, but it has worked for the majority, and the Commission considers it overall a success.

While the Commission recognises that Crown Melbourne's responsible gambling program is among the best in the world, it nevertheless considers that Crown Melbourne could review the program with a view to more pro-actively and effectively intervening where anomalies appear in an individual's gambling expenditure patterns. This may identify potential problem gamblers.

The Commission expects that Crown Melbourne will review its monitoring systems and implement changes so as to better identify situations where gamblers could be gambling with other people's money.

Nevertheless, as to Responsible Gambling, Crown Melbourne has adopted a more comprehensive approach than the casinos encountered in the Commission's benchmarking study and is a world leader in this area.

Gaming Activity Conclusions

The Commission found that in its gaming activities, Crown Melbourne continues at the forefront of Australian casinos and meets the requirements of an international, world-class casino complex. The Commission's investigation has established that a satisfactory degree of operational compliance exists in all of Crown Melbourne's gaming activity areas.

The Authority in its conclusion for Operational Compliance in the Third Review expected improvement in some areas, particularly non-compliance matters engendering disciplinary action. The Commission considers this expectation to have been met and expects Crown Melbourne to continue its efforts to minimise future instances of non-compliance.

6. PROBITY

Scope

The Probity investigations focused on significant probity matters, particularly those involving the casino operator, its significant associates and its parent company, as well as its financial background. Since the Third Review, Crown Limited has expanded its business arrangements to include a number of overseas gambling ventures. These new arrangements were also the subject of Probity investigations.

Associates

All persons who held a significant and relevant financial interest or any relevant power or a relevant position in the casino business of Crown Melbourne were considered significant associates. Twenty-one significant individual associates of Crown Melbourne and their business associates were identified and investigated.

The Commission has formed the view that those investigations reveal no issues of concern. Crown Melbourne associates do not have any business associate who is not of good repute or who has undesirable or unsatisfactory resources. In coming to this view, the Commission has not taken into consideration those matters noted in the *Matters Excluded from Consideration* section of this report.

Associated Entities

Crown Limited is a significant associate of Crown Melbourne, the licensed casino operator, as its ultimate holding company.

It is a recently incorporated company created to facilitate the PBL demerger and restructure and was approved by the Commission as an associate of Crown Melbourne, as suitable to be concerned in or associated with the ownership, management or operation of the business of a casino operator. The current company known as Crown Limited is a different company to the former Crown Limited that held the casino licence and changed its name to Crown Melbourne Limited. As a part

of the demerger and reorganisation, Crown Limited assumed ownership of all the gaming assets previously owned by PBL.

The Commission's investigation of Crown Limited revealed no information that may affect its continued suitability to be approved as an associate of the casino licence holder.

Crown Entertainment Group Holdings Pty Ltd ("CEGH") is also a newly incorporated company created to facilitate the PBL demerger and restructure. It became a wholly owned subsidiary of Crown Limited, and the 100% holding company of Crown Melbourne, by acquiring 100% of the shares in Crown Melbourne. CEGH was also approved by the Commission as an associate of Crown Melbourne.

The Commission's investigation of CEGH revealed no information that may affect its continued suitability to be approved as an associate of the casino licence holder.

CPH is a major shareholder of Crown Limited holding a beneficial interest of approximately 38% in Crown Limited.

The Victorian Casino and Gaming Authority originally approved CPH as an associate of the licensed casino operator on 21 May 1999. It was also investigated for the purposes of the Second and Third Reviews and has been subject to the Commission's ongoing monitoring. In that time, there have been no probity issues that affect CPH's suitability and the investigations for this review similarly revealed no information that impacts on its continued suitability to be approved as an associate of the casino licence holder.

Business Associates

Section 28A of the Casino Control Act provides that the Commission may, from time to time, investigate business associations of an associate of a casino operator. An associate of the casino operator does not require pre-approval from the Commission to enter into a joint venture or new business association. Upon completion of an investigation into a business association, the Commission forms an opinion to either find reason or find no reason to object to the business association continuing.

For the purposes of this review, all companies that held any significant and relevant financial interest, or any relevant power, in the casino business or had any significant business relationship with the casino operator or its holding companies were considered to be significant associated entities.

Over the past 18 months, Crown Limited has steadily expanded its interest in gaming activities through the acquisition of established gambling businesses or through the establishment of a joint venture. Six entities were identified as significant business associates of Crown Limited and investigated:

- Melco PBL Entertainment (Macau) Ltd;
- Betfair Australasia Pty Ltd;
- Aspinall Holdings (Jersey) Limited;
- LVTI LLC;
- New World Gaming Partners Limited; and
- Fontainebleau Resorts LLC.

On 16 November 2004, PBL announced a binding heads of agreement with Melco International Development Ltd (Melco) to form the joint venture company, Melco PBL Entertainment (Macau) Limited (“Melco PBL”) to develop a casino and gaming business in Macau and elsewhere in Asia. The Commission investigated the joint venture between PBL and Melco to assess the ongoing suitability of these business associations with PBL. Probity assessments were conducted on each of the relevant entities and individuals involved in the business association.

The Commission also looked carefully at the role of Macau gaming magnate Dr Stanley Ho. Dr Ho was relevant to the investigation at the outset because of his position as Chair of Melco and the association the joint venture had with Sociedade de Jogos de Macau (SJM), a company controlled by Dr Ho. During the Commission’s investigation, Dr Ho resigned as Chair and as a director of Melco and the joint venture arrangements changed such that Melco PBL would operate its casino business under the sub-concession acquired and controlled by PBL, instead of under Dr Ho’s SJM concession as originally intended. This left Dr Ho with no role in the joint venture.

Further rigorous investigations satisfactorily determined that Dr Ho does not have any ongoing influence over Melco or the new Chair of Melco, Lawrence Ho.

On 29 August 2006, the Commission determined that, at the time, there was no reason to object to the business association between PBL and Melco and has been actively monitoring this business association since then to ensure that it continues to remain suitable.

Crown Limited holds a 50% interest in Betfair Australasia Pty Ltd, a 50% interest in Aspinall Holdings (Jersey) Limited, a 37.5% interest in a joint venture with MLVT and York Capital Management to wholly own a company named LVTI LLC, a 50% interest in New World Gaming Partners Holdings British Columbia Limited and a 19.6% interest in Fontainebleau Resorts LLC. The Commission is investigating these business associates of Crown Limited. Upon completion of each of the Commission's investigations, it will form an opinion to either find reason or find no reason to object to the business association continuing, in accordance with the Casino Control Act.

Except as above and noted in the *Matters Excluded from Consideration* section of this report, the Commission is satisfied that the investigations of Crown Melbourne's significant associated entities and their business associates did not find any relevant matter capable of supporting any inference of lack of good repute, or did not have undesirable or unsatisfactory financial resources.

Report from Victoria Police

On 10 October 2007, a report was received from Victoria Police in relation to the activities of the casino based Gaming and Racing Crime Theme Desk, which replaced the Casino Squad on 1 July 2006. The report covered the areas relating to staff collusion, gaming cheats, money laundering, loan sharking, the Chief Commissioner's exclusions, pickpockets, prostitution and miscellaneous crimes.

The report advised that management at the casino continues to liaise with Victoria Police and regularly reports all aspects of suspected criminal activity.

One casino special employee was mentioned in the Police report in respect of collusion with patrons and conspiracy to commit theft. The special employee has ceased working at Crown Melbourne and his Casino Special Employee Licence has been cancelled.

The Victoria Police report did not identify any probity issues and concluded that there were no issues known to Victoria Police that would adversely affect the ability of Crown Melbourne to continue holding the casino operator's licence.

Report from ASIC

The Australian Securities and Investments Commission ("ASIC") formally advised that there are no adverse findings in respect of Crown Melbourne and any of its related entities and significant associates.

Matters Excluded from Consideration

The Commission determined that matters being investigated for this review that were incomplete at this time should not be considered in forming its present opinion as to the suitability of the casino operator to hold a casino licence. In addition, as the investigations in each matter are continuing, the Commission has not at this time formed a view about any person or entity the subject of these investigations. They are:

- The One.Tel Matter – The legal proceedings commenced by ASIC, as noted above, are not yet concluded. The Commission has considered the involvement of Mr James Packer and Mr Guy Jalland in light of this matter. The Commission understands that no allegation has been made by ASIC in those proceedings against Mr Packer or Mr Jalland and that their involvement in the proceedings has been as witnesses called by ASIC in ASIC's proceedings against a former joint Managing Director of One.Tel, and the former Chief Financial Officer and an Executive Director of One.Tel. The Commission is monitoring the proceedings and upon their conclusion, and the conclusion of the Commission's investigation, if the

Commission considers it appropriate, will proceed to exercise its powers pursuant to the relevant provisions of the Casino Control Act.

- Geoffrey James Dixon – Mr Dixon is a Director of Crown Limited and has made application to the Commission for approval as an associate of Crown Melbourne. He is the CEO and managing director of Qantas, which has recently pleaded guilty to price fixing charges and was the subject of a multi-million dollar fine in the United States. It has also been reported that a major legal class action and investigation by the ACCC and the New Zealand Commerce Commission are under way. Mr Dixon is not the subject of investigation nor is he a party to any legal proceeding in any jurisdiction. However, because these investigations and actions in relation to Qantas are ongoing, investigations into Mr Dixon's application cannot be completed at this time. The Commission has determined to exclude any consideration of Mr Dixon's suitability in forming its opinion for this review.
- Christopher Darcy Corrigan – Mr Corrigan is a Director of Crown Limited and has made application to the Commission for approval as an associate of Crown Melbourne. He is the former CEO of Patrick Corporation. In August 2007, the ACCC filed an action in the Federal Court against a number of former Patrick Corporation companies, alleging collusive practices and price-fixing on the waterfront, contrary to the Trade Practices Act. Mr Corrigan is a respondent to the legal action, which is ongoing at this time. For this reason, investigations into Mr Corrigan's application cannot be completed at this time. The Commission has determined to exclude any consideration of Mr Corrigan's suitability in forming its opinion for this review.

Section 28A of the Casino Control Act gives the Commission an ongoing monitoring ability and responsibility in respect of business associations of an associate of a casino operator, which it fulfils in the normal course of business. As previously noted, full investigations have not yet been completed into the joint ventures listed below:

- Betfair Australasia Pty Ltd;
- Aspinall Holdings (Jersey) Limited;
- LVTI LLC;
- New World Gaming Partners Holdings British Columbia Limited; and
- Fontainebleau Resorts LLC.

Upon completion of each of the Commission's investigations, it will form an opinion to either find reason or find no reason to object to the business association continuing, in accordance with the Casino Control Act.

In addition, the Commission has not formed a view concerning the matters raised under *Pending Litigation*, reported elsewhere in this review.

Probity Conclusions

Excluding consideration of the matters referred to above, the Commission is satisfied that, for the purposes and period of this review, all probity issues have been fully investigated.

The Commission is satisfied that its investigations found that:

- Crown Melbourne is of good repute;
- there is no business associate of Crown Melbourne, or each of its associates, that is not of good repute or has undesirable or unsatisfactory financial resources; and
- Crown Melbourne is of sound and stable financial background.

7. COMMERCIAL COMPLIANCE

Scope

The Commercial Compliance investigations centred on the financial and commercial aspects of the following issues:

- whether the Melbourne casino operator and each of its associates is a suitable person to be concerned in or associated with the management and operation of the casino; and
- whether there are any financial or commercial aspects of the casino operations which could damage the public confidence and trust in the credibility, integrity and stability of the casino operations of the Melbourne casino operator.

Transaction Documents and Other Agreements

Section 25 (1A) of the Act defines Transaction Documents as those documents defined in the Management Agreement for the Melbourne Casino, as varied by Eight Deeds of Agreement. They comprise the Casino Operations Agreement and those which, following the Crown/PBL merger, became “State Documents” under the Deed of Undertaking and Performance Guarantee and that Guarantee itself. Appendix 4 details the Transaction Documents and other Agreements.

Crown Melbourne’s compliance with the Transaction Documents and other obligations in respect of its commercial operations was comprehensively examined. The Commission is satisfied that Crown Melbourne has complied with its obligations under the Transaction Documents and any other agreements.

Corporate Governance

The ASX Principles of Good Corporate Governance and Best Practice Recommendations are considered to be the best corporate governance practice for a company the size of Crown Melbourne. It is by these standards that Crown Melbourne has been assessed for the corporate governance components of this review.

As Crown Melbourne is not an ASX listed company, it has no statutory requirement to disclose its corporate governance arrangements in its financial statements. However, with respect to Crown Melbourne and PBL:

- Neither Crown Melbourne is, nor PBL was, chaired by an independent director;
- The Board of Directors of Crown Melbourne does not and PBL did not have a majority of independent directors;
- Neither Crown Melbourne has, nor PBL had, a Nomination Committee; and
- The PBL Remuneration Committee was not chaired by an independent director nor made up of a majority of independent directors.

The Commission is of the view that the non-adherence to these ASX principles does not represent best governance practice.

On 1 August 2005, Crown Melbourne introduced a whistleblower program for employees, which is operated by an external third party organisation called STOPline. This allows employees to report anonymously to a third party independent of Crown Melbourne management any illegal, improper or unethical behaviour at Crown Melbourne or with a third party.

The program appears to have been used by employees, with seven matters having been referred to STOPline. The Commission commends Crown Melbourne for this initiative.

Risk Management

In December 2003, Crown Melbourne adopted the Australian and New Zealand Risk Management Standard 4360:1999 Risk Management, which provides a generic guide for the establishment and implementation of an Enterprise Wide Risk Management System. Crown Melbourne also established an Executive Risk Management Committee that meets at least quarterly and developed a charter for this committee.

The risk management plan objective is to adequately manage Crown Melbourne's critical risk exposures and corporate governance responsibilities. From Crown Melbourne's annual Risk Management Plans and Reports from 2004 to 2007 it was observed that risk management is a key Crown Melbourne management strategy that is linked closely to Crown Melbourne's internal audit program.

Audit Committee

The Commission noted that Crown Melbourne had taken the positive step of establishing an independent Audit Committee after the Authority expressed concern in the previous review that Crown Melbourne did not have a separate and independent Audit Committee, especially in view of the fact that the Crown Melbourne Board only met four times a year.

The Committee has a minimum of two independent directors, one of whom is the Chair, who brings an extensive background in accounting, audit and finance to the Committee, having had a successful career as an audit partner and CEO of a significant accounting firm.

The establishment of the Audit Committee has had a significant positive impact on the independence of Crown Melbourne's Internal Audit function.

Internal Audit Function

In the Third Review, the Authority agreed to Crown Melbourne not outsourcing its internal audit function, subject to Crown Melbourne implementing a number of measures including appropriate resourcing of its Internal Audit unit, with the head of the unit to report directly to the Chief Executive Officer and/or Board and not through any line manager.

An assessment of Crown Melbourne's Organisation Chart as at 1 March 2008 reveals that the officer in charge of internal audit is the General Manager of Risk and Assurance, who reports to the Chief Financial Officer and on all internal audit matters to the Audit Committee. The Internal Audit Unit appears to have been appropriately resourced since the last review.

Notwithstanding that Crown Melbourne has not carried out the steps previously agreed to, the Commission is satisfied, on balance, that the actions taken address the earlier concerns.

Compliance Committee

The Third Review reported that in March 2000, Crown Melbourne replaced its Board-based Compliance Committee with a management-based Compliance Committee chaired by Crown Melbourne's Chief Executive Officer. While the Authority accepted that casino operations could be adequately controlled from management level, it expected that if Crown Melbourne were to exercise best practice standards, its Compliance Committee should be returned to Board level.

On 20 February 2004, the Crown Melbourne Board established a separate Compliance Committee, with a Compliance Committee Charter, and chaired by an independent director. The Charter clearly defines the Compliance Committee's roles and responsibilities and requires its members to ensure that Crown Melbourne's management provides the Committee with an awareness and understanding of all appropriate and relevant matters concerning the regulatory requirements applicable to the casino operator.

On 9 August 2005, Crown Melbourne's General Counsel conducted a review of the Compliance and Audit Committee Charters against the ASX Principles of Good Governance and Best Practice Recommendations and similar charters of a number of other corporations.

The review concluded, “ *the charters of Crown's Compliance and Audit Committees are in broadly similar terms to those found at other corporations and largely meet the ASX Recommendations. While the ASX Recommendations are not mandatory for Crown they do represent corporate best practice.*”

While the Commission is pleased with this observation, it notes that it would have been preferable for this review to have been conducted by an independent person.

Crown Melbourne's regulatory compliance regime extends beyond its Compliance Committee, to its staff, through a comprehensive Corporate Policies and Procedures Manual. This document clearly requires all employees to act in accordance with regulations, legislation and compliance practices and procedures as part of their employment.

Compliance Alerter System

The Authority in the Third Review identified that Crown Melbourne had introduced a Compliance Alerter System. At that time the system had not been in operation long enough for a conclusion to be drawn as to whether it was likely to achieve improved compliance by Crown Melbourne.

The Compliance Alerter System is a company-wide system, which uses Crown Melbourne's email system to alert users of their reporting responsibilities.

The System has undergone continuous upgrades since its introduction. The system in its current form has now been in operation long enough to conclude that it is achieving its objectives by contributing to the timeliness of Crown Melbourne's reporting requirements and obligations under the Casino Agreement.

Other Regulatory Investigations

Crown Melbourne advised in its submission to the Commission that "*it is not aware of any investigations being undertaken into the company by the ASX or ASIC*". As a result of the Commission's own investigations, no evidence was found to contradict this.

Independence of Directors

In its Second and Third Reviews, the Authority raised questions about the "independence" of directors appointed to the Crown Melbourne Board as independent directors, while holding directorships with the then parent company, PBL, but residing in Victoria.

Crown Melbourne agreed to appoint additional independent directors and the Authority approved the appointments of three in August 2003.

With the demerger of PBL into separately listed gaming and media businesses on 12 December 2007, Crown Melbourne is now a subsidiary of Crown Limited and PBL is no longer an ASX listed company. Crown Melbourne's Board prior to the demerger, which comprised PBL Board members and four independent directors, did not have a

majority of independent directors. Subsequent to the demerger and restructure of PBL, it appears that the six former PBL directors on the Crown Melbourne Board might now be considered as independent.

The Commission is satisfied that the Crown Melbourne Board complies with its Articles of Association which require at least one third of its directors to be independent directors. However, the Board is chaired by a non-independent director, contrary to corporate governance best practice principles.

Board Meetings

During the Third Review period, the Crown Melbourne Board met on average only four times a year and this has continued in the review period. This is minimal for a company the size of Crown Melbourne.

Crown Melbourne has met its responsibilities under the Casino Agreement in that at least 75% of its Board meetings were held in Melbourne. Crown Melbourne's senior executive managers and its company secretary reside in Melbourne.

The turnover rate of directors on Crown Melbourne's Board is not high, which has an advantage of providing long-term stability at the highest level of the company.

Financial Performance

The Commission reviewed PBL and Crown Melbourne's Annual Reports for three and five years respectively, ASX Announcements and reports, papers and minutes relating to various committees and the Board of each company. The work included an assessment of solvency; non-arms length transactions; inter-entity and other related party transactions between the two companies and/or other entities in the PBL Group and director related transactions; and director remuneration, including option payments and expenditure calculations.

Crown Melbourne's accounts for the five years ended 30 June 2007 are general-purpose financial reports, prepared in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements.

The company's total liabilities as a ratio of its total assets is monitored quarterly by the Commission and there has been no instance of the debt/equity ratio rising above 60% during the review period.

The Commission identified the following issues as to disclosure and classification from Crown Melbourne's financial statements:

- in respect of related party transactions, some transactions involving management and technology charges by Crown Melbourne to PBL were incorrectly disclosed and classified in the accounts;
- the company does not maintain a separate Related Party Transactions register;
- Crown Melbourne's disclosure of the provision for gaming claims within the doubtful debts provisions was found not to be in accordance with the Accounting Standard for presentation of financial statements;
- in 1993, Crown Melbourne entered into a 99 year lease of the Crown Entertainment Complex site. For the first 40 years (inclusive), the annual rate is \$1 per annum and for the following 59 years is set at the current market rate. Although Crown Melbourne has recognised the \$40 expense for the first 40 years in its profit and loss account, no rental expense has been included for the subsequent 59 years. Crown Melbourne is required to recognise the total lease expense over the period of the lease on a straight-line basis, even if the payments are not on that basis. Crown Melbourne has not complied with this Standard on the basis that there is uncertainty over the commercial rent that will be payable in years 41 to 99 of the lease. However, the Commission believes that a reasonable estimate could be made based on current market rates, with this estimate being reviewed on a regular basis. The Commission believes that Crown Melbourne's accounts should reflect this. The review of this matter also determined that this non-compliance with this Accounting Standard had not been noted within the Crown Melbourne Accounting Policies section of the financial statements.

Nevertheless, the Commission considers that these matters do not materially affect the overall numerical balances stated in the financial statements or adversely impact its assessment of Crown Melbourne.

A review of the key financial performance, financial position and cash flow ratios for the five year period revealed no significant issues and the Commission recognises that Crown Melbourne is well positioned to continue to meet its debts as they fall due.

Crown Melbourne's financial performance, on an annual basis, has closely approximated the budgets approved by the Crown Melbourne Board. The Commission observes that the budgeting and business planning process is based upon sound critical management assumptions and realistic targets.

Overall, the review of the financial and commercial performance of both Crown Melbourne and PBL did not identify anything of a material nature, which was considered relevant by the Commission in determining whether Crown Melbourne is a suitable person to hold the Melbourne Casino Licence.

World Class Standards

The benchmarking study of large international casinos was conducted to assist the Commission in determining whether Crown Melbourne is meeting its commercial compliance obligations to maintain its Casino and Entertainment Complex as a world-class facility.

Crown Melbourne's capital expenditure program in the review period has ensured substantial investment allocation to asset replacement and upgrades.

The Commission observed that in accordance with the Ninth Variation to the Casino Agreement, Crown Melbourne has committed to spend a minimum of \$25 million per annum and no less than \$170 million in the five years commencing July 2005, on maintenance, upgrades, refurbishments and new works with respect to the interior and exterior of the Casino Complex. This work is progressing. Further, and in order to satisfy those requirements, \$220 million will be spent over the next five years on improvement projects including an upgrade of the Crown Towers Hotel and refurbishment of the main gaming floor. Work on these projects has commenced. Planning is also underway for an extension to the Crown Promenade Conference Centre and the construction of a third hotel with a total investment of approximately \$340 million. Construction work on the third hotel has already commenced.

Crown Melbourne has attracted a number of world-class restaurants to the Casino Complex and established it as a centre of culinary excellence. The world-class restaurants include: Rockpool Bar and Grill, Nobu, Giuseppe Arnaldo and Sons and Bistro Guillaume. Caffé Corso also opened in May 2008. In addition, Crown Towers features seven renowned restaurants: the Brasserie by Philippe Mouchel, Silks, Koko, Breezes, JJ's Bar and Grill, Number 8 and The Conservatory.

Crown Melbourne has been awarded a number of operational excellence awards over the term of this review, including awards by Victorian and Australian Tourism organisations, the Best Business Hotel by Business Asia Magazine in 2006/2007 and was listed in the Top 10 Luxury Suites Around the World, by the Elite Traveller publication.

The Commission is also pleased that Crown Melbourne has terminated leases with some tenants. The new arrangements, with Crown Melbourne taking a more significant management responsibility, have improved the Casino Complex as an entertainment destination.

The Commission notes that in its planning and delivery of facilities to maintain a world-class facility, Crown Melbourne has gone well beyond its obligations with respect to capital expenditure and is delivering what has been promised. The Commission is satisfied that Crown Melbourne is maintaining, and has the plans to maintain, the Casino and Entertainment Complex as a world-class facility. In particular, the range and quality of restaurants far exceeds those available at any other Australian casino and is on a par with the best of the international casinos visited as part of the benchmarking study.

Commercial Compliance Conclusions

Crown Melbourne has properly addressed the majority of matters raised in earlier reviews and the only issues of concern are those identified above.

There is no evidence to suggest that, from a financial or commercial perspective, Crown Melbourne is not suitable to be concerned in or associated with the management and operation of the Melbourne casino.

In relation to financial or commercial aspects of the casino operations, no matters were discovered which could damage the public confidence and trust in the credibility, integrity, and stability, of the casino operations of Crown Melbourne.

8. FINDINGS

Issues for Determination

Section 25 of the Casino Control Act requires the Commission, at the conclusion of its investigation, to form an opinion as to the following:

- whether or not the casino operator, Crown Melbourne, is a suitable person to hold a casino licence;
- whether or not the casino operator, Crown Melbourne, is complying with the Casino Control Act, the Casino (Management Agreement) Act and the Gambling Regulation Act and the regulations made under any of those Acts;
- whether or not the casino operator, Crown Melbourne, is complying with –
 - the transaction documents; and
 - any other agreements between the casino operator and the State, or any body representing the State, that impose obligations on the casino operator in relation to gaming;
- whether or not it is in the public interest that the casino licence should continue in force.

The first point relates directly to the licensee and whether its probity, conduct and capabilities meet the criteria required by the Casino Control Act to hold a casino licence.

The second and third points also relate directly to the casino operator's compliance with all the legislative requirements that attach to a casino licence.

The last point deals with the more general concern that a casino should only be allowed to continue if it is possible to maintain public confidence and trust in the credibility, integrity and suitability of the casino's operations.

In 1997, 2000 and 2003, the Authority opined that Crown had effectively, efficiently and fairly conducted the operation of a major casino since commencing operations in 1994. The Authority was also satisfied that the manner of operation had engendered the necessary public confidence.

Suitability of Crown Melbourne

Following a comprehensive investigation, the Commission is satisfied with the probity of Crown Melbourne.

The Commission's investigations found minor shortcomings in the area of Crown Melbourne's corporate governance and adherence to best practice, but on balance it is satisfied that, for the purposes of this review, Crown Melbourne's commercial compliance and performance is consistent with it being a suitable casino operator.

The Commission has formed the view that Crown Melbourne's casino operations have, subject to any matters of concern in this report, continued to be effective, efficient and fair.

Crown Melbourne's performance has met expectations, taking into account the size, complexity and multiplicity of its Casino and Entertainment Complex. The Commission is satisfied that Crown Melbourne possesses the appropriate operational, commercial and managerial experience and capabilities to operate a world-class Casino Complex.

These findings enable the Commission to be satisfied, and find, that Crown Melbourne is a suitable person to continue to hold a casino licence.

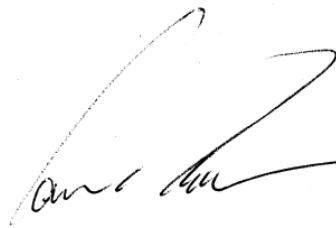
Continuity of the Licence

The Commission is also satisfied that, in the period of the review, there has generally been public confidence and trust in the credibility, integrity and stability of casino operations due to the manner in which the Melbourne Casino has been managed. Accordingly, it is in the public interest that the casino licence remains in force.

9. COMMISSION'S OPINION

Following its investigation for the purposes of section 25 of the *Casino Control Act* 1991 in respect of the period 1 July 2003 to 30 June 2008, the Victorian Commission for Gambling Regulation has formed the following opinion:

- Crown Melbourne Limited is a suitable person to hold the casino licence;
- Crown Melbourne is complying with the *Casino Control Act* 1991, the *Casino Management Agreement Act* 1993, the *Gambling Regulation Act* 2003 and the regulations made under any of those Acts;
- Crown Melbourne is complying with:
 - (i) the transaction documents; and
 - (ii) any other agreements between it and the State, or a body representing the State, that impose obligations on Crown Melbourne in relation to gaming;
- it is in the public interest that the casino licence should continue in force.



IAN DUNN
Chair



JUDITH KING
Deputy Chair



PETER COHEN
Executive Commissioner

APPENDIX 1—TERMS OF REFERENCE

The Commission conducted the review within the following terms of reference:

1. The suitability of the casino operator and the associates of the casino operator, as nominated by the Commission from time to time, having regard to whether:
 - the casino operator and each such associate are still persons of good repute, having regard to character, honesty and integrity;
 - the casino operator and each such associate is of sound and stable financial background;
 - the casino operator still has a satisfactory ownership or corporate structure;
 - the casino operator has financial resources that are both suitable and adequate to ensure the financial viability of the casino;
 - the casino operator has sufficient business ability to maintain a successful casino;
 - the casino operator has, or had, business associations with any persons or bodies who are not of good repute or who have undesirable or unsatisfactory financial resources;
 - the casino operator still has the services of persons who have sufficient experience in the management and operation of a casino; and
 - all directors and executive officers are suitable persons to act in their capacities.
2. The standards of maintenance and operation of the Crown Casino Complex.
3. The expertise of the casino operator, having regard to its compliance under the *Casino Control Act 1991*, the *Casino (Management Agreement) Act 2003*, the *Gambling Regulation Act 2003* and the regulations made under these Acts with:
 - the transaction documents;
 - the casino licence; and

- any other agreements between the Casino Operator and the State, or a body representing the State that impose obligations on the Casino Operator in relation to gaming.
4. The existence of, and adherence to, appropriate corporate governance policy and procedures by the Casino Operator.
 5. Any other matters that the Commission considers relevant.

APPENDIX 2—GLOSSARY

ASIC	Australian Securities and Investments Commission, formerly the Australian Securities Commission.
Associate	An individual or company identified as an “associate” within the meaning of section 4 of the Casino Control Act, meaning that the person is subject to probity clearance by the Commission.
ASX	Australian Stock Exchange.
AUSTRAC	Australian Transaction Reports and Analysis Centre, the agency established under the <i>Financial Transactions Reports Act 1988</i> (Commonwealth) for the collection of cash and other financial transactions information.
Authority	The Victorian Casino and Gaming Authority, formed in 1994 under section 82 of the <i>Gaming and Betting Act 1994</i> , constituting a merger of the Victorian Casino Control Authority and the Victorian Gaming Commission. The Authority ceased on 30 June 2004.
Benchmarking Study	A comparative study of international overseas and local casinos conducted for the purposes of the Commercial Compliance and Gambling Activities investigations.
Casino	The Melbourne Casino that is located within the Casino Complex, and in respect of which, Crown Limited was granted a licence on 19 November 1993.
Casino Agreement	Melbourne Casino Project Casino Agreement between the Victorian Casino and Gaming Authority and Crown Melbourne (as amended and in force).

Casino and Entertainment Complex	The Melbourne Casino and Entertainment Complex at Whiteman Street, Southbank, Victoria.
Casino Complex	See “Casino and Entertainment Complex” above.
Casino Control Act	<i>Casino Control Act</i> 1991 (Victoria), No. 47/1991 as amended from time to time.
Casino Operator	Crown Melbourne Limited, previously known as Crown Limited prior to the PBL demerger.
CEO	Chief Executive Officer.
Commission	Victorian Commission for Gambling Regulation. The successor of the Victorian Casino and Gaming Authority and the Office of Gambling Regulation. The Commission came into operation on 1 July 2004.
CPH	Consolidated Press Holdings Limited, ACN 008 394 509, a substantial shareholder in Publishing and Broadcasting Limited.
Crown Limited	Crown Limited, ACN 125 709 953, the parent company of Crown Melbourne Limited, holder of the casino licence for the Melbourne Casino.
Crown Melbourne Limited	The holder of the Casino Licence for the Melbourne Casino, formerly an unlisted company named Crown Limited, whose holding company was PBL until a demerger of PBL in 2007 (set out in detail at Appendix 5).
Crown/PBL merger	The merger of Crown Melbourne Limited with PBL, under which PBL issued what was then called Crown Limited shareholders with one PBL share for each 11 Crown Limited shares, thereby making Crown Limited a wholly owned subsidiary of PBL with effect from 30 June 1999.

First Triennial Review	The review under section 25 of the Casino Control Act, submitted to the Minister for Gaming on 30 June 1997 in respect of the first three years of casino operations.
Fourth Review	The fourth review that was conducted under section 25 of the Casino Control Act to submit to the Minister for Gaming on 30 June 2008 in respect of casino operations between 1 July 2003 and 30 June 2008.
Gaming and Racing Crime Theme Desk	A unit of Victoria Police based at the Casino and Entertainment Complex that replaced the former Casino Squad.
ICM	Internal Control Manual—the documented system of internal controls and administrative and accounting procedures for the Melbourne Casino approved by the Commission for the purposes of section 121 of the Casino Control Act.
Inspectors	Staff of the Victorian Commission for Gambling Regulation who are appointed as inspectors by the Executive Commissioner.
Internal Control Manual	See ICM.
Management Agreement	Melbourne Casino Project Management Agreement between the State of Victoria and Crown (as amended and in force), ratified by the <i>Casino (Management Agreement) Act 1993</i> .
Melbourne Casino	The licensed gaming area within the Casino and Entertainment Complex.
Office of Gambling Regulation	The name of the group of staff of the Department of Justice who were employed to assist the Director of Gaming and Betting in assisting the Authority to carry out its statutory functions under section 102 of the <i>Gaming and Betting Act 1994</i> . The Office of Gambling Regulation ceased on 30 June 2004.

Operations Agreement	Agreement between Crown Melbourne Limited (as licensee) and Crown Management Pty Ltd (as manager) for the provision of certain services in connection with the operation of the Melbourne Casino.
PBL	Publishing and Broadcasting Limited, ACN 009 071 167, holding company of Crown Melbourne Limited prior to the demerger of PBL.
Racino	A descriptive term used to describe racetracks with gaming machine operations in the USA.
Review Period	1 July 2003 to 30 June 2008.
Second Hotel	The Southern Tower of the Hotel required to be constructed in accordance with the <i>Casino (Management Agreement) Act</i> 1993, which now trades as Crown Promenade Hotel.
Second Triennial Review	The second triennial review that was conducted under section 25 of the Casino Control Act and submitted to the Minister for Gaming on 30 June 2000 in respect of casino operations between 1 July 1997 and 30 June 2000.
Third Review	See Third Triennial Review.
Third Triennial Review	The Third Triennial Review that was conducted under section 25 of the Casino Control Act and submitted to the Minister for Gaming on 30 June 2003 in respect of casino operations between 1 July 2000 and 30 June 2003.
Transaction Documents	The documents setting out the relationship between the participants in the Melbourne Casino Project. See also Appendix 4.
VCCA	Victorian Casino Control Authority, a predecessor of the Authority and the Commission.

World-class and
world quality standard

Expressions used to describe the obligations Crown Melbourne has to maintain the Melbourne Casino and Entertainment Complex as a “high quality, international standard” casino complex and to ensure that the complex is managed and supervised to a “first class standard comparable to world-class international casinos, hotels and other facilities”.

APPENDIX 3—LIST OF DISCIPLINARY ACTIONS

The following is a summary of all disciplinary actions taken against the casino operator during the review period.

<i>Grounds for Disciplinary Action</i>	<i>Action</i>	<i>Decision Date</i>
Contravened a provision of the Act by breaching game rules – Baccarat.	Fined \$5,000	29 July 2003
Contravened a provision of the Act by breaching game rules – Blackjack.	Fined \$10,000	29 July 2003
Contravened a provision of the Act by breaching game rules – Pontoon.	Fined \$5,000	26 August 2003
Contravened a provision of the Act by breaching game rules – Blackjack.	Fined \$10,000	20 January 2004
Contravened a provision of the Act by failing to ensure that minors did not enter into the gaming area of the casino.	Fined \$1,000	19 October 2004
Contravened a provision of the Act by failing to implement ICM regarding cage procedures.	Fined \$10,000	10 June 2005
Contravened a provision of the Act by failing to ensure that the approved system of controls and procedures was implemented.	Letter of censure	25 October 2005
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Fined \$1,000	15 November 2005
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Letter of censure	13 December 2005
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Fined \$2,000	24 January 2006

<i>Grounds for Disciplinary Action</i>	<i>Action</i>	<i>Decision Date</i>
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Letter of censure	24 January 2006
Contravened a provision of the Act by permitting an unlicensed employee to exercise a function of a special employee.	Fined \$2,000	4 July 2006
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Letter of censure	22 August 2006
Contravened a provision of the Act by failing to ensure that minors did not enter into the gaming area of the casino.	Fined \$2,500	14 November 2006
Contravened a provision of the Act, namely section 64(1)(c), which prohibits the issue of gaming chips unless payment is tendered prior to the issue of the chips.	Fined \$15,000	21 November 2006
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Fined \$2,500	6 February 2007
Contravened a provision of the Act by failing to implement approved system of internal controls. Two occasions of entry points to casino being left unmanned.	Fined \$10,000	18 September 2007
Contravened a provision of the Act by failing to ensure that a minor did not enter into the gaming area of the casino.	Fined \$1,000	18 September 2007
Contravened a provision of the Act by failing to ensure that minors did not enter into the casino.	Fined \$1,000	18 September 2007
Contravened a provision of the Act by breaching game rules on three occasions - Texas Hold 'Em Poker.	Fined \$15,000	25 September 2007
Contravened a provision of the Act by breaching game rules – Pontoon.	Fined \$7,500	25 September 2007
Contravened a provision of the Act by breaching game rules – Blackjack.	Fined \$5,000	25 September 2007

<i>Grounds for Disciplinary Action</i>	<i>Action</i>	<i>Decision Date</i>
Contravened a provision of the Act by breaching game rules - Pai Gow.	Fined \$7,500	25 September 2007
Contravened a provision of the Act by breaching game rules – Poker.	Fined \$5,000	12 February 2008
Contravened a provision of the Act by breaching game rules – Poker.	Fined \$1,000	15 April 2008

APPENDIX 4—LIST OF TRANSACTION DOCUMENTS

Transaction Documents and Other Agreements:

- Casino Agreement;
- Supplemental Casino Agreement;
- The Management Agreement;
- The Casino Licence;
- The Site Lease;
- Site Lease Supplemental Agreement;
- The State Charge;
- The Deed of Undertaking and Guarantee;
- Supplemental Operations Agreement.

APPENDIX 5—CASINO OPERATOR RESTRUCTURE

On 8 May 2007, PBL announced a proposal to split its gaming and media businesses into two separately listed companies, Crown Limited and Consolidated Media Holdings Limited.

On 15 June 2007, PBL advised the Commission that the impact of its demerger/restructure would be as follows:

- the licensed casino operator, Crown Limited, would change its company name to Crown Melbourne Limited;
- a newly incorporated and listed company to be named Crown Limited would become the new ultimate holding company of Crown Melbourne Limited, replacing PBL;
- all shares in Crown Melbourne Limited would transfer to a newly incorporated company named Crown Entertainment Group Holdings Pty Ltd, which would in turn be a wholly owned subsidiary of PBL and then, consequent upon the demerger/restructure, all shares in Crown Entertainment Group Holdings Pty Ltd would be transferred to Crown Limited;
- all companies within the Crown Limited corporate structure would maintain all gaming assets held previously by PBL and its subsidiaries; and
- following the demerger/restructure, Crown Melbourne Limited would be wholly owned by Crown Entertainment Group Holdings Pty Ltd, which in turn would be wholly owned by Crown Limited.

The restructure, which was effective on 12 December 2007, resulted in:

- Crown Limited owning a diversified portfolio of gaming businesses, including Crown Melbourne and Burswood casinos, a 37.9% stake in Melco Crown Entertainment Limited (formerly known as Melco PBL Entertainment (Macau) Limited), a 50% stake in the Aspinalls casino business in the United Kingdom, in Gateway Casinos and Entertainment Inc. in Canada and in Betfair Australasia Pty Ltd, a 19.6% interest in Fontainebleau Equity Holdings

LLC in the United States and a 37.5% stake in LVTI LLC also in the United States.

- Consolidated Media Holdings Limited holding investments in a diversified portfolio of media businesses including Foxtel (25%), Premier Media Group (50%), SEEK (27%) and PBL Media (25%).

APPENDIX 6—CALL FOR SUBMISSIONS

Advertisement published on Friday 30 March 2007 in the *Herald Sun* and on 31 March 2007 in *The Age* and *The Australian*



Victorian Commission
for Gambling Regulation

Submissions to the Review of the Melbourne Casino Operator and Casino Licence

The Victorian Commission for Gambling Regulation (VCGR) is obliged by section 25 of the *Casino Control Act 1991* (Act) to investigate and form an opinion as to whether or not—

- Crown Limited, the operator of the Melbourne Casino, is a suitable person to continue to hold the casino licence;
- Crown Limited is complying with the Act, the *Casino (Management Agreement) Act 1993*, the *Gambling Regulation Act 2003* and the regulations made under any of those Acts;
- Crown Limited is complying with the transaction documents and any other agreements between the Melbourne Casino Operator and the State, or body representing the State, that impose obligations on the casino operator in relation to gaming; and
- It is in the public interest that the casino licence should continue in force.

The VCGR must report its findings and opinion to the Minister for Gaming by 30 June 2008.

The VCGR invites members of the public to make written submissions on these matters.

Guidelines for submissions

Persons making submissions should note that, for the purposes of section 25 of the Act, public interest means public interest having regard to the creation and maintenance of public

confidence and trust in the credibility, integrity and stability of casino operations. Casino operations means—

- the conduct of gaming and approved betting competitions in the casino;
- the management and supervision of the conduct of gaming and approved betting competitions in the casino;
- money counting in, and in relation to, the casino;
- accounting procedures in, and in relation to, the casino;
- the use of storage areas in the casino;
- other matters affecting or arising out of, activities in the casino.

Submissions must include the name, address and telephone number of the author for the purpose of verifying the authorship or content of the submission, if necessary.

Submissions may be e-mailed to mike.kelly@vcgr.vic.gov.au

Provision of submissions to the casino operator

The VCGR is bound by statutory privacy requirements as regards personal information. Persons making submissions should state whether the VCGR may give a copy of their submission to Crown Limited or release the submission publicly. If a copy of the submission cannot be disclosed to Crown Limited, the VCGR may advise Crown Limited of the substance of the submission.

Closing date and address for submissions

The closing date for receipt of submissions is **31 May 2007**.

Submissions should be addressed to:

The Casino Review Co-ordinator
Victorian Commission for Gambling Regulation
P O Box 1988
Melbourne 3001

Receipt of all written submissions will be acknowledged.

Any questions about the submission process may be directed to:

Mike Kelly

Victorian Commission for Gambling Regulation

Telephone: 9651 3738

E-mail: mike.kelly@vcgr.vic.gov.au

APPENDIX 7—PROCESS AUDITOR'S LETTER



140 William Street
Melbourne Vic 3000
PO Box 4301
Melbourne Vic 3001
Australia
DX 147 Melbourne
Tel +61 3 9274 5000
Fax +61 3 9274 5111
www.dlaphillipsfox.com

Our ref: MWB:0434758

18 June 2008

Ian Dunn
Chairman
Victorian Commission for Gambling Regulation
Level 5
35 Spring Street
MELBOURNE VIC 3000

Dear Mr Dunn

Fourth Review of the Melbourne Casino Operator and Casino Licence Probity Audit

This letter is the report of the independent Process Auditor following the completion of the review of the Melbourne Casino Operator and Casino Licence conducted by the Victorian Commission for Gambling Regulation.

Scope

Mark Bartley, Partner, DLA Phillips Fox was appointed as the Process Auditor for the Casino Operator and Licence Review on 9 August 2007.

The object of the process audit was to ensure the integrity of the review including adherence to confidentiality and proper handling of information gathered, the absence of any undue or improper influence and adherence to due process and probity principles in the conduct of the review.

The scope has involved, amongst other things:

- preparation and agreement on a probity plan;
- review of procedures and ensuring adherence to confidentiality of all information collected;
- the review of terms of reference of each of the Working Groups;
- attendance at Working Group meetings;
- review of working papers;

117277051 \ 0434758 \ MWB02

DLA Phillips Fox is a member of DLA Piper Group, an alliance of independent legal practices. It is a separate and distinct legal entity.
DLA Phillips Fox offices are located in Adelaide Auckland Brisbane Canberra Melbourne Perth Sydney and Wellington.



- observation of the review process carried out by Commission officers;
- attendance at Commission meetings reviewing Working Group Reports; and
- review of the final report and Melbourne Casino response.

In addition to the scope identified above, we undertook numerous informal discussions with officers of the Commission during the review.

Process Audit Final Report

I am satisfied that the Melbourne Casino Review has met appropriate standards of probity and integrity, that the review has been conducted in a thorough and impartial manner and that there are no issues which call into question the independence and rigour of the review.

In my opinion the Review of the Casino Operator and Licence pursuant to Section 25 of the Casino Control Act 1991 has been undertaken in a manner which has ensured the independence and integrity of the review.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Bartley', written over a white background.

Mark Bartley
Partner
Direct +61 3 9274 5280
mark.bartley@daphillipsfox.com

APPENDIX 8—RESPONSE OF CROWN MELBOURNE LIMITED TO THE RESULTS OF INVESTIGATION AND FINDINGS OF THE REVIEW.



*Received at Leighton
16/6/08. M. Morley*

16 June 2008

Mr Ian Dunn
Chairman
Victorian Commission for Gambling Regulation
Level 5, 35 Spring St
Melbourne Vic 3000



Dear Mr Dunn

Fourth Review of the Casino Operator and Casino Licence

I refer to your letter of 30 May 2008 to Mr James Packer enclosing a draft copy of the Commission's report on the fourth review of Crown Melbourne Limited's ("Crown") operation and the casino licence. Mr Packer has requested that I respond on Crown's behalf to your invitation to comment on the Commission's findings and conclusions.

Crown is pleased that the Commission has found that Crown is a suitable person to continue to hold a casino licence and has concluded that it is in the public interest that the casino licence remains in force.

It is pleasing to note that the Commission has recognised and affirmed that the Melbourne Casino Complex is at the forefront of Australian casinos and meets the requirements of an international world class casino complex in areas including operational excellence, responsible gambling (an area where Crown's program is a world leader), responsible serving of alcohol, development and training of staff, capital asset replacement and upgrade and use of technology. The Commission has further confirmed that the Melbourne Casino Complex is well established as one of the largest and most diverse entertainment complexes of its type in the world and Crown management remains committed to ensuring that the Melbourne Casino Complex continues to be maintained as a world-class operation.

Consistent with Crown's on going desire to maintain the highest standards throughout the Complex, Crown makes the following comments in relation to the report:

- **Corporate Governance**

The Report seeks to measure Crown's corporate governance practices against the ASX Principles of Good Corporate Governance as recommended by the ASX. As correctly stated in the Report, Crown is not an ASX listed company. In these circumstances, Crown does not believe that it is appropriate or correct to apply the ASX Principles of Good Corporate Governance to its operations, particularly when so doing results in any conclusion being drawn that the non adherence to these ASX principles does not represent best governance practice.

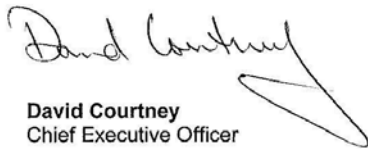
The Commission appears to have concluded that the number of times Crown's Board meets (four times per year) is inadequate. We consider that there is no basis from which such a conclusion could be drawn. Crown is not aware of any legal requirement or recommended practice for even an ASX listed company that would require or indicate that a company's Board should meet on a minimum number of occasions during a year. Crown considers that the meeting of Crown's Board at least four times per year plus various other meetings during the year of Board Committees is entirely adequate and allows the Crown Board to carry out its function effectively.

Crown considers that the constitution of its Board and its Board Committees and the frequency with which each of them meet, together with Crown's risk management and compliance systems, provides for an effective corporate governance regime which is tailored and appropriate to Crown's corporate structure and size and is well ahead of many other non listed companies. This system and manner of governance, together with Crown's commitment to it, have proven to be effective during the review period and we consider that no other conclusion should be drawn.

In line with Crown's continuous improvement philosophy we will continue to review any areas that may benefit from further improvement to ensure that Crown continues to remain a world class operation.

Crown thanks the Commission for the opportunity to review and comment on the draft report.

Yours sincerely


David Courtney
Chief Executive Officer

Level 5, 35 Spring Street
Melbourne Victoria 3000
Australia

PO Box 1988, Melbourne
Victoria 3001 Australia

Telephone 61 3 9651 3333

Facsimile 61 3 9651 3777

www.vcgr.vic.gov.au