

[NUMBER 4 OF 1998]

ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION ACT

SECTION 93AA

1. INTRODUCTION

1.1 This document contains an undertaking by Crown Limited ("the Company") to the Australian Securities & Investments Commission ("ASIC"). The undertaking is made pursuant to section 93AA of the Australian Securities and Investments Commission Act and follows an investigation by ASIC into suspect contraventions of the continuous disclosure provisions of the Corporations Law.

1.2 In summary, ASIC concluded that:

- the Company should have formally announced its poor trading results for the first four months of the 1997/98 financial year immediately upon becoming aware of them and well before 19 December 1997;
- the Company should have formally disclosed a Notice received from the Victorian Casino and Gaming Authority ("VCGA") immediately following its receipt on 10 November 1997;
- the failure to disclose these matters resulted largely from the absence of an adequate internal system for compliance with the Australian Stock Exchange ("ASX") Listing Rule 3.1, and
- the failures to disclose these matters were not occasioned by any dishonesty on the part of the Company and the judgment of the Company made at the time was that it was acting in accordance with ASX Listing Rules.

1.3 The Company wishes to co-operate with ASIC in its task of promoting the confident and informed participation of investors in the financial system and, in particular, in the market for the Company's securities. With that objective in mind, and whilst the Company does not accept or reject these conclusions of the ASIC, the undertaking describes a number of initiatives developed by the Company to address issues raised by ASIC's investigation including:

- a system of quarterly reporting which will remain in effect for at least 3 years (ASIC notes that the Company had voluntarily implemented a system of quarterly reporting from the March 1998 quarter);
- a detailed internal compliance program overseen by a Compliance Committee made up of non-executive directors of the Company; and
- a Compliance Committee Charter.

- 1.4 ASIC notes that these initiatives had been adopted by the Company as suitable to its circumstances. ASIC's acceptance of the undertaking should not be taken as suggesting that these initiatives are necessarily appropriate for adoption generally by listed companies.
- 1.5 ASIC interviewed or examined all of the Company's directors, and various other persons including Company executives, market analysts and financial journalists. ASIC also obtained documentation from various sources. The following is not intended to be a comprehensive statement of all that ASIC found in the course of its investigation. Rather, the Factual Background and Conclusions which follow set out ASIC's principal factual findings and concerns.

2. FACTUAL BACKGROUND

Early History

- 2.1 The Company was incorporated on 16 May 1988. On 16 February 1992 it became Crown Casino Limited, an unlisted public company. In February 1994 it became a listed public company with its shares admitted to quotation on the ASX. On 28 November 1994 the Company changed its name to Crown Limited. The principal business of the Company at all material times since September 1993 has been of a casino operator.
- 2.2 From July 1994, the Company operated from a temporary casino ("Galleria Casino") site. On 8 May 1997 the company moved its operations to the Southbank Entertainment Complex. The nature and scale of business in the Southbank Entertainment Complex was fundamentally different from that of the Galleria Casino.
- 2.3 The Company had made the following operating profits (before tax and abnormal items) since commencing business:

Financial Year	Operating Profit (\$) Before tax and abnormal items
1994/5	58.0m
1995/6	101.4m
1996/7	70.2m

Trading Results from July 1997

- 2.4 Internal management reports produced in November 1997 show that the Company had made an accumulated operating loss (before tax and abnormal items) of \$31.9m in the first four months of the 1997/8 financial year.
- 2.5 On 21 November 1997 the Company obtained legal advice relating to the disclosure of operating results for the quarter ended 30 September 1997. That advice supported the judgement of the Company that in the prevailing circumstances it was inappropriate to announce trading results to the ASX.
- 2.6 On several occasions during the period from late October 1997 to 19 December 1997 the Company informally disclosed information concerning its current financial performance (not specifically including Operating Profits/Losses) in

briefings to various financial analysts and shareholders. ASIC believes that this information was not generally available, was material and was provided in circumstances where it was capable of being mis-understood. It follows that when seeking to explain or release information of this kind, ASIC considers that it is inappropriate to do so orally to selected parties and in such an informal way.

- 2.7 During this same period officers of the Company made statements in response to questions from financial journalists attempting to rebut rumours that the Company was making losses, including a specific rumour that the Company had made losses of "up to \$20 million a month". Again, ASIC believes that it was inappropriate to make these statements when they contained material information which was not generally available and which was capable of being misunderstood.

VCGA Debt - Equity Ratio

- 2.8 The Company's operation of the Casino is pursuant to a licence granted by the VCGA under the Casino Control Act 1991 (the "Casino Control Act"). The VCGA has entered an agreement with the Company relating to casino operations and exclusivity.
- 2.9 Clause 22.1(m) of this agreement requires the Company to maintain a debt-equity ratio not exceeding 60% at all times.
- 2.10 Internal Reports for periods from August to November 1997 show that the Company had exceeded the 60% debt-equity ratio required by the agreement by the end of August 1997. The debt-equity ratio was similarly exceeded when calculated by the Company at the following succeeding intervals:

Date	Actual
31 August 1997	61.73
28 September 1997	60.92
26 October 1997	62.74
30 November 1997	63.51

- 2.11 On 24 October 1997 the Company sent the VCGA its quarterly report for the quarter ended 30 September (required under the agreement) advising that its debt-equity ratio was 60.8% as at the end of September 1997.
- 2.12 On 10 November 1997 the VCGA gave the Company a notice requiring it to cure the 30 September breach of the debt-equity ratio requirement. The Company under its agreement had 60 days to either remedy the breach or to be diligently pursuing a course of action to remedy it in a period of time reasonably acceptable to the VCGA. Shortly afterwards, the Company commenced examination of possible remedies, including the issue of further shares and repayment of debt.
- 2.13 On 14 November 1997, the Company wrote to the VCGA formally requesting variation of the formula for calculation of the debt-equity ratio. This followed previous meetings with the VCGA during which there were negotiations

relating to amendment of the method of calculating the formula for the debt-equity ratio.

- 2.14 On 28 November 1997, the VCGA wrote to the Company, stating that any change of the debt-equity clause should be considered as part of a wider review and that in the meantime, the Company should address the notice in a substantive manner.
- 2.15 The Company believed in good faith that it was not obliged to tell the ASX about the notice received from the VCGA until issue of its prospectus. It had received legal advice to that effect, and its legal advisers continue to maintain that disclosure of VCGA Notices requires special consideration concerning the relationship between the ASX Listing Rules and casino regulation.

Announcement on 19 December 1997

- 2.16 On 19 December 1997 the Company announced to the ASX a renounceable rights issue. At the same time the Company issued a transaction specific prospectus for the issue. The prospectus disclosed:
- (a) the unaudited profit and loss figures for the five months to 30 November 1997. These accounts revealed an accumulated operating loss (before tax and abnormal items) of \$39m; and
 - (b) receipt of the notice from the VCGA on 10 November 1997 concerning the debt-equity ratio.
- 2.17 After the release of the prospectus the Company's share price fell from \$0.80 to \$0.57 and subsequently closed at \$0.63 that day. Rights subsequently traded at around \$0.11. The share price at the time when the shares were allotted in accordance with rights issue, 11 February 1998, was \$0.79.

3. CONCLUSIONS

- 3.1 ASX Listing Rule 3.1 requires the Company to immediately notify the ASX of any information which a reasonable person would expect to have a material effect on the price or value of the Company's securities, unless in the case of certain specified confidential information, a reasonable person would not expect the information to be disclosed (notwithstanding its likely effect).
- 3.2 Notwithstanding that the Company is obliged to report its trading performance six monthly, ASIC believes that the Company should have formally announced its poor trading results for the first four months of the 1997/98 financial year immediately upon becoming aware of them and certainly well before 19 December 1997. The informal disclosure by the Company of information concerning its financial performance prior to 19 December 1997 highlighted the importance of this information to the market.
- 3.3 With respect to the VCGA Notice, ASIC believes that this matter should have been formally disclosed immediately following its receipt and was a matter which highlighted the Company's deteriorating financial position at that time.

3.4 Furthermore, ASIC concludes that:

- (a) The Company's failure to disclose the information referred to in paragraphs 3.1 and 3.2 resulted largely from the absence of an adequate internal system for compliance with Listing Rule 3.1, but that such failures were not occasioned by any dishonesty on the part of the Company, and the judgement of the Company made at the time was that it was acting in accordance with ASX Listing Rules.
- (b) The practice of the Company of informally releasing information to selected analysts, shareholders and financial reporters which is not otherwise generally available is inconsistent with the concept of a fairly informed market.

3.5 The Company acknowledges the conclusions of ASIC and neither accepts nor rejects them.

4. THE COMPANY'S UNDERTAKING

4.1 The Company gives the following undertaking to ASIC pursuant to section 93AA of the Australian Securities and Investment Commission Act.

4.2 Quarterly Reports

The Company undertakes to provide to the ASX not less 75 days after 31 March 1999 and 30 September 1999 and for each of the following three (3) years a report (which will not be audited) of the profit or loss of the Company for the three months ended on that date, together with (commencing with the period ended 31 March 1999) comparable figures for the corresponding preceding period. The report will be prepared on a basis consistent with the accounting policies adopted by the Company for its half and full year reports and shall contain, at a minimum the following information:

Revenue

Earnings before Depreciation, Amortisation Interest and Tax (EBDAIT)

Depreciation and amortisation

Earnings before Interest and Tax (EBIT)

Interest expense

Income Tax

Operating Profit/Loss after Interest and Tax

Abnormal Items (net of tax)

Profit/Loss after Abnormal items

The quarterly report will also include a general review by the directors of trading for the period, including a discussion and analysis of the principal

factors which impacted on the Company's performance, and the relevant VCGA Debt-Equity Ratio Calculation.

4.3 Compliance Program - Continuous Disclosure

The Company undertakes to:

- (a) Authorise in writing within fourteen (14) days from the date hereof persons occupying each of the following positions to make formal announcements on behalf of the Company to the ASX in accordance with Listing Rule 3.1 in their sole discretion ("the Decision Makers"):
 - (i) the Chairman;
 - (ii) the Chief Executive Officer; and
 - (iii) the Chairman of the Compliance Committee.
- (b) Ensure that only the Decisions Makers disclose information required to be told to the ASX and maintain accurate records of all such disclosures.
- (c) Implement a system in accordance with the Australian Standard AS3806-1998 as far as practicable in respect of the Company's obligations for compliance with ASX Listing Rule 3.1 by 30 November 1998 or such later time as ASIC agrees in writing. As part of this process the Company shall, amongst other things:
 - (i) take all reasonable steps to ensure that each senior officer involved in the management of the Company ("Senior Officers") is made aware on an ongoing basis of the company's obligation for compliance with ASX Listing Rule 3.1;
 - (ii) require Senior Officers to immediately report any potentially material information to the responsible executive for the management of that business division of the Company (the "Responsible Executive");
 - (iii) require Responsible Executives to consider any such information reported to them in accordance with the preceding paragraph or other information which they become aware of in the performance of their duties and determine whether they consider such information is likely to have a material effect on the price or value of the Company's securities. Where a Responsible Executive makes such a determination, he or she must immediately report the matter (the "potential disclosure matter") to a specific officer who is suitably qualified to assess whether such information is required to be disclosed by the Company in accordance with ASX Listing Rule 3.1 (the "Compliance Officer");
 - (iv) require the Compliance Officer to immediately consider each potential disclosure matter referred in accordance with the preceding paragraph. The Compliance Officer will then be required to immediately remit the matter to a Decision Maker

with his or her recommendation as to whether the information requires disclosure;

- (v) require the Compliance Officer to cause files to be maintained which accurately records each potential disclosure matter;
 - (vi) cause the External Auditor of the Company as part of its half yearly and annual audit or review as applicable to review such files in accordance with the relevant audit standards, including but not limited to, Auditing Standards and Auditing Guidance Statement issued by the Institute of Chartered Accountants in Australia. The Auditor shall provide a written review opinion to the compliance Committee regarding the compliance system of the Company; and
 - (vii) make available all such files and documents for inspection by ASIC upon request.
- (d) Maintain a Compliance Committee which has a Charter in accordance with the Annexure to this document. The Company shall provide ASIC with seven (7) days written notice of any amendments which it seeks to make to the Charter of the Compliance Committee. The Company will also make available all such files and documents relating to the operations of the Compliance Committee for inspection by ASIC upon request.
- (e) Create an administrative procedure to be contained within a manual that shall be available to all Senior Officers and Responsible Executives of the Company concerning the Company's obligation for compliance with ASX Listing Rule 3.1 (the "Compliance Manual") by 30 November 1998 or such later time as ASIC agrees in writing. The Compliance Manual shall include specific guidelines to assist in the assessment of information which is considered to be potentially material.
- (f) Following the creation of the Compliance Manual, to provide ASIC with seven (7) days written notice of any amendments which it seeks to make to the Compliance Manual.

5. ACKNOWLEDGEMENTS

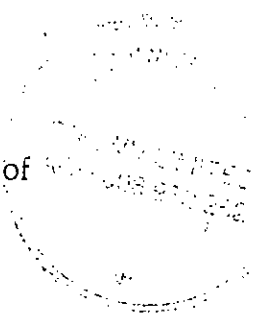
5.1 The Company acknowledges that ASIC:

- (a) will issue a media release on execution of this undertaking referring to its terms and the concerns of ASIC which led to its execution;
- (b) will from time to time publicly refer to this undertaking; and
- (c) will make this undertaking available for public inspection.

5.2 As soon as practicable after execution of this undertaking the company must lodge a copy of this undertaking with the ASX.

- 5.3 The Company acknowledges that this undertaking in no way derogates from the rights and remedies available to any other person arising from any conduct described in this undertaking.
- 5.4 The Company acknowledges that this undertaking has no operative force until accepted by ASIC.

THE COMMON SEAL of CROWN LIMITED ACN 006 973 262 the fixing of which was witnessed by:



[Handwritten signature]

Signature of director

[Handwritten signature]

Signature of director/secretary

[Handwritten name]

Name of director

[Handwritten name]

Name of director/secretary

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION PURSUANT TO SECTION 93AA OF THE AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION ACT BY ITS DUTY AUTHORISED DELEGATE:

[Handwritten signature]

[Name]

*PHILIP R. KHOO
REGIONAL COMMISSIONER*

[Position]

This

11th day of *October*

1998