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ASX / MEDIA RELEASE
FOR IMMEDIATE RELEASE
18 OCTOBER 2007

PBL SCHEME BOOKLET / DEMERGER SCHEME BOOKLET

SYDNEY: Publishing and Broadcasting Limited (ASX: PBL) confirmed this morning that ASIC had registered the PBL Scheme Booklet and Demerger Scheme Booklet.

The PBL Scheme Booklet and the Demerger Scheme Booklet, along with a complete copy of the Independent Expert's Report, are attached to this announcement, and are also available on the PBL website at www.pbl.com.au.

A summary copy of the Independent Expert's Report is included in the PBL Scheme Booklet at Section 16.

This means that the process is on track for the PBL Scheme Meeting and the PBL Annual General Meeting to both be held on Friday 23 November 2007 at Crown Towers Hotel in Melbourne. These meetings will seek approval for the PBL Scheme and a number of special business resolutions required to establish the two new listed entities, Crown Limited and Consolidated Media Holdings Limited. Further details of the meetings and the approvals required are set out in Section 7 of the PBL Scheme Booklet.

Key benefits of the Recommended Proposal (which requires both the PBL Scheme and the Demerger Scheme to be approved)

The key benefits for PBL shareholders under the Recommended Proposal are:

Greater investment choice
The Recommended Proposal will allow shareholders greater investment choice when determining their preferred exposure to the PBL Group. Under the standard consideration, shareholders will receive one share in each of Crown and CMH together with $3.00 in cash which for tax purposes will not be a dividend but rather treated as proceeds on the disposal (or part disposal) of their PBL shares. Shareholders should refer to Section 13 of the PBL Scheme Booklet for further details. The election process in the PBL Scheme enables shareholders to increase or decrease their existing exposure to PBL, whilst the implementation of the Recommended Proposal will enable shareholders to rebalance their holdings of Crown and CMH consistent with their own investment objectives.

Two strong underlying business profiles
Crown will own a diversified portfolio of gaming businesses including the wholly owned Crown and Burswood Casinos, and a range of gaming investments in Macau, UK, the USA, and Canada (if the Gateway bid is successful). Its experienced management team, led by Rowen Craigie, will have significant financial strength and flexibility to drive Crown's continued investment in gaming worldwide.

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CMH will hold investments in a diversified portfolio of media businesses with a unique exposure to subscription television and new media, and exposure to traditional media through PBL Media.

Improved growth opportunities
Crown and CMH will be able to pursue targeted growth opportunities. The companies will not compete for capital, but will have scrip currency and an industry aligned cost of capital to enable each to determine the optimal method, consistent with their own balance sheet, to fund acquisitions.

Dividend policy
The Crown Directors' intended dividend policy is to distribute 100% of continuing normalised net profit after tax, franked to the greatest extent possible

The CMH Directors' intended dividend policy is to distribute cash from operating activities, after financing costs, franked to the greatest extent possible, subject to retaining appropriate cash reserves for short term liabilities and investment opportunities.

Cash generative investments in CMH
The FOXTEL Board has decided to refinance its debt to maintain a debt-to-EBITDA ratio of approximately three times and distribute its free cash flow, including amounts raised from refinancing debt, to shareholders. As a result, PBL received a $50 million distribution from FOXTEL in October 2007. PMG (Fox Sports) has historically distributed its free cash flow to shareholders and anticipates doing so in the future. As a result, PBL received a $10 million distribution from PMG in October 2007.

Reduced head office costs
The combined head office costs of Crown and CMH will result in savings of more than 40%, or approximately $30 million a year, from current levels.

Taxation
Section 13 of the PBL Scheme Booklet includes a tax letter from Ernst & Young and includes worked examples and details on the tax treatment of the PBL Scheme and the Demerger Scheme.

For further information, please contact the PBL Infoline on **1300 138 983** (within Australia) or on +61 3 9415 4262 (international) between 9:00am and 5:00pm (Sydney time), Monday to Friday, from Tuesday 23 October 2007.

ENDS

COPIES OF RELEASES

Copies of previous media and ASX announcements issued by PBL are available at PBL's website at www.pbl.com.au.

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PBL Scheme Booklet

Publishing and Broadcasting Limited
ABN 52 009 071 167

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

CROWN

CONSOLIDATED MEDIA HOLDINGS

THE PBL DIRECTORS RECOMMEND THAT YOU VOTE **FOR** THE RESOLUTION TO APPROVE THE PBL SCHEME.

The PBL Scheme is to be effected by a scheme of arrangement between Publishing and Broadcasting Limited and its shareholders.

Contact

If you have any questions in relation to this Booklet, the PBL Scheme or the Recommended Proposal please contact the PBL Infoline.

For Australian callers:

1300 138 983

For international callers:

+61 3 9415 4262

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Contents

Section

01	Key dates	03
02	Important information	04
03	Key questions and answers	09
04	Overview	15
05	Consideration	21
06	Directors' recommendation	26
07	Mechanics and approvals	31
08	Gaming Businesses	43
09	Media Businesses	59
10	Crown if the Recommended Proposal is implemented	73
11	CMH if the Recommended Proposal is implemented	91
12	Crown (post PBL Scheme only)	103
13	Tax Letter	113
14	Additional information	127
15	Independent Accountant's Report	151
16	Summary of Independent Expert's Report	156
17	Glossary	171
18	Notices of meeting	179
19	Corporate directory	185
20	Documents	187
21	Appendices	201

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Executive Chairman's letter



17 October 2007

Dear shareholder

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

With your support, two strong, independently listed, focussed companies will be formed to drive growth and shareholder value.

If the proposal is approved and implemented:

- Crown will own a diversified portfolio of gaming businesses, including Crown Melbourne and Burswood casinos, a 41.4% stake in Melco PBL Entertainment (Macau) Limited, a 50% interest in the Aspinalls business in the United Kingdom, a 19.6% interest in Fontainebleau Equity Holdings LLC in the United States, and investments in other international gaming businesses. Its experienced management team, led by Rowen Craigie, will have significant financial flexibility to drive Crown's continued investment in gaming worldwide; and
- CMH will hold investments in a diversified portfolio of media businesses including FOXTEL (25%), Premier Media Group (50%), SEEK (27%) and PBL Media (25%). CMH's experienced media executives will pursue complementary investments, especially in new media, to expand its portfolio.

Two separately listed companies will, in your directors' opinion, allow shareholders greater investment choice and provide the most efficient structure for both companies to grow.

The proposal will be implemented by two schemes of arrangement.

First, under the PBL scheme of arrangement (**PBL Scheme**), Crown will acquire all PBL shares for, as standard consideration, one share in Crown and $3.00 cash for each PBL share. The cash component will come from new bank facilities. As a result of the PBL Scheme, Crown will become the new head ASX-listed holding company for our gaming and media businesses. You will have the option to elect more or less of your consideration as cash. You are being asked to vote on the PBL Scheme at a scheme meeting to be held at 10:00am on Friday 23 November 2007. This meeting has been convened by the Federal Court of Australia.

The second scheme of arrangement (**Demerger Scheme**) will result in Crown demerging CMH. For each share that you are issued in Crown under the PBL Scheme you will receive one share in CMH under the Demerger Scheme. PBL Shareholders will not vote on the Demerger Scheme; rather, the Crown Initial Shareholders, being the existing eight shareholders of Crown who subscribed for Crown shares on the recent incorporation of Crown, will vote on the Demerger Scheme. They have agreed that they will approve the Demerger Scheme if the PBL shareholders require them to do so by voting to approve the Demerger Scheme Advisory Resolution at the PBL Annual General Meeting. This meeting will be held immediately after the PBL Scheme Meeting.

Unless you make an election to have more or less of your consideration as cash, you will receive $3.00 cash and one Crown Share for each of your PBL Scheme Shares, and under the Demerger Scheme (if it is approved) you will receive one CMH Share for every Crown Share that is issued to you under the PBL Scheme.

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After considering the advantages, disadvantages and risks associated with the proposal, the PBL Directors believe it is in the best interests of PBL and its shareholders that both the PBL Scheme and the Demerger Scheme (together with other incidental steps referred to as the Recommended Proposal) are approved and implemented.

We unanimously recommend you vote in favour of the resolution to approve the PBL Scheme and also in favour of the Resolutions.

The proposal has been reviewed by the Independent Expert, KPMG Corporate Finance. Its report concludes that both the PBL Scheme and the Recommended Proposal are in the best interests of PBL shareholders. The report of the Independent Expert is summarised in Section 16.

It is possible that only the PBL Scheme will be approved by PBL shareholders. In this event, the demerger of CMH from Crown will not take place. The PBL Directors and the Independent Expert consider that this outcome is also in the PBL shareholders' best interests for the reasons explained in Sections 6.1 and 6.4 respectively. Notwithstanding, the complete demerger of CMH from Crown will enable each company to operate independently and is, in our view, the optimal outcome.

This Booklet sets out details of the PBL Scheme and the Recommended Proposal as a whole and the steps associated with their implementation. I encourage you to read this Booklet carefully. It contains important information to help you make an informed decision about how to vote on the resolutions to implement the PBL Scheme and the Recommended Proposal.

PBL shareholders are asked to vote on these resolutions – in person, by proxy, by attorney or, in the case of a corporation, by corporate representative – at meetings to be held on Friday 23 November 2007.

If you have any questions in relation to this Booklet, the PBL Scheme or the Recommended Proposal, please contact the PBL Infoline on 1300 138 983 (within Australia) or +61 3 9415 4262 (international).

On behalf of your directors, I look forward to your support of the PBL Scheme and your continuing involvement with Crown and CMH.



James Packer
Executive Chairman

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01. Key dates

Event	Date
Key Scheme dates	
PBL Scheme Meeting and PBL Annual General Meeting	Friday 23 November 2007
Demerger Scheme Meeting and Crown General Meeting	Friday 23 November 2007
Court approval of Schemes – PBL Scheme Second Court Date	Wednesday 28 November 2007
PBL Scheme Effective Date and last date PBL Shares trade cum-PBL Scheme Entitlement[1]	Friday 30 November 2007
Deferred settlement trading of Crown Shares (ex-entitlement[2]) and CMH Shares[3]	Monday 3 December 2007
PBL Scheme Record Date	Friday 7 December 2007
Demerger Scheme Record Date	Monday 10 December 2007
Dispatch of confirmation of allotment statements and cash consideration	Friday 14 December 2007
Commencement of normal trading in Crown and CMH Shares	Monday 17 December 2007
Key election and consideration dates	
Last date for receipt by PBL of consideration election forms (by 5:00pm)	Friday 30 November 2007
VWAP period for PBL Scheme Share Value	Monday–Friday 26–30 November 2007
Dispatch of confirmation of allotment statements and cash consideration	Friday 14 December 2007
Shareholder actions	
Proxy form due date (by 10:00am)	Wednesday 21 November 2007
Last date for receipt by PBL of consideration election forms (by 5:00pm)	Friday 30 November 2007

The dates and times in this Indicative Timetable may change depending on a number of factors, some of which are outside the control of PBL (e.g. the timing of Court approval of the Schemes). In addition, PBL has the right to vary any or all of the times and dates in the timetable without notifying PBL Shareholders.

Notes:

1 "Cum-PBL Scheme Entitlement" means in this context trading with an entitlement to participate in the PBL Scheme

2 The Crown Shares will trade ex-entitlement to participate in the Demerger Scheme if the Demerger Scheme is approved

3 Deferred settlement trading of the CMH Shares will commence only if the Demerger Scheme is approved

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Section 02
Important information

02

02

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02. Important information

2.1 General
PBL Shareholders should become familiar with the contents of this Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the PBL Meetings.

2.2 Date of Booklet
This Booklet is dated 17 October 2007.

2.3 Purpose of Booklet
This Booklet contains information about the PBL Scheme and the Recommended Proposal as a whole and the resolutions to be considered at the PBL Meetings that have been convened to be held on Friday 23 November 2007 commencing at 10:00am at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria.

The purpose of this Booklet is to explain the terms of the PBL Scheme and the manner in which the PBL Scheme will be considered and implemented (if approved). This Booklet provides all information that is prescribed or otherwise material to the decision of PBL Shareholders when considering whether or not to approve the resolutions at the PBL Meetings. This Booklet includes the Explanatory Statement required by Part 5.1 of the Corporations Act in relation to the PBL Scheme.

Throughout this Booklet, there are references to **PBL** and **CMH**. The references to CMH are references to PBL after the Name Change Resolution is passed at the PBL Annual General Meeting.

Throughout this Booklet, references to Crown are references to Crown Limited both assuming the Recommended Proposal is approved and implemented and also, as the context requires or makes clear, Crown on the basis that only the PBL Scheme, and not the Demerger Scheme, is approved and implemented, in which case Crown is also referred to as 'Crown (post PBL Scheme only)'.

This Booklet is not a disclosure document lodged under Chapter 6D of the Corporations Act.

2.4 ASIC
A copy of this Booklet has been registered by ASIC for the purposes of section 412(6) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Booklet.

2.5 ASX
Within five Business Days of the date of this Booklet, Crown will apply for admission to the official list of ASX and for official quotation of all Crown Shares, conditional on the PBL Scheme proceeding.

A copy of this Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Booklet. The fact that ASX may admit Crown to the official list of ASX should not be taken in any way as an indication of the merits of an investment in Crown.

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2.6 Other written information

This Booklet:

- includes in Section 16 a detailed summary of the Independent Expert's Report that has been prepared by the Independent Expert;
- refers to the Demerger Scheme Booklet;
- refers to and provides a summary in Section 14.12 of the Implementation Deed and the Demerger Deed, both dated 12 October 2007 between PBL and Crown; and
- refers to and provides a summary in Section 14.12 of the Crown Deed Poll, a copy of which is annexed in Section 20.2.

A complete copy of the Independent Expert's Report will be made available on the PBL website (www.pbl.com.au) and on the ASX website (www.asx.com.au) as an announcement by PBL.

Further, any PBL Shareholder who requests a copy of the complete Independent Expert's Report or Demerger Scheme Booklet will be sent a copy free of charge. Requests can be made to the PBL Infoline, details of which are on the inside cover of this Booklet, at any time before the PBL Scheme Effective Date.

2.7 PBL Shareholders resident outside Australia

This Booklet does not constitute an offer to issue or sell or the solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. Specifically this Booklet does not constitute an offer or invitation for the subscription, sale or purchase of securities in any jurisdiction other than Australia, its external territories or New Zealand and shall not form the basis of any such contract.

Without limitation, this Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the US Securities Act of 1933, as amended (**Securities Act**). The securities referred to in this Booklet have not been and will not be registered under the Securities Act or under the securities laws of any jurisdiction of the United States, and therefore may not be offered or sold in the United States of America without registration or an applicable exemption from the registration requirements of the Securities Act.

Ineligible Overseas Shareholders may not be able to receive Crown Shares under the PBL Scheme. PBL Shareholders with registered addresses outside of Australia and its external territories or New Zealand should refer to Section 5.5.

PBL Shareholders who are resident for tax purposes outside Australia (including those who hold, or will hold, their PBL Shares (or Crown Shares acquired under the PBL Scheme) through a permanent establishment in Australia), should seek specific taxation advice in relation to the Australian and overseas tax consequences of the PBL Scheme.

2.8 Seek independent advice

This is an important document and should be read in its entirety. This document does not take into account the investment objectives, financial situation and particular needs of any PBL Shareholder or any other person. This Booklet does not constitute financial product advice and should not be relied upon as the sole basis for any investment decision in relation to the PBL Scheme, PBL Shares or Crown Shares. Before making any investment decision in relation to the PBL Scheme, PBL Shares or Crown Shares you should consider, with or without the assistance of an investment adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt as to how to deal with this document, please consult your investment or other professional adviser immediately.

2.9 Pro forma financial information and forward looking statements disclaimers

This Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Booklet reflect the current expectations of PBL or Crown (as relevant) concerning future results and events and generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'is confident', 'estimate', 'potential', or other similar words or phrases. Similarly, statements that describe the objectives, plans, goals or expectations of PBL or Crown are or may be forward looking statements.

The Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information and the statements contained in this Booklet about the impact that the Recommended Proposal and the PBL Scheme may have on the results of Crown's and CMH's operations and the advantages or disadvantages and risks expected to result from the Recommended Proposal and the PBL Scheme are also forward looking statements.

The operations and financial performance of Crown and CMH are subject to various risks that are summarised in this Booklet and which may be beyond the control of Crown or CMH and their respective Directors. As a result, the actual results of operations and earnings following the PBL Scheme Implementation Date and the Demerger Implementation Date, as well as the actual advantages or disadvantages and risks of the Recommended Proposal or the PBL Scheme, may differ significantly from those that are expected in respect of timing, amount or nature and may never be achieved.

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These forward looking statements, including the Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information, involve known and unknown risks, uncertainties and other factors that may cause Crown and CMH's actual results, performance or achievements following the PBL Scheme Implementation Date and the Demerger Implementation Date to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward looking statements. You should review carefully all of the information in this Booklet.

The risk factors described in Sections 6.5, 10.7, 11.7 and 12.6 could affect future results of Crown or CMH following the PBL Scheme Implementation Date and the Demerger Implementation Date, causing these results to differ materially from those expressed, implied or projected in any forward looking statements including the Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any forward looking statement. Other unknown or unpredictable factors also could have material adverse effects on future results of Crown and CMH following the PBL Scheme Implementation Date and the Demerger Scheme Implementation Date. The forward looking statements included in this Booklet are made only as of the date of this Booklet. PBL, Crown and CMH cannot assure you that projected or implied results or events will be achieved.

All subsequent written and oral forward looking statements attributable to PBL, Crown or CMH or any person acting on their behalf are qualified by this cautionary statement.

2.10 Defined terms

Capitalised terms and certain abbreviations used in this Booklet are defined in the Glossary in Section 17 or within certain Sections of this Booklet. Capitalised terms used in the PBL Scheme are defined in the PBL Scheme. Capitalised terms used in the Independent Accountant's Report are defined in the Independent Accountant's Report. Capitalised terms used in the summary of the Independent Expert's Report are defined in that summary or in the Independent Expert's Report.

2.11 Responsibility for information

In this Booklet:

(a) Ernst & Young

(i) has prepared the Independent Accountant's Report contained in Section 15, in relation to the Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information, and takes responsibility for that report; and

(ii) has prepared the taxation report contained in Section 13 and takes responsibility for that report; and

(b) KPMG Corporate Finance (Aust) Pty Ltd has prepared the Independent Expert's Report in relation to the PBL Scheme and the Recommended Proposal, a summary of which is contained in Section 16, and takes responsibility for that report and that summary.

PBL and Crown have agreed in the Demerger Deed that any liability incurred by either of them in relation to this Booklet, or the Demerger Scheme Booklet, is to be apportioned in the manner that is referred to in the summary of the Demerger Deed that is included in Section 14.12(b).

2.12 Rounding

Any discrepancies between totals in tables and sums of components in tables contained in this Booklet and between those figures and figures referred to in other parts of this Booklet are due to rounding.

2.13 Privacy

PBL, Crown and CMH and their respective share registries may collect personal information in the process of implementing the PBL Scheme and the Recommended Proposal. Such collection may be consented to by PBL Shareholders under the PBL Scheme, required or authorised under the Corporations Act or may otherwise be required for the purposes of conducting the PBL Meetings and implementing the PBL Scheme and the Recommended Proposal. The personal information may include the names, addresses, other contact details and details of the shareholdings of shareholders, and the names of individuals appointed by shareholders as proxies, corporate representatives or attorneys at the PBL Meetings.

Shareholders who are individuals and other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected about them. Such individuals should contact the PBL Infoline on 1300 138 983 (within Australia) or +61 3 9415 4262 (international) in the first instance if they wish to request access to that personal information.

Personal information may be disclosed to the share registries of PBL, Crown and CMH, to securities brokers and to print and mail service providers. Personal information about Ineligible Overseas Shareholders may also be disclosed to the Nominee for the purposes of the PBL Scheme and the Demerger Scheme.

The main consequence of not collecting the personal information outlined above would be that PBL, Crown and CMH may be hindered in, or prevented from, conducting the PBL Meetings and implementing the PBL Scheme and the Recommended Proposal.

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PBL Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the PBL Meetings should inform that individual of the matters outlined above.

Under the PBL Scheme, PBL Scheme Participants consent to the disclosure to Crown and the disclosure from Crown to CMH of all binding instructions or notifications between a PBL Scheme Participant and PBL relating to PBL Scheme Shares or a PBL Scheme Participant's status as a PBL Shareholder (including, without limitation any instructions relating to communications from PBL, whether dividends are to be paid by cheque or into a specified bank account, and direct credit instructions and bank account details) unless they provide a written notification to PBL that they do not consent to such disclosures. From the PBL Scheme Record Date and the Demerger Scheme Record Date such instructions or notifications will, to the extent permitted by law, be deemed, by reason of the PBL Scheme, to be similarly binding instructions or notifications to, and accepted by, Crown in respect of Crown Shares to be issued to PBL Scheme Participants and by CMH in respect of CMH Shares that are to be transferred to Demerger Scheme Participants until those instructions or notifications are, in each case, revoked or amended in writing addressed to Crown (at its registered address from time to time) or the Crown Share Registry or CMH (at its registered address from time to time) or the CMH Share Registry.

Under the PBL Scheme, PBL Scheme Participants' tax file numbers will be disclosed to Crown and by Crown to CMH and their respective share registries on behalf of PBL Scheme Participants in respect of the PBL Scheme Participants' tax affairs. A PBL Scheme Participant may indicate on the blue proxy form for the PBL Scheme Meeting attached to this Booklet (or otherwise in writing) if they do not consent to the disclosure of their tax file number to Crown and CMH (and their respective share registries).

2.14 Supplementary information

Refer to Section 14.24 for information about the steps PBL will take if information about the PBL Scheme or the Recommended Proposal needs to be updated.

2.15 Times and dates

Unless otherwise stated, all times referred to in this Booklet are times in Sydney, Australia. Dates are indicative only. PBL reserves the right to vary any or all of the times and dates set out without notifying PBL Shareholders of these changes. All dates following the date of the PBL Meetings are subject to ASIC and Court approval.

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Section 03
Key questions and answers

03

03

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03. Key questions and answers

3.1 What is the Recommended Proposal?
The Recommended Proposal is an initiative by the PBL Directors to separate the Media Businesses and the Gaming Businesses into two separately listed companies. The Recommended Proposal consists of:

- the PBL Scheme; and
- the Demerger Scheme (in accordance with which the Demerger will occur) and Reorganisation. Although the Demerger Scheme will not be implemented unless the PBL Scheme is approved, the PBL Scheme is not conditional or dependent on the Demerger Scheme being approved. PBL Shareholders have an opportunity to direct the Crown Shareholders whether to approve the Demerger Scheme. See Section 7.6 for further details.

3.2 What is the PBL Scheme?
Under the PBL Scheme, PBL Scheme Participants will transfer their PBL Scheme Shares to Crown for the PBL Scheme Consideration. The PBL Scheme Consideration is described in Section 5.

3.3 How do the PBL Directors recommend I vote on the PBL Scheme?
Each PBL Director recommends that you vote in favour of the PBL Scheme Resolution to approve the PBL Scheme. The reasons for that recommendation are contained in Section 6.

3.4 What vote is required by PBL Shareholders?
Two meetings of PBL Shareholders have been convened on the same day.

The first meeting, the PBL Scheme Meeting, has been convened by order of the Federal Court of Australia to be held at 10:00am on Friday 23 November 2007 at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria. A resolution to approve the PBL Scheme will be considered by PBL Shareholders at this meeting.

The second meeting, which the PBL Directors have convened, is the PBL Annual General Meeting. This meeting will follow the PBL Scheme Meeting on the same date and at the same location, and five items of special business related to the Recommended Proposal will be considered at this meeting.

PBL Shareholders are entitled to vote at each of the PBL Meetings and instructions on how to vote are set out below. More details are included in the notices of the PBL Meetings included in Section 18.

If you are registered on the PBL Share Register at 10:00am on Wednesday 21 November 2007, you may vote at the PBL Scheme Meeting and the PBL Annual General Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representatives.

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How do I vote in person?

If you are entitled to vote at the PBL Meetings and wish to do so in person, you can attend the PBL Meetings.

If you are attending as attorney or corporate representative, you should also bring along to the PBL Meetings the original or a certified copy of the power of attorney or your appointment as corporate representative, as the case may be, unless you have previously provided the power of attorney or appointment (as the case may be) to PBL or to the PBL Share Registry.

How do I vote by proxy?

Two proxy forms are included with this Booklet. The blue proxy form is for the PBL Scheme Meeting and the green proxy form is for the PBL Annual General Meeting.

If you are unable to attend the PBL Meetings in person, you are encouraged to appoint a proxy, complete the proxy forms in accordance with the instructions on those forms and return the proxy forms to PBL as follows:

- to the PBL Share Registry (using the envelope included with this Booklet) at Computershare Investor Services Pty Limited, Reply Paid 2115, Melbourne VIC 8060;
- hand delivered to the PBL Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067;
- fax to the PBL Share Registry on +61 3 9473 2555; or
- mail to PBL's registered office at Level 2, 54 Park Street, Sydney NSW 2000 (attention PBL Company Secretary),

so that the proxy forms are received by no later than 10:00am on Wednesday 21 November 2007.

Alternatively, you may record your proxy voting instructions by this time and date on the internet at www.computershare.com/au/proxy/PBL unless you wish to vote part of your holding or split your vote, in which case you will need to lodge the paper proxy forms in the manner described above.

If an attorney signs the proxy forms on your behalf, the authority under which the proxy forms were signed (or a certified copy) must be received by the PBL Share Registry at the same time as the proxy forms (unless you have already provided the authority, or a certified copy to PBL). If you complete and return proxy forms, you may still attend the PBL Meetings in person, revoke the proxy and vote at the meetings.

What voting majority is required?

For the PBL Scheme to be approved, votes in favour of the PBL Scheme Resolution must be cast at the PBL Scheme Meeting by:

- a majority in number (more than 50%) of PBL Shareholders present and voting at that meeting (in person, by proxy, by attorney or, in the case of a corporate shareholder, by corporate representative); and
- at least 75% of the total number of PBL Shares which are voted on the PBL Scheme Resolution.

Voting on the resolution to approve the PBL Scheme will be by poll.

The voting majority to approve the Demerger Scheme Advisory Resolution has been determined by the PBL Board to be the same majority as is required to approve the PBL Scheme, as set out above.

The voting majority to approve the election of directors, the Remuneration Report, the Reduction of Capital Resolution and the resolution to approve the issue under the ESP of 1,150,000 PBL Shares to Mr Rowen Craigie is (for each resolution) a simple majority (at least 50% of the votes cast must be in favour of the resolution).

The voting majority to approve the Financial Assistance Resolution and the Name Change Resolution is, in each case, a special majority (at least 75% of the votes cast must be in favour of the resolution).

3.5 What if I do not vote?

If you do not vote or vote against the PBL Scheme or the Demerger Scheme Advisory Resolution but those resolutions are approved by the requisite majorities of PBL Shareholders then, subject to the conditions of the PBL Scheme and the Demerger Scheme being satisfied or waived (as relevant) and the Court approving those Schemes, the Recommended Proposal (or, as applicable, the PBL Scheme alone) will be implemented and will be binding on all PBL Shareholders.

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3.6 What is the Demerger Scheme?

The Demerger Scheme is a scheme of arrangement between Crown and the Crown Shareholders. Under the Demerger Scheme, which is conditional on the PBL Scheme being approved, Crown will demerge PBL (which will then be named CMH assuming the Name Change Resolution is passed by PBL Shareholders) by transferring all the CMH Shares to the Demerger Scheme Participants (who will be the PBL Shareholders to whom Crown Shares are issued under the PBL Scheme). See Section 7.7 for further information on the Demerger Scheme.

3.7 What is the Demerger Scheme Advisory Resolution?

The Demerger Scheme Advisory Resolution is the fifth resolution that will be considered by PBL Shareholders at the PBL Annual General Meeting. It is a very important resolution because the Crown Initial Shareholders, who will vote to approve the Demerger Scheme (and associated resolutions), have entered into a binding agreement (the Crown Initial Shareholders' Deed Poll) under which they have agreed that they will vote to approve the Demerger Scheme provided the PBL Shareholders vote to approve the Demerger Scheme Advisory Resolution.

If the PBL Shareholders do not approve the Demerger Scheme Advisory Resolution, then the Crown Initial Shareholders will not vote in favour of the resolution to approve the Demerger Scheme, with the result that the Demerger Scheme will not be approved. For further information on the Demerger Scheme Advisory Resolution see Section 7.6.

3.8 Who is entitled to vote to approve the Demerger Scheme?

The Demerger Scheme will be voted on by the Crown Initial Shareholders, not by PBL Shareholders.

However, the Crown Initial Shareholders, who will vote on the resolution to approve the Demerger Scheme have entered into a binding agreement (the Crown Initial Shareholders' Deed Poll) to vote in favour of that resolution in accordance with the vote of the PBL Shareholders on the Demerger Scheme Advisory Resolution. See Section 7.6 for further details.

3.9 Why are the PBL Shareholders not entitled to vote on the Demerger Scheme?

PBL Shareholders cannot vote to approve the Demerger Scheme because at the time of the Demerger Scheme Meeting they will not be holders of Crown Shares. However, PBL Shareholders should note that the Demerger Scheme cannot be approved or implemented unless the PBL Shareholders approve the Demerger Scheme Advisory Resolution. Further, the Demerger Scheme is conditional on the PBL Scheme being approved.

3.10 What is the Independent Expert's opinion?

A summary of the Independent Expert's Report which has been prepared by the Independent Expert is contained in Section 16.

The Independent Expert has concluded that the PBL Scheme is, and also that the Recommended Proposal, which is referred to as the "Proposed Restructure" (and which includes the Demerger) in the Independent Expert's Report is, in the best interests of PBL Shareholders.

A complete copy of the Independent Expert's Report is available on the PBL website (www.pbl.com.au) and on the ASX website (www.asx.com.au) as an announcement by PBL. A copy will be sent (free of charge) to any PBL Shareholder who requests a copy from the PBL Infoline before the PBL Scheme Effective Date.

3.11 Is the PBL Scheme subject to any conditions?

The PBL Scheme is subject to a number of conditions precedent. These conditions precedent are referred to in some detail in Section 7.5.

Importantly, the PBL Scheme is subject to the approval of PBL Shareholders and the Court, the PBL Shareholders approving the Financial Assistance Resolution, and to Crown being admitted to the ASX, but the PBL Scheme is not subject to the Demerger Scheme being approved.

3.12 Is the Demerger Scheme subject to any conditions?

The Demerger Scheme is subject to the PBL Scheme being approved. It is also subject to the conditions that are referred to in Section 7.7.4(c), including that the PBL Shareholders approve the Reduction of Capital Resolution.

If the PBL Scheme is not approved by the PBL Shareholders and the Court, or if the PBL Shareholders do not approve the Demerger Scheme Advisory Resolution then the Demerger Scheme will not proceed.

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3.13 What is the outcome if the Recommended Proposal is approved?
If the PBL Scheme is approved, PBL Scheme Participants will receive the PBL Scheme Consideration. PBL Scheme Participants are entitled to elect what PBL Scheme Consideration they will receive. See Section 5 for further details.

Under the PBL Scheme, PBL Scheme Participants agree to become members of Crown.

If the PBL Shareholders also approve the Demerger Scheme Advisory Resolution by the requisite majority, then the Crown Initial Shareholders will approve the Demerger Scheme. It is also a condition precedent to the Demerger Scheme (and its implementation) that the PBL Shareholders approve the Reduction of Capital Resolution.

If the Demerger Scheme is approved and implemented, a PBL Scheme Participant will receive one CMH Share for every one Crown Share issued to the participant under the PBL Scheme.

Under the Demerger Scheme, each Demerger Scheme Participant agrees to become a member of CMH. Under the PBL Scheme, PBL Scheme Participants acknowledge that, if the Demerger Scheme is approved, they also agree to become members of CMH, as they will be the Demerger Scheme Participants.

3.14 When will the Crown Shares and CMH Shares begin trading on ASX?
The ASX has agreed, subject to conditions that are expected to be satisfied, that the Crown Shares and (provided the Demerger Scheme is approved) the CMH Shares will commence trading on a deferred settlement basis (and in the case of the Crown Shares without any entitlement to participate in the Demerger Scheme) from the Business Day after the PBL Scheme Effective Date which, based on the Indicative Timetable at the front of this Booklet is anticipated to be Monday 3 December 2007. For further details, see Section 5.8.

3.15 What is the PBL Scheme Consideration?
PBL Shareholders will be able to elect one of the following three consideration options:

- PBL Scheme Standard Consideration – a PBL Shareholder will receive one Crown Share and $3.00 in cash for each PBL Scheme Share;
- PBL Scheme Maximum Cash Consideration – a PBL Shareholder may elect to receive more cash and fewer Crown Shares for each PBL Scheme Share compared to the PBL Scheme Standard Consideration; or
- PBL Scheme Maximum Share Consideration – a PBL Shareholder may elect to receive more Crown Shares and less cash for each PBL Scheme Share compared to the PBL Scheme Standard Consideration.

PBL Shareholders who make no Election will receive the PBL Scheme Standard Consideration.

The exact amount of cash and the number of Crown Shares you will receive if you make an Election to receive either the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration is not known yet because it can only be calculated after all Elections are received. It is possible that PBL Shareholders who elect the PBL Scheme Maximum Cash Consideration or PBL Scheme Maximum Share Consideration may only receive cash or Crown Shares respectively for their PBL Scheme Shares. For further details, see Section 5 and Appendix 21.2.

Ineligible Overseas Shareholders may make an Election but the consideration to be provided to an Ineligible Overseas Shareholder is cash and not Crown Shares as explained in Section 5.5.

Further details, including how fractional entitlements are to be dealt with, are explained in Section 5 and in particular Section 5.3.

3.16 How and by when must I make an Election?
Elections must be made on or before 5:00pm on the Election Date which, based on the Indicative Timetable at the front of this Booklet, is anticipated to be Friday 30 November 2007. Any Elections received after the Election Date will not be valid. Any PBL Shareholder who does not make a valid Election will be deemed for all purposes to have elected to receive the PBL Scheme Standard Consideration.

Section 5.2 tells you how to make an Election.

3.17 What if I only want Crown Shares but not CMH Shares or vice versa?
If both the PBL Scheme and the Demerger Scheme are approved, a PBL Scheme Participant will receive the same number of CMH Shares (by way of transfer under the Demerger Scheme) as the number of Crown Shares issued to that participant under the PBL Scheme and any Election made by that participant. Therefore, you will need to sell any Crown Shares or CMH Shares that you do not want to continue to hold after the Schemes have been implemented.

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3.18 What consideration will CPH receive?
CPH has stated that it will elect to receive the PBL Scheme Standard Consideration.

3.19 What shareholding does CPH have in PBL?
CPH holds approximately 38% of PBL at the date of this Booklet. CPH is entitled to increase its shareholding in PBL by 3% every six months.

CPH has advised PBL that, if the Recommended Proposal is implemented, it will be supportive of both Crown and CMH and has no present intention to dispose of its interest in either entity. CPH has further advised PBL that it reserves the right to acquire further PBL Shares, including within the 3% limit, including prior to the PBL Meetings.

3.20 What are the taxation implications of the PBL Scheme and the Recommended Proposal as a whole?
The PBL Directors have obtained general advice from Ernst & Young in relation to the capital gains tax implications of the Recommended Proposal, including the PBL Scheme, for Australian resident PBL Shareholders who hold their PBL Shares on capital account. A copy of Ernst & Young's general advice is set out in Section 13. PBL also provides information about certain taxation implications of the Demerger Scheme in Section 14.27.

As taxation consequences vary depending on the individual circumstances of each PBL Shareholder, the PBL Directors recommend that each PBL Shareholder obtains professional or taxation advice in relation to the taxation consequences of the Recommended Proposal (including the PBL Scheme) for the shareholder.

3.21 Is there a number to call if I have any questions?
If you have any questions about the PBL Scheme or the Recommended Proposal as a whole, please call the PBL Infoline on 1300 138 983 (within Australia) or on +61 3 9415 4262 (international) between 9:00am and 5:00pm (Sydney time), Monday to Friday.

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Section 04
Overview

04

04. Overview

4.1 The Recommended Proposal

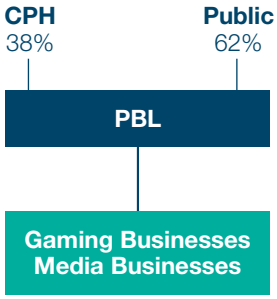
The Recommended Proposal is an initiative recommended by the PBL Directors to separate the Media Businesses and the Gaming Businesses into two separately listed public companies.

The Recommended Proposal consists of:

- the PBL Scheme; and
- the Reorganisation and the Demerger which are implemented as a result of the Demerger Scheme.

4.2 PBL Scheme

A simplified corporate structure of PBL, its existing material businesses and shareholders (showing approximate shareholdings) is set out below:



Under the PBL Scheme:

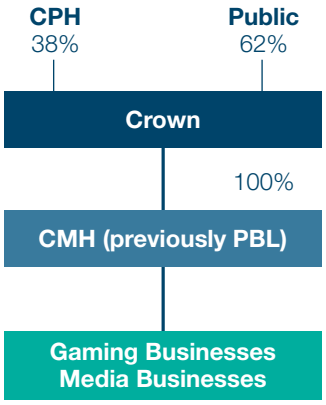
- Crown will acquire all PBL Scheme Shares;
- Crown will provide by way of consideration for the acquisition of all PBL Scheme Shares, the PBL Scheme Consideration, which is a number of Crown Shares that is equivalent to the aggregate number of PBL Scheme Shares and the Total Cash Consideration;
- the PBL Scheme Standard Consideration comprises one Crown Share and $3.00 in cash being offered for each PBL Scheme Share;
- PBL Shareholders may, however, elect not to receive the PBL Scheme Standard Consideration but may elect to receive more cash and fewer Crown Shares for their PBL Scheme Shares (the **PBL Scheme Maximum Cash Consideration**) or more Crown Shares and less cash for their PBL Scheme Shares (the **PBL Scheme Maximum Share Consideration**). This election mechanism is intended to provide PBL Shareholders with an opportunity to rebalance the mix of their portfolio between shares and cash. Section 5 and Appendix 21.2 provide further information about the Election process;
- CPH has stated that it will accept the PBL Scheme Standard Consideration for the PBL Scheme Shares that it holds;
- Ineligible Overseas Shareholders cannot be issued Crown Shares under the PBL Scheme. They may, however, make an Election. Ineligible Overseas Shareholders will receive only cash for their PBL Scheme Shares. The entitlement of Ineligible Overseas Shareholders under the PBL Scheme is explained in more detail in Section 5.5; and
- PBL Shareholders are not required to contribute any cash as a result of the implementation of the PBL Scheme.

Crown after PBL Scheme alone is implemented

After the PBL Scheme is implemented, Crown will wholly own PBL (which, subject to the passing of the Name Change Resolution, will be called CMH) and the assets of Crown will be:

- the Gaming Businesses. Section 8 provides information about the Gaming Businesses; and
- the Media Businesses. Section 9 provides information about the Media Businesses.

A simplified corporate structure (showing approximate shareholdings) **after** the PBL Scheme is implemented is as follows:



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If the PBL Scheme is approved but the Demerger Scheme is not approved, then Crown will be the new head ASX listed entity of the current PBL Group and PBL Scheme Participants will have exchanged their PBL Scheme Shares for the PBL Scheme Consideration. Section 12 provides information as it will apply to Crown in these circumstances, including information about:

- the composition of the Crown Board and Crown Board committees, including a summary of the charters of the Crown Board committees;
- the Crown executive management team; and
- the Crown (post PBL Scheme only) Pro Forma Financial Information, being pro forma financial information relevant if only the PBL Scheme is implemented, as set out in Section 12.5.

4.3 PBL Directors' recommendation of the PBL Scheme

The PBL Directors unanimously recommend that PBL Shareholders vote in favour of the PBL Scheme. This recommendation is not dependent on the Demerger Scheme being approved and the reasons for the PBL Directors' unanimous recommendation are fully explained in Section 6.

PBL Shareholders should also note that the Independent Expert has provided an opinion that the PBL Scheme is in the best interests of PBL Shareholders. This opinion is not dependent on the Demerger Scheme being implemented. In this regard, the Independent Expert states that the PBL Scheme is and also that the Recommended Proposal, which is referred to as the "Proposed Restructure" (and which includes the Demerger) in the Independent Expert's Report, is in the best interests of PBL Shareholders.

A summary of the Independent Expert's Report that has been prepared by the Independent Expert is set out in Section 16.

4.4 Reorganisation and Demerger Scheme

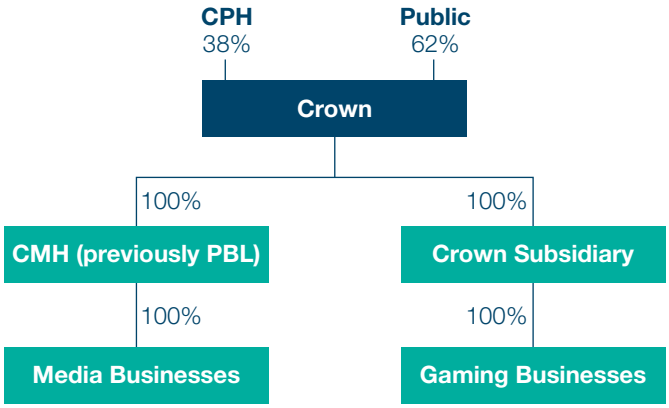
Another part of the Recommended Proposal is the demerger of CMH from Crown under the Demerger Scheme. PBL will be renamed CMH if the Name Change Resolution is passed.

The Demerger Scheme is a scheme of arrangement under section 411 of the Corporations Act between Crown and its shareholders. PBL Shareholders will not vote on the Demerger Scheme; rather, the Crown Initial Shareholders, being the existing eight shareholders of Crown, will vote on the Demerger Scheme. The Crown Initial Shareholders have agreed that they will exercise their vote on the resolution to approve the Demerger Scheme and the Capital Reduction Resolution in accordance with the outcome of the PBL Shareholders' vote on the Demerger Scheme Advisory Resolution (see Section 7.6 for further details). As a consequence, the PBL Shareholders will in substance determine whether the Demerger Scheme is to be approved.

Also, it is a condition of the Demerger Scheme that the PBL Scheme is approved. The other conditions of the Demerger Scheme are set out in Section 7.7.4(c).

If the Demerger Scheme is approved, but before the Demerger is implemented, there will be a reorganisation of Crown to ensure that the Media Businesses are owned by CMH and the Gaming Businesses are owned by a new sub-group of Crown, which will be separate from CMH. This reorganisation is referred to as the Reorganisation.

After the Reorganisation, the simplified corporate structure of Crown will be as follows:

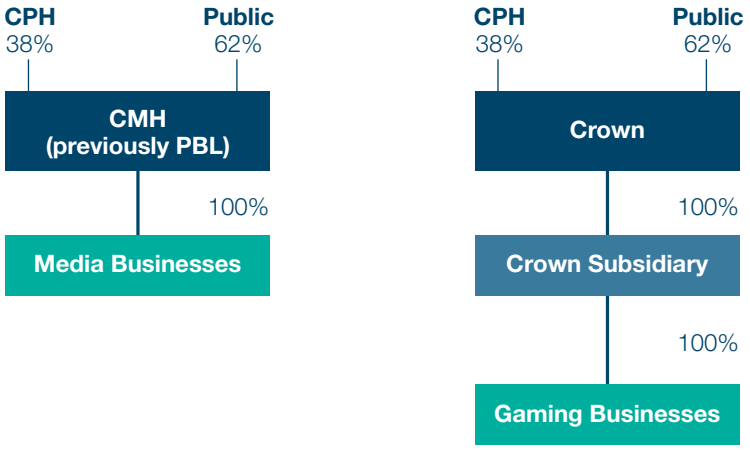


Following the Reorganisation being implemented, the Demerger will take place under the Demerger Scheme.

Under the Demerger Scheme, each PBL Scheme Participant to whom Crown Shares are issued under the PBL Scheme will receive a transfer of one CMH Share for every Crown Share issued to that PBL Scheme Participant under the PBL Scheme. The Nominee, to whom Crown Shares are issued under the PBL Scheme on behalf of the Ineligible Overseas Shareholders, will also receive, under the Demerger Scheme, one CMH Share for every Crown Share issued to the Nominee under the PBL Scheme. The holders of the Crown Initial Shares will not participate in the Demerger as these shares will be bought back by Crown and cancelled before the entitlements to participate in the Demerger Scheme are determined.

PBL Scheme Participants are not required to contribute any cash as a result of the implementation of the Demerger Scheme.

After the Demerger is implemented, the simplified corporate structure (showing approximate shareholdings) of CMH and Crown will be as follows:



As a result of implementing the Demerger, the Media Businesses (information about which is contained in Section 9) will be held by CMH, a listed public company and the Gaming Businesses (information about which is contained in Section 8) will be held by Crown, which will also be a listed public company.

Pro forma financial statements for Crown after the Demerger Scheme is implemented are set out in Section 10.6. Pro forma financial statements for CMH after the Demerger Scheme is implemented are set out in Section 11.6.

4.5 Separated entities at a glance if the Recommended Proposal is implemented

(a) Crown

Crown will be an international casino and gaming company, with businesses and investments in key international markets. The markets that Crown will be involved in include:

- Australia;
- Macau;
- United Kingdom;
- United States; and
- Canada.[1]

The Crown management team has experience in developing and operating casino resorts and entertainment complexes, catering to both high end and mass market clientele, as well as in providing other leisure services and facilities. Crown will have the financial flexibility to continue to pursue global gaming opportunities.

Crown's key businesses and investments are summarised below. Further detail on the Gaming Businesses can be found in Section 8.

Crown's Australian Gaming Businesses

	Interest	Description
CROWN Melbourne	100%	Melbourne's premier entertainment venue and one of the largest integrated entertainment facilities in the Southern Hemisphere comprising Crown Casino, Crown Towers Hotel and Crown Promenade Hotel
BURSWOOD	100%[2]	Perth's premier entertainment venue, comprising a casino and two hotels, the InterContinental Perth Burswood and the Holiday Inn Burswood

Notes:

1 Subject to the successful completion of the Gateway Offer. See Section 8.4.5 for further details

2 Full ownership of Burswood excludes an unrelated third party's 35% interest in the InterContinental Burswood Resort Hotel and the Holiday Inn Burswood

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Crown's investments

	Interest	Description
Melco PBL Entertainment	41.4%	Developer, owner and operator of Macau casino gaming and entertainment resort facilities, with one casino in operation, two projects under development and the Mocha Clubs chain of six outlets featuring approximately 1,000 gaming machines
ASPINALLS	50.0%	Premium gaming and casino business based in the United Kingdom, comprising three operating casinos. A further two new casinos are currently being developed in Northampton, England (in a joint venture with Kerzner UK Limited) and Bournemouth, England. The company is well positioned to participate in any opportunities arising from deregulation of the UK gaming industry
Fontainebleau	19.6%	Developer of a major new casino/resort property on the Las Vegas Strip and owner of the Fontainebleau Miami Beach
CROWN Las Vegas	37.5%	A planned new casino resort development on the Las Vegas Strip. It is intended that Crown will enter into a management agreement to operate the casino
GATEWAY·CASINOS	50.0%[1]	One of the largest casino operators in Western Canada, with nine casinos
betfair.com	50.0%	Australia and New Zealand online betting exchange

Discontinuing Businesses

	Interest	Description
HOYTS	50%	Hoyts is currently jointly owned by PBL and West Australian Newspapers Holdings Limited (**WAN**), with operations that comprise cinema exhibition, advertising and film distribution. PBL and WAN have agreed to sell Hoyts to funds advised by Pacific Equity Partners. Net proceeds to PBL are anticipated to be approximately $150 million (see Section 8.5.1 for more information)
	25.4%	New Regency is a Hollywood movie and television production company, which owns a substantial film and television library for syndication

Crown features

- diversified portfolio of gaming businesses and investments in key international markets;
- unique Australian presence through exclusive casino operations in Victoria and Western Australia;
- strong partnerships with gaming operators in Australia and globally;
- strong and growing earnings with a pipeline of international development opportunities;
- high cash flow generation and financial flexibility with approximately $2.67 billion cash;
- experienced management team, led by Rowen Craigie; and
- high quality Board.

Further detailed information concerning Crown if the Recommended Proposal is implemented can be found in Section 10.

(b) CMH

CMH will be one of Australia's leading diversified media companies, with a majority of its earnings being generated from new media investments. CMH will have exposure to a number of media sectors, including:

- subscription television;
- online classifieds and display;
- magazine publishing;
- free to air (**FTA**) TV broadcasting; and
- ticketing.

The CMH portfolio is well positioned for organic growth with significant exposure to subscription television and leading online brands. CMH's key investments are summarised below. Further detail on the Media Businesses can be found in Section 9.

Note:

1 Ownership of the Gateway Casinos Income Fund, Gateway Casinos Inc. and all of the outstanding shares of Star of Fortune Gaming Management (B.C.) Corp is subject to the Gateway Offer being successfully completed. See Section 8.4.5 for further details

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CMH's investments

	Interest	Description
FOXTEL	25.0%	Australian subscription television operator, operating primarily in metropolitan areas
PREMIER MEDIA GROUP	50.0%	Producer of subscription television channels including the FOX SPORTS channels, the HOW TO channel and FUEL TV
seek	27%	ASX listed SEEK Limited, which is the leader in the online employment market in Australia and New Zealand
pblMedia	25.0%	Diversified portfolio of media businesses and investments, predominantly in Australia and New Zealand, comprised of the following businesses:
		acp magazines — An international magazine publisher and distributor. PBL Media's interest – 100%
		9 — One of three commercial FTA TV networks in Australia, holding licences to operate commercial FTA TV stations in Sydney, Melbourne, Brisbane and Darwin. Also owns NBN Television. PBL Media's interest – 100%
		carsales.com.au — Australian automotive website allowing users to lease, buy or trade automobiles. PBL Media's interest – 50%
		ninemsn — Provider of news, information and communications services to online consumers. PBL Media's interest – 50%
		TICKETEK — Ticketing partner for the sports and entertainment industries in Australia and New Zealand. PBL Media's interest – 100%
		acer arena — Entertainment and event venue located at Sydney Olympic Park. PBL Media's interest – 100%
		SKY NEWS — Australia's first and only subscription television news channel. PBL Media's interest – 33%
		myhome.com.au — An online property site for buying, selling or renting throughout Australia. PBL Media's interest – 48.75%

CMH features

- diversified portfolio of media investments;
- exposure to high growth subscription television through FOXTEL and Premier Media Group;
- strong online investment portfolio, with a direct investment in SEEK and, through PBL Media, investments in ninemsn, myhome and carsales;
- portfolio positioned for earnings and cash-flow growth, through strong presence in new media;
- board representation within investments; and
- high quality Board.

Further detailed information concerning CMH if the Recommended Proposal is implemented can be found in Section 11.

4.6 PBL Directors' recommendation of the Recommended Proposal

As noted in Section 4.3, the PBL Directors unanimously recommend that PBL Shareholders vote in favour of the PBL Scheme.

The PBL Directors also unanimously recommend the Recommended Proposal to PBL Shareholders for the reasons that are fully explained in Sections 6 and 7.6 and therefore they unanimously recommend that PBL Shareholders vote in favour of the Resolutions.

PBL Shareholders should also note that the Independent Expert has provided an opinion that the Recommended Proposal, which includes the Demerger Scheme, is in the best interests of PBL Shareholders. In this regard, the Independent Expert states that the PBL Scheme is, and also that the Recommended Proposal, which is referred to as the "Proposed Restructure" (and which includes the Demerger) in the Independent Expert's Report is, in the best interests of PBL Shareholders.

A summary of the Independent Expert's Report that has been prepared by the Independent Expert is contained in Section 16.

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Section 05
Consideration

05

05. Consideration

5.1 PBL Scheme Consideration

Overview

PBL Shareholders can elect to receive one of the following three choices of PBL Scheme Consideration to be provided by Crown in respect of PBL Scheme Shares acquired by Crown under the PBL Scheme:

(a) the PBL Scheme Standard Consideration;

(b) the PBL Scheme Maximum Cash Consideration; or

(c) the PBL Scheme Maximum Share Consideration.

The PBL Scheme Maximum Cash Consideration and the PBL Scheme Maximum Share Consideration are referred to in this Booklet as the PBL Scheme Consideration Alternatives.

Each choice will result in the PBL Shareholders receiving a different proportion of cash and Crown Shares by way of PBL Scheme Consideration for their PBL Scheme Shares (unless no PBL Shareholder elects to receive either of the PBL Scheme Consideration Alternatives, in which event all PBL Shareholders will receive the PBL Scheme Standard Consideration).

To make a valid Election, a PBL Shareholder must follow the instructions contained in Section 5.2. Election forms must be received by the PBL Share Registry by no later than the Election Date in order to be valid.

If a PBL Shareholder does not make a valid Election (in accordance with the instructions contained in Section 5.2), then the PBL Shareholder will be deemed to have elected to receive the PBL Scheme Standard Consideration for the PBL Scheme Shares held by that PBL Shareholder.

The PBL Scheme Standard Consideration is fixed and certain: one Crown Share and $3.00 cash for each PBL Scheme Share that is held by the PBL Shareholder.

A PBL Shareholder who elects the PBL Scheme Maximum Cash Consideration will (unless no PBL Shareholder elects to receive PBL Scheme Maximum Share Consideration) receive more than $3.00 cash and less than one Crown Share, and may receive all cash, for each PBL Scheme Share held by that PBL Shareholder.

A PBL Shareholder who elects the PBL Scheme Maximum Share Consideration will (unless no PBL Shareholder elects to receive PBL Scheme Maximum Cash Consideration) receive more than one Crown Share and less than $3.00 cash, and may receive only Crown Shares, for each PBL Scheme Share held by that PBL Shareholder.

Until all Elections are processed, the precise mix of cash and Crown Shares that a PBL Shareholder who elects to receive either of the PBL Scheme Consideration Alternatives cannot be determined and is not certain. It is expected that all Elections will be processed within one Business Day after the PBL Scheme Record Date. A PBL Shareholder who made a valid Election will be able to ascertain how many Crown Shares will be issued to that shareholder under the PBL Scheme and, provided the Demerger Scheme is approved, how many CMH Shares will be transferred to that shareholder under the Demerger Scheme, on the Business Day following the PBL Scheme Record Date. These details will be available from the PBL Infoline on 1300 138 983 (within Australia) or +61 3 9415 4262 (international).

For more detail of what PBL Shareholders who hold PBL Scheme Shares will receive if the Demerger Scheme is approved and the Recommended Proposal is implemented, see Section 5.6.

PBL Shareholders should note that, because it is not possible to ascertain the precise number of Crown Shares that will be issued to a PBL Shareholder who has validly elected to receive either of the PBL Scheme Consideration Alternatives immediately after the PBL Scheme Effective Date, this will have implications for deferred settlement trading of Crown Shares and CMH Shares as explained in Section 5.8.

The calculation of entitlements where a PBL Shareholder has elected to receive either of the PBL Scheme Consideration Alternatives is complex. Appendix 21.2, which is included in and forms part of this Booklet, illustrates how PBL will determine the split of Crown Shares and cash to be provided under the PBL Scheme Consideration Alternatives and also provides worked examples.

5.2 How to make an Election

You may indicate your preferred PBL Scheme Consideration (PBL Scheme Standard Consideration, PBL Scheme Maximum Cash Consideration or PBL Scheme Maximum Share Consideration) by completing and returning the Election form accompanying this Booklet. To be valid, Election forms must be completed and received by PBL in accordance with the instructions on the Election form by the Election Date.

You can change your Election at any time before the Election Date by calling the PBL Infoline on 1300 138 983 (within Australia) or +61 3 9415 4262 (international), requesting a change of Election form and returning your properly signed and completed change of Election form to the PBL Share Registry by the Election Date.

PBL Shareholders who hold one or more parcels of PBL Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections in relation to each of those parcels of PBL Shares. Trustees or nominees who would like further information on how to make separate Elections in relation to parcels of PBL Shares should contact the PBL Infoline on 1300 138 983 (Australia) or +61 3 9415 4262 (international). The PBL Infoline is available Monday to Friday between 9:00am and 5:00pm.

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5.3 Fractional interests

For the purposes of determining entitlements to the PBL Scheme Consideration, all holdings of a PBL Scheme Participant will be aggregated.

Any entitlement to receive a fraction of one cent which results from the calculation of the cash entitlement of a PBL Scheme Participant who makes a valid Election to receive a PBL Scheme Consideration Alternative, after aggregating all holdings of PBL Scheme Shares of that PBL Scheme Participant, will be rounded up or down to the nearest whole cent, with a fraction of 0.5 cents being rounded up.

Any entitlement to receive a fraction of a Crown Share, which results from the calculation of the number of Crown Shares to which a PBL Scheme Participant, who has made a valid Election to receive a PBL Scheme Consideration Alternative, becomes entitled, after aggregating all holdings of PBL Scheme Shares of that PBL Scheme Participant, will, subject as set out below, be rounded up or down to the nearest whole number of Crown Shares, with a fraction of 0.5 Crown Shares being rounded up.

The PBL Scheme contains provisions to address any attempts by PBL Shareholders to seek to take unfair advantage of the above treatment of fractional interests (for example, by splitting their holdings of PBL Shares).

Because the maximum number of Crown Shares that are offered by way of consideration under the PBL Scheme is fixed at the Maximum Number of Crown Shares, PBL reserves the right to alter the treatment, as set out above, of fractional interests in Crown Shares where that treatment would require the issue, by way of PBL Scheme Consideration, of a number of Crown Shares in excess of or less than the Maximum Number of Crown Shares. PBL proposes in these circumstances to adopt a fair method to deal with fractional interests in Crown Shares that will result in only the number of Crown Shares that is equivalent to the Maximum Number of Crown Shares being issued by way of consideration under the PBL Scheme.

5.4 If the Demerger Scheme is approved

If the Demerger Scheme is approved, each PBL Shareholder (other than an Ineligible Overseas Shareholder) who holds PBL Scheme Shares will also be a Demerger Scheme Participant and will receive under the Demerger Scheme one CMH Share for every Crown Share that is issued to that shareholder in accordance with the PBL Scheme. Each PBL Shareholder acknowledges under the PBL Scheme and each Demerger Scheme Participant acknowledges under the Demerger Scheme that it agrees to become a member of CMH and accepts the transfer of CMH Shares under the Demerger Scheme subject to the CMH Constitution.

5.5 Ineligible Overseas Shareholders

Restrictions in certain foreign countries make it impractical or unlawful for Crown to offer or for PBL Shareholders to receive Crown Shares under the PBL Scheme.

Accordingly, Crown is not issuing Crown Shares to an Ineligible Overseas Shareholder, being a holder of PBL Scheme Shares who, on the PBL Scheme Record Date, has a registered address which is outside Australia and its external territories, or New Zealand, unless Crown is satisfied, in its absolute discretion, upon written application of an Ineligible Overseas Shareholder, that Crown is not prevented from lawfully issuing Crown Shares under the PBL Scheme to that shareholder, either unconditionally or after compliance with conditions that Crown regards as acceptable in its absolute discretion and provided the conditions are not unduly onerous.

An Ineligible Overseas Shareholder will participate in the PBL Scheme on the same basis as all other PBL Shareholders. For instance, they are entitled to make an Election in the manner set out in Section 5.2. If an Ineligible Overseas Shareholder does not make a valid Election, they will be deemed to have elected the PBL Scheme Standard Consideration in respect of the PBL Scheme Shares held by that Ineligible Overseas Shareholder.

As Ineligible Overseas Shareholders will not receive the Crown Shares to which they are entitled under the PBL Scheme, those shares will be issued to, and sold on ASX by, the Nominee and the average per share net proceeds of sale (after deduction of transaction costs) will be remitted to the Ineligible Overseas Shareholders.

The receipt by an Ineligible Overseas Shareholder of its cash entitlements under the PBL Scheme and the proceeds of sale of the Crown Shares by the Nominee, both by cheque, will be in full satisfaction of the rights of an Ineligible Overseas Shareholder under the PBL Scheme.

If the Demerger Scheme is implemented, the Nominee, who will be issued with Crown Shares representing the entitlement of the Ineligible Overseas Shareholders under the PBL Scheme, will also receive a transfer of CMH Shares under the Demerger Scheme, representing the entitlement that the Ineligible Overseas Shareholder would have received under the Demerger Scheme had it been issued Crown Shares under the PBL Scheme in accordance with a valid Election made or deemed to have been made under the PBL Scheme. The Nominee, like all other Crown Shareholders who participate in the Demerger Scheme, will have transferred to it one CMH Share for every Crown Share issued to it (representing the entitlement of the Ineligible Overseas Shareholders) under the PBL Scheme.

The Nominee will sell the CMH Shares attributable to the Ineligible Overseas Shareholders on ASX on their behalf and the average per share net proceeds of sale (after deduction of any applicable brokerage, taxes and costs) applicable in respect of the entitlements of each Ineligible Overseas Shareholder will be remitted to those Ineligible Overseas Shareholders.

The receipt by an Ineligible Overseas Shareholder of the proceeds of such sale by cheque will be in full satisfaction of the rights of that Ineligible Overseas Shareholder in respect of the Demerger Scheme.

Cheques will be dispatched to each Ineligible Overseas Shareholder at its risk and in the case of joint Ineligible Overseas Shareholders, the cheque will be dispatched to the registered address of the joint Ineligible Overseas Shareholder named first in the PBL Share Register.

Crown will send cheques denominated in Australian currency or, in its absolute discretion, the currency of the jurisdiction in which the registered address of the Ineligible Overseas Shareholder is located.

Each Ineligible Overseas Shareholder can expect to receive two cheques:

- a cheque representing the cash component of the PBL Scheme Consideration to which it is entitled under the PBL Scheme (after taking into account any Election made by that shareholder), which will be sent by the time referred to in Section 5.6; and
- a second cheque in respect of the proceeds of sale of the Crown Shares and, if the Demerger Scheme is implemented, the CMH Shares, in the manner set out above.

5.6 Payment of cash/distribution of confirmation of allotment statements

It is expected that payment of the cash component of the PBL Scheme Consideration will be dispatched to PBL Scheme Participants by cheque in Australian dollars not later than 10 Business Days after the PBL Scheme Effective Date.

It is expected that confirmation of allotment statements for the Crown Shares that form part of the PBL Scheme Consideration will be dispatched not later than 10 Business Days after the PBL Scheme Effective Date.

If the Demerger Scheme becomes effective, it is also expected that confirmation of allotment statements for the CMH Shares that are demerged under the Demerger Scheme (**Demerger Shares**) will be dispatched not later than 10 Business Days after the PBL Scheme Effective Date.

It is expected that the payment of cash to Ineligible Overseas Shareholders by Crown, of the average per share net proceeds of sale (after deduction of any applicable brokerage, taxes and charges) of all Crown Shares and Demerger Shares sold by the Nominee multiplied, for each Ineligible Overseas Shareholder by the number of Crown Shares that the Ineligible Overseas Shareholder would have been entitled to receive had they been issued Crown Shares as part of the PBL Scheme Consideration for the PBL Scheme Shares they held, will be dispatched to the Ineligible Overseas Shareholders by cheque in Australian dollars not later than 30 Business Days after the PBL Scheme Effective Date.

Cheques and confirmation of allotment statements will be sent by prepaid post to the PBL Shareholders' addresses in the PBL Share Register.

5.7 Minimum holdings

Crown and, provided the Demerger Scheme is approved and implemented, CMH propose to implement a minimum holding buy-back after the relevant Scheme is implemented. A minimum holding is one which has a market value of less than $500.00.

5.8 Deferred settlement trading

As noted in the Indicative Timetable:

- PBL Shares will cease trading on ASX on a basis that carries an entitlement to participate in the PBL Scheme on the PBL Scheme Effective Date. The PBL Scheme Effective Date will also be the Demerger Scheme Effective Date, if the Demerger Scheme is approved;
- on the Business Day following the PBL Scheme Effective Date trading in Crown Shares, which are to be issued by Crown under the PBL Scheme, will commence on ASX on a deferred settlement basis and without any entitlement to participate in the Demerger Scheme. On the basis of the Indicative Timetable, trading of Crown Shares will continue on a deferred settlement basis for 10 Business Days and thereafter trading in Crown Shares will continue on an ordinary settlement basis;
- provided the Demerger Scheme is approved it is also intended that trading in CMH Shares, which are to be transferred by Crown under the Demerger Scheme to the Demerger Scheme Participants (who will be the PBL Shareholders who hold PBL Scheme Shares and the Nominee in respect of the Ineligible Overseas Shareholders), will also commence on the Business Day following the Demerger Scheme Effective Date and will continue trading on a deferred settlement basis for 10 Business Days;
- although PBL Shareholders who either make no valid Election or elect to receive the PBL Scheme Standard Consideration will know on the PBL Scheme Effective Date the number of:
  - Crown Shares that will be issued to them under the PBL Scheme i.e. one Crown Share for every PBL Scheme Share that they hold; and
  - CMH Shares that will be transferred to them under the Demerger Scheme i.e. one CMH Share for every PBL Scheme Share that they hold (which will be transferred to Crown under the PBL Scheme),

PBL Scheme Participants who make a valid Election to receive a PBL Scheme Consideration Alternative will not, for the reasons explained in Section 5.1, know or be able to ascertain until the Business Day after the PBL Scheme Record Date, precisely how many Crown Shares will be issued to them under the PBL Scheme.

As a consequence, they will not know, nor will they be able to ascertain until the Business Day after the PBL Scheme Record Date, how many CMH Shares will be transferred to them under the Demerger Scheme if it is approved.

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As a result, PBL Scheme Participants who make a valid Election to receive a PBL Scheme Consideration Alternative should be cautious of selling Crown Shares and, if the Demerger Scheme is approved, CMH Shares before the Business Day following the PBL Scheme Record Date. This is because they will not be able to ascertain until the Business Day following the PBL Scheme Record Date how many Crown Shares will be issued to them under the PBL Scheme (and, if the Demerger Scheme is approved, how many CMH Shares will be transferred to them under the Demerger Scheme).

This is especially important for PBL Scheme Participants who make a valid Election to receive the PBL Scheme Maximum Cash Consideration as, depending on the Elections made and as illustrated by the examples set out in Appendix 21.2, they may only receive cash for their PBL Scheme Shares and, in these circumstances, they will not be entitled to be issued with Crown Shares under the PBL Scheme or, if the Demerger Scheme is approved, CMH Shares under the Demerger Scheme.

PBL Shareholders who make a valid Election to receive the PBL Scheme Maximum Share Consideration should also be cautious of selling more Crown Shares and if the Demerger Scheme is approved, more CMH Shares, than is equivalent to the number of PBL Scheme Shares that they hold, until the Business Day after the PBL Scheme Record Date when they will be able to ascertain how many Crown Shares will be issued to them under the PBL Scheme (and, if the Demerger Scheme is also approved, how many CMH Shares will be transferred to them under that scheme).

PBL Scheme Participants who make a valid Election to receive the PBL Scheme Maximum Share Consideration will know that their entitlement to receive Crown Shares under the PBL Scheme and CMH Shares under the Demerger Scheme, if it is approved, will not be less than the number they would have received had they elected to receive the PBL Scheme Standard Consideration for their PBL Scheme Shares (being, in each case, a number that is equivalent to the number of PBL Scheme Shares held by them).

The consequences of trading shares which you do not own or have an entitlement to can be significant, so PBL Scheme Participants wishing to trade during the deferred settlement period should consult their broker to ascertain whether trading in these circumstances is possible and, if so, whether there are any risks for such shareholders if they trade during this period.

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Section 06
Directors' recommendation

06

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06. Directors' recommendation

6.1 Directors' recommendation (both on the PBL Scheme and Recommended Proposal)

The PBL Directors as at the date of this Booklet are set out in Section 14.1.

Each of the PBL Directors considers himself or herself justified in making a recommendation in relation to both the PBL Scheme and the Recommended Proposal as a whole.

The PBL Directors have considered the PBL Scheme (whether or not the Demerger Scheme is also approved and implemented) and have unanimously concluded that it is in the best interests of PBL Shareholders for the following reasons:

- the Election process in relation to the PBL Scheme Consideration that PBL Shareholders are offered under the PBL Scheme allows PBL Shareholders a choice to increase, decrease or maintain their exposure to the current PBL Group without the requirement to pay any transaction costs;
- the capital structure of Crown will be more efficient than the existing capital structure of PBL; and
- with Crown becoming the new listed head entity of the current PBL Group (including the Gaming Businesses and the Media Businesses), the Crown international gaming brand and profile may be enhanced and an increased focus on the Gaming Businesses could result in a positive market valuation re-rating of the current PBL Group.

The PBL Directors have also unanimously concluded that the Recommended Proposal, which involves the implementation of the PBL Scheme, the Reorganisation and the Demerger under the Demerger Scheme is also in the best interests of PBL Shareholders as it will:

- create two ASX-listed entities which can focus on their own businesses and strategies, and develop their own capital structures and financial policies;
- provide PBL Shareholders with an investment choice between the Gaming Businesses and the Media Businesses;
- enable both Crown and CMH to pursue targeted growth opportunities with scrip currency and an industry-aligned cost of capital, without the need to compete with each other for capital; and
- better enable employee remuneration plans and policies to be more closely aligned to the performance of their respective businesses and shareholders' interests.

The PBL Directors therefore unanimously recommend that PBL Shareholders vote in favour of the resolution to approve the PBL Scheme at the PBL Scheme Meeting and also the Demerger Scheme Advisory Resolution and the other Resolutions at the PBL Annual General Meeting.

If the PBL Scheme Resolution is not approved, then neither the PBL Scheme nor the Demerger will proceed. Unless the Demerger Scheme Advisory Resolution is approved, the Demerger Scheme will not proceed.

In making this recommendation, the PBL Directors have considered the following:

- the advantages and disadvantages of the PBL Scheme and the Recommended Proposal as summarised in Section 6.4;
- the risks associated with the PBL Scheme and the Recommended Proposal as summarised in Section 6.5;
- the consequences if the PBL Scheme is not implemented as summarised in Section 6.6; and
- the consequences if the Demerger Scheme is not implemented as summarised in Section 6.7.

The PBL Directors consider that the advantages of the PBL Scheme and the Recommended Proposal as a whole, significantly outweigh their respective disadvantages and risks.

Each PBL Director who holds or controls the right to vote PBL Shares intends to vote in favour of the resolution to approve the PBL Scheme and in favour of the Demerger Scheme Advisory Resolution.

6.2 No recommendation regarding consideration Election

Neither PBL nor the PBL Directors give any recommendation or advice as to whether or not you should make an Election to receive either the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration instead of the PBL Scheme Standard Consideration. Your Election, if it is made, should only be made having regard to your own particular circumstances and after consultation with your investment, financial, taxation or other professional advisers.

6.3 Independent Expert's opinion

The PBL Directors appointed the Independent Expert to review both the PBL Scheme and the Recommended Proposal and to determine whether, in its opinion:

- the PBL Scheme (even if the Demerger Scheme is not implemented); and
- the Recommended Proposal,

are respectively in the best interests of PBL Shareholders. A summary of the report which has been prepared by the Independent Expert is set out in Section 16.

A full copy of the Independent Expert's Report is available online on PBL's website (www.pbl.com.au) and it has also been posted to and is available for inspection on the ASX website (www.asx.com.au).

The Independent Expert has concluded that the PBL Scheme is, and also that the Recommended Proposal, which is referred to as the "Proposed Restructure" (and which includes the Demerger) in the Independent Expert's Report is, in the best interests of PBL Shareholders.

6.4 Advantages/disadvantages

(a) Advantages of Recommended Proposal

The PBL Directors believe that the implementation of the Recommended Proposal has the following advantages:

- **Creation of two ASX-listed entities**

  Crown and CMH will be separately listed on the ASX and will have their own business plans and strategies; Crown will be focussed on its global gaming businesses and CMH focussed on its media investments.

- **Clear investment choice**

  Apart from the benefits of the Election process referred to in Section 5, PBL Shareholders will have further choice and flexibility, once Crown and CMH are separately listed on ASX, to consider and choose the level of exposure and rebalance their holdings of Crown and CMH consistent with their own investment objectives.

- **Appropriate capital structure**

  Crown and CMH can develop their own capital structure, financial policies (including dividend policies) and decide on levels of external debt that are appropriate to their respective business and strategic objectives more effectively than within a combined group.

- **Improved growth opportunities**

  Crown and CMH will be able to pursue targeted growth opportunities; they will not have to compete with each other for capital and they will have scrip currency and an industry aligned cost of capital to enable each of them to determine the optimal method, consistent with their own balance sheet, to fund any strategic acquisitions they intend to make.

- **Improved ability to reward employees**

  As separate ASX-listed entities, Crown and CMH will be able to implement employee remuneration plans and adopt remuneration policies that are more closely aligned to the performance of their respective businesses and their shareholders' interests.

(b) Advantages of PBL Scheme

The PBL Directors believe that the implementation of the PBL Scheme alone is likely to have the following advantages:

- **The Election provides PBL Shareholders choice in relation to their investment in PBL**

  The Election process in relation to the PBL Scheme Consideration that PBL Shareholders are offered under the PBL Scheme allows PBL Shareholders a choice to increase their exposure to the existing PBL Group (by electing the PBL Scheme Maximum Share Consideration), to lower (or potentially eliminate, depending on the Elections received) their exposure to the existing PBL Group (by electing to receive the PBL Scheme Maximum Cash Consideration) or to maintain their current pro rata interest in the existing PBL Group and to receive a cash distribution in respect of that interest, the result of the PBL Scheme Standard Consideration.

  None of these alternatives requires a PBL Shareholder to pay any brokerage.

- **More efficient capital structure**

  The capital structure of Crown will be more efficient than the existing capital structure of PBL as a result of the debt funded cash provided by Crown for the acquisition of PBL Scheme Shares.

- **Enhanced brand**

  If only the PBL Scheme is approved, Crown will become the new listed head entity of the existing PBL Group and it will hold both the Gaming Businesses and the Media Businesses. The creation of a separate ASX-listed Crown is likely to enhance the Crown gaming brand and raise the international profile of Crown's businesses and investments.

- **Gaming investment focus**

  If Crown were to become the new listed head entity of the existing PBL Group, a greater focus on the Gaming Businesses of the existing PBL Group may occur. This increased focus on the Gaming Businesses from market analysts and investors may result in a market value re-rating of the existing PBL Group to be more in line with other international gaming companies.

- **Recommended Proposal – conditional on PBL Scheme approval**

  Approval of the PBL Scheme is a necessary condition precedent to the Demerger being implemented.

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(c) Disadvantages of Recommended Proposal

The PBL Directors believe the implementation of the Recommended Proposal has the following disadvantages:

- **Reduction in size**

  As separate ASX-listed entities, both Crown and CMH will have a lower market capitalisation than PBL currently has and will have a less diversified business model. As a result, any material downturn in the Media Businesses will no longer be offset by any corresponding favourable development in the Gaming Businesses and vice versa. A material downturn in the businesses conducted by Crown or CMH could be expected to be more significant for the relevant entity than would be the case with a combined group.

- **Lower individual index weightings compared to PBL's current index weighting**

  Crown is expected to be included in the S&P/ASX 50 Index and CMH is expected to be included in the S&P/ASX 200 Index. Both entities will have a lower market capitalisation and consequently a lower weighting in the relevant index compared to PBL's current weighting in S&P/ASX 50 Index. This may result in lower institutional investor interest in the separate ASX-listed entities relative to the institutional investor interest in PBL.

- **Demerger Rollover Relief is not available**

  The ATO has advised that the Class Ruling will confirm that in the opinion of the ATO demerger rollover relief is not available in respect of the Demerger Scheme. If applicable to them, PBL Shareholders may choose to file their returns consistently with the analysis in the Class Ruling, and by doing so should avoid the risk of incurring penalties and interest if a shortfall of tax would otherwise arise. Adopting the analysis in such a ruling may lead to less favourable (or more favourable) allocation of cost base as between the Crown Shares and the CMH Shares following the Demerger. Further, as noted in the Tax Letter that is included in Section 13 and as referred to in Section 14.27, certain PBL Scheme Participants may incur a capital gain under the Demerger if demerger rollover relief is not available, specifically, those shareholders whose cost base for any of the Crown Shares that are issued to them under the PBL Scheme is less than the market value of the CMH Shares transferred to them under the Demerger Scheme will derive a taxable capital gain equal to the difference. Further, Crown itself may incur an income tax liability in respect of any net capital gain that it makes as a result of implementing the Demerger in these circumstances.

(d) Disadvantages of the PBL Scheme

The PBL Directors believe that the implementation of the PBL Scheme alone has the following disadvantages:

- **Advantages of Recommended Proposal will not be gained**

  Section 6.4(a) identifies a number of advantages that should result from the implementation of the Recommended Proposal. If only the PBL Scheme is approved and implemented, a number of those advantages would not be realised.

- **Transaction costs**

  Transaction costs in relation to the Recommended Proposal are estimated to be approximately $33 million. These costs include debt restructuring costs, advisers' fees, financing costs, fees associated with the ASX-listing of Crown and other costs, but do not include the costs associated with the redundancy of PBL head office employees referred to in Section 14.5.

  The majority of the transaction costs will be incurred whether or not only the PBL Scheme or the Recommended Proposal is approved and implemented.

  If the PBL Scheme alone is approved or not approved, then either PBL or Crown will, effectively, pay all of these costs as they will be costs paid by PBL (which will be a subsidiary of Crown).

  If the Recommended Proposal proceeds, then it is expected that most of the transaction costs will be paid by PBL before the PBL Scheme Effective Date. To the extent that there remain transaction costs to be paid after that date, PBL (CMH) and Crown have agreed in the Demerger Deed to pay those costs in the proportions of 25% and 75% respectively.

6.5 Risks

There are a number of risks associated with the Gaming Businesses and Media Businesses. These risks are referred to in Sections 10.7 and 11.7 respectively.

In addition there are the following risks:

(a) Trading market

If the Recommended Proposal is implemented, there will be a separate public market for Crown Shares and CMH Shares. To date, Crown Shares have not been separately traded on the ASX. Accordingly, no assurance may be given that there will be an active trading market developed for Crown Shares and CMH Shares after the Demerger, or that the shares will trade at particular levels. The PBL Directors anticipate, following the implementation of the Recommended Proposal, that a number of shareholders may seek to adjust their holdings in Crown Shares and CMH Shares and that there may be a more volatile market for the shares in both companies, at least in the immediate period following the commencement of trading of Crown Shares and CMH Shares on the ASX, although this volatility may be reduced as a consequence of the Election process which provides all PBL Shareholders the opportunity to rebalance their relevant interest.

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(b) Stock market rating

There is a risk, after the Recommended Proposal is implemented, that neither Crown, CMH nor the two combined will achieve an improved market valuation, relative to PBL's market valuation prior to the announcement of the Recommended Proposal.

(c) Recommended Proposal not approved

There is a risk, if the Recommended Proposal is not approved, that the market price of PBL Shares may fall.

6.6 Consequences if PBL Scheme not implemented

If the PBL Scheme is not implemented, then the advantages of the Recommended Proposal would not be gained and PBL would remain the listed head entity of the existing PBL Group. PBL would largely remain as it is today. No guarantee can be given as to the future share price of PBL and whether it would trade in line with current levels.

6.7 Consequences if Demerger Scheme not implemented

If the PBL Scheme is implemented, but the Demerger Scheme is not implemented, Crown will become the new listed head entity of the existing PBL Group and it will hold both the Gaming Businesses and the Media Businesses, and $2,065,580,775 in cash (or, if resolution 6 in the notice of PBL Annual General Meeting is passed by PBL Shareholders, $2,069,030,775) would be given to PBL Shareholders as part of the consideration for the PBL Scheme. If the Demerger Scheme is not implemented, then none of the benefits and advantages identified in Section 6.4(a) would be realised.

6.8 Reasons why you may consider voting against the resolutions

The PBL Directors have identified the following factors which may lead you to vote against the resolution to approve the PBL Scheme and the Demerger Scheme Advisory Resolution:

(a) Disagreement with the conclusions of the PBL Directors and the Independent Expert

You may believe that the PBL Scheme or the Recommended Proposal are not in the best interests of PBL Shareholders.

(b) Disagreement with potential advantages

You may not agree with the potential advantages that the PBL Directors have identified as resulting from the PBL Scheme or the Recommended Proposal or you may consider that the potential disadvantages outweigh the potential advantages.

(c) Not prepared to accept taxation consequence

You may not be prepared to accept the taxation consequences associated with implementing the Recommended Proposal, including the potential disadvantage that is referred to in Section 6.4(c).

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Section 07
Mechanics and approvals

07

07. Mechanics and approvals

7.1 PBL Scheme Meeting and PBL Annual General Meeting

PBL Shareholders will be asked to approve the PBL Scheme at the PBL Scheme Meeting. The meeting will be held on Friday 23 November 2007 at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria, commencing at 10:00am.

For the PBL Scheme to proceed, the PBL Shareholders must vote in favour of the PBL Scheme by the majority that is referred to in Section 3.4. Voting at the PBL Scheme Meeting will be by poll.

In addition, the PBL Annual General Meeting will be held after the PBL Scheme Meeting has concluded or has been adjourned. PBL Shareholders are asked to approve five special business resolutions at that meeting, including the Financial Assistance Resolution which must be passed in order to satisfy one of the conditions of the PBL Scheme. Details of those resolutions are provided in Section 7.6.

All PBL Shareholders are encouraged to attend both of the PBL Meetings on Friday 23 November 2007 in person. Details of how to get to the Crown Towers Hotel are set out in the notice of meeting in Section 18 of this Booklet. If you are attending in person you are requested to bring along with you the enclosed proxy forms as these will assist in the registration process.

If you cannot attend the PBL Meetings in person, you are encouraged to appoint a proxy to vote on your behalf at the meetings.

Section 3.4 and the proxy forms themselves contain details about:

- completing the proxy forms; and
- returning the proxy forms to the PBL Share Registry (a reply paid envelope is enclosed which may be used in Australia).

Remember, there are two proxy forms that need to be completed:

- the blue proxy form for the PBL Scheme Meeting; and
- the green proxy form for the PBL Annual General Meeting.

To be valid, duly completed proxy forms must be received by the PBL Share Registry by no later than 10:00am on Wednesday 21 November 2007.

Please note that the proxy form for the PBL Scheme Meeting contains a box for you to indicate that you do not want your personal details, including your tax file number, to be provided to Crown (see Section 14.25 for further information).

In addition to the proxy forms, there is a consideration election form which contains instructions for you to follow to indicate the form of PBL Scheme Consideration you want to elect to receive. See Section 5.2 for further details. To be valid, consideration election forms must be returned to PBL in accordance with the instructions on the form by no later than 5:00pm on the Election Date.

7.2 Incorporation and activities of Crown

Crown was registered as a public company with the name “Arterial Limited” on 31 May 2007. On 8 June 2007, its members resolved to change its name to “Crown Limited”. This name change took place on 15 June 2007.

Crown was incorporated for the purposes of undertaking the Recommended Proposal, including:

- offering to acquire the PBL Scheme Shares in accordance with the PBL Scheme;
- seeking admission to the official list of the ASX subject to the PBL Scheme being approved; and
- proposing the Demerger Scheme and taking all necessary steps associated with the Demerger.

Prior to the implementation of the PBL Scheme, the Crown Initial Shareholders will comprise various lawyers of Gilbert + Tobin and executives of PBL Group. Their shares will be bought back and cancelled by Crown if the PBL Scheme is approved, prior to the time for determining entitlements to participate in the Demerger Scheme.

Crown and PBL have entered into the Implementation Deed and the Demerger Deed. Those deeds impose obligations on PBL and Crown:

- to propose and implement the Recommended Proposal, including the PBL Scheme, the Reorganisation and the Demerger Scheme; and
- in respect of matters, including liabilities, that may arise after the Demerger has been implemented.

A summary of the Implementation Deed and Demerger Deed is included in Section 14.12.

7.3 Funding for cash consideration

If the PBL Scheme becomes effective, Crown will become obliged to pay $2,065,580,775 in cash consideration to PBL Scheme Participants, being $3.00 for each PBL Share on issue at the date of this Booklet. This amount will increase by $3.45 million in the event that resolution 6 in the notice of PBL Annual General Meeting (issue of ESP Shares to Mr Craigie) is approved.

Crown will have the capacity to fund the cash component of the PBL Scheme Consideration using debt finance described below.

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Crown Group Finance Limited, Australia and New Zealand Banking Group (as financier and **Agent**), Commonwealth Bank, Westpac, Deutsche Bank, Credit Suisse, BNP Paribas, Royal Bank of Scotland, Barclays Bank, Citibank, Bank of America, Toronto Dominion and ABN AMRO (together with the Agent, **Banks**), entered into documentation on 2 August 2007 for the Banks to provide Crown Group Finance Limited with a syndicated note subscription and letter of credit facility (**Facility**) under which sufficient funding will be provided by the Banks to allow the Total Cash Consideration to be paid by Crown in accordance with its obligations under the PBL Scheme.

The total amount available under the Facility is $2,150 million.

The funds will be provided under the Facility on an unsecured basis, available for three years (from the date of execution of the facilities documentation), and will be the subject of various representations, financial and negative undertakings and events of default usual for this type of financing.

As at the date of this Booklet neither PBL nor Crown is aware of any circumstance that would lead to any event of default or which would give rise to the Banks having the right to refuse to participate in a drawing under the Facility or to terminate the Facility.

The drawdown of funds under the Facility is subject to the following conditions precedent:

- definitive facilities documentation having been executed and delivered (together with customary legal opinions, evidence of authority, corporate documents and officer's incumbency certificates) to the Agent;
- payment of the establishment fee to the Banks in respect of the Facility on or before the date of drawdown;
- completion of "know your customer checks" reasonably required by the Banks;
- there being no actual or potential event of default, compulsory acquisition of material assets, breach of undertaking or misrepresentation under the facilities documentation;
- PBL Shareholders approving the PBL Scheme;
- each condition set out in clause 2.1 of the PBL Scheme (set out in Section 20.1) being satisfied or, where applicable, waived;
- the Court approving the PBL Scheme;
- either implementation of the Demerger Scheme or, if only the PBL Scheme is implemented, PBL guaranteeing the obligations of Crown Group Finance Limited to the Banks under the Facility, on terms to be approved by the Banks and PBL, being typical terms for a guarantee of a facility such as the Facility;
- certain subsidiaries of PBL and Crown, together with Crown, guaranteeing the obligations of Crown Group Finance Limited to the Banks under the Facility, on terms to be approved by the Banks and those companies, being typical terms for a guarantee of a facility such as the Facility;
- the Financial Assistance Resolution being passed by the requisite majority of PBL Shareholders at the PBL Annual General Meeting;
- the Crown Financial Assistance Resolution being passed by the requisite majority of Crown Shareholders at the Crown General Meeting; and
- the provision of any other certificate, approval or evidence in relation to the Facility as the Agent may reasonably request.

In accordance with the PBL Scheme, Crown must, on the PBL Scheme Implementation Date, deposit into an account in the name of PBL, at the risk of Crown, the Total Cash Consideration, such sum (excepting any interest earned on the deposit which shall accrue for the benefit of Crown) to be held by PBL on trust for the PBL Scheme Participants and to be drawn on solely for the purpose of allowing Crown to fulfil its obligations under the PBL Scheme, including its obligation to pay the cash component of the PBL Scheme Consideration.

Crown Group Finance Limited has entered into a binding agreement with Crown (**Consideration Facility**) under which Crown Group Finance Limited has agreed to make available to Crown the amount available to be drawn under the Facility so as to enable Crown to satisfy its obligations to pay the cash component of the PBL Scheme Consideration, in the event that the PBL Scheme is approved. The only condition precedent to drawdown under the Consideration Facility is that the conditions precedent to drawdown under the Facility have been satisfied or, as applicable, waived.

7.4 ASX listing of Crown

Within five Business Days of the date of this Booklet, Crown will apply for admission to the official list of ASX and for official quotation of all Crown Shares on ASX. That application will be conditional upon the PBL Scheme becoming effective.

It is anticipated that Crown Shares will commence trading on ASX on a deferred settlement basis on the Business Day after the PBL Scheme Effective Date. Crown will issue a confirmation of allotment statement to each PBL Scheme Participant and the Nominee (on behalf of the Ineligible Overseas Shareholders) on or before the Dispatch Date. Each confirmation of allotment statement will state the number of Crown Shares issued to each PBL Scheme Participant or the Nominee (as the case may be).

ASX has provided several in principle approvals in connection with Crown's application for admission to the official list of the ASX. These are discussed in detail in Section 14.22.

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7.5 PBL Scheme conditions

The PBL Scheme is conditional upon the satisfaction or waiver of the following conditions precedent by 8:00am on the PBL Scheme Second Court Date:

- the PBL Shareholders passing the Name Change Resolution at the PBL Annual General Meeting, by the requisite majority;
- the PBL Shareholders passing the Financial Assistance Resolution, by the requisite majority at the PBL Annual General Meeting;
- the Crown Shareholders passing the Crown Financial Assistance Resolution, by the requisite majority at the Crown General Meeting;
- the PBL Shareholders approving the PBL Scheme at the PBL Scheme Meeting, by the requisite majority;
- no temporary restraining order, preliminary or permanent injunction or other order being issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the PBL Scheme is in effect at 9:00am on the PBL Scheme Second Court Date;
- all required regulatory approvals are granted either unconditionally or on conditions satisfactory to PBL;
- required third party approvals to material contracts that have change of control provisions being given on terms satisfactory to PBL;
- the ATO providing a Class Ruling on terms that are reasonably satisfactory to PBL confirming each of the taxation outcomes that it has indicated it would confirm by class ruling, as referred to in Section 14.27(b); and
- ASX approving the admission of Crown to the official list of ASX, and granting permission for official quotation of the Crown Shares on ASX, subject only to the PBL Scheme becoming effective and such other conditions (including the provision of information required by ASX and other customary pre quotation conditions) that are acceptable to PBL and Crown.

In addition the Court must approve the PBL Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court must be lodged with ASIC.

Regulatory approvals are required from the VCGR, the State of Victoria, the Department of Racing Gaming and Liquor (Western Australia), the Tasmanian Gaming Commission and the Macau Gaming Commission.

As at the date of this Booklet applications and supporting documents in relation to the required regulatory approvals have been lodged with the regulators referred to above and approvals have been received from the Macau Gaming Commission, the Department of Racing, Gaming and Liquor (Western Australia) and the Tasmanian Gaming Commission. PBL is aware of no reason why the remaining relevant approvals will not be forthcoming before the PBL Scheme Second Court Date.

As noted above, Crown will lodge its application for admission to the official list of the ASX within five Business Days of the date of this Booklet.

All required third party consents have been obtained.

PBL is aware of no reason why the outstanding conditions precedent to the PBL Scheme will not be satisfied by the PBL Scheme Second Court Date.

7.6 PBL Annual General Meeting – resolutions

The notice of the PBL Annual General Meeting for the year ended 30 June 2007 is set out in Section 18.2.

The PBL Annual General Meeting is to be held immediately after the PBL Scheme Meeting has concluded or is adjourned on Friday 23 November 2007 at the same location as the PBL Scheme Meeting.

At the PBL Annual General Meeting, PBL Shareholders will be asked to consider three items of ordinary business and five items of special business.

(a) Ordinary Business

The ordinary business of the PBL Annual General Meeting, including an explanation for that business, is set out below:

Financial Statements and Reports (Item 1 in the Notice of PBL Annual General Meeting)

The Corporations Act requires that the financial report (which includes the financial statements and directors' declaration), the directors' report and the auditor's report (each included in the PBL 2007 Annual Report) be laid before the PBL Annual General Meeting. There is no requirement either in the Corporations Act or in the PBL Constitution for shareholders to approve the financial report, the directors' report or the auditor's report. Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of PBL.

Election of Directors (Resolution 2 in the Notice of PBL Annual General Meeting)

The PBL Constitution requires that each director who has, at the conclusion of any annual general meeting been in office for three or more years and for three or more annual general meetings since he or she was last elected to office, retire as a director of PBL (**retirement by rotation**). If eligible, the director may then offer himself or herself for re-election.

Each of Mr James Packer, Mr Christopher Anderson and Mrs Rowena Danziger (each of whose biography and experience are summarised in Section 14.1), is required to retire by rotation as a director of PBL at the PBL Annual General Meeting and, being eligible, offers himself or herself for re-election as a director.

Remuneration Report (Resolution 3 in the Notice of PBL Annual General Meeting)

The directors' report for the year ended 30 June 2007 (included in the PBL 2007 Annual Report) sets out the policy for the remuneration of the PBL Directors and specified executives of PBL and the PBL Group.

The Corporations Act requires that a resolution be put to the vote that the policy set out in the directors' report (**Remuneration Report**) be adopted. The Corporations Act expressly provides that the vote is advisory only and does not bind the PBL Directors or PBL.

Shareholders attending the PBL Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

(b) Special business

The special business of the PBL Annual General Meeting is set out below and it involves the consideration by PBL Shareholders of the following resolutions:

- the Financial Assistance Resolution;
- the Demerger Scheme Advisory Resolution;
- the resolution to approve the issue of ESP Shares to Mr Rowen Craigie;
- the Name Change Resolution; and
- the Reduction of Capital Resolution.

Each of these resolutions is discussed below.

Financial Assistance Resolution (Resolution 4 in the Notice of PBL Annual General Meeting)

Resolution 4 seeks the approval of PBL Shareholders, pursuant to sections 260B(1) and 260B(2) of the Corporations Act, for financial assistance which is to be provided by PBL and Subsidiaries of PBL in connection with the acquisition by Crown of the PBL Scheme Shares under the PBL Scheme.

To enable Crown to satisfy its obligation to provide the cash component of the PBL Scheme Consideration under the PBL Scheme, Crown Group Finance Limited has entered into the Facility (and related ISDA documentation) and the Consideration Facility, described in Section 7.3.

The Banks, described in Section 7.3, require the obligations of Crown Group Finance Limited under the Facility and related ISDA documentation to be guaranteed by members of the Crown group that account for at least 75% of the consolidated EBITDA of Crown and its subsidiaries. In order to satisfy this requirement, the initial guarantors will be:

(a) Crown;

(b) if the PBL Scheme is implemented but the Demerger Scheme is not implemented, PBL; and

(c) Crown Entertainment Group Holdings Pty Ltd, Crown Melbourne Limited, Publishing and Broadcasting (Finance) Ltd and Burswood Nominees Limited as trustee of Burswood Property Trust (together the **PBL Subsidiaries**).

Each of the PBL Subsidiaries is a Subsidiary of PBL at the date of this Booklet but if the Demerger Scheme is approved and implemented then, as a result of the Reorganisation being implemented, each PBL Subsidiary will become a Subsidiary of Crown.

The provision of the guarantees in the manner referred to above by PBL and the PBL Subsidiaries will, amongst other things, assist Crown to acquire the PBL Scheme Shares under the PBL Scheme. This is because the funds guaranteed will be applied to pay the PBL Scheme Consideration and, as noted in Section 7.3, it is a condition precedent to drawdown under the Facility that the guarantees are provided and, for that purpose, that the Financial Assistance Resolution and the Crown Financial Assistance Resolution are duly passed.

Section 260A and section 260B of the Corporations Act

In addition to certain other exceptions, section 260A and section 260B of the Corporations Act allow PBL and the PBL Subsidiaries to financially assist Crown to acquire shares in PBL if the financial assistance is approved by:

(a) a special resolution passed by the shareholders of PBL and each PBL Subsidiary (being either the PBL Shareholders, PBL or a wholly owned Subsidiary of PBL); and

(b) a special resolution passed by the shareholders of the ultimate holding company of PBL and each PBL Subsidiary and the shareholders of each listed holding company of PBL and each PBL Subsidiary, in each case, as at the time immediately after Crown acquires the PBL Shares under the PBL Scheme.

Being a special resolution, the Financial Assistance Resolution requires at least 75% of the votes that are cast on the resolution to be in favour of the resolution, with no votes being cast in favour of the resolution by Crown or its associates.

Immediately after Crown acquires the PBL Scheme Shares under the PBL Scheme, each PBL Subsidiary will be a subsidiary of two listed public companies (i.e. PBL and Crown) and PBL will be a subsidiary of a listed company (i.e. Crown). As a result, drawdown under the Facility and the PBL Scheme itself is subject to a condition that both the PBL Shareholders and the Crown Shareholders approve PBL and the PBL Subsidiaries providing the financial assistance for the purposes of section 260B of the Corporations Act.

Resolution 4 seeks approval from the PBL Shareholders to allow PBL and the PBL Subsidiaries to provide the guarantees that are referred to in Section 7.3 and this Section in connection with, or for the purposes of, the Facility (and related ISDA documentation) or any replacement of the Facility (and any related ISDA documentation) under a subsequent refinancing and any other financial assistance given by any subsidiary of PBL that may be said to assist the acquisition of shares pursuant to the PBL Scheme or the Reorganisation including the entry into the Shortfall Deed referred to below.

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The PBL Subsidiaries (and, if required, PBL) will only provide the Banks with guarantees if the PBL Scheme is approved by PBL Shareholders and by the Court.

The Crown Shareholders will also be asked to approve PBL and the PBL Subsidiaries providing the financial assistance by passing the Crown Financial Assistance Resolution at the Crown General Meeting.

PBL Shareholders should note that the Crown Initial Shareholders (who will be the only Crown Shareholders at the date of the Crown General Meeting) have agreed in the Crown Initial Shareholders' Deed Poll that they will vote in favour of the Crown Financial Assistance Resolution if the PBL Shareholders approve, by the requisite majority, the Financial Assistance Resolution.

Impact on PBL's and Crown's financial position

The PBL Directors believe there are reasonable grounds to believe that the provision of the financial assistance by the PBL Subsidiaries in the manner described in Section 7.3 and this Section will not materially prejudice the ability of any PBL Subsidiary to pay its creditors. The reasons for this belief include:

(a) Crown, Crown Group Finance Limited and each PBL Subsidiary (each a **Relevant Company**) will, on or before the PBL Scheme Effective Date, enter into a Group Cash Shortfall Deed (**Shortfall Deed**). The operation of the Shortfall Deed will be expressed to be subject to the occurrence of the PBL Scheme Effective Date. The Shortfall Deed is designed to ensure the continued solvency of each Relevant Company by giving each Relevant Company the right to obtain any cash shortfall from the other Relevant Companies. If only the PBL Scheme is implemented, PBL will accede to the Shortfall Deed as a Relevant Company.

If a Relevant Company (**Shortfall Company**) has, or is projected to have, on any day a cash shortfall (being the amount by which the total cash that is readily available to the Shortfall Company is less than the total amounts payable by the Shortfall Company on that day), then each other Relevant Company must pay to the Shortfall Company an amount determined by Crown Group Finance Limited to ensure that the cash shortfall is paid by the other Relevant Companies to the Shortfall Company on that day.

However, a Relevant Company will not be required to make any payment to a Shortfall Company to the extent that it would cause a cash shortfall in relation to that Relevant Company. In this circumstance, Crown Group Finance Limited will redetermine the allocation of payments by the Relevant Companies to the Shortfall Company.

Each Relevant Company must pay any amount payable to a Shortfall Company on demand from Crown Group Finance Limited by no later than 11:00am on the due date to the account, or in the manner, specified by the Shortfall Company.

Each payment by a Relevant Company to a Shortfall Company will constitute an interest-free loan to the Shortfall Company, which is repayable on demand except to the extent that the repayment would cause a cash shortfall to the Shortfall Company.

The Shortfall Deed is fully effective until the date on which all amounts actually or contingently owing by the Relevant Companies under the Facility or any refinancing of the Facility as agreed by the Relevant Companies have been fully and finally repaid.

Immediately on a Relevant Company ceasing to have any obligations under the Facility, any guarantee that is given by a Relevant Company in respect of the Facility ceasing or a Relevant Company ceasing to be a wholly owned subsidiary of Crown after the PBL Scheme Effective Date, that Relevant Company will be released from its rights and obligations under the Shortfall Deed.

(b) If only the PBL Scheme is implemented, then the financial position of Crown and the group of companies of which Crown is the head entity will, as Section 12 indicates, be strong. In particular:

(i) the Crown (post PBL Scheme only) Pro Forma Balance Sheet as at 30 June 2007 discloses:

- net assets of $4,602 million;
- total current assets of $3,230 million of which $2,758 million is comprised of cash and cash equivalents;
- total current liabilities of $359 million; and

(ii) the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements for the year ended 30 June 2007 discloses cash inflows from operating activities of $286 million.

(c) If the Recommended Proposal is implemented:

(i) the PBL Subsidiaries will be subsidiaries of Crown, not PBL (which, subject to the passing of the Name Change Resolution, will be called CMH);

(ii) the financial position of Crown Group will, as Section 10 indicates, be strong. In particular:

(A) the Crown Pro Forma Balance Sheet as at 30 June 2007 discloses:

- net assets of $4,544 million;
- total current assets of $3,140 million of which $2,668 million is comprised of cash and cash equivalents;
- total current liabilities of $359 million, and

(B) the Crown Pro Forma Cash Flow Statements for the year ended 30 June 2007 discloses cash inflows from operating activities of $379 million.

The PBL Directors unanimously recommend that PBL Shareholders approve the Financial Assistance Resolution.

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Demerger Scheme Advisory Resolution (Resolution 5 in the Notice of PBL Annual General Meeting)

A critical step in the implementation of the Recommended Proposal is the approval of the Demerger Scheme.

The Crown Initial Shareholders will be asked to approve the Demerger Scheme at the Demerger Scheme Meeting which will be held on the same day as the PBL Annual General Meeting, after the PBL Annual General Meeting.

Under the Crown Initial Shareholders' Deed Poll, the Crown Initial Shareholders have agreed to vote their Crown Shares either in favour of, or against, the resolution to approve the Demerger Scheme and the Capital Reduction Resolution, depending on the outcome of the vote of the PBL Shareholders on the Demerger Scheme Advisory Resolution.

The Demerger Scheme Advisory Resolution is resolution 5, which will be considered at the PBL Annual General Meeting.

Although the Demerger Scheme Advisory Resolution has no binding effect in relation to PBL, it is a very important resolution for PBL Shareholders to carefully consider and vote on. This is because if the Demerger Scheme Advisory Resolution is approved by the PBL Shareholders by the requisite majority, described below, then the Crown Initial Shareholders will vote in favour of the resolution to approve the Demerger Scheme and the Capital Reduction Resolution.

On the other hand, if the Demerger Scheme Advisory Resolution is not passed by the PBL Shareholders by the requisite majority, described below, then the Crown Initial Shareholders will vote against the resolution to approve the Demerger Scheme and the Capital Reduction Resolution, and in this event, the Demerger Scheme will not be approved and the Demerger will not take place.

The PBL Directors have determined that the requisite voting majority to approve the Demerger Scheme Advisory Resolution should be the same majority that is required to approve the PBL Scheme, i.e. a majority in number (more than 50%) of PBL Shareholders present and voting on the Demerger Scheme Advisory Resolution who together hold at least 75% of the total number of PBL Shares which are voted on that resolution.

The PBL Directors unanimously recommend that PBL Shareholders vote in favour of the Demerger Scheme Advisory Resolution. The reasons for their recommendations are set out in Section 6.

Issue of PBL Shares to Mr Rowen Craigie (Resolution 6 in the Notice of PBL Annual General Meeting)

Resolution 6 to be considered at the PBL Annual General Meeting seeks PBL Shareholder approval for the issue of 1,150,000 PBL Shares to Mr Rowen Craigie, a director of PBL.

It is proposed that these shares (**ESP Shares**) will be issued under the ESP and on the terms set out below. PBL established the ESP which was approved by PBL Shareholders at the 1994 Annual General Meeting.

If PBL Shareholders approve this resolution, the 1,150,000 ESP Shares to be issued to Mr Craigie will participate in the PBL Scheme on the same basis as all other PBL Shares.

On 6 March 2007, PBL agreed to allot 250,000 ESP Shares to Mr Craigie each for an issue price of $18.97. The issue price was based on the volume weighted average price of PBL Shares that were traded on the ASX over the previous five Business Days, as required by the rules of the ESP. However, before these 250,000 ESP Shares can be issued, it is necessary for PBL Shareholders to approve that issue for the purposes of Listing Rule 10.14.

On 21 June 2007, PBL agreed to allot a further 900,000 ESP Shares to Mr Craigie each for an issue price of $19.18. These ESP Shares form part of the new service agreement that is to be entered into with Mr Craigie. Further details on Mr Craigie's employment arrangements are included in Section 14.4. The issue price for these shares was based on the volume weighted average price of PBL Shares that were traded on ASX over the previous five Business Days. However, before these 900,000 PBL Shares can be issued, it is necessary for PBL Shareholders to approve the issue for the purposes of Listing Rule 10.14.

Under Listing Rule 10.14 a director of PBL may only participate in the acquisition of ESP Shares where that participation has been approved by ordinary resolution of PBL Shareholders at a general meeting. As an ordinary resolution, resolution 6 requires at least a majority of votes that are cast on the resolution to be in favour of the resolution, with no votes being cast by any PBL Director who may participate in the ESP (or any other employee incentive scheme of PBL) and their associates.

Accordingly, resolution 6 proposes for PBL Shareholders' approval a resolution authorising the issue of 1,150,000 ESP Shares to Mr Craigie.

The proposed issue of the ESP Shares to Mr Craigie will be on the terms of the ESP that are modified (in the manner referred to in Section 14.7) if either the PBL Scheme or the Recommended Proposal are implemented. For instance, if only the PBL Scheme is implemented, the amendments will substitute Crown for PBL. The terms include the following:

(a) the issue price of the ESP Shares will be satisfied by way of a limited recourse loan from PBL (**Loan**) that is fully repayable after five years, or earlier, upon cessation of employment of Mr Craigie from Crown. The Loan is a limited recourse loan as the liability of Mr Craigie to repay the Loan is limited to the market value of the ESP Shares (or if the PBL Scheme and Demerger Scheme are approved and implemented, the Crown Shares, and the CMH Shares respectively, in the manner set out in Section 14.7);

(b) the interest payable on the Loan is equal to the dividends received on the relevant ESP Shares (or, if the PBL Scheme and Demerger Scheme are approved and implemented, on the Crown Shares and the CMH Shares respectively) from time to time;

(c) on each anniversary of the issue date commencing on the first anniversary, 25% of the ESP Shares, which are issued pursuant to this resolution (or, if the PBL Scheme and Demerger Scheme are approved and implemented, the Crown Shares and CMH Shares respectively) will be released from the limitations (**ESP Share Limitations**) set out below:

(i) ESP Shares are not quoted on ASX;

(ii) ESP Shares cannot be transferred or assigned without the prior consent of the directors of PBL; and

(iii) ESP Shares will not participate in rights issues by PBL (or, if the PBL Scheme and Demerger Scheme are approved and implemented, Crown and CMH respectively), except in limited circumstances.

Further, release of the ESP Share Limitations is subject to additional performance hurdles being met, namely that the market price of Mr Craigie's PBL Shares:

- **for the 250,000 ESP Shares**
  - on the first anniversary of the date those shares were agreed to be allotted (6 March 2007), is $20.30;
  - on the second anniversary of that date, is $21.72;
  - on the third anniversary of that date, is $23.24; and
  - on the fourth anniversary of that date, is $24.87,
- **and for the 900,000 ESP Shares**
  - on the first anniversary of the date those shares were agreed to be allotted (21 June 2007), is $20.52;
  - on the second anniversary of that date, is $21.96;
  - on the third anniversary of that date, is $23.50; and
  - on the fourth anniversary of that date, is $25.15.

These future share prices represent a compound share price accumulation of 7% per annum based on the $18.97 issue price for 250,000 ESP Shares and the $19.18 issue price for 900,000 ESP Shares.

If a share price hurdle is not exceeded on an anniversary date, then the 25% parcel will not be released from the ESP Share Limitations because of that fact, but that parcel will be free from the ESP Share Limitations if the share price accumulation hurdle is exceeded on any subsequent anniversary of the relevant date. If the relevant share price accumulation hurdle is not exceeded on subsequent anniversaries of the relevant date, the ESP Shares will be bought back by PBL or transferred to a nominee of PBL at a price equal to the issue price of the relevant shares, without Mr Craigie being entitled to any compensation or further payment.

These share price hurdles are reduced by the amount of any cash distributions or special dividends, other than final or interim dividends, paid by PBL on PBL Shares and if necessary they will be adjusted to take account of any share capital reorganisation of PBL that occurs before a relevant anniversary date.

If only the PBL Scheme is approved and implemented the share price hurdles referred to above will apply to the Crown Shares that are issued to Mr Craigie under the PBL Scheme in respect of the 1,150,000 ESP Shares. If the Recommended Proposal is fully implemented then the performance hurdles will be reset as set out in Section 14.7;

(d) with the exception of the ESP Share Limitations, ESP Shares rank equally with other existing PBL Shares on issue, including rights as to voting;

(e) if Mr Craigie sells ESP Shares which are no longer subject to ESP Share Limitations before the expiry of the five year loan period, he must apply a portion of the sale proceeds towards repayment of the Loan made in respect of those shares (Mr Craigie will be entitled to retain any proceeds of sale which exceed the proportion of the Loan which is repayable);

(f) until the Loan is completely repaid, PBL will be entitled to apply a holding lock on the relevant ESP Shares;

(g) if Mr Craigie defaults in any obligation to make repayment of the Loan or breaches any other term or condition of the Loan, PBL may sell the ESP Shares and apply the sale proceeds towards satisfaction of the Loan amount;

(h) Mr Craigie must not, without the prior consent of PBL, sell, dispose or create a security interest over the ESP Shares;

(i) if Mr Craigie ceases, for any reason, to be employed by or associated with PBL and a proportion of his shares are subject to the ESP Share Limitations, PBL may require Mr Craigie to transfer that proportion of his ESP Shares to a nominee of PBL at a price equal to their issue price without him being entitled to any compensation or further payment; and

(j) the terms on which the ESP Shares will be issued to Mr Craigie will be subject to change in the manner described in Section 14.7, in order to allow the ESP Shares issued to Mr Craigie under this resolution to be treated in the same way as the ESP Shares of other ESP Participants for the purposes of the PBL Scheme.

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Information required by the ASX Listing Rules

- The maximum number of ESP Shares that can be acquired under resolution 6 is 1,150,000 ESP Shares.
- The issue price for the ESP Shares will be $18.97 in respect of 250,000 ESP Shares and $19.18 in respect of 900,000 ESP Shares that will be issued to Mr Craigie if resolution 6 is approved.
- Since the last approval was given by PBL Shareholders on 26 October 2006 for the issue of ESP Shares, no PBL Directors or associates of PBL Directors have received an issue of ESP Shares.
- The following executive directors of PBL are the only directors of PBL who are entitled to participate in the ESP: Mr Alexander, Mr Anderson and Mr Craigie.
- The terms of the Loan that will be made to fund the issue price of the ESP Shares to be issued in accordance with resolution 6 are set out above.
- The ESP Shares will be issued within one month of the passing of resolution 6, on a date that is prior to the PBL Scheme Record Date.

Neither the PBL Scheme nor the Recommended Proposal is conditional on resolution 6 being passed.

The PBL Directors (other than Mr Craigie, who makes no recommendation in relation to resolution 6) unanimously recommend that PBL Shareholders approve resolution 6 on the basis that the proposed issue of 1,150,000 PBL Shares to Mr Craigie form part of the long-term incentive put in place to reward, retain and incentivise Mr Craigie for his leadership of the PBL Gaming division.

Name Change Resolution (Resolution 7 in the Notice of PBL Annual General Meeting)

The Name Change Resolution requires approval by at least 75% of all PBL Shareholders present and voting at the PBL Annual General Meeting (whether in person or by proxy, attorney or in the case of a corporate shareholder, by corporate representative) under section 157(1) of the Corporations Act to a change in name of PBL.

All PBL Shareholders can vote on the Name Change Resolution.

If the Name Change Resolution is approved by the requisite majority, the change of name to CMH will take effect when the resolution is lodged with ASIC and ASIC alters PBL's registration details. This is subject to the Demerger Scheme becoming Effective and is expected to occur on or around the Demerger Scheme Effective Date.

PBL Shareholder approval of the Name Change Resolution is a condition precedent to the PBL Scheme taking effect, but that condition may (and likely will) be waived by PBL if the Name Change Resolution is not passed.

Each PBL Director recommends that you vote in favour of the Name Change Resolution and intends to vote all PBL Shares held or controlled by them in favour of the Name Change Resolution.

Reduction of Capital Resolution (Resolution 8 in the Notice of PBL Annual General Meeting)

PBL proposes the Reduction of Capital Resolution in connection with the Reorganisation.

The Reorganisation will only take place if both the PBL Scheme and the Demerger Scheme are approved.

It is a condition of the Demerger Scheme that the Reduction of Capital Resolution is passed.

The Reduction of Capital Resolution is proposed for the purposes of section 256B(1) of the Corporations Act and under the resolution, if passed and implemented in accordance with its terms:

- PBL's share capital account which is currently approximately $2,455 million will be reduced by $2,440 million;
- Crown, as the sole shareholder of PBL on the second Business Day after the PBL Scheme Record Date, when the Reduction of Capital Resolution is to be implemented, is entitled to a return of $2,440 million being part of PBL's share capital; and
- Crown will not receive the return of capital amount but rather it will be applied by PBL in reduction of a liability in a similar amount that Crown will have to PBL arising out of the agreements to be entered into in connection with the Reorganisation. See Section 7.7.2 for further details.

The PBL Directors believe, after taking into account all relevant matters including that there is no cash outlay under the Reduction of Capital Resolution, that implementation of the resolution will not materially prejudice PBL's ability to pay its creditors. In forming this view the PBL Directors have taken into account:

(a) the Reduction of Capital Resolution will only be implemented if the Recommended Proposal is fully implemented; and

(b) the financial position of PBL in those circumstances, as Section 11 indicates, will be strong. In particular:

(i) the CMH Pro Forma Balance Sheet as at 30 June 2007 discloses:

- net assets of $57 million;
- total current assets (cash) of $90 million; and
- total liabilities of $33 million, and

(ii) the CMH Pro Forma Cash Flow Statements for the year ended 30 June 2007 discloses cash inflows from operating activities of $20 million.

The Reduction of Capital Resolution must be passed as an ordinary resolution, that is by a simple majority (50%) of votes cast on the resolution.

Because the Demerger Scheme is subject to a condition that the Reduction of Capital Resolution is passed, the PBL Directors unanimously recommend that PBL Shareholders approve the Reduction of Capital Resolution.

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7.7 Demerger Scheme

7.7.1 Background and timing issues

Apart from the PBL Scheme being approved and implemented, in order for the Recommended Proposal to proceed it is necessary that the Demerger Scheme is approved and the Reorganisation agreed and implemented.

The Reorganisation and the Demerger Scheme will be undertaken by Crown generally in parallel with the PBL Scheme. This is a requirement of the Implementation Deed (refer to Section 14.12 for more details). Accordingly:

Demerger Scheme Meeting	Provided the Court makes an order under section 411 of the Corporations Act, it is expected that the Demerger Scheme Meeting will take place on the same day as the PBL Meetings but following the conclusion of the PBL Meetings so that the results of the Demerger Scheme Advisory Resolution and the Financial Assistance Resolution are available to the Crown Shareholders before they vote on the Demerger Scheme.
Demerger Scheme Second Court Hearing	It is proposed that the date for the Court to approve the Demerger Scheme if it is approved by Crown Shareholders will, subject to the PBL Scheme being approved by PBL Shareholders at the PBL Scheme Meeting, be the same date as the PBL Scheme Second Court Date.
Demerger Scheme Effective Date	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by the PBL Shareholders and the Crown Shareholders and by the Court, it is proposed that the Demerger Scheme Effective Date will be the same date as the PBL Scheme Effective Date.
Demerger Scheme Record Date and Reorganisation	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by PBL Shareholders and Crown Shareholders and by the Court, it is proposed that: ● on the next Business Day after the PBL Scheme Record Date: – Crown will become entitled to have the PBL Scheme Shares transferred to Crown under the PBL Scheme; – the PBL Scheme Participants will be entered onto the Crown Share Register; – after which, the Crown Initial Shares will be bought back and cancelled by Crown (see Section 7.7.3 below for details concerning the buy back and cancellation of the Crown Initial Shares); and – after the steps referred to above have been fully implemented, the Crown Share Register will close for the purposes of determining who are the Demerger Scheme Participants; that is, the Crown Shareholders to whom CMH Shares will be transferred under the Demerger Scheme. The Demerger Scheme Participants will be constituted only by the PBL Scheme Participants (and the Nominee in respect of Ineligible Overseas Shareholders) to whom Crown Shares are issued in accordance with the PBL Scheme as they will be the only persons who will be registered as Crown Shareholders on the Crown Share Register when it closes, and ● the Reorganisation will take place on the second Business Day after the PBL Scheme Record Date.
Entitlement to Demerger Shares	The Demerger Scheme Participants will be entitled to have the Demerger Shares transferred to them, in accordance with the Demerger Scheme, on the third Business Day following the PBL Scheme Record Date, on which date their names will be entered on the CMH Share Register.
Dispatch of confirmation of allotment statements	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by the PBL Shareholders and the Crown Shareholders and by the Court, it is proposed that confirmation of allotment statements for Crown Shares that are issued under the PBL Scheme, and CMH Shares that are transferred under the Demerger Scheme, will be dispatched by the fifth Business Day after the PBL Scheme Record Date.

7.7.2 Reorganisation

The Reorganisation, which is intended to be implemented at the time set out in Section 7.7.1 (see Demerger Scheme Record Date and Reorganisation) will involve Crown and PBL agreeing to transfer, and transferring, the following two wholly owned subsidiaries of PBL to Crown: Crown Entertainment Group Holdings Pty Ltd and Publishing and Broadcasting (Finance) Ltd.

The reason for the Reorganisation is to ensure that these subsidiaries, which conduct the Gaming Businesses, are wholly owned and directly held by Crown, not by CMH, before the Demerger is implemented.

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7.7.3 Buy back and cancellation of Crown Initial Shares

By no later than five Business Days after the date of this Booklet, Crown will lodge with ASIC, for the purposes of sections 257D and 257E of the Corporations Act, documentation in relation to its intention to buy back the Crown Initial Shares.

Crown will propose to buy back the Crown Initial Shares for the amount subscribed for those shares on the incorporation of Crown, namely, $1.00 cash for each Crown Initial Share. The buy back will be conditional on the PBL Scheme being approved and, for the purposes of section 411(10) of the Corporations Act, taking effect.

It will be a term of the buy back agreement that the timing for implementing the buy back and cancellation of the Crown Initial Shares will be as set out in Section 7.7.1.

It is a condition precedent of the Demerger Scheme that the holders of the Crown Initial Shares:

- approve the proposed buy back resolution that is to be considered at a general meeting of Crown Shareholders; and
- enter into the buy back agreement before the date of the Demerger Scheme Meeting.

Crown will convene a general meeting of Crown Initial Shareholders to approve the proposed buy back and thereafter Crown and the Crown Initial Shareholders will enter into the buy back agreement before the date of the Demerger Scheme Meeting.

7.7.4 Demerger and the Demerger Scheme

(a) Terms of the Demerger Scheme

The Demerger Scheme involves two key elements: the Capital Reduction and the Demerger Scheme between Crown and the Crown Shareholders.

(b) Consideration under the Demerger Scheme

Under the Demerger Scheme, Demerger Scheme Participants will become entitled to have transferred to them one CMH Share for every Crown Share held as at the Demerger Scheme Record Date. Under the Demerger Scheme, Demerger Scheme Participants agree to become members of CMH and accept the CMH Shares, subject to the terms of the CMH Constitution.

The Demerger Scheme Participants will be only the PBL Scheme Participants (except the Ineligible Overseas Shareholders) and the Nominee in respect of the Ineligible Overseas Shareholders, to whom Crown Shares are issued under the PBL Scheme. Under the PBL Scheme, the PBL Scheme Participants acknowledge that, if the Demerger Scheme is approved, they, as Demerger Scheme Participants, will become members of CMH and accept the CMH Shares, subject to the terms of the CMH Constitution.

Demerger Scheme Participants who are entitled to have CMH Shares transferred to them under the Demerger Scheme are not required to pay any money for those CMH Shares because the Capital Reduction Amount will be applied by way of consideration for the transfer of the CMH Shares. Demerger Scheme Participants will not have the option of taking any entitlement to the Capital Reduction Amount in cash.

The CMH Shares to which Demerger Scheme Participants are entitled under the Demerger Scheme (including those transferred to the Nominee) represent all of the CMH Shares on issue.

(c) Conditions of the Demerger Scheme

The Demerger Scheme is subject to the following conditions precedent:

(i) the approval of the PBL Scheme by the requisite majority of PBL Shareholders and the Court;

(ii) the approval of the Reduction of Capital Resolution by the requisite majority of PBL Shareholders at the PBL Annual General Meeting;

(iii) the approval of the Capital Reduction Resolution by the requisite majority of Crown Shareholders (being the Crown Initial Shareholders);

(iv) the unanimous approval of the buy back of the Crown Initial Shares by the Crown Shareholders (being the Crown Initial Shareholders) as required by the Corporations Act, and Crown and the Crown Initial Shareholders entering into a buy back agreement before the date of the Demerger Scheme Meeting; and

(v) the approval of the Demerger Scheme by the requisite majority of Crown Shareholders (being the Crown Initial Shareholders) and the Court.

(d) Demerger Scheme Booklet

Crown has issued the Demerger Scheme Booklet in connection with the Demerger Scheme.

The Demerger Scheme Booklet contains no material information about the Recommended Proposal or the Demerger Scheme that is not contained, or referred to, in this Booklet.

The Demerger Scheme Booklet is available for inspection on the PBL website (www.pbl.com.au). Further, any PBL Shareholder who requests a copy of the Demerger Scheme Booklet will be sent a copy free of charge. Requests can be made to the PBL Infoline at any time before the PBL Scheme Effective Date.

(e) Capital Reduction Resolution

Crown has proposed the Capital Reduction Resolution to permit Crown to reduce its capital by the Capital Reduction Amount.

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The Capital Reduction Amount will be the fair value of the CMH Shares which will be determined by reference to the market price of CMH Shares as traded on the ASX (whether on an ordinary settlement or deferred settlement basis) on the first trading day after the Demerger Scheme Effective Date.

At the time the Capital Reduction Resolution is implemented, it is estimated that Crown's share capital account will be well in excess of the fair value of the CMH Shares as it will also include the fair value of the Gaming Businesses.

The Capital Reduction is conditional on the Crown Initial Shareholders and the Court approving the Demerger Scheme and on the implementation of the Demerger.

This means that the Capital Reduction will not occur unless the Demerger Scheme and the Capital Reduction are approved by Crown Shareholders and the Demerger Scheme becomes effective.

The Capital Reduction should give rise to a CGT event for Crown Shareholders. However, any taxable capital gain made by a Crown Shareholder should be disregarded if the Crown Shareholder is entitled to choose demerger relief and does so. The ATO has confirmed that it will issue a Class Ruling advising amongst other things that, in the opinion of the ATO, demerger relief will not be available for the Demerger Scheme. A further explanation of the Australian taxation implications of the Capital Reduction for Australian tax resident Crown Shareholders who participate in the Demerger Scheme and who hold their Crown Shares on capital account for tax purposes is set out in Section 13.

The Capital Reduction Resolution is being put to Crown Shareholders for the purposes of section 256B of the Corporations Act.

The Capital Reduction is to be effected by appropriating the Capital Reduction Amount for the benefit of Demerger Scheme Participants (who will be determined in the manner set out in Section 7.7.4(b)) and will be applied in accordance with the Demerger Scheme.

The impact, financial and otherwise, on Crown and Crown Shareholders if the Capital Reduction Resolution is passed, together with other factors that are material to the making of the decision by Crown Shareholders whether to approve the Capital Reduction Resolution are as described in the Demerger Scheme Booklet. However, all material information regarding these matters is also set out in this Booklet.

The directors of Crown, who are also the PBL Directors, state in the Demerger Scheme Booklet that, taking into account all relevant matters, the Capital Reduction will not materially prejudice Crown's ability to pay its creditors.

7.8 Indicative Timetable – key dates

There are a number of key dates for the implementation of the PBL Scheme and the Recommended Proposal. The key dates are set out at the front of this Booklet.

Court approval	Provided the PBL Shareholders approve the PBL Scheme Resolution and the Financial Assistance Resolution on Friday 23 November 2007 it is proposed to seek the Court's approval of the PBL Scheme on Wednesday 28 November 2007. If the Demerger Scheme has been approved by the Crown Shareholders then Crown will also seek Court approval of the Demerger Scheme on Wednesday 28 November 2007.
Effective date	If the PBL Scheme is approved by the Court on Wednesday 28 November 2007, then the PBL Scheme Effective Date will be Friday 30 November 2007. At the close of trading on ASX on the PBL Scheme Effective Date, PBL Shares will cease to trade on ASX with entitlement to participate in the PBL Scheme. If the PBL Scheme is not approved by the Court on Wednesday 28 November 2007 but on another date, PBL will notify ASX of any change to the PBL Scheme Effective Date. If the Demerger Scheme is also approved by the Court on Wednesday 28 November 2007, the Demerger Scheme Effective Date will be on the same day as the PBL Scheme Effective Date.
Deferred settlement trading	Section 5.8 deals with deferred settlement trading of Crown Shares and, if the Demerger Scheme is approved, CMH Shares, which will commence on the Business Day after the Effective Date of the Schemes. The Crown Shares will trade initially on a deferred settlement basis and without any entitlement to participate in the Demerger Scheme. The CMH Shares will trade initially on a deferred settlement basis and without any entitlement to participate in the PBL Scheme.
PBL Scheme Record Date	PBL Shareholders who are registered in the PBL Share Register at 7:00pm on the fifth Business Day after the PBL Scheme Effective Date, which is the PBL Scheme Record Date, will be entitled to participate in the PBL Scheme.
PBL Scheme Consideration	Crown will provide the PBL Scheme Consideration, including confirmation of allotment statements for Crown Shares that are issued under the PBL Scheme, by no later than the tenth Business Day after the PBL Scheme Effective Date which, based on the Indicative Timetable, will be on Friday 14 December 2007.

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Section 08
Gaming Businesses

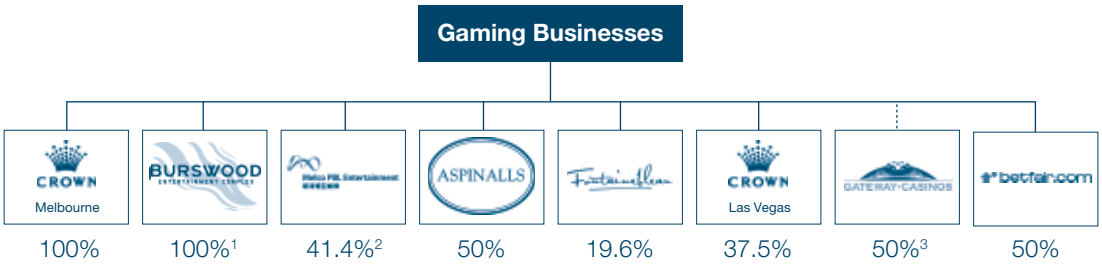
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08. Gaming Businesses

8.1 Introduction

The Gaming Businesses represent a diversified portfolio of leading Australian and international gaming operations. The chart below provides an overview of the Gaming Businesses:



Notes:

1 Full ownership of Burswood excludes IHG (Victoria Park) Pty Ltd's (**IHG**) 35% interest in The InterContinental Perth Burswood Resort Hotel and the Holiday Inn Burswood

2 Excludes Melco PBL Entertainment Asia Holdings Limited, a joint venture vehicle between Melco and PBL for certain other Asian territories, which at the date of this Booklet has no investments

3 Subject to the Gateway Offer being successful. See Section 8.4.5 for further details

8.2 History of the Gaming Businesses

The history of the Gaming Businesses is outlined below in chronological order:

1999

- PBL acquired Crown Melbourne, a casino and entertainment complex, for $1.8 billion, establishing PBL's presence in the gaming industry

2004

- PBL significantly expanded its gaming business by acquiring Burswood, Perth's largest casino and entertainment complex for $876 million
- PBL entered into a joint venture with The Sporting Exchange Limited (**Betfair UK**) to operate an online betting exchange in Australia and New Zealand, being Betfair Australia

2005

- PBL entered into a 50:50 joint venture with Melco International Development Limited to create a gaming company in Asia, starting with the Mocha Clubs and Crown Macau development in Macau

2006

- PBL acquired a 50% interest in Aspinalls casino business in the UK
- Initial Public Offering of Melco PBL Entertainment (Macau) Limited (**MPEL**) on NASDAQ

2007

- PBL entered into a 50:50 joint venture, New World Gaming Partners Limited (**New World Gaming**), with Macquarie Bank Limited (**Macquarie**), through which a takeover offer (the **Gateway Offer**) to acquire all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star of Fortune Gaming Management Corp (together **Gateway**) was made. The Gateway Offer is incomplete at the date of this Booklet. Gateway is one of the largest casino operators in Western Canada with an enterprise value of C$1,365 million. See Section 8.4.5 for further details
- PBL acquired a 19.6% equity stake in Fontainebleau Equity Holdings LLC, the owner of Fontainebleau Resorts for US$250 million and acquired a small interest deferred debt holding in Fontainebleau Resorts for US$25 million
- Crown Macau opened in May 2007 and the first phase of The City of Dreams, MPEL's second Macau casino project, is targeted to open by the end of March 2009
- PBL paid US$22.5 million for a 37.5% equity interest in LVTI LLC (**LVTI**), a joint venture between IDM Properties and York Capital Management with an option to purchase 26.87 acres of land on the northern end of Las Vegas Boulevard for US$475 million, equating to US$17.7 million per acre. The joint venture has paid the vendor of the land US$45 million, with the balance due in 2008

8.3 Description of the Australian Gaming Businesses

8.3.1 Introduction

PBL currently operates two gaming and entertainment complexes in Australia, being Crown Melbourne located in Victoria and Burswood located in Western Australia. Both Crown and Burswood complexes comprise a casino, hotels, food, beverage and shopping facilities, and other entertainment.

In FY2007, pro forma normalised revenue generated by the Australian Gaming Businesses totalled $1.9 billion, an increase of 10.6% on FY2006. Pro forma normalised EBITDA for the same period was $580 million, an increase of 13.7% on FY2006.

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8.3.2 Crown Melbourne

Business overview

Crown Melbourne is Melbourne's premier entertainment venue and one of the largest integrated entertainment facilities in the southern hemisphere. The entertainment complex includes Crown Casino, Crown Towers Hotel and Crown Promenade Hotel, restaurants, bars and shopping and other entertainment facilities.

Crown Melbourne receives approximately 16 million visitors per annum (300,000 per week) and is the most visited tourist attraction in Victoria. Crown Melbourne is Victoria's largest single site employer, with approximately 7,000 employees, approximately 5,500 of which are directly employed and the remainder employed within the complex by suppliers of services.

Over and above normal capital expenditure, PBL will spend approximately $220 million over the next five years towards a refurbishment of the property's flagship hotel, the Crown Towers, as well as refurbishment of the main gaming floor.

In addition, planning is underway for an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel with a total investment of approximately $340 million. The third hotel at Crown is to be located at the western end of the complex and is targeted to open in 2010.

See Section 8.6.2 for an overview of the Australian gaming industry.

Gaming facilities

Crown Casino is one of the largest gaming facilities in the southern hemisphere. The gaming floor of the casino covers more than 31,000 square metres. Crown Casino features 2,500 electronic gaming machines and 350 table games, including the Crystal Club, private gaming salons, the Mahogany Room and the VIP Slots room for VIP players. The main table games played are Blackjack, Roulette, Baccarat and Poker.

Hotels

Crown Melbourne has two hotels, Crown Towers and Crown Promenade, with a total of 947 rooms including 31 luxury villas. Crown Melbourne and Burswood share sales offices located in Bangkok, Singapore, Kuala Lumpur, Hong Kong, Jakarta, Taipei and Japan, which continue to seek new business for both properties.

Crown Towers is regarded as one of the leading luxury five-star hotels in Australia. In 2005, Crown Towers was inducted into the Victorian Tourism Awards Hall of Fame after winning the premier luxury hotel category of the Victorian Tourism Awards for three consecutive years. Located on the southern banks of Melbourne's Yarra River, the landmark hotel is distinctive in design and location and superior in quality, product and levels of service. The hotel features 482 guestrooms, including 84 suites and 31 luxury villas. The guestrooms feature marble-lined bathrooms with spa bath, walk-in wardrobes, personal facsimile machines and panoramic views. The hotel also features Australia's largest state-of-the-art conferencing and banqueting facilities, a 25-metre heated indoor swimming pool, a gymnasium and two rebound championship tennis courts. The hotel features seven signature restaurants, each featuring a distinctive style of cuisine, from modern Australian to authentic Japanese.

Crown Promenade Hotel is a leading hotel in the 4½-star category in Melbourne. In less than three years since opening, Crown Promenade Hotel has achieved an annualised occupancy result of more than 90%, making it the busiest hotel of its class in Melbourne. The hotel features 465 guestrooms, including 18 studios and three suites, the purpose-built Crown Conference Centre, 280 seat Mesh restaurant and 80 seat Tonic Bar. With spacious guestrooms averaging 34-square metres, providing panoramic views of the city, Yarra River or Port Phillip Bay, the guest experience is further enhanced by quality furnishings and finishes and original artworks by local artists. Hotel guests have exclusive access to The Deck (Crown Promenade's dedicated leisure centre), comprising a heated indoor 25-metre infinity pool with a spa, a state-of-the-art fully equipped gymnasium, two outdoor sundecks and male and female sauna and steam rooms. Crown Promenade Hotel also offers the latest state-of-the-art conferencing facilities and technologies.

Other entertainment

Crown Melbourne also has a variety of other entertainment facilities, including:

- the Palladium ballroom, which seats 1,500 guests and features a laser lighting system and concert quality sound system. The Palladium is used for visual display presentations, exhibitions, product launches and social events;
- the River Rooms, conference venues that accommodate up to 270 guests and offer views of the city skyline;
- LIVE, opened in December 2006, which features a variety of live and recorded music;
- the Palms at Crown, a multi-layered auditorium that seats 800 and offers cabaret-style tables at stage front, as well as booths and tables;
- more than 40 restaurants, cafes and snack bars, offering a variety of cuisines and atmospheres. The restaurants include some of Melbourne's most cosmopolitan dining;
- flexible banquet facilities, with the capacity to be reconfigured and decorated in a number of ways;
- 20 bars and nightlife destinations;
- Village cinemas and Village Gold Class cinemas; and
- a range of luxury brand boutiques, general fashion and general merchandise stores.

8.3.3 Burswood

Business overview

PBL acquired Burswood in September 2004 and has subsequently transformed the complex into one of the best performing casinos in the region. Burswood is Western Australia's largest single site, private sector employer, providing jobs to more than 3,500 people.

The complex is also Western Australia's most successful tourist attraction with approximately 20% of revenues coming from international or interstate visitors.

PBL has approved approximately $100 million over and above normal capital expenditure to be spent on the main gaming floor and hotel related projects over the next four financial years.

See Section 8.6.2 for an overview of the Australian gaming industry.

Gaming facilities

Burswood was opened in 1985. As at 30 June 2007 Burswood had 1,614 video gaming machines and 146 table games (97 tables on the main gaming floor and 49 in the Pearl Room) in operation. On 30 June 2007 Burswood was given approval to operate 1,750 video gaming machines and 170 table games. Burswood offers premium gaming facilities in the Pearl Room and six private gaming suites.

Hotels

The InterContinental Perth Burswood Hotel is owned by PBL and the Holiday Inn Burswood is owned by IHG. The InterContinental Perth Burswood Hotel and the Holiday Inn Burswood are operated by a partnership; with a distribution of profits 65% to PBL and 35% to IHG. The hotels have a combined 704 rooms and are located close to the airport and the Perth CBD.

The InterContinental Perth Burswood Hotel is a 5-star hotel with 413 rooms, including 19 premium accommodation suites with outdoor balconies and river views. It has three executive floors, an executive club lounge and a health and fitness centre.

The Holiday Inn Burswood is a 3½-star hotel that opened in August 2005. The hotel has 291 rooms, three meeting rooms, a terrace pool and gymnasium.

Other entertainment

Burswood offers a range of fine dining, casual restaurants and bars and other entertainment and bar facilities in approximately 20 locations in the complex, including:

- the 21,000 seat Burswood Dome;
- a convention centre;
- the 2,300 seat Burswood Theatre;
- seven restaurants, six bars and a nightclub;
- a day spa; and
- an indoor and outdoor swimming pool.

8.4 Description of other Gaming Businesses

8.4.1 MPEL

Investment description

MPEL listed its American Depository Shares on the NASDAQ under the symbol "MPEL" in December 2006. Its founding shareholders, Melco and PBL, each have a 41.4% shareholding. MPEL has 10 directors, with three representatives from PBL, three representatives from Melco and four independent directors. The PBL representatives on the Board are Mr James Packer, Mr John Alexander and Mr Rowen Craigie.

PBL currently equity accounts for its investment in MPEL. PBL's share of MPEL's results for the 12 months to 30 June 2007 was a loss of $47 million principally reflecting pre-opening costs written off. MPEL reports its results in accordance with US GAAP and therefore its reported results may differ from those PBL has calculated in recording its equity share of earnings. The main difference in the accounting is in relation to the casino sub-concession. Under US GAAP, MPEL amortises the total intangible asset on a straight-line basis over the licence period. Under Australian Accounting Standards, PBL effectively allocates the cost of the sub-concession to the casino projects and commences amortisation of the allocated amount only after the casino project opens. Amortisation of the total value will commence after the opening of the third casino project. MPEL's publicly stated dividend policy is to retain all earnings to finance the construction and development of projects and the operation and expansion of its business. As such, it is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 14.12 for a summary of the key terms of PBL's investment in MPEL.

Business overview

MPEL is a developer and owner of casino gaming and entertainment resort facilities. It is focussed on the Macau market and its subsidiary, Melco PBL Gaming (Macau) Limited (**MPBL Gaming**), is one of six companies granted concessions or sub-concessions to operate casinos in Macau. MPEL's operating businesses include Crown Macau, which opened on 12 May 2007 and the Mocha Clubs. MPEL's development projects include The City of Dreams, the initial phase of which is targeted to open by the end of March 2009 and the Macau peninsula site.

See Section 8.6.3 for an overview of the Macau gaming industry.

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Operating businesses

MPEL's operating businesses include Crown Macau and the Mocha Clubs.

Crown Macau is a 36-storey luxury hotel and casino resort located on the northern side of Taipa Island. The complex is primarily targeted at the high-end gaming and short visit gaming markets in Macau and represents the first extension of Australia's iconic Crown brand in Asia. Crown Macau features a multi-level casino with approximately 183,000 square feet of gaming space. The casino houses approximately 220 gaming tables and 500 gaming machines. Crown Macau's contemporary hotel offers 216 guest rooms, of which 24 are VIP suites and eight are villas, all offering spectacular panoramic views of the Macau peninsula. The complex also features a host of world class restaurants, bars, an outdoor garden podium and a luxurious day spa.

The Mocha Clubs feature approximately 1,000 gaming machines in six locations and comprise the largest non-casino based operations of electronic gaming machines in Macau. The clubs target mass market and casual gaming patrons and aim to capitalise on the significant growth opportunities associated with machine-based gaming in Macau.

Development projects

MPEL has a further two development projects, The City of Dreams and the Macau peninsula site.

The City of Dreams is being developed on a 28 acre site on the Cotai Strip and will be an integrated casino and entertainment resort primarily for mass market patrons. It is planned to feature three hotels with a total of approximately 1,600 hotel rooms, a casino with approximately 450 gaming tables and 2,500 gaming machines, a performance hall, an upscale shopping mall and a wide variety of restaurants and bars.

The initial phase of The City of Dreams project is planned to formally open to the public by the end of March 2009. The initial phase includes the casino, retail space and two hotels, the Crown Towers Cotai and Hard Rock Macau. The 1,005-room Grand Hyatt Macau twin-tower hotel and the serviced apartment hotel units are scheduled to be completed in September 2009 and December 2009 respectively.

MPEL has also entered into an agreement, subject to certain conditions, to acquire a third, 1.6 acre development site on the Macau peninsula. The company is currently considering plans to develop the site into a mixed-use casino and hotel facility targeted at day-trip gaming patrons.

MPEL announced on 6 September 2007 a US$1.75 billion Senior Facilities Agreement with a syndicate of banks to finance the construction and development of The City of Dreams integrated casino and entertainment resort together with general working capital requirements.

The facilities are non recourse to PBL. However, PBL and Melco International Development Limited (which owns 41.4% of MPEL along with PBL) have each undertaken to provide a Letter of Credit for US$125 million which will be able to be used, if necessary, to support completion of the City of Dreams should the facilities be insufficient to fund completion.

In May 2007, MPEL announced that, through its subsidiary MPBL Gaming, it had signed a services agreement with New Cotai Entertainment (Macau) Limited to operate the casino portions of the Macau Studio City project, an integrated gaming, retail and entertainment resort that is expected to open during 2009.

8.4.2 Aspinalls

Investment description

In October 2006, PBL acquired a 50% interest in Aspinalls, a premium casino business in the UK. PBL currently has two representatives on the Board of Directors of Aspinalls. The PBL representatives on the Board are Mr John Alexander and Mr Rowen Craigie.

PBL currently equity accounts for its investment in Aspinalls. Aspinalls intends to retain all earnings to complete known developments and investigate further licence opportunities in light of the new UK regulatory environment. As such, it is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 14.12 for a summary of the key terms of PBL's investment in Aspinalls.

Business overview

Aspinalls currently owns and operates three casinos, the Aspinall's Club, Mayfair, Aspers at The Gate and Aspers at Salubrious Palace. A further two new casinos are currently being developed in Northampton, England (in a joint venture with Kerzner UK Limited) and Bournemouth, England. The company is well positioned to participate in any opportunities arising from deregulation of the UK gaming industry.

See Section 8.6.4 for an overview of the UK gaming industry.

Aspinall's Club, Mayfair

Aspinall's Club is an exclusive, high roller private members casino in Mayfair, London. It has been situated in its present location in Curzon Street, Mayfair since 1992. The Club has 17 live gaming tables, an exclusive silver service dining room, three private salons, one restaurant, an outdoor dining terrace, a bar and a club room.

Exclusive corporate facilities are also available for Club members at Chelsea Football Club, Wembley Stadium, All England Lawn Tennis Club and Mill Ride Golf Club.

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Aspers at The Gate

The Aspers Casino is located in The Gate, a large entertainment complex situated in the centre of Newcastle, England which incorporates a cinema and many bars and restaurants.

Aspers Casino is targeted at the wider gaming market with facilities spread over 45,000 square feet, including over 119 slot machines, 20 table games, VIP club facilities and the largest poker room in the North East. Additional amenities include a beauty spa, an iPod lounge, a fine dining restaurant, a cafe and two bars with live entertainment.

The Gate property was awarded the UK operator of the year award in 2006 by *Retail & Leisure International* magazine.

Aspers at Salubrious Palace

This property was opened in September 2007. The casino is located in the heart of Swansea, Wales. It is a 57,000 square foot property with a capacity to hold 1,600 people. The property features a broad range of leisure and entertainment including 21 gaming tables, 20 slot machines, 40 electronic roulette, 100 seat capacity poker room, bars, restaurant and a beauty salon.

Future developments

Two new casinos are currently being developed in Northampton, England (in a joint venture with Kerzner UK Limited) and Bournemouth, England.

- Aspers in Northampton, a joint venture project with renowned gaming and entertainment property developer, Kerzner UK Limited. Aspers in Northampton is spread over 40,000 square feet at Northampton in the East Midlands and is due to open in the second quarter of 2008. Aspers will be the casino operator; and
- Aspers at the Pavilion, a 30,000 square foot project in Bournemouth on the south coast of England. It is due to open in July 2010. Construction of Aspers at the Pavilion has not yet begun.

The development projects will be funded by ongoing contributions of debt and equity over the life of their development. Currently, Aspinalls has agreed financing terms for the Northampton project.

Aspinalls is also exploring opportunities to develop casinos in various regional cities in the UK, and has three further projects in Middlesbrough, Dudley and Southend.

8.4.3 Fontainebleau Resorts

Investment description

On 6 June 2007, PBL acquired 19.6% of Fontainebleau Equity Holdings LLC, which owns Fontainebleau Resorts, for US$250 million. In addition, PBL acquired US$25 million of deferred interest debt in Fontainebleau Resorts. PBL has the right to appoint one representative to the Board of Managers of Fontainebleau Resorts (which currently has five members in total).

PBL currently accounts for Fontainebleau Resorts as an investment. Whilst Fontainebleau Las Vegas is in its development stage, Fontainebleau Resorts is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 14.12 for a summary of the key terms of PBL's investment in Fontainebleau Resorts.

Business overview

Fontainebleau Resorts is the developer of a major new casino/resort property on the Las Vegas Strip, Fontainebleau Las Vegas, and the owner of the Fontainebleau Miami Beach, which is currently closed for a major renovation.

On 7 June 2007, Fontainebleau Resorts announced that it had finalised a financing package of more than US$4 billion that is expected to fully fund the Las Vegas construction and Miami renovation.

See Section 8.6.5 for an overview of the US gaming industry.

Fontainebleau Las Vegas

Fontainebleau Las Vegas will be a world class destination resort, comprising a casino and luxury hotel. The resort's planned features are listed below:

- a 3,889 room hotel, comprising 2,719 standard rooms, 152 suites and 1,018 luxury condominium-hotel units;
- an approximately 100,000 square foot casino with approximately 1,700 slot machines and 125 table games;
- approximately 353,000 square feet of convention centre and meeting space, including approximately 99,000 square feet of pre-function and outdoor meeting space;
- approximately 287,000 square feet of high-end retail outlets;
- an approximately 60,000 square foot spa;
- numerous signature restaurants run by distinguished chefs;
- an approximately 3,200 seat state-of-the-art theatre; and
- a large rooftop pool positioned on a 12.1 acre podium above the casino.

Fontainebleau Las Vegas is planned to stand 63 storeys tall and will be developed on a 24.4 acre site on the north end of the Las Vegas Strip where new casino resort and condominium developments, such as Encore at Wynn, Echelon, Palazzo, Turnberry Towers, Sky Las Vegas, Allure Las Vegas and Trump International Hotel and Tower, are being developed. Fontainebleau Las Vegas is expected to cost approximately US$2.9 billion and open in late 2009.

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Fontainebleau Miami Beach

Fontainebleau Miami Beach is situated on a 16 acre ocean front site in Miami Beach. Fontainebleau Resorts is undertaking a complete renovation of the resort at a cost of approximately US$539 million. Key elements of the planned renovation and construction are listed below:

- construction and refurbishment of over 1,500 luxury hotel rooms, condominium-hotel rooms and suites;
- an approximately 170,000 square foot convention centre and meeting area;
- approximately 280,000 square feet of public space, including restaurants and entertainment venues;
- numerous signature restaurants, lounges and a nightclub;
- the 36-storey Fontainebleau Tower Suites with 462 units;
- the new 21-storey Fontainebleau Ocean Club with 286 units;
- expansive poolscape and cabana area; and
- a two-level approximate 40,000 square foot indoor/outdoor luxury spa.

The entire Fontainebleau Miami Beach renovation is scheduled to be completed in the second half of 2008.

8.4.4 Crown Las Vegas

Investment description

In May 2007, PBL announced that it had entered into an agreement with IDM Properties and York Capital Management to form a joint venture to develop, construct and operate Crown Las Vegas. It is intended that Crown Las Vegas will be managed and operated by Crown. PBL has a 37.5% equity interest in LVTI, the joint venture company, which has secured an option to purchase 26.9 acres of land on the north end of Las Vegas Boulevard, a site immediately next door to the Fontainebleau Las Vegas.

PBL intends to enter into an agreement with Fontainebleau Equity Holdings, LLC under which Fontainebleau Equity Holdings LLC (or one of its wholly owned subsidiaries) will have an option to acquire 50% of PBL's interest in LVTI. The terms and conditions of this proposed agreement are in the process of being negotiated.

PBL currently accounts for Crown Las Vegas as an investment. Crown Las Vegas is unlikely to declare or pay cash dividends to shareholders in the near term given it is in the development stage.

See Section 14.12 for a summary of the key terms of PBL's investment in Crown Las Vegas.

Business overview

Crown Las Vegas will be a new casino and hotel resort on the Las Vegas Strip. Details of the design and development of the new casino resort are still being finalised. The joint venture will seek external financing commitments as appropriate and intends to establish a financing structure broadly in line with recent Las Vegas developments.

See Section 8.6.5 for an overview of the US gaming industry.

8.4.5 Gateway (subject to a successful bid)

Investment description

On 4 April 2007 New World Gaming, a joint venture of Macquarie and PBL, announced to the Toronto Stock Exchange that it had made a takeover offer to acquire all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star of Fortune Gaming Management Corp.

The Gateway Offer has the support of the Gateway board and the Gateway trustee. Also, the major unitholder in Gateway has indicated that it will accept the Gateway Offer.

The Gateway Offer is subject to a number of conditions, including a 66.66% acceptance threshold and all required regulatory approvals. Offer documents were dispatched to Gateway unitholders on 8 May 2007. The expiry date of the Gateway Offer has been extended to 24 October 2007 to allow all regulatory approvals to be obtained.

A number of regulatory and government approvals have been received and New World Gaming continues to pursue the regulatory approval required from British Columbia and Alberta Gaming regulators in the normal course. New World Gaming understands that the British Columbia and Alberta Gaming regulators are now in the final stages of their respective reviews and is working with the regulators to satisfy the few remaining questions and issues that are outstanding. It is anticipated, although there can be no assurance, that all required regulatory approvals will be obtained prior to the extended expiry date.

The Gateway Offer attributes an enterprise value to Gateway of C$1.365 billion. If the Gateway Offer is successful, to fund the acquisition PBL and Macquarie will each contribute C$195 million in equity and raise C$975 million in non-recourse external debt.

It is expected that New World Gaming Partners Holdings British Columbia Limited, the ultimate holding company for Gateway, will have up to eight directors, with PBL and Macquarie entitled to appoint up to four directors each. The PBL representatives on the Board will be Mr James Packer, Mr Rowen Craigie and Mr Robert Turner. The Board of Directors is expected to meet quarterly with the role of the Chairman to be rotated between a Macquarie and Crown nominated director every 12 months.

PBL expects to equity account for this investment upon successful completion of the transaction. New World Gaming is unlikely to declare or pay a cash dividend in the medium term, due to its highly geared structure.

See Section 14.12 for a summary of the key terms of PBL's investment in Gateway.

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Business overview

Gateway is one of the largest casino operators in Western Canada. The company operates seven casinos in British Columbia (**BC**) and two casinos in Edmonton, Alberta. In BC, Gateway's Burnaby Casino is one of the largest casinos in the province in terms of total revenue and number of visitors, with 676 slot machines and table games.

In 2006, Gateway reported total revenue growth of 30.9% to reach C$133 million, generating EBITDA of C$50.8 million, reflecting a margin of 38.2%.

Growth for the Gateway business is expected to come from a number of redevelopments, as well as the opening of the Starlight Casino in New Westminster, BC. Opening in early 2008 (at which point the Royal City Star Riverboat will cease operating), the property will feature 168,000 square feet of entertainment options, including a 65,000 square foot casino offering approximately 800 slot machines, table games and comprehensive food and beverage options. In addition, construction and development of a completely new 110,000 square foot facility for the Burnaby Casino has commenced and the redevelopment is expected to open in 2008. The property will feature up to 1,000 slot machines, table games, a 21,000 square foot convention centre and upgrades to the pre-existing 200 room hotel tower. These developments will complement the company's newest facility, Cascades Casino, which was opened in May 2005, and comprises 539 slot machines, table games, a dedicated poker room, a 77 room hotel, convention space for up to 1,000 people and a theatre with room for 420 patrons.

Gateway is in the process of completing a financing package which will fund the above expansion and certain other capital projects.

See Section 8.6.6 for an overview of the Canadian gaming industry.

8.4.6 Betfair Australia

Investment description

Betfair Australia is a 50:50 joint venture between Betfair UK and PBL. The business continues to build critical mass in its first full year of operations. PBL's share of after tax losses for the year ended 30 June 2007 was $2 million. Betfair Australia has two directors, with each joint venture partner having an equal number of Board members.

PBL currently equity accounts for its investment in Betfair Australia. Betfair Australia is currently reinvesting all free cash flow to fund future growth and is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 14.12 for a summary of the key terms of PBL's investment in Betfair Australia.

Business overview

Betfair Australia is a betting exchange for customers resident in Australia or New Zealand. It began operation when it was licensed by the Tasmanian Government in early 2006 and commenced full operations from a purpose built data centre in Hobart in late August 2006. Betfair currently employs over 80 people in its Hobart and Melbourne offices.

A betting exchange is a wagering operator that operates an online market where individuals with opposing views on an event make fixed price bets, effectively between themselves. It operates in a manner resembling a stock market in that a player can either back (i.e. buy) or lay (i.e. sell) an outcome on a race or sporting event. Betfair UK is the world's leading betting exchange. Betfair Australia does not operate retail premises at which bets may be placed, nor does it have an on-course presence in the same way as a totalisator or traditional bookmaker; its services are exclusively provided via the internet and telephone.

Betfair Australia has information sharing agreements with the following bodies:

- Racing Services Tasmania;
- Racing Victoria Limited;
- Australian Football League;
- Cricket Australia;
- PGA Tour of Australasia;
- Tennis Australia; and
- National Rugby League.

Information sharing agreements are agreements that entitle sporting bodies to have access to Betfair Australia's betting records and customer details for the purpose of managing the integrity of their sporting events and competitions. The agreements are an essential platform to ensure the continuing integrity of the sport in question.

See Section 8.6.2 for an overview of the Australian gaming industry.

8.5 Discontinuing Businesses

On 8 May 2007, PBL announced that it will look to sensibly monetise its ownership interests in The Hoyts Group (**Hoyts**) and Hollywood movie and television production companies Regency Enterprises and New Regency Productions (**New Regency**).

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8.5.1 Hoyts

As at the date of this Booklet, Hoyts is 50% owned by each of PBL and West Australian Newspapers Holdings Limited (**WAN**).

On 23 September 2007, PBL and WAN entered into an agreement to sell their respective interests in Hoyts to funds advised by Pacific Equity Partners. The sale is conditional only on approvals from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand and is expected to complete by the end of November 2007. PBL expects to receive net proceeds of approximately $150 million from the sale.

8.5.2 New Regency

Business overview

PBL has a 25.4% interest in New Regency.

New Regency owns a large film and television library. Television assets include the syndication runs Malcolm in the Middle and The Bernie Mac Show. The movie library includes Heat, Man on Fire, Fight Club, Free Willy, L.A. Confidential, Entrapment and Mr & Mrs Smith.

Consideration is being given to the disposal of PBL's interest in New Regency, which has a book value of $201 million.

8.6 Overview of the Gaming Industry

8.6.1 Global gaming industry

(a) Industry overview

The gaming industry encompasses all forms of traditional betting on sports, lotteries and gaming machines, as well as gambling in casinos or bingo halls and online. According to Datamonitor's report "Global Casinos & Gaming Industry Profile, March 2007", global gaming revenue increased 5.3% to US$306.0 billion in 2006. This represents a compound annual growth rate (**CAGR**) of 6.2% for the period 2002 to 2006.

The gaming industry is highly fragmented and highly competitive. The industry operates differently in each country as a result of different regulatory frameworks and popularity of different industry segments.

(b) Market segmentation

Gaming machines were the most popular segment for the gaming industry in 2006, generating US$94.6 billion in revenue, or 30.9% of revenue. In comparison, casinos and lotteries contributed 13.2% and 13.0% to revenue respectively. The Asia Pacific region is the largest gambling region worldwide in terms of revenue, generating US$163.1 billion in revenue in 2006, corresponding to 53.3% of total revenue. The US generated US$86.6 billion in revenue and captured a 28.3% market share. Europe represented a 16.4% market share, generating the largest revenues worldwide in online gaming.

Figure 8A: Global gaming product segmentation by revenue[1]: 2006

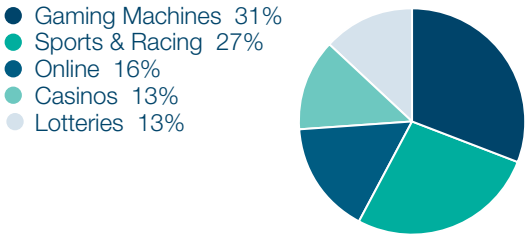
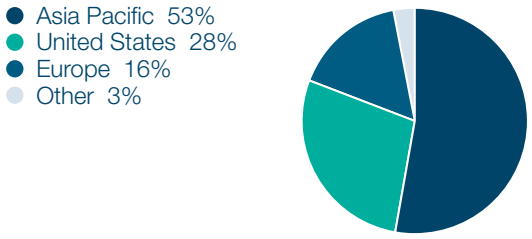


Figure 8B: Global gaming geographic segmentation by revenue[1]: 2006



Source: Datamonitor, Global Casinos & Gaming Industry Profile, March 2007

Note:

1 Revenue refers to net winnings

(c) Key drivers

The gaming industry is principally driven by factors which affect household disposable income, tourism and the regulatory environment:

Key drivers	Key determinants
Economic growth	● Interest rates ● Inflation ● Productivity ● Unemployment ● International economic conditions ● Oil prices ● Consumer and business confidence
Population growth	● Net migration ● Natural population growth
Gaming and entertainment options	● Development of new casinos ● Online gaming options ● Availability and accessibility of alternative entertainment options
Regulation	● Gambling legislation

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8.6.2 Australian gaming industry

(a) Industry overview

According to the Australian Gaming Council, as at the end of June 2005 there were 15,008 businesses in Australia involved in the provision of gambling services. Licences had been issued for 199,986 gaming machines in Australian pubs, taverns and bars, hospitality and sporting clubs and casinos and, on average, there were 13 gaming machines per 1,000 adults.

In the Australian Gambling Statistics 2006, the Office of Economic and Statistical Research (Queensland Government) estimated that gaming revenue in Australia was $14.6 billion in FY2005, which represents a CAGR of 4.0% over the FY2001 to FY2005 period. According to the Australian Bureau of Statistics, online gambling intakes increased at a CAGR of 11.8% over the same period from $73.1 million to $114.3 million, representing 0.7% of total gaming revenues.

The leading Australian gaming companies are listed in Figure 8C below.

Figure 8C: Leading Australian gaming companies

Company	Australian gaming operations	Listed/private	Market capitalisation ($bn)[1]
PBL	Crown Melbourne, Burswood	Listed	13.9
ALH Group Pty Ltd (formerly Bruandwo Pty Ltd)	EGMs	Private	na
SkyCity	SkyCity Adelaide, SkyCity Darwin	Listed	2.1[2]
TABCORP	Jupiters Townsville, Conrad Jupiters, Conrad Treasury, Star City, wagering, EGMs	Listed	8.2
Tattersall's	EGMs, lotteries, wagering	Listed	5.1

(b) Market segmentation

Gaming machines in hotels and pubs comprised the major source of gaming revenue in FY2005, representing 59.7% of revenue. As at the end of June 2005, 94.0% of Australia's 199,986 gaming machines were located in hotels and pubs. In Western Australia there are no gaming machines outside the casino.

In FY2005, New South Wales had the highest number of gaming machines per thousand adults at 19.5 machines (excluding the Australian Capital Territory) and, consistent with this, had the highest spend per capita on gaming machines at $953. Victoria and Western Australia are the two states with the lowest number of gaming machines per thousand adults at 7.7 and 1.0 machines respectively. Accordingly, Victoria's gaming machine spend per capita of $624 was below the national average of $655. Western Australia's low number of machines reflects the fact that Burswood is the only business permitted to offer electronic gaming machines in that state.

Figure 8D: Australian gaming product segmentation by revenue[3]: FY2005

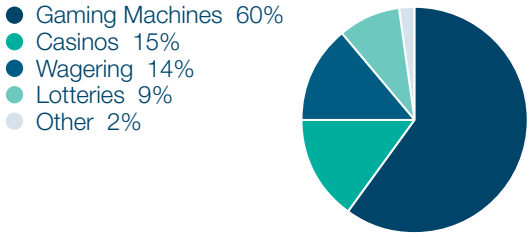
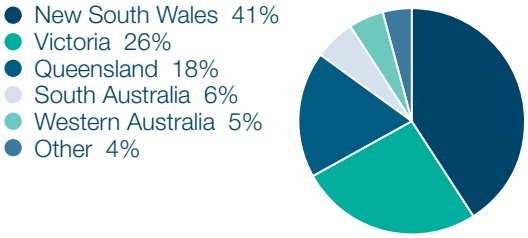


Figure 8E: Australian gaming geographic segmentation by revenue[3]: FY2005



Source: Australian Gaming Council, A Database on Australia's Gambling Industry 2006/07

(c) Casinos

Australia has 13 casinos located in all states and territories in Australia. According to the Australian Gaming Council, as at the end of June 2005, there were 12,090 gaming machines and 1,133 table games licensed for use in casinos. URS Research for the Australian Casino Association estimates the Australian casino industry to have generated approximately $3.3 billion in revenue in FY2005. Revenue from gaming contributed $2.6 billion, representing 79.1% of total revenue. Food and beverage and accommodation contributed $387.9 million and $181.7 million, or 11.7% and 5.5%, to total revenue respectively.

URS Research found the Australian casino industry attracted approximately 46.9 million Australian and international visitors in FY2006, an increase of 1.1 million, or 2.4%, on FY2005 visitor numbers. Of the 46.9 million visitors, 82.5% of visitors were local visitors, 12.1% were from interstate and 5.3% were international visitors. From FY2003 to FY2006, the number of international visitors attracted to the Australian casino industry rose at a CAGR of 18.6% to 2.5 million. The casino industry also held over 3,300 conferences in FY2006, with 590,000 conference delegates.

Notes:

1 Market capitalisation as at 2 October 2007

2 AUD:NZD: 1.1631

3 Revenue refers to gambling expenditure

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Figure 8F: Snapshot of casinos in Australia

Casino	Location	Owner
Crown Melbourne	Melbourne, VIC	PBL
Burswood	Perth, WA	PBL
Canberra Casino	Canberra, ACT	Casinos Austria International
Star City	Sydney, NSW	TABCORP
Lasseters	Alice Springs, NT	Lasseters
SkyCity Darwin	Darwin, NT	SkyCity
Jupiters Townsville	Townsville, QLD	TABCORP
Conrad Jupiters	Broadbeach, QLD	TABCORP
Conrad Treasury Casino	Brisbane, QLD	TABCORP
Reef Casino	Cairns, QLD	Reef Casino Trust, Casinos Austria International and Accor
SkyCity Adelaide	Adelaide, SA	SkyCity
Country Club	Launceston, TAS	Federal Resorts
Wrest Point Casino	Hobart, TAS	Federal Resorts

(d) Regulation

Gaming regulation

The Australian gaming industry is heavily regulated, with a number of regulatory agencies overseeing gaming regulation in each state and territory. The Gaming Businesses primarily operate in Victoria through Crown Melbourne and Western Australia through Burswood.

In Victoria, the *Gambling Regulation Act* 2003 consolidated various pieces of gaming legislation and on 1 July 2004 the Victorian Commission for Gambling Regulation came into operation, succeeding The Victorian Casino and Gaming Authority. The commission regulates gambling in Victoria by ensuring compliance with gaming legislation, that gaming is being conducted honestly, advises the Minister on gambling issues, fosters responsible gambling and ensures that the objectives in the *Casino Control Act* 1991 are carried out.

In Western Australia, gaming is regulated by the Department of Racing, Gaming and Liquor and the Gaming and Wagering Commission of Western Australia.

Other regulation

In July 2007, the Victorian and New South Wales governments imposed a complete ban on smoking in enclosed public licensed premises, following similar laws already enacted in Tasmania, Queensland, Western Australia and the Australian Capital Territory. However, exemptions for VIP gaming areas have been allowed for in the New South Wales, Victorian, Queensland and Western Australian legislation, thus smoking in the international room at Burswood is still permitted and at Crown Melbourne, exemptions apply to high roller rooms, as determined by the Victorian Minister for Health. Smoking bans will come into force in South Australia from November 2007. The Northern Territory Government has announced that it will not ban smoking in pubs in the near term.

8.6.3 Macau gaming industry

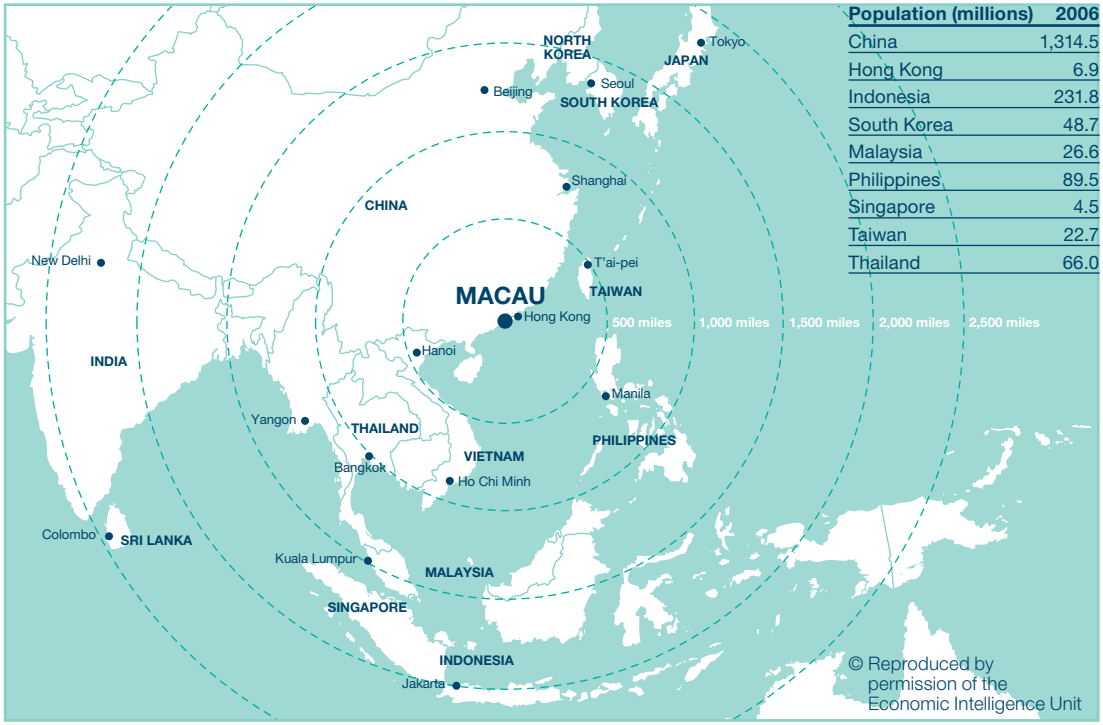
(a) Industry overview

According to the DICJ, Macau generated approximately US$8.7 billion in revenue for the period 1 July 2006 to 30 June 2007. Gaming revenue in Macau has increased at a CAGR of 27.2% over the 1 January 2001 to 30 June 2007 period.

Macau benefits from its proximity to one of the world's largest pools of existing and potential gaming patrons and is the only Chinese region where gambling is legal. All of the main population centres of China, as well as Hong Kong, Taiwan, Japan, South Korea, Thailand, Malaysia, Singapore, Indonesia and the Philippines, lie within a 2,500 mile radius of Macau. According to the Economic Intelligence Unit, these countries had a total population of almost two billion people in 2005.

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Figure 8G: Macau's proximity to major Asian population centres



Population (millions)	2006
China	1,314.5
Hong Kong	6.9
Indonesia	231.8
South Korea	48.7
Malaysia	26.6
Philippines	89.5
Singapore	4.5
Taiwan	22.7
Thailand	66.0

Visitation to Macau increased 19.8% for the 12 months to 30 June 2007 to 24.2 million visitors. Visitation and gaming revenue growth are driven by a combination of factors, including:

- economic growth in China resulting in a wealthier middle class and generating higher demand for gaming and other entertainment;
- proximity to major Asian population centres;
- liberalisation of travel restrictions in China under China's Facilitated Individual Travel Scheme;
- liberalisation of currency restrictions to permit Chinese citizens to take significantly larger amounts of foreign currency out of China when they travel;
- planned infrastructure improvements, which are expected to facilitate travel to and within Macau; and
- increasing supply of better quality casino, hotel and entertainment offerings, such as the Sands Macau, Wynn Macau, Crown Macau and the Venetian Macau.

The majority of gaming revenue in Macau is derived from high stakes patrons and as a result the average daily net win per table is significantly higher in Macau than in Las Vegas or Atlantic City. Mass market table games revenue growth increased at a CAGR of 28.3% from 1 January 2001 to 30 June 2007, ahead of VIP table game revenue growth, which increased at a 25.8% CAGR over the same period. The growth in table game revenue corresponds with a substantial increase in the number of table games in recent years, with the opening of new and better quality casinos, such as the Sands Macau (opened in 2004) and Wynn Macau (opened in 2006). From 2005 to 2006, the number of table games almost doubled from 1,388 to 2,762 table games and stood at 3,102 as at 30 June 2007.

Revenue from gaming machines contributed approximately US$346.8 million to total revenue for the 12 months to 30 June 2007. While this is a relatively small percentage contribution, gaming machines are becoming more important to the gaming landscape in Macau. At the end of 2005, Macau had approximately 3,400 gaming machines and by the end of 2006 the number of gaming machines had grown 91.3% to approximately 6,500 and to 8,200 by 30 June 2007. Further, the revenue growth profile of gaming machines in Macau is characterised by a CAGR of 57.8% over the 1 January 2001 to 30 June 2007 period. The increasing growth in revenue from gaming machines can be partially attributed to improved product offerings in the Mocha Clubs and the Sands Macau casino.

Figure 8H: Number of gaming tables in Macau: 2002 to 2006

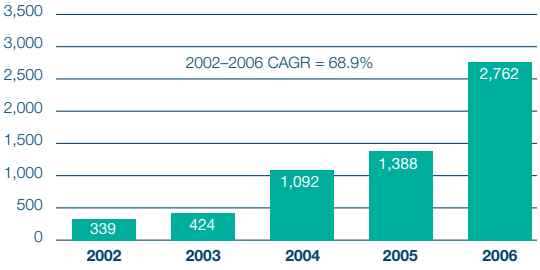
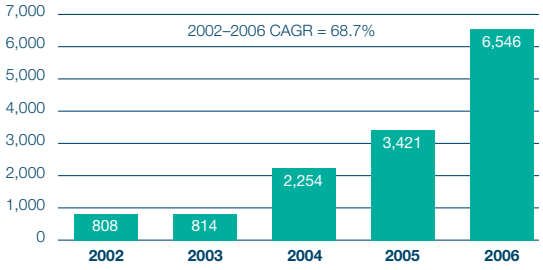


Figure 8I: Number of gaming machines in Macau: 2002 to 2006



Source: DICJ

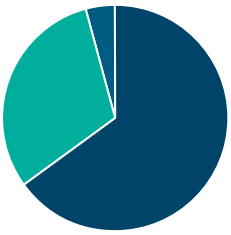
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(b) Segmentation

Table games are the most popular form of casino gaming in Macau, comprising approximately 96% of revenue, with VIP table games comprising 66.3% of revenue. For the twelve months to 30 June 2007, 53.9% and 31.9% of the 24.2 million visitors were from China and Hong Kong respectively.

Figure 8J: Macau gaming segmentation by revenue: 2006

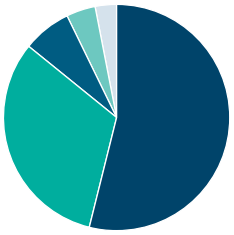
- VIP Table Games 65%
- Mass Market Table Games 31%
- Gaming Machines 4%



Source: DICJ

Figure 8K: Macau visitation segmentation: 2006

- China 54%
- Hong Kong 32%
- Taiwan 7%
- Other 4%
- South East Asia 3%



Source: DSEC

(c) Regulation

The ownership and operation of casino gaming facilities in Macau are subject to the general law (e.g. Civil Code and Commercial Code) and to specific gaming laws, in particular, *Law No. 16/2001*, and various regulations that govern the different aspects of gaming activities.

The laws, regulations and supervisory procedures of the Macau gaming authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavoury or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the adequate operation and exploitation of games of fortune and chance;
- the fair and honest operation and exploitation of games of fortune and chance free of criminal influence;
- the protection of the Macau Special Administrative Region (**Macau SAR**) interest in receiving the taxes resulting from the gaming operation; and
- the development of the tourism industry, social stability and economic development of the Macau SAR.

Gaming operators in Macau require a concession or sub-concession granted by the Macau Government ("Dispatch" of the Chief Executive). There is no limit to the number of casinos the holder of a concession or sub-concession can operate in Macau. Concession or sub-concession holders can negotiate with other developers and hotel operators to operate their gaming operations under leasing or service arrangements. Only six concessions and sub-concessions have been granted to casino operators in Macau, as listed in Figure 8L below:

Figure 8L: Concession/sub-concession holders in Macau

Company	Parent
Melco PBL Gaming (Macau) S.A.	MPEL[1]
Wynn Resorts (Macau) S.A.	Wynn Resorts
Venetian Macau S.A.	Las Vegas Sands Inc.
Galaxy Casino S.A.	Galaxy Entertainment Corp.
SJM	Private
MGM Paradise	Joint venture between MGM and Pansy Ho

Note:

1 Melco and PBL were founding shareholders of MPEL and PBL has a 41.4% interest in MPEL

8.6.4 UK gaming industry

(a) Industry overview

According to Datamonitor's report "Casinos & Gaming in the UK Industry Profile, May 2007", gaming revenue increased 8.9% to £10.9 billion in 2006, which represents a CAGR of 9.6% for the 2002 to 2006 period.

The UK gaming industry is a heavily fragmented market characterised by a large number of smaller casinos and slot hall operators located in major cities. The British Amusement Catering Trade Association, the trade association for the pay-to-play leisure machines industry, indicates that there were approximately 234,000 gaming machines in the UK in 2006. The Gambling Commission found that the majority of gaming machines were located in family entertainment centres (31%) and pubs (28%) for the year ended 31 March 2007.

(b) Casinos

At 31 March 2007, the UK had 138 trading casinos, compared to 118 trading casinos six years earlier. These casinos are located in 52 areas in England, Wales and Scotland.

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Figure 8M: Casinos by geographic spread in the UK

Locations	Number of casinos
England	122
Wales	4
Scotland	12

Source: The Gambling Commission, Annual Report 2006/07

According to the Gambling Commission, casino revenue increased at a CAGR of 2.6% to £704 million in FY2007 for the period FY2003 to FY2007, as the number of casinos grew from 118 to 138. Over the same period, the number of gaming machines housed in casinos has also grown from 841 to 2,227 machines, representing a CAGR of 20.0%.

The UK casino industry consists of 26 casino operators. In 2006, Harrah's acquired London Clubs International for an enterprise value of £332 million and Genting International acquired Stanley Leisure Group for an enterprise value of £707 million.

Figure 8N: Casino ownership

Company	Number of licensed casinos
Genting International	45
Rank Group	33
Gala Group	30
London Clubs International PLC	7
A&S Leisure Group	6
Aspinalls	2[1]
Blue Chip Casinos Limited	2
Clockfair Ltd	2
Singleton operators	11

Source: The Gambling Commission, Annual Report 2006/07

Note:

1 As discussed in Section 8.4.2 Aspinalls opened a third casino, Aspers at Salubrious Palace, in September 2007

For FY2007, the Gambling Commission estimated there were over 15 million visits to casinos in the UK, an increase of 8%. The significant growth was partly driven by the abolition of the 24 hour rule in FY2006, which made it easier for tourists on short visits to join a casino in FY2006 and FY2007. Over the last six years, the northern region has consistently recorded the highest casino attendances.

(c) Regulation

The UK gambling market is undergoing significant change with the introduction of the *Gambling Act* 2005. The *Gambling Act* 2005 received Royal Assent in April 2006 and is being phased in with a targeted final implementation date of September 2007.

Significant changes brought about by the *Gambling Act* 2005 include:

- online gambling will be licensed for the first time;
- from 1 October 2005, new members can commence gambling at a casino immediately once they have completed their membership application;
- the number of jackpot gaming machines allowed will be increased to 20 per venue and up to 40 automated roulette positions will be permitted in casinos. Casinos will be required to remove Section 21 gaming machines from 1 September 2007;
- restrictions on gambling advertising in the print media will be relaxed starting from September 2007;
- the *Gambling Act* 2005 has allowed for 17 additional casinos. Confirmation of the locations of the 17 new casinos, which are subject to an ongoing review process, is currently stalled; and
- existing casinos under the 1968 Act will be grandfathered into the new 2005 Act.

The *Gambling Act* 2005 also established a Gambling Commission, which is responsible for regulating casinos, bingo, gaming machines and lotteries, betting/wagering, internet and remote gambling.

Smoking bans were introduced in Scotland in March 2006 and England on 1 July 2007.

8.6.5 US gaming industry

(a) Industry overview

According to the American Gaming Association, gaming revenue increased 6.2% to US$83.7 billion in 2005, representing a CAGR of 7.2% for the 2001 to 2005 period. Localised market growth has been led by growth in Native American gaming and State-by-State deregulation, which has supported the development of racecourse casinos.

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The leading companies in the US gaming industry are Harrah's Entertainment, MGM Mirage, Wynn Resorts, Las Vegas Sands, Boyd Gaming and Station Casinos. Recently, there has been significant consolidation in the industry, including:

- Boyd's acquisition of Coast for US$1.3 billion in 2004;
- the Harrah's Entertainment acquisition of Caesars Entertainment for US$9.4 billion in 2004;
- MGM Mirage's acquisition of Mandalay Resorts for US$7.3 billion in 2005;
- Penn National's acquisition of Argosy for US$2.1 billion in 2005;
- Texas Pacific Group and Apollo Management L.P.'s pending acquisition of Harrah's Entertainment for US$27.8 billion (approved by shareholders in April 2007 and expected to be completed by the end of the year); and
- Fertitta Colony Partners LLC's pending privatisation of Station Casinos for US$5.4 billion. This is expected to complete in the fourth quarter of 2007.

Figure 8O: Leading US gaming companies

Gaming operators	Listed/private	Market capitalisation US$bn
Las Vegas Sands	Listed	49.1
MGM Mirage	Listed	26.4
Harrah's Entertainment[1]	Listed	16.3
Wynn Resorts	Listed	18.1
Station Casinos	Listed	5.0
Boyd Gaming	Listed	3.8

Source: Bloomberg as at 1 October 2007

Note:

1 Harrah's Entertainment shareholders have approved the merger with Texas Pacific Group and Apollo Management L.P. and the transaction is expected to be completed by the end of 2007

(b) Casinos

The US has 460 commercial casinos in 11 states. According to the American Gaming Association, revenue for the commercial casino industry increased 6.8% in 2006 to US$32.4 billion, representing a 4.8% CAGR over the 2001 to 2006 period. Growth has been stimulated by improvements in product offerings and in Nevada in particular, the continued development and refurbishment of new and existing properties, as well as the development of extensive hotel and convention and retail facilities, which have driven increased visitation.

In the report "2007 State of the States: The AGA Survey of Casino Entertainment", the American Gaming Association found that US commercial casino revenue grew by 7.0% in 2006, with increases as high as 15.1% and 8.4% observed in Louisiana and Nevada respectively.

The US' top five commercial casino markets, including Nevada (Las Vegas), New Jersey (Atlantic City), Indiana (predominantly riverboats), Mississippi and Louisiana (predominantly riverboats), account for 78.8% of commercial casino gaming revenue.

Figure 8P: Top 5 US casino markets by revenue[1]

Casino market	2006 revenue US$bn
Nevada	12.6
New Jersey	5.2
Indiana	2.6
Mississippi	2.6
Louisiana	2.6

Source: American Gaming Association, 2007 State of the States: The AGA Survey of Casino Entertainment

Note:

1 Revenue refers to the amount wagered minus the winnings returned to players (i.e. before taxes, salaries and other expenses are paid)

According to the American Gaming Association, nearly one third of all adult Americans participated in casino gambling. These participants made a total of 371 million trips to a casino, which corresponds to an average of 6.6 trips per visitor in 2006. In 2005, 322 million trips to casinos were made, representing 6.1 trips per visitor. The West, which includes Las Vegas, generated the largest percentage of casino visitors in 2006, accounting for 33% of total visitors, down 2% on 2005. The Northeast region's share of casino visitors, a region that includes Atlantic City, rose from 17% to 19% in 2006 and the Southeast region's share rose from 22% to 23%, while the North Central region's share fell from 26% to 25%.

The Las Vegas Convention & Visitors Authority estimates that 38.9 million people visited Las Vegas, the largest US gaming market by revenue, in 2006. This represents a CAGR of 2.1% over the period 2001 to 2006.

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(c) Market segmentation

According to the American Gaming Association, casino gaming revenue accounted for 64.3% of total US gaming revenue in 2005, generating revenue of US$54.5 billion. Commercial casinos and Native American casinos accounted for 37.6% and 26.7% of revenue respectively. Racecourse casinos have emerged as a significant source of total revenue.

(d) Regulation

The US has a well developed and clearly defined regulatory environment. However, significant differences exist between states regarding tax rates, number of properties and licensing conditions. Online gambling is illegal in the US, precluding US-based gaming companies from operating in this high growth industry.

The US Gaming Businesses will primarily operate in Nevada. The Nevada Gaming Control Board provides regulations for the licensing and the operation of gaming. The Board also establishes rules and regulations for all tax reports that are submitted to the State by gaming licensees. The Nevada Gaming Commission was created by the Gaming Control Act. The Commission acts on the recommendations of the Board in licensing matters and is the final arbiter on licensing matters, holding the power to approve, restrict, limit, condition, deny, revoke or suspend any gaming licence. The Commission is also responsible for adopting, amending and repealing gaming regulations in line with the State's policies and statutory purposes.

In March 2006, Nevada was the first state to permit gaming on mobile devices. New regulations allow visitors to play video poker and other gaming machine games on their mobile phones in public areas of casinos.

8.6.6 Canadian gaming industry

(a) Industry overview

According to HLT Advisory, Canadian gambling revenue grew by 4.0% for the year ended 31 March 2006, from C$14.1 billion to C$14.6 billion. This represents a CAGR of 3.7% for the period 2001 to 2006. Total gaming revenue growth has been driven by strong provincial growth in British Columbia (**BC**), (up 11.5% to C$2.3 billion as at 31 March 2006) and Alberta (up 10.1% to C$2.1 billion as at 31 March 2006).

Subject to the Gateway Offer being successful, PBL and its joint venture partner, Macquarie, will have exposure to the BC and Alberta markets. In BC, gaming machines and table games revenue increased by 21.5% to C$1.1 billion for the year ended 31 March 2006. The continuing replacement and redevelopment of older casino properties with higher quality casino and entertainment facilities and the continuing development of community gaming centres contributed to the strong performance in BC. In Alberta, gaming machines and table games revenue grew by 10.4% to C$1.0 billion for the year ended 31 March 2006. The result was supported by a positive economic environment, which saw real GDP growth of 6.8% for calendar year 2006 (the highest in Canada), as well as the lowest levels of unemployment and the highest levels of disposable income in Canada.

(b) Market segmentation

According to the British Columbia Lottery Corporation (**BCLC**), a provincial government entity, casinos accounted for 49.5% of Canadian gambling revenue for the year ended 31 March 2005. Over the same period, Ontario and Quebec accounted for 37.8% and 22.6% of the market and Alberta and BC comprised 13.8% and 11.1% respectively.

In BC, casinos accounted for 48.0% of gambling revenues for the year ended 31 March 2006, compared to 34.4% in 2002, demonstrating that the popularity of casino gaming has increased as the quality of properties has improved with support from the BCLC. Gaming machines comprised 70.2% of casino revenue in 2006, highlighting their popularity in the Canadian market.

(c) Regulation

Gaming is typically operated exclusively under the control of the provincial and territorial governments which appoint professional management companies to conduct operations on their behalf. All provinces limit the supply of gaming venues. Upon the acquisition of Gateway, New World Gaming will primarily operate in BC and Alberta and a summary of regulations specific to each province are outlined below.

BC gaming regulations

In BC the BCLC conducts and manages gaming activities. The BCLC partners with casino operators to provide facility and day-to-day operational services. The BCLC contracts with casino operators under Casino Operational Services Agreements (**COSA**). Typically, the BCLC assumes all capital expenditures and operating expenses for the purchase, installation, maintenance and service of gaming machines and operators and provide the facilities, furniture, labour, security, marketing and administration to run the casinos. COSAs have a term of 10 years and are automatically extendible for an additional 10 years. All of the gaming equipment is owned and maintained by the BCLC. Operators are paid a portion of the gross gaming revenue as compensation for operating the casinos.

Alberta gaming regulations

In Alberta, casinos operate under Casinos Facility Licences, Casino Gaming Retailer Agreements and Video Lottery Retailer Agreements, which outline the respective responsibilities of the operators and the Alberta Gaming and Liquor Commission (**AGLC**). The licences are for a three year term, reissuable by the AGLC. Each operator owns the casino facility, but all gaming equipment is owned and maintained by the AGLC.

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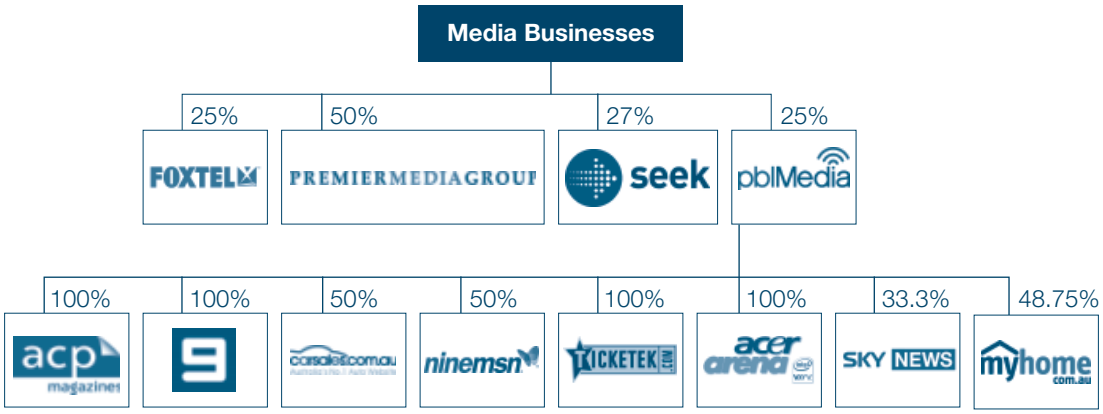
Section 09
Media Businesses

09

09. Media Businesses

9.1 Introduction

The Media Businesses represent a diversified portfolio of media investments in both traditional and new media. The chart below provides an overview of these media investments:



9.2 History of the Media Businesses

The history of the Media Businesses is outlined below in chronological order:

1933

- Australian Consolidated Press (**ACP**) was established as the holding company for Consolidated Press Holdings Limited's (**CPH**) magazine publishing operations

1956

- A Sydney broadcasting licence was acquired and TCN-9 subsequently became Australia's first TV broadcaster

1960

- Sir Frank Packer acquired GTV-9, giving Australia its first TV network, Nine Network

1987

- Nine Network was sold, but control of an expanded network that included Brisbane's QTQ-9 was repurchased several years later
- Nine Network was listed on the ASX

1992

- ACP listed on the ASX in a partial float

1994

- Network Nine Australia and ACP merged to form PBL

1996

- Australian News Channel Pty Ltd (trading as SKY NEWS Australia (**SKY NEWS**), was established as a three-way joint venture between PBL, Seven Network and British Sky Broadcasting (**BskyB**)

1997

- ninemsn was established as a 50:50 joint venture between PBL and Microsoft Corporation (**Microsoft**)

1999

- PBL acquired a 25% stake in FOXTEL and a 50% stake in Premier Media Group Pty Limited (**PMG**)

2003

- PBL acquired a 25% stake in the online recruitment company, SEEK Limited (**SEEK**)

2005

- SEEK was publicly listed on the ASX
- PBL's wholly owned subsidiary, ACP Magazines acquired a 41% interest in carsales.com.au, the online classified business of carsales.com.au Limited, (**carsales**), in consideration of carsales' purchase of ACP Magazine's online trader classifieds

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2006

- PBL acquired a further 2.17% interest in SEEK[1]
- ACP Magazines made a takeover offer for carsales for the balance of shares not already owned at a price of $1.21 per share, following the purchase of a further 3% of carsales held by Fairfax, and increased its stake to 50.6%[2]
- PBL entered into binding agreements to recapitalise certain of its media interests, including ACP Magazines, the Nine Network (including its interest in SKY NEWS), its 50% interest in ninemsn and its shareholding in carsales. These media businesses were transferred to a new company, PBL Media, in which PBL and funds advised by CVC Capital Partners and CVC Asia Pacific each held a 50% economic interest

2007

- In February, PBL completed the recapitalisation of PBL Media. Red Earth Holdings B.V., a company ultimately owned and controlled by CVC Capital Partners and CVC Asia Pacific (**Red Earth**) converted its notes in PBL Media into ordinary shares and units in June 2007 and PBL and Red Earth each held a 50% equity interest in PBL Media
- PBL Media and Microsoft launched myhome
- PBL announced it had sold ticketing business Ticketek and Sydney Superdome Pty Limited, which holds a lease for the Acer Arena, to PBL Media. The transaction completed on 16 July 2007
- PBL completed the sale of a further 25% of PBL Media to Red Earth on 10 September 2007
- ACP Magazines announced the $94 million acquisition of the Australian magazine business of leading UK publisher, EMAP plc

9.3 Description of the Media Businesses

9.3.1 FOXTEL

Investment description

Through Sky Cable Pty Ltd, an entity owned by PMG, PBL has a 25% interest in FOXTEL, News Limited's interest (through Sky Cable Pty Ltd) is also 25%. Telstra Media Pty Ltd owns the other 50% interest in FOXTEL. PBL has two representatives on the Board of Directors. The PBL representatives on the Board are Mr John Alexander and Mr Chris Anderson.

PBL currently equity accounts for its investment in FOXTEL. The FOXTEL Board of Directors recently adopted a guideline of refinancing its debt to maintain a debt to EBITDA ratio of approximately three times and to distribute its free cash flow, including amounts raised from refinancing debt, to shareholders. This guideline is subject to annual review.

A distribution to PBL under this policy of approximately $50 million will be received prior to the PBL Scheme Meeting. This cash will remain with CMH post demerger (should the PBL Scheme Resolution and Demerger Scheme Advisory Resolution be approved by PBL Shareholders). In FY2007, FOXTEL contributed $16.8 million in associate income to PBL, compared to a $1 million contribution recorded for FY2006.

See Section 14.12 for a summary of the key terms of PBL's investment in FOXTEL.

Business overview

FOXTEL is an Australian subscription television provider and offers subscription television services primarily in metropolitan areas.

FOXTEL commenced distributing services on cable in 1995 with 20 channels, and expanded to 31 channels and satellite distribution in 1999. FOXTEL launched its digital service in March 2004 and now has over 130 channels and is available to more than 70% of Australian homes, with approximately 1.4 million homes currently connected to the FOXTEL service, including subscribers of Optus who receive the FOXTEL service on a wholesale basis.

Since March 2004, FOXTEL has launched additional channels and enhanced services, including interactive news, weather, sports and games applications. In 2005, it also launched a personal digital recorder called FOXTEL iQ.

FOXTEL directly employs over 1,900 people and a further 1,400 workers are indirectly engaged in sales and installation services nationally.

For the year to 30 June 2007, FOXTEL continued to be the most watched service in Sydney, with a 25% viewing share that was greater than any of the commercial or national broadcasters. FOXTEL achieved a 59% overall share in viewing in subscription television homes.

FOXTEL's churn rate is below 12% which is one of the lowest churn rates of subscription television providers anywhere in the world. FOXTEL's average revenue per user has increased since the launch of digital and remains strong with over 40% of subscribers taking Platinum, the highest package option.

See Section 9.4.4 for an overview of the Australian subscription television industry.

Notes:

1 PBL's interest in SEEK has been diluted to 27% through the exercise of options

2 ACP Magazine's shareholding in carsales at the date of this Booklet is approximately 49.97%

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FOXTEL Digital

FOXTEL is now 100% digital following the introduction of a digital service in 2004. Subscribers have the choice of over 130 channels including interactive news, sport, weather, interactive voting, an electronic program guide and On Demand programming.

The FOXTEL iQ allows subscribers to pause and rewind live television, record shows at the touch of a button and play them back with DVD-like functionality. The iQ can be programmed remotely via the FOXTEL website using the remote record function of the FOXTEL online television guide. Subscribers can also access content On Demand via the iQ.

The FOXTEL Digital platform also gives FOXTEL the flexibility to offer innovations like FOXTEL Live to Air, which offers 24 live FOXTEL channels on Virgin Blue planes. Sixteen FOXTEL channels are also currently offered on Telstra's FOXTEL by Mobile service.

Programming

FOXTEL carries over 130 channels and its line-up includes news and documentaries, sport, movies, general entertainment, music, lifestyle, and kids and family programming. These channels are owned by over 50 different companies, with over 20 of them Australian owned or Australian based.

FOXTEL owns and operates eight channels: FOX8, The History Channel, The Comedy Channel, Crime and Investigation, W, Bio, FOX Classics and FOXTEL Box Office (**FOXTEL O&O Channels**).

The FOXTEL O&O Channels have content agreements in place with major studios and producers including Twentieth Century Fox, Buena Vista International, Mark Burnett Productions, CBS, NBC Universal, Granada and BBC. A groundbreaking long term content deal with Twentieth Century Fox Television Distribution was announced in May 2006. The deal resulted in FOXTEL sharing first-run rights to new Fox series with Network Ten from July 2007. FOXTEL will enjoy rights to the Fox series it selects, marking the first time FOXTEL will premiere Fox series on Australian television. Ten will then have access to these series following an exclusive window for FOXTEL.

In February 2007, the Australian Football League (**AFL**), Seven Network, Ten Network and FOXTEL announced an agreement for AFL broadcast rights across free-to-air and subscription television for 2007 to 2011. Under the agreement, FOXTEL and Austar will broadcast four live games, as well as replays of every match of every round, including all finals matches.

On 3 April 2006, FOXTEL announced a contract extension for movie supply from major Hollywood studios Paramount, Sony, Twentieth Century Fox and Universal. These studios, with Liberty Media, are partners in the Premium Movie Partnership, which supplies the Showtime, Showtime 2 and Showtime Greats channels.

FOXTEL has a 60% interest in UKTV with BBC Worldwide and Fremantle Media. FOXTEL is also involved in two production joint ventures: Main Event Television Pty Ltd with Optus and XYZNetworks Pty Ltd with Austar.

XYZNetworks owns, operates and distributes 11 subscription television channels including Arena, Lifestyle Channel, Lifestyle FOOD Channel, Channel [V] and [V]^2, MAX, Country Music Channel, The Discovery Channel, The Weather Channel, Nickelodeon and Nick Jr.

Through FOXTEL's special access undertaking, lodged under Part XIC of the *Trade Practices Act* 1974 (Cth), independent content and channel providers are able to access the FOXTEL digital set top unit (**STU**) service. This service is a service for the distribution of programming to FOXTEL's customers via its digital STUs, including the ancillary functions and services such as the conditional access and service information services required to ensure that distribution. The undertaking was accepted by the Australian Competition and Consumer Commission (**ACCC**) on 14 March 2007. The Seven Network has commenced proceedings for judicial review of the ACCC's decision.

Advertising

FOXTEL is also a shareholder in Multi Channel Network Pty Ltd which offers advertising time on subscription television channels offered by FOXTEL and Austar.

9.3.2 PMG

Investment description

PBL owns 50% of PMG alongside its joint venture partner News Corporation. PBL currently has three representatives on the Board of Directors. The PBL representatives on the Board are Mr John Alexander, Mr Chris Anderson and Mr Martin Dalgleish.

PBL currently equity accounts for its investment in PMG. PMG has historically distributed its free cash flow to shareholders. It is anticipated that this will continue in the near term. The total distribution paid in FY2007 by PMG to PBL was $32.5 million. PBL will receive an interim distribution of approximately $10 million from PMG prior to the PBL Scheme Meeting. The cash will remain with CMH if the Recommended Proposal is approved and implemented. PMG anticipates further distributions throughout FY2008. In FY2007, PMG contributed $45.8 million in associate income to PBL, compared to $36 million in FY2006.

PMG has recently acquired Australia's leading general sports portal www.foxsports.com.au from News Limited.

PMG will now cross-promote both its broadcast and broadband offerings – with the opportunity to deliver sports content to both audiences. This alignment assists PMG in the acquisition of content across broadcast, online and mobile devices, as well as the opportunity to monetise its content assets via pay-per-play and subscription offerings over broadband and mobile.

See Section 14.12 for a summary of the key terms of PBL's investment in PMG.

Business overview

PMG is a leading producer of subscription television channels with its most recognised brand being FOX SPORTS. FOX SPORTS delivers the most extensive sporting content available on Australian television, covering almost all sporting activities and is complemented by FOX SPORTS News. PMG also owns and operates FUEL TV and HOW TO Channel.

See Section 9.4.4 for an overview of the Australian subscription television industry.

Distribution

PMG channels are available to subscribers to all of the major subscription television services in Australia. PMG and FOXTEL have entered into a series of supply agreements whereby FOXTEL and Optus subscribers access the PMG channels. The FOX SPORTS 1 and FOX SPORTS 2 agreement has no set termination date, the FOX SPORTS 3 and FOX SPORTS News agreement covers eight years to September 2014 and the HOW TO and FUEL TV channels are available to subscribers through FOXTEL under an agreement expiring in March 2011.

A distribution agreement between PMG and Austar was announced in May 2006 for Austar to carry FOX SPORTS channels until mid-2014. The deal renews distribution of the existing FOX SPORTS 1 and FOX SPORTS 2 channels and allows Austar access to the FOX SPORTS 3 and FOX SPORTS News channels. The HOW TO and FUEL TV Channels are available to subscribers through Austar under an agreement expiring in 2011.

In addition to its large distribution platforms, PMG distributes its services to over 2,200 licensed premises (i.e. pubs and clubs) in the FOXTEL distribution area directly.

Programming

FOX SPORTS programming is shown on three dedicated sports channels (FOX SPORTS 1, FOX SPORTS 2 and FOX SPORTS 3) and FOX SPORTS News. Together, these channels show over 35,000 hours of sport, sports related news and magazine programming each year. During the 12 months to June 2007, an average of over 17 hours a day of live sport was shown, much of it also exclusive to FOX SPORTS. Since the commencement of FOX SPORTS News in October 2006, an additional 10 hours of live programming per day has been broadcast.

FOX SPORTS key programs include:

- AFL – broadcast of four live games nationally each round for the 2007 to 2011 seasons;
- Cricket – a three year exclusive agreement that runs from 2006/07 to 2008/09 that covers domestic one day and Twenty20 series and individual agreements to cover international test and international one day series;
- Football – a seven year exclusive agreement, from 2006 to 2013, with Football Federation Australia that covers live broadcasts of all Australian home internationals, the Asian Cup, A-League and the AFC Champions league;
- Rugby League – a six year agreement from 2007 to 2012 for National Rugby League (**NRL**) broadcast rights on subscription television; and
- Rugby Union – an agreement to broadcast all domestic rugby union test matches live, as well as Super 14, Tri Nations and Bledisloe Cup, until 2010.

In addition, FOX SPORTS' line up includes tennis, golf, basketball, baseball, athletics, swimming and motor sport. FOX SPORTS News locally produced magazine shows include AFL Teams, AFL Winners, NRL on Fox, Inside Rugby, Extra Time, Total Football, On the Couch, Inside Cricket, The Golf Show and The Back Page.

FUEL TV is a 24-hour Australian television channel dedicated to action sports. FUEL TV covers both competitive and non-competitive action sports including skateboarding, surfing, BMX, freestyle motocross, snowboarding and wakeboarding. Programming includes top-level international sports events and competitions.

HOW TO Channel is a lifestyle content-based service. Although initially dedicated to helping viewers complete any job for themselves, focussing on the home and garden, the service now encompasses a wider spectrum of programming including property, home building and design.

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9.3.3 SEEK

Investment description

PBL has a 27% interest in SEEK, which is listed on the ASX. SEEK has seven directors, with two representatives from PBL. The PBL representatives on the Board are Mr James Packer (Chairman) and Mr Chris Anderson.

PBL currently equity accounts for its investment in SEEK, receiving cash distributions in the form of fully franked dividends. SEEK has publicly stated that its policy is to maintain a dividend payout ratio of approximately 70% of earnings after tax. The total distribution paid in FY2007 by SEEK to PBL was $8 million. In FY2007, SEEK contributed $14.7 million in associate income to PBL, compared to $8.5 million in FY2006.

Business overview

SEEK is a leader in the online employment market in Australia and New Zealand. The company also has offices in the United Kingdom and China. In FY2007, SEEK's revenue was up 48% to $157.0 million and EBITDA was up 64% to $80.3 million. Both SEEK and SEEK NZ allow job seekers to search for jobs in a more efficient way than traditional media sources (e.g. newspapers). For recruiters, SEEK provides access to a large audience of job candidates at significant cost savings relative to print media and with significant functionality benefits.

SEEK also operates an online training and development business in Australia and New Zealand (www.seeklearning.com.au), a niche operation in the UK targeting Australian and New Zealand jobseekers (www.seek.co.uk) and a business and franchise classified site (www.seekcommercial.com.au), which brings together franchisors and business brokers with potential franchisees and business purchasers in Australia.

SEEK currently attracts approximately 13,000 customers per month. These customers include recruitment agencies, large corporates, government departments and small and medium sized enterprises. SEEK employs approximately 350 people.

See Section 9.4.6 for an overview of the Australian online industry.

Market position

SEEK is a market leader in terms of both job ad and job seeker numbers. SEEK attracts on average over 2.4 million individual visitors to the site each month (roughly equivalent to 23% of the Australian workforce) and over 190,000 job vacancies are listed at any one time. SEEK's site reach is more than 60% of the online job seeker market in Australia.

SEEK's exclusive media partnerships mean that visitors are driven to www.seek.com.au from over 50 partner sites. SEEK is currently the exclusive careers content provider on Australia's leading internet portal, ninemsn, and other sites such as Optusnet and AOL, which ensures that passive job seekers are also exposed to SEEK.

Career-focussed education and training programs are provided by SEEK Learning, which is a growth area of the business. The programs are available online and in classroom settings, through IT partnerships with vendors such as Microsoft and Cisco and distribution agreements with institutions such as Open Universities Australia.

On 3 October 2006, SEEK acquired 25% of Chinese employment website, Zhaopin. The Zhaopin investment represents SEEK's first investment in an internet employment site outside Australia and New Zealand. Founded in 1997, Zhaopin Ltd (www.zhaopin.com) is one of the leading HR service providers in China. Headquartered in Beijing, Zhaopin has branch companies in over 30 cities in China. These services include online recruiting, newspaper recruiting, headhunting, campus recruiting, HR outsourcing, corporate training and staff assessment.

Content

SEEK uses the following sub-sites to make job browsing simpler:

- SEEK executive – serving more experienced job seekers who are looking for executive positions;
- SEEK IT – meeting the unique needs of the IT industry;
- SEEK NZ – featuring jobs in New Zealand;
- SEEK UK – featuring jobs in England and Ireland with all the usual job search facilities, as well as direct links to UK recruitment consultants;
- SEEK Healthcare – meeting the unique needs of the healthcare industry;
- SEEK Volunteer – bringing volunteers and the not-for-profit organisations together free of charge; and
- SEEK Learning – assisting job seekers with career development by providing distance based education through partnerships with leading training providers.

The SEEK website also allows users to search for jobs in specific industries including accounting, engineering, government and defence and education and training. It also has a dedicated industry page where graduate and entry level jobs are posted.

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9.3.4 PBL Media

Investment description

PBL holds a 25% interest in PBL Media. The remaining 75% interest in PBL Media is owned by Red Earth Holdings B.V., a company ultimately owned and controlled by funds advised by CVC Capital Partners and CVC Asia Pacific (**Red Earth**).

PBL Media currently has seven directors, with two representatives from PBL, two PBL Media executive representatives and three representatives from Red Earth. Red Earth has the right to appoint a further three directors bringing the total to 10, however, under the conditions imposed by the Commonwealth Government on Red Earth's acquisition of a controlling stake in PBL Media, a majority of the directors of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited (as trustee for the PBL Media Holdings Trust) must be Australian citizens. Those conditions also include that the chief executive and chief financial officers of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited are Australian citizens, that a majority of its board meetings are held in Australia and that its headquarters remain in Australia. The PBL representatives currently on the board are Mr James Packer and Mr John Alexander.

PBL currently equity accounts for its investment in PBL Media. PBL Media is unlikely to pay a distribution to PBL in the near term, due to its highly geared structure. For the first 11 months of FY2007, ACP Magazines and Nine Network generated revenue of $794.4 million and $762.4 million and EBITDA of $248.1 million and $206.6 million respectively.

See Section 14.12 for a summary of the key terms of PBL's investment in PBL Media.

Business overview

PBL Media holds a diversified portfolio of media businesses, including ACP Magazines and Nine Network, carsales (50%), ninemsn (50%) and myhome (48.75%) and 24-hour subscription television news channel SKY NEWS (33.3%). In addition, PBL Media owns 100% of Ticketek, ticketing partner for the sports and entertainment industries, and holds the lease for the Acer Arena in Sydney.

(a) ACP Magazines

Business overview

PBL Media owns 100% of ACP Magazines, a magazine publisher and distributor with operations in Australia and internationally.

In 2001, ACP Magazines significantly expanded its operations in New Zealand with the acquisition of the Liberty Press Group, a publisher of real estate and motoring titles.

In Australia and New Zealand, ACP Magazines is the leading magazine publisher by market share of both circulation and advertising revenues, with the majority of earnings sourced in Australia. In September 2007, ACP Magazines acquired the Australian arm of the leading UK publisher EMAP plc.

ACP Magazines has since established operations in South East Asia and, more recently, the United Kingdom through a joint venture with Hearst/National Magazines. In December 2006, ACP Magazines acquired AG Publishing, the publishing arm of Australian Geographic that produces the *Australian Geographic* journal.

Market position

ACP Magazines has a strong and diverse range of titles with a wide demographic reach. Titles are marketed at children, women and men of varying age groups and socioeconomic bands and various specialty interest groups. ACP Magazines currently publishes over 60 magazines in Australia and more than 80 magazines offshore across all major magazine genres. According to Magazine Publishers of Australia, ACP Magazines published seven of Australia's top 15 magazines by circulation for the six months ended 31 December 2006 and is the clear leading publisher in the dominant genre of women's consumer magazines.

See Section 9.4.7 for an overview of the Australian magazine publishing industry.

(b) Nine Network

Business overview

PBL Media owns 100% of Nine Network, one of three commercial FTA TV networks in Australia. Nine Network holds licences to operate commercial FTA TV stations in the capital cities of Sydney, Melbourne, Brisbane and Darwin. On 9 May 2007, PBL Media acquired NBN Enterprises Pty Limited (**NBN**) and its subsidiaries, with NBN the affiliate broadcaster in Northern NSW and the Gold Coast.

See Section 9.4.8 for an overview of the Australian FTA TV broadcasting industry.

Regional affiliates

In addition to its broadcasts in the major capital cities, Nine Network provides programming content to affiliated stations in Adelaide and Perth and in major regional areas in Australia under cost and revenue sharing arrangements. Adelaide pays Nine Network an agreed percentage of network, programming and overhead costs and regional affiliates (including Perth) pay Nine Network a share of their gross advertising revenue. WIN, the regional affiliate, broadcasts in regional areas of NSW, Queensland, Victoria, South Australia, WA, Tasmania and the ACT.

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Market position

There are only three commercial national broadcasting networks in Australia and competition from a fourth FTA TV broadcaster is unlikely in the short to medium term. Although the moratorium on commercial licences expired in December 2006, the current Federal Government has stated publicly that the issue of a fourth licence is targeted to commence in 2010–2012.

Programming

The Nine Network offers a broad array of programs that are primarily focussed on the 25–54 year old demographic. Its programming strategy includes the following programming categories and selected key titles in those categories:

- News (National Nine News, National Nine News Sunday);
- Current affairs (60 Minutes, A Current Affair);
- Sports (Australian Cricket, National Rugby League);
- Lifestyle and entertainment (Getaway, 1 vs. 100, Missing Persons Unit, RPA);
- Drama (McLeod's Daughters, Sea Patrol); and
- Overseas programs (CSI, Without a Trace, Cold Case).

Nine Network's key programs that attract large audiences include its news and current affairs programs (National Nine News, 60 Minutes and A Current Affair), game shows (1 vs. 100 and Temptation), local programs, sporting events and leading overseas shows.

Nine Network broadcasting licence

Nine Network holds commercial television broadcasting licences in Sydney (expires in May 2011), Melbourne (expires in February 2011), Brisbane (expires in October 2007) and Darwin (expires in June 2009). A commercial television licence remains in force for five years if it is not cancelled or suspended. The licence will be renewed every five years unless the Australian Communications and Media Authority (**ACMA**) is satisfied that the licensee is not a suitable person to hold such a licence. ACMA has the power to cancel or suspend the licence for breach of any condition at any time after providing notice and procedural fairness to the licensee.

There are several conditions applicable to commercial television broadcasting licences. These conditions relate, among other things, to program standards and content, advertising standards and restrictions and service operation. Examples of the content requirements include: 55% of all program content broadcast in a year between 6:00am and midnight must be Australian and there are also specific minimum annual sub-quotas for Australian adult and children's drama, documentary and children's programs.

Each commercial television broadcasting licensee is obligated to pay an annual licence fee to the Federal Government. The amount of the fee is calculated under the *Television Licence Fees Act* 1964 (Cth). The licence fee is calculated by reference to the licensee's annual gross earnings from broadcasting of advertisements or other matter.

(c) carsales

PBL Media has a 50% interest in carsales, an automotive website that allows users to lease, buy or trade automobiles. carsales is Australia's number one automotive website in terms of unique users, page impressions and pages viewed per visit. The carsales network delivers more than 50% of the total page impressions of the online Automotive Classified market and is more than double its nearest competitor. carsales was incorporated in June 1996 by the shareholders of Reynolds & Reynolds, the leading provider of IT services and solutions to car dealers in Australia and globally. In 2002, carsales acquired the Australian operations of Autobytel Inc., one of the largest global online automotive market places, before PBL's wholly owned subsidiary, ACP Magazines, acquired a 41% interest in carsales.com.au (the online classified business of carsales.com.au Limited) as consideration for carsales' purchase of ACP Magazines' online trader classifieds in October 2005.

See Section 9.4.6 for an overview of the Australian online industry.

(d) ninemsn

PBL Media has a 50% interest in ninemsn, which provides news, information and communications services to online consumers. Established in 1997, ninemsn is a 50:50 joint venture between PBL Media and Microsoft.

ninemsn combines leading global Microsoft technology and applications such as MSN Hotmail, MSN Messenger and MSN Spaces, with leading content from ACP Magazines and Nine Network. ninemsn is Australia's second most visited site by unique users and Australia's most visited media and entertainment website.

See Section 9.4.6 for an overview of the Australian online industry.

(e) Ticketek

On 1 June 2007, PBL announced the sale of Ticketek, ticketing partner for the sports and entertainment industries in Australia and New Zealand, together with Sydney Superdome Pty Limited, which holds a lease for the Acer Arena, to PBL Media. This transaction completed on 16 July 2007.

As Australia's leading ticket distribution company, Ticketek distributed over 12 million tickets in FY2006, through an established sales and distribution network, which includes the following channels:

- internet with capacity to handle over 12,000 simultaneous users;
- agency network with approximately 120 individual retail outlets;
- contact centre servicing an average of 150,000 calls each month; and
- box offices at most sport and entertainment venues.

Almost 40% of all tickets sold by Ticketek are sold through the internet channel.

See Section 9.4.10 for an overview of the Australian ticketing industry.

(f) Acer Arena

Acer Arena, previously known as the Sydney Superdome, is an indoor entertainment venue situated at the Olympic Park complex at Homebush Bay, Sydney.

In late 2004, PBL acquired the lease for the Sydney Superdome (now Acer Arena) and in 2005 PBL contracted the management and operation rights to Ogden IFC. On 1 June 2007, PBL announced the sale of Sydney Superdome Pty Limited, which holds the lease for the Acer Arena, to PBL Media. The transaction completed on 16 July 2007.

Acer Arena has a high profile both domestically and internationally. In 2005, the venue was ranked second in the world for box office sales behind New York's Madison Square Garden. Since the Sydney 2000 Olympic Games, the venue has widened its appeal by offering diversity and flexibility to promoters and hirers by allowing capacities ranging from 2,000 to 20,000 patrons.

(g) myhome

PBL Media has a 48.75% interest in myhome, with Microsoft owning an additional 48.75% of the equity, and 2.5% of the equity to be initially owned by industry participant Elders and by Bell Potter Securities.

Launched in February 2007, myhome has the platform and involvement of key real estate agents to enable Australian consumers to buy and sell property online. The marketing campaign of myhome involves cross promotion via ACP Magazines, Nine Network and ninemsn.

See Section 9.4.6 for an overview of the Australian online industry.

(h) SKY NEWS

PBL Media has a 33.3% interest in SKY NEWS, an Australian locally produced television news channel. SKY NEWS was established in 1996 as a three way joint venture between Nine Network, Seven Network and BskyB.

SKY NEWS provides a 24 hour news service, broadcasting news on the hour and headlines every 15 minutes. SKY NEWS also produces a variety of other programs, including Agenda, Health News, Sportsline and Sky Business Report. SKY NEWS is available in approximately two million homes and locations across Australia on the FOXTEL, Austar, Optus and Neighbourhood Cable subscription television network and on the Sky subscription television network in New Zealand.

See Section 9.4.4 for an overview of the Australian subscription television industry.

9.4 Overview of the Australian media industry

9.4.1 Industry overview

The Australian media industry is a significant contributor to the Australian economy and has historically demonstrated consistent growth. Advertising is the key source of revenue in the industry. According to PricewaterhouseCoopers (**PwC**), media advertising spend grew at a CAGR of 8.5% over the 2002 to 2006 period, totalling $10.7 billion in 2006.

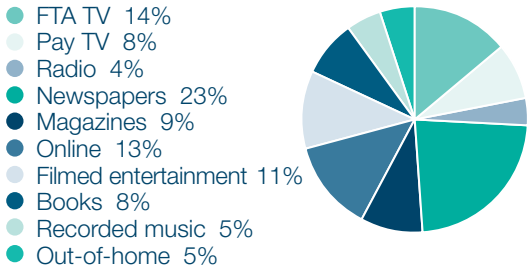
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9.4.2 Market segmentation

PwC estimated the size of the Australian media industry to be $22.4 billion in 2006, comprising 11 key segments. The segments in which the Media Businesses operate span the magazine publishing, FTA TV, subscription television broadcasting and online segments. These segments represented approximately 45.5% of the overall market by media industry revenue in 2006.

Figure 9A: Australian media industry revenue composition by segment:

Medium	Segment	Size (A$ billion)
Broadcast media[1]	FTA TV	3.2
	Pay TV	1.8
	Radio	0.9
Print media	Newspapers	5.1
	Magazines	2.1
Online[2]	Internet services[2]	3.0
Other	Filmed entertainment	2.4
	Books	1.7
	Recorded music	1.1
	Interactive games	0.5
	Out-of-home	0.6
Total[3]		**22.4**



Source: PwC, Australian Entertainment & Media Outlook: 2007-2011

Notes:

1 Pay TV includes subscriptions

2 Includes services such as online news, entertainment, communications, search and directories, and other services

3 Total industry revenue including advertising revenue and excluding classified directories

9.4.3 Key drivers

The media industry is principally driven by factors which affect the level of consumer and advertising spending and by the regulatory environment:

Key drivers	Key determinants
Economic growth	● Interest rates ● Inflation ● Productivity ● Unemployment ● International economic conditions ● Oil prices
Population growth	● Net migration ● Natural population growth
Regulation	● Concentration of ownership, cross-media ownership and foreign ownership

Australian media advertising spend has historically grown at a greater pace than growth in GDP. In the last 30 years, Australian advertising spend has experienced only three years of negative growth. These three years were impacted by broader economic and other factors, i.e. the economic recession in 1990 and 1991, the implementation of goods and services tax (**GST**), the end of the Sydney 2000 Olympic Games and the September 11 terrorist attacks in the US in 2001.

9.4.4 Subscription television

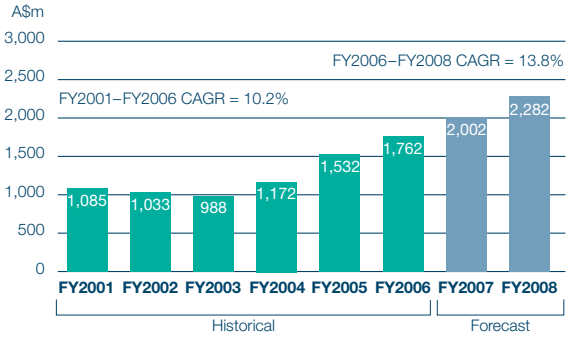
In Australia, subscription television services are currently delivered to subscribers primarily via digital cable and satellite technology. According to the Australian Film Commission, as at June 2006, the three main subscription television providers in Australia (FOXTEL, Austar and Optus) had 1.84 million subscribers (by reference to households) with the household penetration rate estimated to be 23.6% of Australian households.

BuddeComm estimates the Australian subscription television industry generated $1.5 billion in revenue in FY2005, representing a CAGR of 10.2% over the FY2001 to FY2006 period. CAGR of 13.8% is forecast for the FY2006 to FY2008 period.

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Figure 9B: Australian subscription television broadcasting revenue: FY2001 to FY2008



Source: BuddeComm

IBISWorld Business Information estimates approximately 87% of subscription television industry revenue is derived from subscriptions, with the remainder from advertising and other sources.

IBISWorld Business Information predicts that by June 2011, approximately 2.3 million households will have subscription television.

(a) Content

As the Department of Communications, Information Technology and the Arts (**DCITA**) summarised in its *Review of Australian and New Zealand Content on Subscription Television Broadcasting Services* (February 2005):

"*Generally, subscription television operators distribute programming which has been compiled into channels of programs by 'channel providers' … Channel providers obtain programming by paying licence fees, commissioning independent and in-house production or taking equity investment in programs.*"

While this may be the case in relation to some channels (e.g. CNN, E! Entertainment, ESPN, RAI International, World Movies), subscription television providers also acquire programming rights to individual programs (or a bundle of programs from the one production house) which they then compile for their owned and operated channels.

In addition, subscription television providers can produce their own content for their channels. This is often referred to as original programming. FOX8 shows Australia's Next Top Model, which is produced by Granada Productions for FOXTEL and based on the American version, and Love My Way, which are examples of popular original programming that has been broadcast only on subscription television.

In November 2002, FOXTEL and Optus entered into content sharing arrangements which, in short, allowed Optus and FOXTEL to share subscription television programming. Under the FOXTEL-Optus Content Supply Agreement, Optus has the right to carry all of FOXTEL's channels, excluding video-on-demand, FTA transmissions and interactive services. Amendments to the agreement were made in 2005 to allow Optus to provide a digital service to subscribers. In 2002, FOXTEL and Telstra also entered into a resale agreement which allowed Telstra to resell all FOXTEL services bundled with Telstra-branded telecommunications, information and other services.

In the context of the above transactions, FOXTEL (as well as Optus, Telstra and Austar) provided enforceable undertakings to the ACCC under section 87B of the *Trade Practices Act* 1974 (Cth). As part of these undertakings, FOXTEL must offer its full subscription television service to operators who intend to invest in new infrastructure. FOXTEL must also ensure that 30% of the subscription television channels in its basic package are not affiliated with FOXTEL and FOXTEL committed to spend a minimum amount on Australian programming produced by independent producers.

Anti-siphoning regulations prevent subscription television broadcasters from acquiring the rights to sporting events on the anti-siphoning list until the FTA broadcasters (i.e. the ABC, SBS or a commercial television broadcasting licensee who serves more than 50% of the Australian population) have either purchased the rights themselves or until the event is "de-listed". The Federal Minister for Communications, Information Technology and the Arts (**Minister**) may de-list events if the FTA broadcasters elect not to acquire the rights to the event. Also, new guidelines (the "use it or lose it" guidelines) came into effect from 1 January 2007, and these explain that where listed events do not receive adequate FTA coverage, or are not acquired by FTA broadcasters, these may be considered for permanent (or partial) removal from the anti-siphoning list at the discretion of the Minister.

Commonwealth legislation provides that providers of channels that are "subscription TV drama channels" (i.e. channels that contain 50% or more drama programs), must spend 10% of the total program expenditure for the channel on "new eligible drama programs". These are new drama programs that are Australian, New Zealand or Australia/New Zealand programs, or Australian official co-productions. This obligation is imposed upon the channel provider, or the licensee if the channel provider does not comply.

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(b) Industry participants

Subscription television broadcasters in Australia participate in the broader television entertainment industry which includes a broad range of media and entertainment providers, including FTA broadcasters, video and DVD stores (sales and hire), video and content-on-demand services, and IPTV (or broadband television) providers. As IP and broadband networks become an increasingly common medium of content delivery to end-users, it is possible that there will be an even wider range of participants entering the industry in the medium to long-term future.

In addition to FOXTEL, other subscription television providers include Austar, Optus, TransACT, Neighbourhood TV, SelecTV, and Telstra (as a reseller of FOXTEL). As noted in Section 9.4.4(a), under the FOXTEL-Optus Content Supply Agreement, FOXTEL programming is available to Optus subscribers.

Areas of operation and delivery systems for subscription television operators: June 2006

Subscription television operators	Areas of operation	Delivery systems
FOXTEL	Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, Newcastle, Central Coast (NSW), Geelong, Gold Coast (Qld) and regional WA	Cable, DTH satellite[1]
Optus TV	Sydney, Melbourne, Brisbane	Cable
Austar	Regional and rural Australia, Hobart and Darwin	DTH satellite[1], Cable (only in Darwin)
Neighbourhood Cable	Mildura, Ballarat, Geelong	Cable
TransACT	Canberra, Queanbeyan and parts of regional NSW	Cable

Source: Australian Film Commission (June 2006)

Note:

1 DTH, or direct-to-home, usually refers to satellite delivery

9.4.5 Regulation

Subscription television licensees are subject to regulation under the *Broadcasting Services Act* 1992 (Cth) (**BSA**), which imposes a number of licence conditions. These conditions include limitations relating to the broadcast of political advertisements during the lead-up to elections and a prohibition on the broadcasting of tobacco advertisements.

The Australian Subscription Television and Radio Association (**ASTRA**) is the industry body representing companies that have been allocated subscription television broadcasting licences by ACMA under Part 7 of the BSA. The majority of licensee companies and suppliers of subscription television are members of ASTRA. Licensees are required to comply with the ASTRA Codes of Practice.

As noted above, subscription television in Australia is subject to extensive sports anti-siphoning regulations, which prevents subscription television licensees from acquiring rights to certain sporting events.

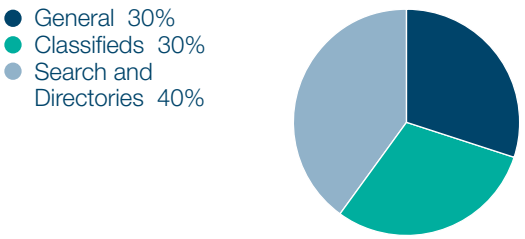
9.4.6 Australian online segment

PwC estimated the Australian internet services segment generated $3.0 billion in revenue in 2006, representing a CAGR of 32.7% over the 2002 to 2006 period. Revenue is predominantly sourced from consumer fees for access to services and from online advertisements (search and directories advertising, classifieds advertising and general advertising).

According to the Audit Bureau of Verification Services (**ABVS**), online advertising expenditure grew at a CAGR of 56.5% over the 2002 to 2006 period. In 2006, online advertising spend exceeded $1 billion for the first time, representing a 61.5% increase on 2005.

ABVS found that search and directories advertising and online classifieds advertising expenditure accounted for 39.9% and 29.9% of total advertising expenditure in Australia respectively in 2006. Online classifieds advertising expenditure was estimated to be approximately $300 million in 2006, representing a CAGR of 49.4% over the 2002 to 2006 period.

Figure 9C: Australian online advertising segment revenue: 2006



Source: ABVS, Online Advertising Expenditure Report, October to December 2006

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(a) Key drivers

Broadband internet connections are one of the principal drivers of growth of the online segment in Australia. With traditional fixed line public switched telephone network revenues in decline, telecommunications carriers are increasingly looking towards broadband for future fixed line revenue. As such, carriers have substantially lowered the prices of their entry level broadband products since 2004.

9.4.7 Australian magazine publishing

According to PwC, the magazine publishing segment was the fifth largest segment of the Australian media industry in 2006, with an estimated size of $2.1 billion. It represented approximately 9.5% of the overall media industry by revenue in 2006.

Australia's magazine publishing segment is concentrated. PwC found that the top four major publishers (including ACP Magazines) accounted for approximately 79.5% of the segment by market share.

Magazine publishers derive revenue from two key sources – the sale of advertising (**advertising revenue**) and the sale of magazines by subscription or at retail outlets (**circulation revenue**). Circulation revenue represented 51% of total magazine revenue in 2006, whilst advertising revenue represented 49%.

According to PwC, the Australian magazine advertising market has grown steadily over the last five years, with magazine publishers experiencing a CAGR of 7.4% in advertising revenue over the 2002 to 2006 period.

Magazine advertising spend has historically followed broader economic trends reasonably closely, rebounding following periods of contraction. The Commercial Economic Advisory Service of Australia (**CEASA**) indicates that the magazine market achieved 31.2% growth in 1993 after the 1991 to 1992 downturn, and 6.6% growth in 2003 following the 2001 to 2002 downturn.

9.4.8 Australian FTA TV broadcasting

According to PwC, the FTA TV broadcasting segment was the second largest segment of the Australian media industry in 2006, with estimated advertising revenue of $3.2 billion.

The metropolitan networks broadcast to Australia's five largest cities: Sydney, Melbourne, Brisbane, Perth and Adelaide. The regional networks broadcast to cities and towns outside the metropolitan networks through affiliate content agreements with the metropolitan commercial networks.

Key players

Metropolitan networks	Government owned/funded networks	Regional networks
Nine Network	SBS Television	WIN Television
Seven Network	ABC Television	Prime Television
TEN Network		Southern Cross

FTA TV broadcasting primarily derives revenue from the sale of advertising. According to PwC, FTA TV broadcasting commanded 30.0% of Australian media advertising spend in 2006. The Australian FTA TV broadcasting advertising market grew at a CAGR of 5.5% over the 2002 to 2006 period. CEASA research suggests that metropolitan areas represented 84% of the FTA TV broadcasting advertising segment in 2006, with regional areas representing the remainder.

9.4.9 Media law reform

On 4 April 2007, the Federal Government's media reform package commenced, which amended the ownership regime under the BSA.

Under the amended BSA, the existing limits on foreign ownership were removed. Media (including FTA TV and radio broadcasting and newspaper publishing) remain a "sensitive segment" under the Foreign Investment Policy that operates under the *Foreign Acquisitions and Takeovers Act* 1975 (Cth), meaning that all direct media investment and all portfolio investment over 5% are required to be notified to and approved by the Treasurer. In addition, the *Trade Practices Act* 1974 (Cth) prevents acquisitions of shares or other assets where the acquisition would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.

Under the amended BSA, the existing prohibitions on cross-media (television broadcasting, newspaper publishing, radio broadcasting) ownership were also removed, subject to:

- there remaining no fewer than five independent players in metropolitan markets and no fewer than four in regional markets; and
- a prohibition on owning more than two out of three voices (FTA TV or radio broadcasting or newspaper publishing) in the same market.

There continue to be restrictions on owning more than one FTA TV station in the same market, or more than two radio stations in the same market and on owning FTA TV stations that serve 75% or more of the Australian population.

The amendments to the BSA also provide for the allocation of two new digital channels:

- one channel may be used for in-home "narrowcasting", datacasting or community broadcasting services and cannot be controlled by either commercial or national FTA TV broadcasters (including Nine Network) or used for commercial broadcasting services or subscription broadcasting services. ACMA's approach to the definition of "narrowcasting" services will be important in determining the scope of services delivered by this channel; and
- the other channel may be used for wider purposes, such as mobile television, but not for commercial broadcasting services or in-home subscription television broadcasting services. In addition, existing FTA TV broadcasters (including Nine Network) cannot use that channel for any in-home services.

The BSA will continue to contain regulation which restricts the ability of subscription television operators to gain exclusive access to certain programming (including major sporting and cultural events) unless those programs are available on FTA TV or FTA TV broadcasters have opted not to televise the event. This scheme will remain in place until 31 December 2010 and will be reviewed by 31 December 2009.

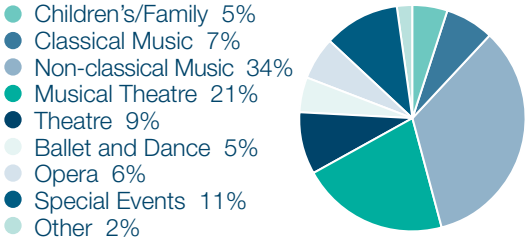
Other changes arising from the amended BSA include:

- the extension of the current analogue switch-off date to around 2010 to 2012;
- a relaxation on the restrictions relating to multi-channelling by FTA TV operators (that is the supply of multiple channels of differing content by an FTA TV operator using its licence and allocated spectrum), one high definition multi-channel is permitted from 1 January 2007 and a standard definition multi-channel from 2009. Unlimited multi-channelling will be permitted from analogue switch-off; and
- the issue of new FTA TV licences comes under the control of the Federal Government of the day rather than the regulator. The current Federal Government has stated new FTA TV licences will be unlikely to be issued until at least 2010.

9.4.10 Australian ticketing segment

According to a survey by Live Performance Australia, there were approximately 13.8 million ticket sales and approximately 15.8 million total attendances in 2005. Paid ticket sales represented 87.1% of total attendances, with the remainder being complimentary, sponsor and zero priced tickets. Gross revenue from ticket sales in 2005 was approximately $834 million, with non-classical music, musical theatre and special event categories contributing most significantly to total revenue (34.4%, 21.3% and 10.7% respectively). In comparison to 2004, ticket sales rose 10.0%, total attendances increased 17.3% and gross revenue increased 21.0% in 2005.

Figure 9D: Gross revenue segmentation: 2005



Source: Live Performance Australia, Ticket Attendance and Revenue Survey Live Entertainment Industry in Australia, 2005 Report

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Section 10
Crown if the Recommended Proposal is implemented

10

10. Crown if the Recommended Proposal is implemented

10.1 Overview of Crown if the Recommended Proposal is implemented

As outlined in Section 3 if the Recommended Proposal is implemented, Crown will hold the Gaming Businesses as described in Section 8 and will be a listed public company.

10.2 Crown's strategy

Crown will seek to grow value, particularly revenue and profitability (including through acquisition), by utilising its strong management team and casino expertise. Crown's objective will be to establish itself as a leading global gaming and entertainment provider.

To date, PBL has been provided with a number of opportunities to make acquisitions or portfolio investments in gaming assets both in Australia and overseas. Section 8 of this Booklet contains details of a number of acquisitions or portfolio investments that PBL has already made or contracted to make, sometimes in joint venture with other parties.

As at the date of this Booklet, PBL is investigating a number of opportunities to acquire or undertake a portfolio investment in gaming assets that are generally located in countries outside Australia, that have highly developed and regulated gaming industries. If any of these acquisitions or portfolio investments is undertaken they will be made by Crown if the PBL Scheme is approved.

One particular opportunity, on which due diligence has recently commenced, relates to the possible acquisition of an existing gaming business which is located outside Australia and which would be wholly owned by PBL if it proceeds. Two further, and smaller opportunities involve portfolio investments where PBL or Crown (if the PBL Scheme is approved) would acquire a small minority interest with no board representation rights or management control.

If these three opportunities were to proceed and complete then most of Crown's cash reserves would be deployed, with the most significant investment being the existing gaming business referred to above.

However, the PBL Board can give no assurance that any of the opportunities will proceed or specify the timeframe within which any such acquisition or investment would be completed. All of these opportunities remain confidential and are incomplete either because the contract negotiations have not commenced or concluded or are subject to approvals that are outside the control of PBL.

Key to maintaining Crown's international brand and reputation will be a continued focus on ensuring all gaming floors, hotels, food and beverage and retail facilities are maintained to the highest international standards. This will require that significant ongoing capital expenditure be allocated to the maintenance and improvement of key properties. In the near term, this commitment will be reflected through the planned development of a third hotel at Crown Melbourne and the refurbishment of both Crown Melbourne and Burswood's gaming floors, existing hotel rooms and food and beverage offerings. With a number of other large international development projects currently in progress, Crown will establish appropriate management resources and disciplines and seek to ensure that the properties are successfully launched.

Maintaining strong relationships with joint venture partners and with regulatory bodies is essential and of the utmost importance to Crown. As Crown grows its international gaming presence, it will aim to further strengthen existing relationships and develop new relationships with local casino and hotel operators and with regulatory bodies in various regions around the world. In this regard, Crown will continue to seek new opportunities to invest or acquire assets, which meet internal financial and strategic criteria in existing and new markets to generate strong returns on its investments.

Attracting, developing and retaining employees will be an ongoing focus of Crown to ensure existing and new customer relationships are established and that high levels of customer service are maintained. In particular, this focus will also support further development of the VIP gaming business, as its success is largely determined by customer service levels and by the strength of the underlying client relationships.

10.3 Business strengths

The key strengths of the Crown business model include:

- **Diversified portfolio of assets in key international markets:** The wholly owned Crown Melbourne and Burswood properties in Australia are complemented by international investments in key markets such as Macau (MPEL), the United Kingdom (Aspinalls), Las Vegas (Fontainebleau Resorts and Crown Las Vegas), and Canada (Gateway)[1].
- **Unique Australian presence:**
  - Crown Melbourne is one of the largest gaming facilities in the Southern Hemisphere;
  - Crown Melbourne operates one of the largest single site international VIP gaming operations in the world and considers itself to be a leading destination for VIP patrons;
  - Crown will have approximately 35 VIP marketing and sales personnel in nine offices throughout Asia. This network is being strengthened with the opening of Crown Macau as the company's penetration in the North Asian region expands;

Note:

1 Subject to the Gateway Offer being successful. See Section 8.4.5 for further details

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- Burswood operates in the fastest growing state in terms of gross state product (**GSP**) in Australia. According to the Australian Bureau of Statistics, GSP per capita rose 3.0% in Western Australia in FY2006; and
- Burswood enjoys a unique position being the only business to offer electronic gaming and table games in Western Australia.

- **Strong partnerships:** With its investments in MPEL, Aspinalls, Fontainebleau Resorts, Gateway (subject to the Gateway Offer being successfully completed) and Betfair Australia, Crown has established strong relationships with partner investors who each have a strong track record and reputation for running successful businesses.
- **Strong and growing earnings:** Between FY2001 and FY2006, PBL's gaming businesses, which include Crown Melbourne and Burswood (since 2004), have achieved compound annual revenue growth of 8.7% and compound annual EBIT growth of 14.4%. The Directors are confident Crown's exposure to MPEL, Aspinalls, Fontainebleau Resorts and Betfair Australia offer significant growth potential.
- **Track record of expansion:** PBL has diversified its gaming interests since the acquisition of Crown Melbourne in 1999:
  - Since PBL acquired Burswood in 2004, Burswood has achieved immediate profit growth and improved performance against an historic four year backdrop of flat revenue and EBITDA results. In addition, over $60 million has been committed to developing and establishing Burswood as an entertainment precinct and approximately $100 million has been committed to refurbishment of the main gaming floor and hotel facilities;
  - PBL entered into a joint venture with Betfair UK in 2004 to operate an online betting exchange in Australia and New Zealand, being Betfair Australia;
  - PBL entered into a 50/50 joint venture with Melco International Development Limited in 2005 to explore gaming opportunities in Asia. Subsequently, MPEL was created as the vehicle to develop opportunities in Macau. In September 2006, MPEL (through its subsidiary Melco PBL Gaming) acquired its own Macau Casino sub-concession. In January 2007, MPEL listed on the NASDAQ, which raised US$1.32 billion. Crown Macau opened on 12 May 2007 and the first phase of The City of Dreams, MPEL's second Macau casino project, is targeted to open by the end of March 2009;
  - PBL acquired a 50% interest in Aspinalls' casino business in the UK in 2006;
  - PBL entered into a 50/50 joint venture with Macquarie in April 2007 to acquire Gateway, one of the largest casino operators in Western Canada (subject to the Gateway Offer being successfully completed);
  - PBL acquired a 19.6% equity stake in US-based Fontainebleau Equity Holdings LLC which owns Fontainebleau Resorts, as well as a small debt holding in Fontainebleau Resorts, in 2007; and
  - PBL entered into a joint venture with IDM Properties and York Capital Management in 2007 to develop, construct and operate Crown Las Vegas. It is intended that Crown will manage and operate Crown Las Vegas.
- **Financial flexibility:** Cash of approximately $2.67 billion and strong cash flow generation from Crown Melbourne and Burswood will be available to fund further investments, driving Crown's continued investment in gaming businesses worldwide.
- **Experienced management team:** Details of Crown's management team are provided in Section 10.4.
- **High quality Board:** The PBL Directors at the date of this Booklet will remain directors of Crown. Further details of the PBL Directors, including their experience, are set out in Section 14.1.

10.4 Crown Board and Management

10.4.1 Crown Board

The members of the Crown Board are set out in Section 14.1 together with their experience.

At the date of this Booklet the Crown Board comprises the same director members as the PBL Board of whom six members are independent directors and six members are non-independent directors.

Independence is determined according to the following criteria, namely whether:

- the Director is a substantial shareholder of Crown or an officer of, or otherwise associated directly with, a substantial shareholder of Crown;
- within the last three years, the Director has been employed in an executive capacity by Crown or a PBL Group company, or been a director after ceasing to hold any such employment;
- within the last three years, the Director has been a principal of a material professional adviser or a material consultant to Crown or a PBL Group company, or an employee materially associated with the service provider;
- the Director is a material supplier or customer to Crown or a PBL Group company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- the Director has a material contractual relationship with Crown or a PBL Group company other than as a Director of Crown;
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Crown.

The materiality thresholds for determining the independence of the non-executive Directors are as follows:

For Directors:

- any other relationship which accounts for more than 20% of his/her gross income; or
- if the relationship is with an entity in which the Director, or any associate, has more than a 20% economic interest (if a private entity) or 10% shareholding (if a listed entity); and

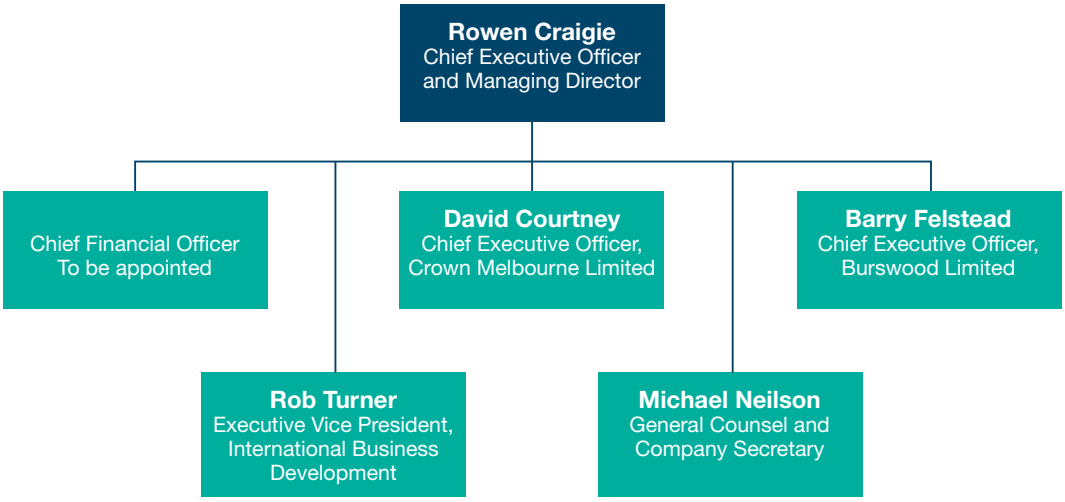
For Crown or a PBL Group company:

- in respect of fees paid in excess of $2 million per annum to advisers or consultants; or
- in respect of customers, where Crown or a PBL Group company supplies products or services in excess of $2 million per annum; or
- in respect of suppliers, where Crown or a PBL Group company purchases goods or services in excess of $2 million per annum.

Following the implementation of the Recommended Proposal, the Crown Board may give consideration to altering its composition and potentially reducing its size.

10.4.2 Crown Management

The Management structure of Crown will be as follows:



The name/position and biography of the most senior executives of Crown are set out below. In addition to these executives, Crown intends to appoint a Chief Financial Officer (**CFO**) with appropriate experience as CFO in a major listed public company.

Name/Position	Biography
Rowen Craigie, Chief Executive Officer	● Mr Craigie has been the head of PBL Gaming since March 2006, overseeing all of PBL's Australian and international gaming operations. He is also a Director of Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) and Aspinall Holdings (Jersey) Limited ● Mr Craigie previously served as the Chief Executive Officer (**CEO**) of Crown Melbourne Limited from 2002 to March 2007 ● Mr Craigie joined Crown Melbourne Limited in 1993 and was appointed as the Executive General Manager of its Gaming Machines Department in 1996, and was promoted to Chief Operating Officer in 2000 ● Prior to joining Crown Melbourne Limited, Mr Craigie was the Group General Manager for Gaming at the TAB in Victoria from 1990 to 1993, and had held senior economic policy positions in Treasury and the Department of Industry in Victoria from 1984 to 1990
David Courtney, Chief Executive Officer, Crown Melbourne Limited	● Mr Courtney is CEO and Director of Crown Melbourne Limited and a Director of Burswood Limited ● Mr Courtney was CEO of Burswood Limited from 2004 to 2007 and was Chief Financial Officer of Crown Melbourne Limited from 1997 to 2004 ● Prior to joining Crown Melbourne Limited, Mr Courtney was a Partner at Ernst & Young

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Name/Position	Biography
Barry Felstead, Chief Executive Officer, Burswood Limited	● Mr Felstead is the CEO of Burswood Limited ● He was previously the Chief Operating Officer – Gaming at Burswood Limited from 2005 ● Mr Felstead joined Crown Melbourne Limited in 1994 in the role of Casino Cage Manager. He was promoted into a number of different roles at Crown Melbourne Limited until in 2004 he was appointed to the role of Executive General Manager – Casino Operations, a position he held until his move to Burswood Limited ● Prior to joining Crown Melbourne Limited, Mr Felstead was employed by Conrad Jupiters from 1985 in casino cage related roles. Prior to Conrad Jupiters, Mr Felstead worked for the Commonwealth Bank from 1979 to 1985
Michael Neilson, General Counsel and Company Secretary	● Mr Neilson has been the General Counsel for Crown Melbourne Limited since 2004 ● Mr Neilson spent 10 years in a commercial legal practice in Melbourne before joining the Lend Lease Group in Sydney in 1997 as General Counsel for Lend Lease Property Management ● In 1998, he was appointed General Counsel and Company Secretary of General Property Trust, a position he held until joining Crown Melbourne Limited
Robert Turner, Executive Vice President, International Business Development	● Mr Turner has been Executive Vice President International Business Development with PBL Gaming since March 2007, with responsibility for the development of PBL Gaming's new business interests ● Mr Turner joined Crown Melbourne Limited in 1994 and held a number of financial and strategic planning roles before being appointed CFO in September 2004 ● Prior to joining Crown Melbourne Limited, Mr Turner was with Ernst & Young and was involved in Crown Melbourne's successful bid for the Melbourne casino licence

10.5 Corporate governance

This Section 10.5 sets out the approach that Crown will take to corporate governance following implementation of the PBL Scheme. Crown's approach will be broadly consistent with the approach taken by PBL to matters of corporate governance.

10.5.1 Board and corporate governance

Corporate governance is an important matter to Crown and to the Board of Directors. The Crown Board is ultimately responsible for the corporate governance of Crown, notwithstanding the existence of a Board-convened Audit & Corporate Governance Committee, of which one of its purposes is to review and develop corporate governance policies that are appropriate for Crown. The Board will have in place corporate governance practices that it considers to be the most appropriate for Crown. The Board also recognises that corporate governance is not a static matter, and needs reviewing regularly as Crown evolves.

(a) Composition of the Board

The Executive Chairman of the Crown Board will be Mr James Packer and the Executive Deputy Chairman will be Mr John Alexander. The members of the Crown Board are set out in Section 14.1, together with their experience.

It is intended that the independence of non-executive directors of Crown will be determined by the criteria set out in Section 10.4.1.

Non-executive directors will be subject to re-election by rotation at least every three years. All Crown Directors (with the exception of Mr Rowen Craigie) stood for election and were appointed at the Crown Annual General Meeting on 6 July 2007.

(b) Role of the Board

The Crown Board is responsible for guiding and monitoring Crown on behalf of the Crown Shareholders and directing and supervising its affairs within the framework of the Crown Constitution, the Corporations Act and the ASX Listing Rules, together with any other policies and delegations as determined by the Crown Board from time to time.

In addition, the Crown Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

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Matters reserved for the Crown Board include:

- in conjunction with management, establish a vision and strategies for Crown;
- approval of the annual business plan;
- approval of specific items of capital expenditure and investments and disinvestments in excess of $50 million;
- appointing and approving the terms and conditions of appointment of the CEO and CFO;
- termination of the CEO and CFO;
- approval of remuneration policies;
- approval of the half year and full year financial statements;
- approval of the interim and final dividends to shareholders;
- approval of any significant changes to accounting policies;
- terms of reference and membership of Board committees;
- consideration of Board appointments; and
- other matters as determined from time to time by the Board.

While the Crown Board will at all times retain full responsibility for guiding and monitoring Crown, in discharging its responsibilities, it intends to make use of committees. Specialist committees are able to focus on a particular area of the Crown Board's responsibility and provide informed feedback to the Crown Board for its consideration. Details of each of the Crown committees are set out below.

(c) Board Committees

To assist in carrying out its responsibilities, the Crown Board will establish before the PBL Scheme Effective Date the following committees:

- Audit & Corporate Governance Committee;
- Finance Committee;
- Investment Committee;
- Occupational Health & Safety Committee;
- Remuneration Committee; and
- Risk Management Committee.

Each committee will have a charter that outlines its responsibilities. Certain of these charters will be available on Crown's website at www.crownltd.com.au.

The composition, roles and responsibilities of each of these committees is expected to be as set out below.

Composition of committees from the PBL Scheme Effective Date is expected to be as follows:

Committees	Members
Audit & Corporate Governance	Richard Turner (Chair) Michael Johnston Rowena Danziger
Finance	Chris Mackay (Chair) Michael Johnston Richard Turner
Investment	James Packer (Chair) John Alexander Ashok Jacob Rowen Craigie
Occupational Health & Safety	Rowena Danziger (Chair) Michael Johnston Rowen Craigie
Remuneration	James Packer (Chair) John Alexander
Risk Management	Geoff Dixon (Chair) Rowena Danziger Rowen Craigie

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Charters of Committees

A summary of the Charter of each Committee is set out below:

(i) Audit & Corporate Governance Committee

The Audit & Corporate Governance Committee will comprise non-executive Crown Directors with the appropriate financial experience, of which a majority will be independent directors and the Chairman will be an independent non-executive director.

It is intended that representatives of management and the external auditor will attend meetings of the Committee at the discretion of the Committee. The Committee will also meet privately with the external auditor on general matters concerning the external audit, and other related matters, including when considering the half year and full year financial reports.

The main functions of the Audit & Corporate Governance Committee will be to:

- approve and recommend to the Crown Board the half year and full year financial reports of Crown;
- review the independence and competence of Crown's external auditors (independently from any management of Crown);
- review the continuous disclosure obligations of Crown; and
- review and develop the corporate governance policies it considers appropriate for Crown.

Minutes of each meeting of the Committee will be provided to the Crown Board.

As part of its role in relation to financial reporting, the Audit & Corporate Governance Committee will be responsible for reviewing accounting policies, generally accepted accounting principles and Corporations Act and Listing Rules requirements.

(ii) Finance Committee

The role of this Committee will be to approve the entering into contracts and leases, facilitate borrowings for the Crown Group, appoint attorneys for document execution, guarantee the obligations of subsidiaries and other transactions involving the general business of Crown.

(iii) Investment Committee

The role of this Committee will be to review and approve new investments or the divestiture of investments for Crown, up to a value of $50 million in aggregate for any one investment.

(iv) Occupational Health & Safety Committee

The role of this Committee will be to monitor the application of the Crown Occupational Health & Safety Policy, which commits to protecting the health and safety of the people who work with Crown, and the people who visit and use Crown's facilities. This commitment will be integral to the way Crown carries on its businesses.

(v) Remuneration Committee

The role of the Remuneration Committee will be to review and recommend appropriate Directors' Fees to be paid to non-executive Directors. At the discretion of the Crown Board, the role of this Committee may be extended to the remuneration policies to be applied to executives, including any equity-based remuneration plan that may be established, subject to shareholder approval, after the PBL Scheme has been implemented.

(vi) Risk Management Committee

The role of this Committee will be to provide strategic risk management leadership, oversight and analysis to the Crown Board.

Crown proposes to implement a number of policies and procedures to ensure good corporate governance practices are in place across the organisation. These policies will include:

- a Securities Trading Policy;
- a Continuous Disclosure Policy;
- a Communications Policy;
- a Risk Management Policy;
- a Code of Conduct for Crown Directors and for Crown employees; and
- a Remuneration Policy, further details of which appear in Section 10.5.3.

A summary of the focus of each Policy is provided below:

Securities Trading Policy

In order to preserve the reputation and integrity of Crown, it is vital that when people associated with Crown deal in Crown's securities these dealings are not only fair, but are seen to be fair. Crown will implement a Securities Trading Policy that will regulate dealings by its employees in shares and other securities issued by Crown. Specific requirements of the policy will include a requirement that Crown employees do not "short term trade" (i.e. buy and sell Crown shares and securities within a 12 month period); and the establishment of "Trading Windows", where Crown employees cannot trade from 1 December up to and including the day on which the half year results are released and from 1 June up to and including the day on which the full year results are released. The Policy will also provide that in exceptional circumstances clearance may be given for a Director or an employee to sell (but not to buy) shares, but not while a matter exists which constitutes undisclosed, price sensitive information. This Policy will operate in addition to the legal prohibitions in the Corporations Act on insider trading.

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Continuous Disclosure Policy

In order to ensure compliance with the continuous disclosure obligations under the Listing Rules, Crown will implement a Continuous Disclosure Policy for Crown Group senior executives. Where a senior executive becomes aware of information that might constitute material information, the executive will be required to advise the CEO of Crown, the Crown Group General Counsel and/or Company Secretary or a member of the Audit & Corporate Governance Committee immediately for consideration and disclosure (if appropriate).

Communications Policy

Crown will aim to ensure that Crown Shareholders are informed of all major developments affecting Crown in an accessible and understandable manner. Information will be communicated to shareholders through the full financial and concise annual report, disclosures made to the ASX (available on the Crown website shortly after receiving confirmation from the ASX that the announcement has been released to the market), notices and explanatory memoranda of each annual general meeting or other meeting of shareholders (each notice of meeting will be posted on the Crown website) and through the annual general meeting.

Risk Management Policy

Crown will have in place risk management policies and procedures which seek to identify, assess, monitor and manage risk, and allow Crown to inform the market of material changes to Crown's risk profile.

Code of Conduct for Crown Directors and Crown employees

Crown will establish a Code of Conduct that outlines the standard of ethical behaviour that is expected of Crown Directors and employees at all times.

(d) Board processes

The processes of the Crown Board will be governed in accordance with the Crown Constitution, a summary of which is contained in Section 14.14.

(e) Resources available to the Board

Crown Directors will have unrestricted access to all records and information of Crown reasonably necessary for the fulfilment of their responsibilities. Crown Directors will also have access to the CEO, CFO and Company Secretary and other relevant senior management of Crown as well as employees at all levels to seek explanations and information. They will receive regular detailed reports on financial and operational aspects of Crown's business and may request elaboration or explanation of those reports at any time.

In addition, each Crown Director may seek independent professional advice at Crown's expense. Prior approval of the Chairman of Crown will be required but this may not be unreasonably withheld.

The Chairman of Crown will be responsible to see that all Crown Board members are well briefed and have access to information on all aspects of Crown's operations. Crown's Directors and senior management will be encouraged to broaden their knowledge of Crown's business and to keep abreast of developments in business more generally by attendance at relevant seminars and conferences. Crown will meet the expenses involved in such activities.

10.5.2 Directors' fees/Executive contract terms

(a) The maximum annual remuneration that may be payable to non-executive directors of Crown for directors' fees is $1 million. This amount can only be increased by ordinary resolution of the Crown Shareholders passed at a general meeting.

(b) Mr Craigie will be the Managing Director and Chief Executive Officer of Crown with effect from the PBL Scheme Effective Date. A summary of Mr Craigie's service agreement is set out in Section 14.4.

Director indemnities

The indemnification of Crown Directors by Crown under the Crown Constitution is summarised in Section 14.14.

10.5.3 Executive and Employee Remuneration Policy

The performance of Crown will be highly dependent upon the quality of its Directors and senior executives. To prosper, Crown must attract, retain and motivate skilled Directors and senior executives of the highest calibre.

Crown's Remuneration Policy will be to ensure that executive remuneration packages properly reflect a person's duties and responsibilities, that remuneration is appropriate and competitive both internally and as against similarly sized industry peer group corporations, and that there is a direct link between remuneration and performance.

The structure and process for determining the remuneration of the Crown senior executives and non-executive Directors will be separate and distinct.

Internal processes will be established for determining the remuneration of the senior executives. These internal processes shall address the appropriate level of fixed remuneration and performance based remuneration for each executive.

Fixed base remuneration shall be determined with reference to available market data, considering the scope and any unique aspects of an executive's role and having regard to the calibre of the executive. Fixed remuneration shall typically include base salary and superannuation, and in certain cases may include other benefits such as a motor vehicle or motor vehicle allowance, car parking, mobile telephone costs and gym membership, aggregated to present the total employment cost of the executive to Crown.

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Performance based remuneration shall seek to align the rewards attainable by Crown senior executives with the achievement of particular objectives and the creation of shareholder value over the short and long term. Short term incentives will be paid at the discretion of the CEO (with reference to the Executive Chairman as appropriate) upon senior executives obtaining their key performance objectives for the relevant financial year. A long term incentive plan may be developed by the Company with reference to the existing PBL Gaming Division long term incentive, as well as with reference to available market data.

The Remuneration Committee will be responsible for determining the appropriate remuneration for the non-executive directors. Non-executive directors shall not receive performance based fees and will not participate in any Crown long term incentive plan. Executive Chairman Mr James Packer and Executive Deputy Chairman Mr John Alexander will be members of this Committee.

10.5.4 Employee and Executive Equity Plans

The Crown Board may determine, with the approval of shareholders (where required), to implement an Employee or Executive Equity Plan in the future.

10.6 Crown financial information

10.6.1 Introduction

This Section 10.6 contains information concerning the pro forma financial performance, cash flows and financial position of Crown if the Recommended Proposal is implemented. The following financial information has been prepared by the PBL and Crown Directors and in aggregate is referred to as the **Crown Pro Forma Financial Information**:

- Summary pro forma income statements for Crown for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**Crown Pro Forma Income Statements**);
- Reconciliation of the PBL statutory reported net profit after tax from continuing operations to the Crown pro forma results for FY2006 and FY2007 (**Crown Pro Forma Profit Reconciliation**);
- Summary pro forma cash flow statements for Crown for FY2006 and FY2007 (**Crown Pro Forma Cash Flow Statements**); and
- Pro forma balance sheet for Crown as at 30 June 2007 (**Crown Pro Forma Balance Sheet**).

10.6.2 Basis of preparation and presentation

The Crown Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;
- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 15;
- the significant accounting policies applied in the preparation of the Crown Pro Forma Financial Information in Section 21; and
- Section 4 which sets out an overview of the Recommended Proposal.

The Crown Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS;
- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and
- reviewed by Ernst & Young as set out in the Independent Accountant's Report in Section 15.

10.6.3 Crown Pro Forma Financial Information

The Crown and PBL Directors have prepared the Crown Pro Forma Income Statements, Crown Pro Forma Profit Reconciliation, Crown Pro Forma Cash Flow Statements and Crown Pro Forma Balance Sheet to provide an overview of the financial position and financial performance of the Gaming Businesses.

The Crown Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Gaming Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007 and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Gaming Businesses are included in the Crown Pro Forma Income Statements and the Crown Pro Forma Cash Flow Statements for the period that they were owned by PBL during the periods.

Additional pro forma assumptions have been made to reflect the expected corporate costs of Crown after the Demerger Scheme has been implemented in the Crown Pro Forma Income Statements and the Crown Pro Forma Cash Flow Statements.

Pro forma assumptions have also been made in the Crown Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership interests in certain investments subsequent to 30 June 2007, and the impact of the Recommended Proposal.

The Crown Pro Forma Profit Reconciliation has been prepared to provide information in relation to how the demerged results of PBL have been reflected in CMH and Crown.

Detailed pro forma assumptions in relation to the preparation of the Crown Pro Forma Income Statements are included in Section 10.6.4. Detailed pro forma assumptions in relation to the preparation of the Crown Pro Forma Balance Sheet are included in Section 10.6.8.

10.6.4 Crown Pro Forma Income Statements

10.6.4(a) Summary of Crown Pro Forma Income Statements[1]

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Revenue	**890**	**836**	**1,726**	**911**	**998**	**1,909**
Expenses	(588)	(595)	(1,183)	(631)	(665)	(1,296)
Corporate costs	(17)	(16)	(33)	(17)	(16)	(33)
EBITDA[2]	**285**	**225**	**510**	**263**	**317**	**580**
Depreciation and amortisation	(60)	(60)	(120)	(58)	(62)	(120)
EBIT	**225**	**165**	**390**	**205**	**255**	**460**
Share of net profit/(loss) of associates						
– MPEL (41.4%)	1	(3)	(2)	(11)	(36)	(47)
– Aspinalls (50%)	–	–	–	(2)	0	(2)
– Betfair Australia (50%)	–	(2)	(2)	(2)	0	(2)
Total share of net profit/(loss) from associates	**1**	**(5)**	**(4)**	**(15)**	**(36)**	**(51)**
Net profit before finance costs and income tax	**226**	**160**	**386**	**190**	**219**	**409**
Income tax expense	(30)	(46)	(76)	(24)	(43)	(67)
Net profit before finance costs from continuing operations	**196**	**114**	**310**	**166**	**176**	**342**
Net profit/(loss) from discontinuing operations (net of tax)	6	6	12	7	(52)	(45)
Pro forma net profit before finance costs	**202**	**120**	**322**	**173**	**124**	**297**

Notes:

1 The Crown Pro Forma Income Statements are unaudited

2 EBITDA is based on gaming results measured in accordance with Australian Accounting Standards (refer to 10.6.7(a) for variance from theoretical gaming results)

10.6.4(b) Adjustments to Crown Pro Forma Income Statements

The following pro forma adjustments were made to prepare the Crown Pro Forma Income Statements:

- corporate costs of $33 million per annum have been included in Crown based on estimated overhead costs expected to be incurred by Crown in the future under the operating and management structure described in Section 10.3. These corporate costs include a reclassification of costs previously included as gaming segment expenses and in unallocated expenses in PBL's financial statements; and
- direct net finance costs have not been included in the Crown Pro Forma Income Statements because the capital structure does not reflect the future capital structure of Crown.

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10.6.4(c) Other disclosure notes

Profit/(loss) from associates

Profit and losses from associates have been included from the time of acquisition by PBL. MPEL has been included since 1 July 2005. Betfair Australia has been included since 7 February 2006. Aspinalls has been included since 26 October 2006.

Taxation

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before financing costs and income tax from continuing operations	226	160	386	190	219	409
Profit before financing costs and income tax from discontinuing operations	10	8	18	8	(54)	(46)
Profit before financing costs and income tax	**236**	**168**	**404**	**198**	**165**	**363**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	71	50	121	59	50	109
Tax effect of:						
Distributions received	1	2	3	1	2	3
Non deductible depreciation and amortisation	2	2	4	1	1	2
Share of associates' net losses	(2)	(1)	(3)	2	7	9
Tax losses previously not recognised now brought to account	–	–	–	(36)	(34)	(70)
Other items – net	(3)	(2)	(5)	(1)	(1)	(2)
Write down of investments	–	–	–	–	20	20
Deferred income tax on temporary differences	(3)	(2)	(5)	(3)	(6)	(9)
Adjustments for current income tax of prior periods	(32)	(1)	(33)	2	2	4
Income tax expense	**34**	**48**	**82**	**25**	**41**	**66**
Income tax expense comprises:						
Current expense	69	51	120	26	45	71
Deferred expense	(3)	(2)	(5)	(3)	(6)	(9)
Adjustments for current income tax of prior periods	(32)	(1)	(33)	2	2	4
	34	**48**	**82**	**25**	**41**	**66**
Aggregate income tax expense is attributable to:						
Continuing operations	30	46	76	24	43	67
Discontinuing operations	4	2	6	1	(2)	(1)
	34	**48**	**82**	**25**	**41**	**66**

The PBL Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the Pro Forma Financial Information.

The PBL Scheme will also result in the transfer of tax losses (both revenue losses which are recognised as a deferred tax asset and capital losses which are not recognised as a deferred tax asset) to Crown. Crown will be required to determine an available fraction for each bundle of tax losses that are transferred. The tax losses transferred to Crown will have an available fraction less than the available fraction (if applicable) for each tax loss of PBL. In addition, Crown is likely to have less taxable income against which it will be able to recoup the tax losses as a result of the Demerger Scheme.

Discontinued operations

Consistent with the FY2007 PBL financial statements, net profit/loss from discontinuing operations relates to the results of Hoyts and New Regency. The results for 2H2007 include a net loss of $54 million in Hoyts, which comprises $12 million equity accounted profit for the period and a write down of $66 million of the investment to its expected recoverable amount.

Related party transactions

During the relevant period, Crown did not have any significant related party transactions.

10.6.5 Crown Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the Crown and CMH pro forma results for FY2006 and FY2007.

Pro forma period $million	Note	FY2006	FY2007
CMH pro forma net profit before finance costs from continuing operations	1	27	59
Crown pro forma net profit before finance costs from continuing operations	2	310	342
Reverse pro forma adjustments:			
– Corporate costs – CMH		8	8
– Corporate costs – Crown		33	33
– Pro forma tax expense – CMH		10	14
– Pro forma tax expense – Crown		76	67
– PBLM share of associate results		–	(5)
Include items excluded:			
– Net corporate costs (including costs previously part of segment gaming expenses)		(65)	(94)
– Transaction related costs		–	(72)
– Unallocated interest expense		(188)	(150)
– Unallocated interest revenue		66	108
– Actual tax expense		(32)	(19)
Total PBL group profit after tax from continuing operations	3	**245**	**291**

Notes:

1 Balance agrees to Section 11.6.4(a)

2 Balance agrees to Section 10.6.4(a)

3 Balance agrees to FY2007 financial report

10.6.6 Crown Pro Forma Cash Flow Statements

The Crown Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

10.6.6(a) Summary of Crown Pro Forma Cash Flow Statements[1,2]

Pro forma period $million	FY2006	FY2007
Cash flow from operating activities		
Receipts from customers	1,819	1,972
Payments to suppliers and employees	(1,292)	(1,386)
Income tax paid	(170)	(207)
Net operating cash flows	357	379
Cash flows from investing activities		
Purchase of property, plant and equipment	(103)	(203)
Proceeds on disposal of property, plant and equipment	–	1
Payments for equity investments	–	(360)
Payments for equity in associated entities	(237)	(197)
Payments for the acquisition of controlled entities	(2)	(27)
Proceeds from sale of equity investments	15	13
Advances to associated entities	(5)	(135)
Repayment of loan to associated entities	17	32
Other	(1)	–
Net investing cash flows	316	(876)

Notes:

1 The Crown Pro Forma Cash Flow Statements are unaudited

2 Cash flows from financing activities have not been included in the Crown Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of Crown

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10.6.7 Management commentary on Crown Pro Forma Financial Information

10.6.7(a) Comments on Crown Pro Forma Information

When discussing the 100% owned businesses Crown Melbourne and Burswood, PBL has focussed on EBITDA calculated at the theoretical win rate for VIP gaming. Theoretical win rate represents the win percentage on VIP gaming turnover, which is currently calculated as 1.35%. The table below compares actual reported EBITDA to theoretical EBITDA:

Pro forma period $million	Note	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Actual EBITDA before pro forma corporate costs	1	302	241	543	280	333	613
Theoretical EBITDA before pro forma corporate costs		271	261	532	296	294	590
Difference – actual gain/(loss)		31	(20)	11	(16)	39	23

Note:

1 EBITDA represents revenue less expenses per Section 10.6.4 (a), and is before corporate costs

Commentary on the results of Crown's investments and operations is included below. More information is available from PBL's website, www.pbl.com.au, and within PBL's annual financial statements for FY2006 and FY2007 and interim financial statements for 1H2006 and 1H2007.

Highlights from the commentary are as follows:

FY2006 compared to FY2005 – 100% owned businesses

- reported revenue increased 16.8% to $1.7 billion and reflected solid main floor growth and 10% growth in VIP Program turnover;
- theoretical EBITDA, before pro forma corporate costs, increased 14.2% to $532 million;
- theoretical EBITDA margin, before pro forma corporate costs, increased to 30.6%;
- reported EBITDA, before pro forma corporate costs, increased 26.9% to $543 million with a win rate of 1.40% (above theoretical of 1.35%); and
- capital expenditure of $102 million (up by $51 million) reflects increased main floor spend at Crown Melbourne and Burswood and the new VIP room at Burswood.

FY2007 compared to FY2006 – 100% owned businesses

- reported revenue increased 10.6% to $1,909 million;
- theoretical EBITDA, before pro forma corporate costs, increased 10.9% to $590 million;
- theoretical EBITDA margin, before pro forma corporate costs, increased to 30.7%;
- reported EBITDA, before pro forma corporate costs, increased 12.9% to $613 million; with a win rate of 1.44% (above theoretical of 1.35%); and
- capital expenditure of $203 million (up by $100 million) reflects purchase of new aircraft at Crown Melbourne (previously leased) and completion of new VIP room at Burswood.

Investments

MPEL (41.4%)

PBL's share of MPEL's results for FY2007 was a loss of $47 million principally reflecting pre-opening costs at Crown Macau that have been written off.

Aspinalls (50%)

PBL's share of Aspinalls' results for FY2007 was a loss of $1.8 million.

Betfair Australia (50%)

The business continues to build critical mass with PBL's share of the after tax loss $2.2 million.

10.6.8 Crown Pro Forma Balance Sheet

The table below sets out the Crown Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the Crown and PBL Directors in the preparation of the Crown Pro Forma Balance Sheet are set out in Section 10.6.8(b).

10.6.8(a) Summary of Crown Pro Forma Balance Sheet[1,2]

	30 June 2007 $million
Cash	2,668
Trade and other receivables	105
Inventory	10
Prepayments	13
	2,796
Assets classified as held for sale	344
Current assets	**3,140**
Receivables	90
Property, plant and equipment	1,775
Investments in associates accounted for using the equity method	1,181
Other investments	398
Intangible assets – casino licence	674
Intangible assets – casino management agreement	183
Intangible assets – goodwill	27
Deferred tax asset	184
Prepaid casino tax	74
Non-current assets	**4,586**
Total assets	**7,726**
Trade and other payables	235
Provisions	81
Interest bearing liabilities	20
Income tax payable	23
Current liabilities	**359**
Deferred tax liability	445
Interest bearing liabilities	2,345
Provisions	33
Non-current liabilities	**2,823**
Total liabilities	**3,182**
Net assets	**4,544**

Notes:

1 The Crown Pro Forma Balance Sheet is unaudited

2 Other Disclosure Notes are included in Section 10.6.8(c)

10.6.8(b) Adjustments to the Crown Pro Forma Balance Sheet

The following pro forma adjustments were made to prepare the Crown Pro Forma Balance Sheet:

- a pro forma adjustment has been made to record the interest bearing liability raised to finance the cash consideration to be paid as part of the PBL Scheme ($2,036 million) and the actual payment of that consideration ($2,036 million);
- a pro forma adjustment has been made to reduce the cash held by Crown by $170 million to reflect the final dividend relating to FY2007 payable on 15 October 2007;
- a pro forma adjustment has been made to record the payment of transaction costs of $58 million relating to the costs associated with the PBL Scheme paid subsequent to 30 June 2007. Transaction costs include redundancies, advisers' fees and cost of debt repayment;
- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available for allocation between CMH and Crown and reduces the carrying value of the investments; and
- after the pro forma adjustments in CMH and Crown, Crown (post PBL Scheme only) is assumed to have approximately $2,758 million in cash. As a pro forma assumption, and if the Recommended Proposal proceeds, $90 million of this cash is to be retained by CMH. The residual cash balance, being $2,668 million is to be transferred to Crown.

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10.6.8(c) Other disclosure notes

Reconciliation of pro forma cash assets

The Crown Pro Forma Balance Sheet includes all cash from the PBL business, aside from $90 million which will be retained in CMH. A reconciliation of pro forma cash is provided below:

	Notes	Crown Pro forma $million
PBL cash at 30 June 2007	1	2,228
Cash received from drawdown of debt	2	2,036
Cash paid to shareholders as part of the Recommended Proposal	2	(2,036)
Cash for payment of transaction costs		(58)
Cash received from (25%) PBL Media sale		526
Cash received from Ticketek and Acer Arena sale (net of cash retained)		172
Cash for payment of final PBL dividend		(170)
Cash from Foxtel/PMG distribution		60
Pro forma cash retained in CMH		(90)
Pro forma cash retained in Crown		**2,668**

Notes:

1 Balance agrees to PBL balance sheet as at 30 June 2007

2 The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares

Property, plant and equipment

At 30 June 2007 $million	Freehold land and buildings	Buildings on leasehold land	Plant and equipment	Construction work in progress	Total property, plant and equipment
Cost (gross carrying amount)	774	947	1,116	22	2,859
Accumulated depreciation	(121)	(293)	(670)	–	(1,084)
Net carrying amount	**653**	**654**	**446**	**22**	**1,775**

Assets classified as held for sale

An analysis of assets classified as held for sale is provided below:

At 30 June 2007	$million
Investment in Hoyts	143
Investment in New Regency	201
	344

On 24 September 2007 PBL announced that it had entered an agreement to dispose of its investment in Hoyts.

Investments in associates

An analysis of the investment in associates balance is provided below:

At 30 June 2007	Ownership percentage	Carrying value in Crown Pro Forma Balance Sheet $million	Share of associates net assets $million
MPEL	41.4%	1,053	952
Aspinalls	50%	110	43
Betfair Australia	50%	18	17
Total		**1,181**	**1,012**

In addition to the above interests, Crown has $74 million of receivables from investments in associates as at 30 June 2007.

Other Investments

An analysis of the other investments balance is provided below:

At 30 June 2007	Ownership	Carrying value $million
Fontainebleau	19.6%	333
Crown LVTI	37.5%	27
Capital Club		38
		398

Interest bearing liabilities and unused financing facilities

At 30 June 2007, after adjusting for the pro forma adjustments outlined in Section 10.6.8(b), Crown has the following interest bearing liabilities and financing facilities:

At 30 June 2007 $million	Interest bearing liabilities	Total facility	Letters of credit	Undrawn facilities
Bank facilities	2,056	2,720	185	479
Other senior debt	300	300	–	–
	2,356	**3,020**	**185**	**479**

The financing facilities mature in the following periods:

	Total facility $million	Expiry date
Bank facilities	2,150	September 2010
	570	June 2011
Other senior debt	125	March 2011
	175	July 2036
	3,020	

The weighted average interest margin across the facilities is 52 basis points over BBSW.

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial papers. Interest is earned at or marginally below BBSW.

10.6.9 Commitments, contingencies and hedging

10.6.9(a) Capital expenditure and other commitments

On 4 April 2007, PBL announced that it had formed a joint venture with Macquarie, New World Gaming, to make an offer to acquire Gateway. The total value of the transaction was announced to be approximately $1,446 million. Crown will contribute approximately $210 million of equity and loans to the joint venture. As the Gateway Offer is incomplete at the date of this booklet, a pro forma adjustment has not been made for this investment.

Crown will spend approximately $560 million over the next five years, over and above normal capital expenditure, towards a refurbishment of the property's flagship hotel, the Crown Towers, refurbishment of the main gaming floor, an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel.

Crown will spend approximately $100 million over the next four years, over and above normal capital expenditure to be directed towards a refurbishment of Burswood's main gaming floor and hotel facilities.

10.6.9(b) Contingent liabilities

As part of the ongoing operations of the casino businesses, subsidiaries of Crown are parties to ongoing gaming related litigation. The PBL and Crown Directors believe that the probability of an exposure to the entity is low and consequently no amounts have been provided in relation to these matters.

As outlined in Section 14.13, PBL is party to a number of other ongoing legal proceedings. As part of the Demerger Scheme, the responsibility for any liability arising in connection with ongoing legal proceedings will be shared by Crown (75%) and CMH (25%).

No liability has been recorded at 30 June 2007 because the PBL and Crown Directors believe that the probability of an amount being paid is low.

Crown has made guarantees of approximately $383 million in relation to commitments of certain of its associates. The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to this amount or the timing of any outflows.

PBL has guaranteed letters of credit issued to the State of Victoria of $185 million in respect of obligations of Crown Limited.

No other contingent liabilities existed as at 30 June 2007.

10.6.9(c) Hedging

Crown has some balance sheet foreign currency exposure resulting from investments outside Australia. Crown does not hedge these exposures.

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10.7 Risk factors associated with Crown

10.7.1 General risks that affect the general economy and stock market

The financial performance of Crown and Crown shares may fluctuate due to various factors including movements in the Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian and international economic conditions, changes in government, fiscal, monetary and regulatory policies, global geopolitical events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Crown's financial position and earnings. In the future, these factors may affect the income and expenses of Crown or cause Crown shares to trade below their initial listing price.

10.7.2 Specific risk factors that affect Crown

Set out below are some of the key risks attaching to an investment in Crown which have been identified as potentially affecting the financial performance of Crown, the ability of Crown to pay and/or frank dividends or otherwise make distributions and the value of Crown shares. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of Crown and the Crown Board and may not be able to be mitigated.

(a) Economic growth

The performance of Crown depends upon discretionary spending by businesses and individuals. Changes in economic factors such as interest rates, employment levels and consumer costs, consumer spending, consumer sentiment and market volatility, can be expected to impact, either favourably or unfavourably, on the businesses of Crown.

(b) Government policy and regulatory oversight

Crown will operate in a highly regulated industry, and the activities it conducts and the level of competition that it experiences will depend on government policy in relation to the industry and the licences granted to Crown and others to conduct gaming activities.

Changes in legislation, regulation or government policy in any jurisdiction in which Crown will conduct its operations may adversely impact the operations and financial performance and position of Crown.

Potential changes that may affect the profitability of Crown and the value of the licences granted to it include:

- changes in casino gaming tax rates and levies;
- changes to restrictions on the number, type, speed and location of gaming machines;
- changes to the mandatory minimum 'return to player' on gaming machines;
- changes to approved table games and the approved rules of the games;
- the granting of additional gaming licences; and
- changes to laws governing public policy, such as the banning of smoking in public spaces.

(c) Commercial and operational issues

Crown will face general commercial risks including the risks of volatility in its international commission business, competition and other causes of business interruption, which may have a material adverse effect on the financial performance and position of Crown.

The industries in which Crown operates are capital intensive and require a significant degree of capital expenditure in order to maintain the condition of gaming sites. Capital expenditure requirements may impact the cash flow available to service financing obligations and pay dividends. Additionally, incurred capital expenditure may or may not deliver the expected operational benefits and may have a material adverse effect on the financial performance and position of Crown.

(d) Early development stages

Crown will have investments and financial interests in a number of projects that are at an early stage of development including The City of Dreams, the Macau peninsula site, Aspers in Northampton, Aspers at the Pavilion, Crown Las Vegas and Fontainebleau Resorts. These projects are subject to significant risks and uncertainties, including the ability to:

- complete construction projects within their anticipated time schedules and budgets;
- attract and retain customers and qualified employees;
- operate, support, expand and develop operations and facilities;
- raise necessary funding; and
- respond to competitive market conditions.

The realisation of these or other uncertainties could result in delay or prevent the finalisation of one or more of these projects.

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(e) Competition

In general, gaming competes with other consumer products and services for consumers' discretionary expenditure and in particular with other forms of leisure and entertainment such as cinema, restaurants, sporting events and pay television.

Crown is also exposed to competition from other gaming providers in certain areas where it does not have an exclusive casino licence, as well as in areas where alternate forms of gambling, e.g. wagering, are legal.

If Crown does not adequately respond to competition in the markets in which it operates, there may be a change in consumer spending patterns and an adverse effect on the financial performance of Crown.

(f) Acquisitions and integration

Crown will regularly examine corporate opportunities (including potential acquisitions) with a view to determining whether those opportunities will enhance its business in the pursuit of Crown's growth strategy. The successful implementation of Crown's corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to acquired businesses.

Any acquisition or investment that Crown pursues could for a variety of reasons, have a material adverse effect on Crown. Crown will in such circumstances be exposed to due diligence risks or business integration risks and, in those circumstances, may not realise the anticipated value from acquisition or investment opportunities. Any failure to realise the anticipated value from investments or acquisitions could have a material adverse impact on Crown.

(g) Further funding

In order to provide for future growth, Crown may rely on both equity and debt funding. The Crown Directors are not currently aware of any reason why this funding should not continue to be made available to the business at acceptable costs. However, an inability to obtain the necessary funding for the business may have a material adverse impact on Crown.

(h) Loss of key management

The successful operation of Crown will depend partly upon the performance and expertise of its management and employees. The loss of the services of key managers or employees, or a loss of ability to continue to attract and retain qualified employees, may have a material adverse effect on Crown's investments or Crown itself.

A change of staff could affect ongoing relationships with various parties connected to Crown, including government and regulatory bodies. However, the Crown Directors believe that the proposed Crown personnel are sufficiently experienced to manage any such risk following the implementation of the Recommended Proposal.

(i) Exchange rates risk

Crown will hold investments overseas and may make further overseas investments or acquisitions consistent with its strategies. Any material adverse movements in relevant exchange rates may have a material adverse impact on the ongoing financial performance of Crown.

(j) Litigation

As at the date of this Booklet, Crown is not aware of any actual material litigation arising out of the Gaming Businesses or any other matters that could give rise to material litigation. However, Crown could in the future become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of Crown.

10.8 Other information

10.8.1 Auditor

Ernst & Young has been appointed as Crown's auditor.

10.8.2 Dividend policy

The Crown Directors' intended dividend policy is to distribute 100% of continuing normalised net profit after tax, franked to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of Crown, an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The interim dividend paid for FY2008 will reflect the trading performance of the Gaming Businesses from 1 July 2007 until the PBL Scheme Effective Date, and Crown's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the future profits of Crown and its financial and taxation position at the time.

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Section 11
CMH if the Recommended Proposal is implemented

11

11. CMH if the Recommended Proposal is implemented

11.1 Overview of CMH

As described more fully in Section 3, if the Recommended Proposal is implemented, CMH will be demerged from Crown to be a separate listed public company.

This Section 11 describes the key features of CMH if the Recommended Proposal is implemented. In this event, CMH will hold the Media Businesses as described in Section 9.

11.2 CMH's strategy

The CMH executives will utilise their media expertise to pursue organic and acquisitive growth strategies to maximise earnings and cash flows back to CMH. These executives will also sit on the Boards of each of CMH's investments. Any investments are likely to be primarily in new media, and may be international. If appropriate, CMH is also prepared to contribute extra capital to current investments to assist in supporting their growth strategies.

11.3 Business strengths

The key business strengths of CMH's investments include:

- **diversified portfolio of media investments:** mix of both new media (subscription television and online) and traditional media (FTA TV and magazines) investments:
  - exposure to new media through FOXTEL (the only Australian metropolitan subscription television company), PMG (a leading producer of subscription television channels), ninemsn (the leading Australian entertainment and media website), carsales (the leading Australian online automotive classified website) and SEEK (the clear leader in job search websites); and
  - exposure to traditional media through PBL Media, in particular the Nine Network, which has a significant market share in Australian FTA television, and ACP Magazines, which has a leading market position in magazine sales in Australia and New Zealand;
- **unique exposure to subscription television:** CMH's investments in FOXTEL and PMG offer shareholders direct exposure to Australia's leading subscription television operator and subscription television content provider respectively;
- **strong online investment portfolio:** CMH's investment in SEEK and PBL Media, which has investments in ninemsn, carsales and myhome, will provide CMH with significant online exposure;
- **portfolio positioned for growth (earnings and cash flow):** CMH's exposure to new media investments such as online and subscription television provide it with significant potential for earnings growth;
- **board representation within investments:** CMH will have Board representation in all its direct investments;
- **experienced management teams within investments:** CMH's investments have focussed management teams with significant industry expertise, proven financial discipline and cost management experience; and
- **experienced Board to oversee existing and new investments:** the PBL Directors at the date of this Booklet will remain directors of CMH. Further details of the PBL Directors, including their experience, is set out in Section 14.1.

11.4 CMH Board and management

11.4.1 CMH Board

At the date of this Booklet, the CMH Board comprises the same director members as the PBL Board, of whom six members are independent directors and six members are non-independent directors.

Independence is determined according to the following criteria, namely whether:

- the Director is a substantial shareholder of CMH or an officer of, or otherwise associated directly with, a substantial shareholder of CMH;
- within the last three years, the Director has been employed in an executive capacity by CMH or a PBL Group company, or has been a director after ceasing to hold any such employment;
- within the last three years the Director has been a principal of a material professional adviser or a material consultant to CMH or a PBL Group company, or an employee materially associated with the service provider;
- the Director is a material supplier or customer to CMH or a PBL Group company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- the Director has material contractual relationship with CMH or a PBL Group company other than as a Director of CMH; and
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of CMH.

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The thresholds for determining the independence of the non-executive Directors are as follows:

For Directors:

- any other relationship which accounts for more than 20% of his/her gross income; or
- if the relationship is with an entity in which the Director, or any associate, has more than a 20% economic interest (if a private entity) or 10% shareholding (if a listed entity); and

For CMH:

- in respect of fees paid in excess of $2 million per annum to advisers or consultants;
- in respect of customers, where CMH supplies products or services in excess of $2 million per annum; or
- in respect of suppliers, where CMH purchases goods or services in excess of $2 million per annum.

Following the implementation of the Recommended Proposal, the CMH Board may give consideration to altering its composition and potentially reducing its size.

11.4.2 CMH management

As noted in Section 9, CMH does not operate or manage any business. Rather, the Media Businesses comprise a diversified portfolio of market leading media assets, in which CMH has investments.

As a result, it is expected that CMH will have a limited number of employees and two senior executives at the time the Demerger is implemented.

The name, position and biography of the two most senior executives of CMH at the time the Demerger is implemented are as follows:

Name/Position	Biography
John Alexander, Executive Chairman	● Mr Alexander was promoted to the role of CEO and Managing Director of PBL in June 2004 ● In January 2002, he was appointed CEO of PBL's media businesses, which included ACP Magazines and Nine Network (then wholly owned by PBL) ● Mr Alexander joined ACP Magazines as Group Publisher in 1998 and was appointed CEO of that division in March 1999, a position he held until April 2006
Martin Dalgleish	● Mr Dalgleish is PBL's Chief Executive Officer New Media and was appointed to PBL in January 2005 ● Mr Dalgleish has extensive experience and involvement across all of the PBL New Media assets through direct Board representation ● Prior to commencement with PBL, he was Managing Director of Optus Consumer Division from 2001 to 2004, accountable for the operations in internet, broadband, Pay-TV and fixed wireline telephony

Mr Chris Anderson will be a non-executive director when the Demerger is implemented. In that capacity, Mr Anderson will have specific duties in addition to normal board duties and he will be responsible for monitoring the performance of a number of the CMH investments and he will be a CMH nominee on the Boards of those investment companies, in particular FOXTEL, PMG and SEEK.

11.5 Corporate governance

11.5.1 Board and corporate governance

The approach of CMH after the Demerger Implementation Date to corporate governance will be the same as the current approach of PBL to corporate governance with the exception that CMH will not delegate to the same extent to Committees. Further detail on the Board Committees is provided at Section 11.5.1(c).

(a) Composition of the Board

The Executive Chairman of the CMH Board will be Mr John Alexander and the Deputy Chairman of the CMH Board will be Mr James Packer. The members of the CMH Board are set out in Section 14.1 together with their experience.

(b) Role of the Board

The CMH Board is responsible for guiding and monitoring CMH on behalf of the CMH Shareholders, directing and supervising its affairs within the framework of the CMH Constitution, the Corporations Act and the ASX Listing Rules, together with any other policies and delegations as determined by the CMH Board from time to time.

In addition, the CMH Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

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Matters reserved for the CMH Board include:

- in conjunction with management, establish a vision and strategy for CMH;
- approval of the annual business plan;
- approval of specific items of capital expenditure and investments and disinvestments in excess of $50 million;
- appointing and approving the terms and conditions of appointment of all executive officers, including the terms and conditions of the appointment of the CFO (at this time, it is not proposed that CMH shall appoint a CEO, with these duties being the responsibility of the Executive Chairman);
- approval of remuneration policies;
- approval of the half year and full year financial statements;
- approval of the interim and final dividends to shareholders;
- approval of any significant changes to accounting policies;
- terms of reference and membership of Board Committees;
- consideration of Board appointments; and
- other matters as determined from time to time by the Board.

While the CMH Board will at all times retain full responsibility for guiding and monitoring CMH, in discharging its responsibilities, it intends to make use of Committees. Specialist committees are able to focus on a particular area of the CMH Board's responsibility and provide informed feedback to the CMH Board for its consideration. Details of each of the CMH Committees are set out below.

(c) Board Committees

To assist in carrying out its responsibilities, the CMH Board will continue the following committees:

- Audit & Corporate Governance Committee;
- Remuneration Committee; and
- Risk Management Committee.

The delegation of various Board responsibilities to a Board Finance Committee, Investment Committee and Occupational Health & Safety Committee will be discontinued as the tasks undertaken by these Committees shall be undertaken by the Board as a whole. This decision is due to the ongoing nature of CMH's investments as described in Section 9.

Charters for the various Committees were summarised in PBL's 2007 Annual Report, a copy of which is available on PBL's website at www.pbl.com.au.

The composition of each of the Committees from the Demerger Scheme Effective Date will be as follows:

Committees	Members
Audit & Corporate Governance	Richard Turner (Chair) Michael Johnston Rowena Danziger
Remuneration	James Packer (Chair) Chris Anderson
Risk Management	Geoff Dixon (Chair) Rowena Danziger David Lowy

(d) Board processes

The processes of the CMH Board will be governed in accordance with the CMH Constitution, which is the same as the existing PBL Constitution. A summary of the CMH Constitution is contained in Section 14.15.

(e) Resources available to the Board

CMH Directors will have unrestricted access to all records and information of CMH reasonably necessary for the fulfilment of their responsibilities. CMH Directors will also have access to the Company Secretary, Executive Chairman and relevant senior management. They will receive regular detailed reports on financial and operational aspects of CMH's business and may request elaboration or explanation of those reports at any time.

In addition, each CMH Director may seek independent professional advice at CMH's expense. Prior approval of the Chairman will be required but this may not be unreasonably withheld.

The Chairman will be responsible to see that all CMH Board members are well briefed and have access to information on all aspects of CMH's operations. CMH's Directors and senior management will be encouraged to broaden their knowledge of CMH's business and to keep abreast of developments in business more generally by attendance at relevant seminars and conferences. CMH will meet the expenses involved in such activities.

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11.5.2 Directors' Fees/Executive contract terms

(a) The maximum annual remuneration that may be payable to the non-executive directors of CMH for directors' fees is $1 million (this amount was approved by PBL Shareholders at the 2003 PBL Annual General Meeting). This amount can only be increased by an ordinary resolution of the CMH Shareholders passed at a general meeting.

(b) Mr Alexander will be the Executive Chairman and Mr Anderson will be a non-executive director of CMH with effect from the PBL Scheme Effective Date. A summary of their service agreements is set out in Section 14.4.

Director indemnities

The indemnification of CMH Directors by CMH under the CMH Constitution is summarised in Section 14.15.

11.5.3 Executive and Employee Remuneration Policy

Remuneration of key management personnel is not expected to exceed $3 million in aggregate.

11.5.4 Employee and Executive Equity Plans

At the date of this Booklet, PBL operates the ESP. With effect from the PBL Scheme Effective Date, the ESP will be terminated, with the consequence that no further ESP Shares will be issued after that date. However, there are a number of changes that will be made to the ESP and to the rights and entitlements of existing participants in the ESP to take account of the Recommended Proposal. Further details of the changes are set out in Section 14.7.

11.6 CMH financial information

11.6.1 Introduction

This Section 11.6 contains information concerning the pro forma financial performance, cash flows and financial position of CMH if the Recommended Proposal is implemented. The following financial information has been prepared by the CMH and PBL Directors and in aggregate is referred to as the **CMH Pro Forma Financial Information**:

- summary pro forma income statements for CMH for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**CMH Pro Forma Income Statements**);
- reconciliation of the PBL statutory reported net profit after tax from continuing operations to the CMH pro forma net profit before finance costs from continuing operations for FY2006 and FY2007 (**CMH Pro Forma Profit Reconciliation**);
- summary pro forma cash flow statements for CMH for FY2006 and FY2007 (**CMH Pro Forma Cash Flow Statements**); and
- pro forma balance sheet for CMH as at 30 June 2007 (**CMH Pro Forma Balance Sheet**).

11.6.2 Basis of preparation and presentation

The CMH Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;
- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 15;
- the significant accounting policies applied in the preparation of the CMH Pro Forma Financial Information in Section 21; and
- Section 4 which sets out an overview of the Recommended Proposal.

The CMH Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS, except accounting for the 50% investment in PBL Media, which has been equity accounted from 7 February 2007 to 6 June 2007 as described in Section 11.6.4(b) below;
- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and
- reviewed by Ernst & Young as set out in the Independent Accountant's Report in Section 15.

11.6.3 CMH Pro Forma Financial Information

The CMH and PBL Directors have prepared the CMH Pro Forma Income Statements, CMH Pro Forma Profit Reconciliation, CMH Pro Forma Cash Flow Statements and CMH Pro Forma Balance Sheet to provide an overview of the financial position and financial performance of the Media Businesses.

The CMH Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Media Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007, and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Media Businesses are included in the CMH Pro Forma Income Statements and the CMH Pro Forma Cash Flow Statements for the period that they were owned by PBL. PBL Media's results have been included from 7 February 2007 when it was formed. The businesses now owned by PBL Media have not been included in the CMH financial results for any period prior to February 2007.

Additional pro forma assumptions have been made to reflect the expected corporate costs of CMH after the Demerger Scheme has been implemented in the CMH Pro Forma Income Statements and the CMH Pro Forma Cash Flow Statements.

Pro forma assumptions have also been made in the CMH Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership interests in certain investments subsequent to 30 June 2007, and the impact of the Recommended Proposal.

The CMH Pro Forma Profit Reconciliation has been prepared to provide information in relation to how the demerged results of PBL have been reflected in CMH and Crown.

Detailed pro forma assumptions in relation to the preparation of the CMH Pro Forma Income Statements are included in Section 11.6.4. Detailed pro forma assumptions in relation to the preparation of the CMH Pro Forma Balance Sheet are included in Section 11.6.8.

11.6.4 CMH Pro Forma Income Statements

11.6.4(a) Summary of CMH Pro Forma Income Statements[1]

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Revenue	**2**	**3**	**5**	**3**	**3**	**6**
Expenses	(2)	(2)	(4)	(2)	(3)	(5)
Corporate costs	(4)	(4)	(8)	(4)	(4)	(8)
EBITDA	**(4)**	**(3)**	**(7)**	**(3)**	**(4)**	**(7)**
Depreciation and amortisation	(1)	(1)	(2)	(1)	(1)	(2)
EBIT	**(5)**	**(4)**	**(9)**	**(4)**	**(5)**	**(9)**
Share of net profit/(loss) of associates						
– FOXTEL (25%)	(5)	6	1	7	10	17
– PMG (50%)	17	19	36	19	27	46
– SEEK (27%)	4	5	9	6	8	14
– PBL Media (25%)	–	–	–	–	5	5
Total share of net profit from associates	**16**	**30**	**46**	**32**	**50**	**82**
Net profit before finance costs and income tax	**11**	**26**	**37**	**28**	**45**	**73**
Income tax expense	(5)	(5)	(10)	(2)	(13)	(15)
Net profit before finance costs from continuing operations	**6**	**21**	**27**	**26**	**32**	**58**
Net profit after tax from discontinuing operations	–	–	–	–	4	4
Pro forma net profit before finance costs	**6**	**21**	**27**	**26**	**36**	**62**

Note:

1 The CMH Pro Forma Income Statements are unaudited

11.6.4(b) Adjustments to CMH Pro Forma Income Statements

A reclassification adjustment relating to PBL Media's results has been made between continuing and discontinuing operations, to the CMH Pro Forma Income Statements, as described in the other disclosure notes below.

The following pro forma adjustments were made to prepare the CMH Pro Forma Income Statements:

- corporate costs of $8 million per annum have been included in CMH based on estimated overhead costs expected to be incurred by CMH in the future under the operating and management structure described in Section 11.3;
- direct net finance costs have not been included in the CMH Pro Forma Income Statements because the capital structure does not reflect the future capital structure of CMH; and
- as described in its FY2007 financial report, PBL disposed of a 50% economic interest in PBL Media on 7 February 2007, however PBL retained control of PBL Media until 6 June 2007. Consequently, PBL consolidated PBL Media in its FY2007 financial statements for the period 7 February 2007 to 6 June 2007, classifying the results in discontinued operations. From 6 June 2007 to 30 June 2007, PBL equity accounted its 50% share of PBL Media's result. In order to show the results of PBL Media, from its inception on 7 February 2007 to 30 June 2007 on a consistent basis, and to reflect the future treatment of PBL Media, the PBL and Crown Directors have equity accounted its 50% share of PBL Media's results for the full period from 7 February 2007 to 30 June 2007 in this financial section. This does not affect the amount of Net Profit attributable to Members of the Parent disclosed in the FY2007 financial report, however it does affect a number of line items in the Income Statement.

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11.6.4(c) Other disclosure notes

Taxation

Tax has been recorded based on the tax expense attributable to corporate costs and certain distributions from the investments in CMH and deferred tax as described below. As a result of the Recommended Proposal, the historical tax expense is not necessarily indicative of the future tax.

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before financing costs and income tax from continuing operations	11	26	37	28	45	73
Profit before financing costs and income tax from discontinuing operations	–	–	–	–	5	5
Profit before financing costs and income tax	**11**	**26**	**37**	**28**	**50**	**78**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	3	8	11	8	15	23
Tax effect of:						
Share of associates' net losses/(profits)	(5)	(9)	(14)	(10)	(15)	(25)
Taxable distributions from associated entities	5	5	10	2	6	8
Deferred income tax on temporary differences	2	1	3	2	7	9
Income tax expense	**5**	**5**	**10**	**2**	**13**	**15**
Income tax expense comprises						
Current expense	3	4	7	–	6	6
Deferred expense	2	1	3	2	7	9
	5	**5**	**10**	**2**	**13**	**15**

The deferred tax expense relates to the recognition of a deferred tax liability in investments in associates where the accounting cost base is greater than the current tax base.

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Aggregate income tax expense is attributable to:						
Continuing operations	5	5	10	2	12	14
Discontinuing operations	–	–	–	–	1	1
	5	**5**	**10**	**2**	**13**	**15**

The PBL Scheme and the Demerger Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme and/or the Demerger Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the pro forma accounts.

Discontinued operations

Net profit from discontinuing operations includes the share of net profit after tax from PBL Media for the period 7 February 2007 to 30 June 2007 relating to the additional 25% interest sold to CVC Capital Partners and CVC Asia Pacific on 10 September 2007.

Related party transactions

During the relevant period, PBL provided services to the following related parties:

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
CPH rental of 54 Park St, Sydney NSW	–	1	1	1	1	2
PBL Media rental of 54 Park St, Sydney NSW	2	2	4	2	2	4

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11.6.5 CMH Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the CMH and Crown pro forma net profit before finance costs from continuing operations for FY2006 and FY2007.

Pro forma period $million	Notes	FY2006	FY2007
CMH pro forma net profit before finance costs from continuing operations	1	27	59
Crown pro forma net profit before finance costs from continuing operations	2	310	342
Reverse pro forma adjustments:			
– Corporate costs – CMH		8	8
– Corporate costs – Crown		33	33
– Pro forma tax expense – CMH		10	14
– Pro forma tax expense – Crown		76	67
– PBLM share of associate results (continuing only)		–	(5)
Include items excluded:			
– Net corporate costs (including costs previously part of segment gaming expenses)		(65)	(94)
– Transaction related costs		–	(72)
– Unallocated interest expense		(188)	(150)
– Unallocated interest revenue		66	108
– Actual tax expense		(32)	(19)
Total PBL group profit after tax from continuing operations	3	**245**	**291**

Notes:

1 Balance agrees to Section 11.6.4(a)

2 Balance agrees to Section 10.6.4(a)

3 Balances agree to the FY2007 financial statements

11.6.6 CMH Pro Forma Cash Flow Statements

The CMH Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

11.6.6(a) Summary of CMH Pro Forma Cash Flow Statements[1,2]

Pro forma period $million	FY2006	FY2007
Cash flows from operating activities		
Receipts from customers	6	6
Payments to suppliers	(13)	(14)
Dividends from associates	36	28
Net operating cash flows	**29**	**20**
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(13)
Payment for purchases of associated investments	–	(55)
Net investing cash flows	**(5)**	**(68)**

Notes:

1 The CMH Pro Forma Cash Flow Statements are unaudited

2 Cash flows from financing activities have not been included in the CMH Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of CMH

11.6.7 Management commentary on CMH Pro Forma Financial Information

11.6.7(a) Comments on CMH Pro Forma Financial Information

Commentary on the results of CMH's investments is included below. More detailed information is available from PBL's website, www.pbl.com.au, and within PBL's annual financial statements for FY2006 and FY2007 and interim financial statements for 1H2006 and 1H2007.

Highlights from the commentary are as follows:

FY2006 compared to FY2005

FOXTEL (25%)

- CMH has included an equity accounted profit of $1.0 million for FY2006 (representing CMH's 25% share) compared to a loss of $28 million in FY2005. FOXTEL's revenues grew 17% in FY2006 with approximately 1.27 million total subscribers at 30 June 2006;
- FOXTEL did not pay any cash dividends in FY2006.

PMG (50%)

- CMH has included an equity accounted profit of $36 million for FY2006 (representing CMH's 50% share) compared to $21 million in FY2005. PMG's revenue grew 14% in FY2006. PMG had approximately 1.8 million total subscribers at 30 June 2006;
- PMG paid a $33 million unfranked dividend to PBL in FY2006.

SEEK (25%)

- CMH has included an equity accounted profit for SEEK of $9 million (representing CMH's 25% share) in FY2006 compared with $5 million in FY2005;
- SEEK paid a $3 million fully franked dividend to PBL.

FY2007 compared to FY2006

FOXTEL (25%)

- CMH has included an equity accounted profit of $17 million (representing CMH's 25% share) in FY2007 compared to a profit of $1.0 million in FY2006. FOXTEL revenues grew 12% in FY2007, with total subscriber numbers of approximately 1.44 million at 30 June 2007;
- FOXTEL did not pay any cash dividends in FY2007.

PMG (50%)

- CMH has included an equity accounted profit of $46 million (representing CMH's 50% share) in FY2007 compared with $36 million in FY2006. PMG grew revenue by 29% in FY2007 driven by increased subscriber numbers, the launch of FOX SPORTS 3, price increases and advertising revenue growth. Costs increased primarily reflecting the launch of FOX SPORTS 3 and FOX SPORTS News Channel;
- pre-tax earnings grew 45% although margins declined slightly as a result of the extra channel launches;
- PMG distributed $30 million to PBL in FY2007.

SEEK (27%)

- CMH has included an equity accounted profit of $14 million (representing CMH's 27% share) in FY2007 compared with $9 million in FY2006 (25% share);
- SEEK paid an $8 million fully franked dividend to PBL in FY2007;
- during FY2007, PBL increased its stake in SEEK from 25% to 27% with a $35 million investment.

PBL Media (25%)

- CMH has included an equity accounted profit of $5 million in FY2007 representing CMH's share (at 25%) of PBL Media's results for approximately five months from 7 February 2007.

11.6.8 CMH Pro Forma Balance Sheet

The table below sets out the CMH Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the CMH and PBL Directors in the preparation of the CMH Pro Forma Balance Sheet are set out in Section 11.6.8(b).

11.6.8(a) Summary of CMH Pro Forma Balance Sheet[1,2]

	30 June 2007 $million
Cash	90
Current assets	**90**
Property, plant and equipment	56
Investments in associates	(56)
Non-current assets	**–**
Total assets	**90**
Deferred tax liability	33
Non-current liabilities	**33**
Total liabilities	**33**
Net assets	**57**

Notes:

1 The CMH Pro Forma Balance Sheet is unaudited

2 Other Disclosure Notes are included in Section 11.6.8(c)

11.6.8(b) Adjustments to the CMH Pro Forma Balance Sheet

The following pro forma adjustments were made to prepare the CMH Pro Forma Balance Sheet:

- in a transaction completed on 16 July 2007, PBL sold its Ticketek and Acer Arena businesses to PBL Media for $210 million. As part of the transaction approximately $38 million of cash was retained by Ticketek, resulting in a net increase to PBL's cash of $172 million. This transaction also affects the carrying value of PBL's investment in PBL Media;
- on 10 September 2007, PBL sold an additional 25% of PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific for $526 million. This affects the carrying value of PBL's investment in PBL Media;
- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available for allocation between CMH and Crown and reduces the carrying value of the investments;
- after the pro forma adjustments in both CMH and Crown, Crown (post PBL Scheme only) is assumed to have approximately $2,758 million in cash. As a pro forma assumption, and if the Recommended Proposal proceeds, $90 million of this cash is to be retained by CMH, with the balance being retained by Crown.

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11.6.8(c) Other disclosure notes

Cash assets

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

Property, plant and equipment

As at 30 June 2007 $million	Freehold land and buildings	Plant and equipment	Construction work in progress	Total property, plant and equipment
Cost (gross carrying amount)	46	14	4	64
Accumulated depreciation	(5)	(3)	–	(8)
Net carrying amount	**41**	**11**	**4**	**56**

The property, plant and equipment relates to the land, buildings and fittings at the corporate office building at 54 Park Street, Sydney.

Investments in associates

An analysis of the investment in associates balance is provided below.

As at 30 June 2007	Ownership percentage	Carrying value in CMH Pro Forma Balance Sheet $million	Share of associates net assets $million
FOXTEL	25%	89	213
PMG	50%	108	104
SEEK	27%	91	29
PBL Media	25%	(344)	513
Total		**(56)**	**859**

In accordance with Australian Accounting Standards, the negative carrying value of PBL Media effectively reflects 25% of the cost of net assets sold by PBL to PBL Media, offset by the 25% share of PBL Media's debt.

11.6.9 Commitments and contingencies

11.6.9(a) Expenditure commitments

CMH does not have any capital or other expenditure commitments.

11.6.9(b) Contingent liabilities

As outlined in Section 14.13, PBL is party to a number of other ongoing legal proceedings. As part of the Demerger Deed, the responsibility for any liability arising in connection with ongoing legal proceedings will be shared by Crown (75%) and CMH (25%).

No liability has been recorded at 30 June 2007 because the Directors believe that the probability of an amount being paid is low.

No other contingent liabilities existed as at 30 June 2007.

11.7 Risk factors associated with CMH

11.7.1 General risks that affect the general economy and stock market

The financial performance of CMH will fluctuate due to various factors including movements in the Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian, New Zealand and international economic conditions, the advertising cycle, changes in government, fiscal, monetary and regulatory policies, global geopolitical events and hostilities and acts of terrorism, investor perceptions and other factors that may affect CMH's financial position and earnings. In future, these factors may cause CMH shares to trade below their issue price or initial listing price and may affect the income and expenses of CMH.

11.7.2 Specific risk factors that affect CMH

Set out below are some of the key risks attaching to an investment in CMH which have been identified as potentially affecting the performance of CMH, the ability of CMH to pay and/or frank dividends or otherwise make distributions and the value of CMH shares. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of CMH and the CMH Directors and may not be able to be mitigated.

(a) Economic growth

CMH's investments will be exposed to the general risks of operating in the media industry. The performance of CMH's investments are highly dependent upon the Australian, New Zealand and global economy. For example, advertising spend is influenced by GDP growth, general market conditions and consumer/business confidence. An adverse change in these economies and sentiment may have a material adverse effect on the financial performance of CMH's investments.

Non-advertising revenue generated by CMH's investments also depends on spending by consumers and businesses in Australia and overseas. Spending levels are affected by economic conditions and changes in economic conditions in Australia and overseas and are beyond the control of CMH. Such changes include, but are not limited to, changes in inflation, petrol prices and interest rates. A deterioration in economic conditions could adversely affect the financial performance of CMH's investments and CMH.

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(b) Advertising spend cycles

The demand for advertising and the price at which advertising can be sold by CMH's investments is dictated by the overall demand for advertising (mainly in Australia and New Zealand).

Since businesses generally reduce or relocate their advertising budgets during economic recessions or downturns, the strong reliance upon advertising revenue by certain CMH investments makes their operating results susceptible to prevailing economic conditions. There can be no assurance that advertising spend in the media industries in Australia, New Zealand or the United Kingdom will not contract in the future. Any contraction in advertising spend in Australia and New Zealand (and to a lesser extent, the United Kingdom) could have a material adverse effect on the operating and financial performance of CMH's investments, with similar resulting consequences for CMH.

(c) Access to cash from investments

The distributions paid by CMH's investments to CMH are a key driver of the financial position of CMH. CMH does not control any of its investments and material changes in dividend policy or CMH's access to distributions will have a significant impact on the financial position and performance of CMH.

(d) Competition

The Australian media market is highly competitive. The introduction of new programs, titles or websites, if successful, may have an adverse impact on the advertising revenues generated by certain CMH investments (in particular, PBL Media).

Competition from other companies or other forms of advertising-based media may impact on CMH's specific investments, but are less likely to impact on CMH as a whole due to its natural diversification and strong exposure to new media.

(e) Threat of new technology

CMH has a diversified portfolio of media investments and its investments may continue to experience rapidly changing and new technologies. Technology is important to ensure that media content is delivered in a manner which meets current consumer preferences and is cost effective. CMH's investments are generally well placed to pursue online opportunities through their existing online presence.

(f) Loss of key personnel

CMH's success and ability to execute its business strategy depend to a considerable extent on its key personnel, John Alexander and Martin Dalgleish and the senior management teams of its investments. The loss of key personnel or the inability to recruit or retain suitable personnel within CMH's investments may adversely affect the operating and financial performance of CMH's investments with similar or resulting consequences for CMH.

(g) Future acquisitions

The business strategy of CMH includes the potential acquisition of additional investments and businesses. The acquisitions may expose CMH to unanticipated liabilities or unforeseen operating difficulties and these acquisitions may require significant financial resources.

(h) Litigation and documentation risk

The media industry in which many of CMH's investments operate involves particular risks associated with defamation litigation and litigation to protect media and intellectual property rights.

CMH or its investments could become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of CMH.

11.8 Other information

11.8.1 ASX reporting requirements

(a) Continuous disclosure requirements

As a disclosing entity, PBL is subject to regular reporting and disclosure obligations. Specifically as a listed company, PBL is required and CMH will be required, by operation of the ASX Listing Rules and the Corporations Act, to make continuous disclosure to the market of all information which may affect security values or influence investment decisions, and information in which security holders, investors and ASX have a legitimate interest (**Material Information**).

The Listing Rules provide an exception to the general obligation to disclose Material Information where:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
- one or more of the following applies:
  - it would be a breach of a law to disclose the information;
  - the information concerns an incomplete proposal or negotiation;
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - the information is generated for the internal management purposes of the entity; or
  - the information is a trade secret.

(b) List of ASX Announcements

In order to ensure compliance with its disclosure obligations, PBL carries out and CMH will carry out continuous disclosure in accordance with the Continuous Disclosure Policy, available on the PBL website under 'Corporate Governance'.

A list of all announcements that have been lodged with ASX in relation to PBL since the lodgement of the PBL 2007 Annual Report on 28 September 2007 follows:

Date	Headline
17/10/2007	PBL announces demerger scheme to proceed
15/10/2007	PBL announces deferral of demerger scheme proposal
9/10/2007	Appendix 3B
9/10/2007	Becoming a substantial holder
1/10/2007	Crown Melbourne announces third hotel

(c) Availability of copies of financial report and ASX announcements

Copies of all documents lodged by PBL with ASIC in relation to PBL may be obtained from, or inspected at, an ASIC office.

PBL will provide, free of charge, to any PBL Shareholder who requests it before the PBL Scheme Effective Date, a copy of:

- the PBL Constitution (which will be the CMH Constitution);
- the annual financial report for PBL for the year ended 30 June 2007 lodged with ASX on 28 September 2007; and
- any continuous disclosure notices given by PBL after 28 September 2007 (being the date of the lodgement of PBL's 2007 Annual Report being the most recent annual report) being those listed above.

Copies of any of the documents referred to above can be obtained by contacting the PBL Shareholder Infoline before the PBL Scheme Effective Date on 1300 138 983 (within Australia) or +61 3 9415 4262 (outside of Australia) and requesting a copy.

11.8.2 Auditor

Ernst & Young is the auditor of PBL and will be the auditor of CMH when the Demerger Scheme takes effect.

11.8.3 Dividend policy

The CMH Directors' intended dividend policy is to distribute cash from operating activities, after financing costs, franked to the greatest extent possible, subject to retaining appropriate cash reserves for short term liabilities and investment opportunities.

In respect of future years, subject to available cash flow, the financial position of CMH and possible investment opportunities, an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The interim dividend paid for FY2008 will reflect the trading performance of the Media Businesses from 1 July 2007 until the PBL Scheme Effective Date, and CMH's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the future profits of CMH, its financial and taxation position at the time and any investment opportunities it is considering.

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Section 12
Crown if only the PBL Scheme is implemented

12

12. Crown (post PBL Scheme only)

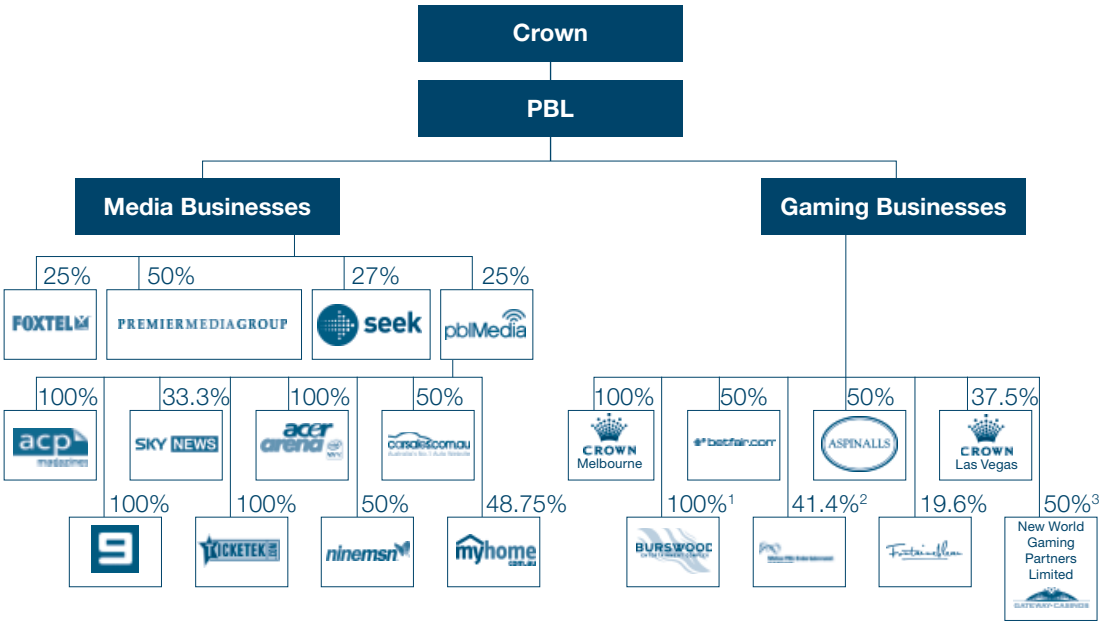
12.1 Overview of Crown (post PBL Scheme only)

There is a risk that the PBL Scheme will be approved and the Demerger Scheme will not be approved, meaning that the demerger of CMH as part of the Recommended Proposal will not occur.

In the event that the PBL Scheme is approved and the Demerger Scheme is not approved, Crown will hold both the Gaming Businesses described in Section 8 and the Media Businesses described in Section 9. In these circumstances, Crown will be a listed public company and PBL will be removed from the official list of the ASX.

This Section 12 describes the key features of Crown (post PBL Scheme only) in the event that the PBL Scheme is approved, but the Demerger Scheme is not approved.

The chart below provides an overview of Crown's businesses and investments (post PBL Scheme only):



Notes:

1 Full ownership of Burswood excludes IHG's 35% interest in The Intercontinental Burswood Resort Hotel and the Holiday Inn Burswood

2 Excludes Melco PBL Entertainment Asia Holdings Limited, a joint venture vehicle between Melco and PBL for certain other Asian territories, which at the date of this Booklet has no investments

3 Subject to the Gateway Offer being successful. See Section 8.4.5 for further details

As a result of implementing the PBL Scheme alone and not the Demerger Scheme, Crown (post PBL Scheme only) will essentially be the same as PBL, adjusted for the approximate $2.04 billion in cash returned to PBL Scheme shareholders as part of the PBL Scheme Consideration.

12.2 Overview of the Gaming Businesses and the Media Businesses

Crown (post PBL Scheme only) will control 100% of the Gaming Businesses and Media Businesses.

Refer to Sections 8 and 9 for further detail on the Gaming Businesses and Media Businesses.

12.3 Crown Board and Management

12.3.1 Crown Board

Refer to Section 14.1 for an overview of Crown Board members and their biographies. The Executive Chairman of the Crown Board (post PBL Scheme only) will be Mr James Packer.

12.3.2 Crown Management

The senior management teams within each of Crown's businesses (post PBL Scheme only) will remain the same as referred to in Sections 10.4.2 and 11.4.2. The Managing Director and CEO of Crown (post PBL Scheme only) will be Mr Rowen Craigie.

Corporate costs are expected to reduce from their current level as a result of head office redundancies, which are referred to in Section 14.5.

12.4 Corporate governance

Corporate governance responsibilities will remain the same for Crown (post PBL Scheme only) as for Crown following implementation of the Demerger Scheme, which is outlined in Section 10.5. In the Crown (post PBL Scheme only) outcome, CMH will not adopt separate corporate governance practices as contemplated in Section 11.5 if the Demerger Scheme had been approved.

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12.5 Crown (post PBL Scheme only) financial information

12.5.1 Introduction

This Section 12.5 contains information concerning the pro forma financial performance, cash flows and financial position of Crown (post PBL Scheme only) which is after the PBL Scheme alone is implemented. The following financial information has been prepared by the PBL and Crown Directors and in aggregate is referred to as the **Crown (post PBL Scheme only) Pro Forma Financial Information**:

- Summary pro forma income statements for Crown (post PBL Scheme only) for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**Crown (post PBL Scheme only) Pro Forma Income Statements**);
- Reconciliation of the PBL statutory reported net profit after tax from continuing operations to the Crown (post PBL Scheme only) pro forma profit after tax from continuing operations for FY2006 and FY2007 (**Crown (post PBL Scheme only) Pro Forma Profit Reconciliation**);
- Summary pro forma cash flow statements for Crown (post PBL Scheme only) for FY2006 and FY2007 (**Crown (post PBL Scheme only) Pro Forma Cash Flow Statements**); and
- Pro forma balance sheet for Crown (post PBL Scheme only) as at 30 June 2007 (**Crown (post PBL Scheme only) Pro Forma Balance Sheet**).

12.5.2 Basis of preparation and presentation

The Crown (post PBL Scheme only) Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;
- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 15;
- the significant accounting policies applied in the preparation of the Crown (post PBL Scheme only) Financial Information in Section 21; and
- Section 4 which sets out an overview of the Recommended Proposal.

The Crown (post PBL Scheme only) Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS, except for the accounting for the 50% investment in PBL Media, which has been equity accounted from 7 February 2007 to 6 June 2007 as described in 12.5.4 (b) below;
- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and
- reviewed by Ernst & Young and as set out in the Independent Accountant's Report in Section 15.

12.5.3 Crown (post PBL Scheme only) Pro Forma Financial Information

The PBL and Crown Directors have prepared the Crown (post PBL Scheme only) Pro Forma Income Statements, Crown (post PBL Scheme only) Pro Forma Profit Reconciliation, Crown (post PBL Scheme only) Pro Forma Cash Flow Statements and Crown (post PBL Scheme only) Pro Forma Balance Sheet to provide an overview of the financial position and recent financial performance of the Gaming Businesses and Media Businesses.

The Crown (post PBL Scheme only) Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Gaming Businesses and Media Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007 and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Gaming Businesses and Media Businesses are included in the Crown (post PBL Scheme only) Pro Forma Income Statements and Crown (post PBL Scheme only) Pro Forma Cash Flow Statements for the period that they were owned by PBL during the periods.

Additional pro forma assumptions have been made in the Crown (post PBL Scheme only) Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership interests in certain investments and operations subsequent to 30 June 2007 and to reflect the impact of the PBL Scheme.

Detailed pro forma assumptions in relation to the preparation of Crown (post PBL Scheme only) Pro Forma Income Statements are included in Section 12.5.4. The Crown (post PBL Scheme only) Pro Forma Profit Reconciliation has been prepared to provide information in relation to the impact of these detailed pro forma assumptions. Detailed pro forma assumptions in relation to the preparation of the Crown (post PBL Scheme only) Pro Forma Balance Sheet are included in Section 12.5.8.

12.5.4 Crown (post PBL Scheme only) Pro Forma Income Statements

12.5.4(a) Summary of Crown (post PBL Scheme only) Pro Forma Income Statements

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Revenue	**892**	**840**	**1,732**	**914**	**1,001**	**1,915**
Expenses	(590)	(597)	(1,187)	(633)	(662)	(1,295)
Corporate costs	(33)	(33)	(66)	(38)	(55)	(93)
EBITDA	**269**	**210**	**479**	**243**	**284**	**527**
Depreciation and amortisation	(61)	(61)	(122)	(59)	(68)	(127)
EBIT	**208**	**149**	**357**	**184**	**216**	**400**
Share of net profit/(loss) of associates						
– FOXTEL (25%)	(5)	6	1	7	10	17
– PMG (50%)	17	19	36	19	27	46
– SEEK (27%)	4	5	9	6	8	14
– PBL Media (25%)	–	–	–	–	5	5
– MPEL (41%)	1	(3)	(2)	(11)	(36)	(47)
– Aspinalls (50%)	–	–	–	(2)	0	(2)
– Betfair Australia (50%)	–	(2)	(2)	(2)	0	(2)
Total share of net profit/(loss) from associates	**17**	**25**	**42**	**17**	**14**	**31**
Net profit before finance costs and income tax	**225**	**174**	**399**	**201**	**230**	**431**
Net finance income/(expense)	(59)	(63)	(122)	(67)	24	(43)
Net profit before tax from continuing operations	**166**	**111**	**277**	**134**	**254**	**388**
Income tax (expense)/benefit	7	(39)	(32)	6	(27)	(21)
Net profit after tax for the period from continuing operations	**173**	**72**	**245**	**140**	**227**	**367**
Discontinuing operations and specific items	220	157	377	206	1,486	1,692
Transaction costs	–	–	–	–	(72)	(72)
Net profit/(loss) from discontinuing operations and specific items (net of tax)	**220**	**157**	**377**	**206**	**1,414**	**1,620**
Pro forma net profit	**393**	**229**	**622**	**346**	**1,641**	**1,987**

12.5.4(b) Adjustments to Crown (post PBL Scheme only) Pro Forma Income Statements

- as described in its FY2007 financial report, PBL disposed of a 50% economic interest in PBL Media on 7 February 2007, however, PBL retained control of PBL Media until 6 June 2007. Consequently, PBL consolidated PBL Media in its FY2007 financial statements for the period 7 February 2007 to 6 June 2007, classifying the results in discontinued operations. From 6 June 2007 to 30 June 2007, PBL equity accounted its 50% share of PBL Media's result. In order to show the results of PBL Media, from its inception on 7 February 2007 to 30 June 2007 on a consistent basis, and to reflect the future treatment of PBL Media, the PBL and Crown Directors have equity accounted its 50% share of PBL Media's results for the full period from 7 February 2007 to 30 June 2007 in this financial section. This does not affect the amount of Net Profit attributable to Members of the Parent disclosed in the FY2007 financial report, however, it does affect a number of line items in the Income Statement; and
- a reclassification adjustment relating to the classification of PBL Media's result has been made between continuing and discontinuing operations to the Crown (post PBL Scheme only) Pro Forma Income Statements, as described in the other disclosure notes below.

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12.5.4(c) Other disclosure notes

Taxation

Tax has been recorded in Crown (post PBL Scheme only) based on the tax expense attributable to the pro forma Group. The historical tax expense is not necessarily indicative of the future tax.

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before income tax from continuing operations	166	111	277	134	254	388
Profit before income tax from discontinuing operations	314	166	480	291	1,412	1,703
Profit before income tax	**480**	**277**	**757**	**425**	**1,666**	**2,091**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	144	83	227	127	500	627
Tax effect of:						
Non deductible depreciation and amortisation	3	2	5	1	1	2
Net capital (gain)	(7)	–	(7)	(2)	(463)	(465)
Share of associates' net losses/(profits)	(11)	(12)	(23)	(11)	(11)	(22)
Tax losses brought to account	(9)	(7)	(16)	(36)	(34)	(70)
Dividends from associated entities	11	4	15	5	6	11
Other items – net	(2)	(2)	(4)	(2)	(1)	(3)
Write down of investments	–	–	–	–	24	24
Deferred income tax on temporary differences	1	1	2	–	–	–
Income tax (over)/under provided in prior years	(43)	(21)	(64)	(3)	2	(1)
Income tax expense	**87**	**48**	**135**	**79**	**24**	**103**
Income tax expense comprises:						
Current expense	129	68	197	82	22	104
Deferred expense	1	1	2	–	–	–
Adjustments for current income tax of prior periods	(43)	(21)	(64)	(3)	2	(1)
	87	**48**	**135**	**79**	**24**	**103**
Aggregate income tax expense/(benefit) is attributable to:						
Continuing operations	(7)	39	32	(6)	27	21
Discontinuing operations	94	9	103	85	(3)	82
	87	**48**	**135**	**79**	**24**	**103**

The PBL Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown (post PBL Scheme only) tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the pro forma accounts.

The PBL Scheme will also result in the transfer of tax losses (both revenue losses which are recognised as a deferred tax asset and capital losses which are not recognised as a deferred tax asset) to Crown (post PBL Scheme only). Crown (post PBL Scheme only) will be required to determine an available fraction for each bundle of tax losses that are transferred. The tax losses transferred to Crown (post PBL Scheme only) will have an available fraction less than the available fraction (if applicable) for each tax loss of PBL.

Discontinued operations and specific items

Net profit from discontinuing operations includes:

- the profit after tax from the television, magazine businesses and investments in ninemsn, carsales, SKY NEWS and myhome from 1 July 2005 to 7 February 2007 at which time these assets were sold to PBL Media, which is consistent with the FY2007 financial report;
- the profit after tax from Ticketek and Acer Arena from 1 July 2005 to 30 June 2007. Ticketek and Acer Arena were sold to PBL Media on 16 July 2007 which is consistent with the FY2007 financial report;
- the results of Hoyts and New Regency from 1 July 2005 to 30 June 2007 as these assets are expected to be disposed. The Hoyts result in 2H2007 is a net loss of $54 million which comprises $12 million equity accounted profit for the period and a write down of $66 million to its expected recoverable amount, which is consistent with the FY2007 financial report; and

- the share of net profit after tax from PBL Media for the period 7 February 2007 to 30 June 2007 relating to the additional 25% interest sold to CVC Capital Partners and CVC Asia Pacific on 10 September 2007, which is a pro forma reclassification.

Transaction and debt repayment costs include redundancies and advisers' fees associated with the Recommended Proposal and costs incurred in repaying debt.

Related party transactions

During the relevant period PBL provided services to the following related parties:

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
CPH rental of 54 Park St	–	1	1	1	1	2
PBL Media rental of 54 Park St	2	2	4	2	2	4

12.5.5 Crown (post PBL Scheme only) Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the Crown and CMH pro forma results for FY2006 and FY2007.

Pro forma period $million	Note	FY2006	FY2007
Crown (Post PBL Scheme only) pro forma net profit after tax from continuing operations	1	245	367
Specific items			
– Transaction related costs		–	(72)
Reverse pro forma adjustments			
– PBLM share of associate results		–	(4)
Total PBL group profit after tax from continuing operations	2	**245**	**291**

Notes:

1 Balance agrees to Section 12.5.4(a)

2 Balance agrees to FY2007 financial report

12.5.6 Crown (post PBL Scheme only) Pro Forma Cash Flow Statements

The Crown (post PBL Scheme only) Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

12.5.6(a) Summary of Crown (post PBL Scheme only) Pro Forma Cash Flow Statements[1,2]

Pro forma period $million	FY2006	FY2007
Cash flows from operating activities		
Receipts from customers	1,825	1,979
Payments to suppliers and employees	(1,331)	(1,452)
Dividends received	36	28
Interest received	67	116
Interest and other costs of finance paid	(192)	(178)
Income tax paid	(170)	(207)
Net operating cash flows	235	286
Cash flows from investing activities		
Purchase of property, plant and equipment	(108)	(216)
Proceeds from sale of property, plant and equipment	–	1
Payments for equity investments	–	(360)
Payments for equity in associated entities	(237)	(252)
Payments for the acquisition of controlled entities	(2)	(27)
Proceeds from sale of equity investments	15	13
Proceeds from sale of controlled entities	–	884
Advances to associated entities	(5)	(135)
Repayment of loan to associated entities	17	32
Other	(1)	–
Net investing cash flows	(321)	(60)

Notes:

1 The Crown (post PBL Scheme only) Pro Forma Cash Flow Statements are unaudited

2 Cash flows from financing activities have not been included in the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of Crown (post PBL Scheme only)

12.5.7 Management commentary on Crown (post PBL Scheme only) Pro Forma Financial Information

12.5.7(a) Comments on Crown (post PBL Scheme only) Pro Forma Financial Information

Management commentary on the continuing operations of Crown (post PBL Scheme only) is included in Section 10.6.7 for Crown and Section 11.6.7 for CMH.

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12.5.8 Crown (post PBL Scheme only) Pro Forma Balance Sheet

The table below sets out the Crown (post PBL Scheme only) Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the Crown and PBL Directors in the preparation of the Crown (post PBL Scheme only) Pro Forma Balance Sheet are set out in Section 12.5.8 (b).

12.5.8(a) Summary of Crown (post PBL Scheme only) Pro Forma Balance Sheet[1,2]

	30 June 2007 $million
Current assets	
Cash and cash equivalents	2,758
Trade and other receivables	105
Inventories	10
Prepayments	13
	2,886
Assets held for sale	344
Total current assets	**3,230**
Non-current assets	
Receivables	90
Property, plant and equipment	1,831
Investments in associates accounted for using the equity method	1,125
Other investments	398
Intangible assets	884
Deferred tax asset	184
Prepaid casino tax	74
Other assets	
Total non-current assets	**4,586**
Total assets	**7,816**
Current liabilities	
Trade and other payables	235
Interest bearing loans and borrowings	20
Income tax payable	23
Provisions	81
Total current liabilities	**359**
Non-current liabilities	
Deferred tax liability	477
Interest bearing loans and borrowings	2,345
Provisions	33
Total non-current liabilities	**2,855**
Total liabilities	**3,214**
Net assets	**4,602**

Notes:

1 The Crown Pro Forma Balance Sheet is unaudited

2 Other Disclosure Notes are included in Section 12.5.8(c)

12.5.8(b) Adjustments to the Crown (post PBL Scheme only) Pro Forma Balance Sheet

The following pro forma adjustments were used to prepare the Crown (post PBL Scheme only) Pro Forma Balance Sheet:

- a pro forma adjustment has been made to record the interest bearing liability raised to finance the cash consideration to be paid as part of the PBL Scheme ($2,036 million) and the actual payment of that consideration ($2,036 million);[1]
- a pro forma adjustment has been made to reduce the cash held by Crown (post PBL Scheme only) by $170 million to reflect the final dividend relating to FY2007 payable on 15 October 2007;
- a pro forma adjustment has been made to record the payment of transaction costs of $58 million relating to the costs associated with the PBL Scheme paid subsequent to 30 June 2007. Transaction costs include redundancies, advisers' fees and cost of debt repayment;
- on 10 September 2007, PBL sold an additional 25% of PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific for $526 million. A pro forma adjustment has been made to the carrying value of PBL's investment in PBL Media but the net profit on sale has not been reflected in the Crown (post PBL Scheme only) Pro Forma Income Statement;

Note:

1 The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares

- in a transaction that completed on 16 July 2007, PBL sold its Ticketek and Acer Arena businesses to PBL Media for $210 million. As part of the transaction approximately $38 million of cash was retained by Ticketek, resulting in a net increase to PBL's cash of $172 million. A pro forma adjustment has been made to the carrying value of PBL's investment in PBL Media but the net profit on sale has not been reflected in the Crown (post PBL Scheme only) Pro Forma Income Statement; and
- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available allocated to CMH and reduces the carrying value of the investments.

12.5.8(c) Other disclosure notes

Reconciliation of pro forma cash assets

A reconciliation of pro forma cash is produced below:

	Note	Crown (post PBL Scheme only) Pro forma $million
PBL cash at 30 June 2007	1	2,228
Cash received from drawdown of debt	2	2,036
Cash paid to shareholders as part of the Recommended Proposal	2	(2,036)
Cash for payment of restructure and provision costs		(58)
Cash received from (25%) PBL Media sale		526
Cash received from Ticketek and Acer Arena sale (net of cash retained)		172
Cash for payment of final PBL dividend		(170)
Cash from FOXTEL/PMG distribution		60
Adjusted pro forma cash		**2,758**

Notes:

1 Balance agrees to PBL balance sheet as at 30 June 2007

2 The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares

Cash held within PBL is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

Property, plant and equipment

At 30 June 2007 $million	Freehold land and buildings	Buildings on leasehold land	Plant and equipment	Construction work in progress	Total property, plant & equipment
Cost (gross carrying amount)	820	947	1,130	26	2,923
Accumulated depreciation	(126)	(293)	(673)	–	(1,092)
Net carrying amount	**694**	**654**	**457**	**26**	**1,831**

Assets classified as held for sale

An analysis of assets classified as held for sale is provided below:

At 30 June 2007	$million
Investment in Hoyts	143
Investment in New Regency	201
	344

On 24 September 2007 PBL announced that it had entered an agreement to dispose of its investment in Hoyts.

Investments in associates

An analysis of the investment in associates balance is provided below:

	Ownership percentage	Carrying value in Crown (post PBL Scheme only) Pro Forma Balance Sheet $million	Share of associates net assets $million
MPEL	41.4%	1, 053	952
Aspinalls	50%	110	43
Betfair Australia	50%	18	17
FOXTEL	25%	89	213
PMG	50%	108	104
SEEK	27%	91	29
PBL Media	25%	(344)	513
Total		**1,125**	**1,871**

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In addition to the above interests, Crown (post PBL Scheme only) has $74 million of receivables from investments in associates as at 30 June 2007.

In accordance with Australian Accounting Standards the negative carrying value of PBL Media reflects 25% of the cost of net assets sold by PBL to PBL Media, offset by the 25% share of PBL Media's debt.

Other Investments

An analysis of the other investments balance is provided below:

At 30 June 2007	Ownership	Carrying value $million
Fontainebleau	19.6%	333
Crown LVTI	37.5%	27
Capital Club		38
		398

Interest bearing liabilities and unused financing facilities

At 30 June 2007, after adjusting for the pro forma adjustments outlined in Section 12.5.8 (b), Crown (post PBL Scheme only) has the following interest bearing liabilities and financing facilities:

At 30 June 2007 $million	Interest bearing liabilities	Total facility	Letters of credit	Undrawn facilities
Bank facilities	2,056	2,720	185	479
Other senior debt	300	300	–	–
	2,356	**3,020**	**185**	**479**

The financing facilities mature in the following periods:

	Total facility $million	Expiry date
Bank facilities	2,150	September 2010
	570	June 2011
Other senior debt	125	March 2011
	175	July 2036
	3,020	

The weighted average interest margin across the facilities is 52 basis points over BBSW.

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

12.5.9 Commitments, contingencies and hedging

12.5.9(a) Expenditure and other commitments

On 4 April 2007, PBL announced that it had formed a joint venture with Macquarie, New World Gaming, to make an offer to acquire Gateway. The total value of the transaction was announced to be approximately $1,446 million. PBL will contribute approximately $210 million of equity and loans to the joint venture. As this investment is subject to the Gateway Offer being successful and completion occurring, a pro forma adjustment has not been made for this investment.

Crown will spend approximately $560 million over the next five years, over and above normal capital expenditure, towards a refurbishment of the property's flagship hotel, the Crown Towers, refurbishment of the main gaming floor, an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel.

Crown will spend approximately $100 million over the next four years, over and above normal capital expenditure, to be directed towards a refurbishment of Burswood's main gaming floor and hotel facilities.

12.5.9(b) Contingent liabilities

As part of the ongoing operations of the casino businesses, subsidiaries of Crown are party to ongoing gaming related litigation. The Directors believe that the probability of an exposure to the entity is low, consequently no amounts have been provided in relation to these matters.

As outlined in Section 14.13, there is potentially material litigation either on foot or that could be brought against PBL or entities either now or previously controlled by PBL. No liability has been recorded in respect of the litigation as the PBL Directors consider there to be a low probability of any liability or judgment being entered against the relevant PBL entity.

Crown has made guarantees of approximately $383 million in relation to commitments of certain of its associates. The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to this amount or the timing of any outflows.

PBL has guaranteed letters of credit issued to the State of Victoria of $185 million in respect of obligations of Crown Limited.

No other contingent liabilities existed as at 30 June 2007.

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12.5.9(c) Hedging

Crown (post PBL Scheme only) has some balance sheet foreign currency exposure resulting from investments outside Australia. Crown (post PBL Scheme only) does not hedge these exposures.

12.6 Risk factors associated with Crown (post PBL Scheme only)

Crown (Post PBL Scheme only) will face the same specific risk factors as those attributed to the Gaming Businesses (Section 10.7) and the Media Businesses (Section 11.7).

12.7 Other information

12.7.1 Auditor

Ernst & Young has been appointed the auditor of Crown.

12.7.2 Dividend Policy

If the Demerger Scheme is not approved, the Crown (post PBL Scheme only) Directors' intended dividend policy is to distribute 100% of continuing normalised net profit after tax, franked to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of Crown (post PBL Scheme only), an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The interim dividend paid for FY2008 will reflect the trading performance of the Gaming Businesses and Media Businesses from 1 July 2007 until the PBL Scheme Effective Date, and Crown (post PBL Scheme only) trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the future profits of Crown and its financial and taxation position at the time.

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Section 13
Tax Letter

13

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ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

16 October 2007

The Directors and Due Diligence Committee
Publishing and Broadcasting Limited
Level 2
54 - 58 Park Street
SYDNEY NSW 2000

Dear Sirs

Tax Letter for Shareholders

We have been requested by Publishing and Broadcasting Limited (PBL) to prepare a tax letter for inclusion in the Scheme Booklet in relation to the restructure of PBL's media and gaming businesses pursuant to the PBL Scheme and the Demerger Scheme.

1. Introduction

1.1 General

The purpose of this tax letter is to provide a guide as to the potential Australian income tax and Goods & Services Tax (GST) implications applicable to PBL shareholders as a result of the PBL Scheme and the Demerger Scheme. This letter is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for PBL shareholders.

This letter sets out the likely Australian tax implications for PBL shareholders of:

- The disposal of their PBL shares under the PBL Scheme; and
- The transfer to them of shares in Consolidated Media Holdings Limited (CMH) as a consequence of its demerger by Crown Limited (Crown) under the Demerger Scheme.

The information contained in this tax letter is provided in relation to:

- Australian residents who hold their PBL shares on capital account for income tax purposes and does not apply to Australian residents who hold their PBL shares on revenue account (for example, PBL shareholders who are share traders); and
- Foreign residents who hold their PBL shares on capital account, and do not hold their PBL shares through an Australian branch or permanent establishment.

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The information contained in this letter is based on the *Income Tax Assessment Act 1936* (the 1936 Act), the *Income Tax Assessment Act 1997* (the 1997 Act), the *New Tax System (Goods and Services Tax) Act 1999* (the GST Act), applicable case law and published Australian Taxation Office (ATO) rulings, determinations and administrative practice at the date of this letter. Any changes in the tax law or interpretation of the tax law subsequent to the date of this letter may alter the information contained in this tax letter.

Tax is a complex area of law and the tax implications for a PBL shareholder may differ from those detailed in this tax letter, depending on the shareholder's particular circumstances. Accordingly, PBL shareholders should not rely on this tax letter as the information in this letter is only general in nature. PBL shareholders should obtain independent professional advice, specific to their circumstances, before deciding to participate in the PBL Scheme and the Demerger Scheme.

1.2 ATO Contrary View

As discussed in Section 3 of this letter, a Class Ruling has been sought in respect of the PBL Scheme and the Demerger Scheme.

We understand that the ATO will issue a Class Ruling confirming the tax outcomes described in this letter in respect of the PBL Scheme.

The ATO has indicated that it will issue a Class Ruling in respect of the Demerger Scheme contrary to the views we express in this letter as regards the availability of demerger roll-over relief. Consequently, we have also outlined the outcomes of the PBL Scheme and the Demerger Scheme as indicated by the ATO. We understand that PBL will keep shareholders informed of developments with the ATO in relation to the Class Ruling as appropriate.

This tax letter should be read with the remainder of the Scheme Booklet. Capitalised terms in this letter have the same defined meaning as in the Scheme Booklet, unless indicated otherwise.

2. Summary of Transactions

PBL shareholders will be entitled to participate in the restructure of PBL's media and gaming businesses through the following transactions:

1. Under a scheme of arrangement, Crown will acquire all of the shares in PBL (**the PBL Scheme**).

Under the PBL Scheme, PBL shareholders will transfer their PBL shares to Crown and they will receive in return for each PBL share (but subject to the election referred to below), one share in Crown plus a set amount of cash, being $3.00 per PBL share (PBL Scheme Standard Consideration). The PBL Scheme will have some flexibility in relation to the scheme consideration, in that PBL shareholders may elect not to receive the PBL Scheme Standard Consideration but rather they may elect to receive more Crown shares and less cash (PBL Scheme Maximum Share Consideration), or more cash and fewer Crown shares for their PBL shares (PBL Scheme Maximum Cash Consideration).

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2. After the PBL Scheme, and under a separate scheme of arrangement that is to be implemented by Crown, PBL (which will change its name to Consolidated Media Holdings Limited) will be demerged from Crown (**the Demerger Scheme**). Under the Demerger Scheme, each Crown shareholder will receive one CMH share for every Crown share held. The Crown shareholders who participate in the Demerger Scheme are the PBL shareholders to whom Crown shares are issued under the PBL Scheme. The CMH shares will be distributed as a return of capital by Crown to its shareholders.

3. Australian Taxation Office Class Ruling

On behalf of PBL, Ernst & Young lodged an application for a Class Ruling in relation to the Australian income tax implications for Australian resident PBL shareholders of the PBL Scheme and the Demerger Scheme.

PBL and Ernst & Young have had extensive discussions and correspondence with the ATO in relation to the application for a Class Ruling in respect of the PBL Scheme and the Demerger Scheme. The ATO have indicated that they will provide confirmation of the tax outcomes for PBL shareholders by way of a Class Ruling.

As a consequence of the ATO's representations, PBL anticipates that the ATO will issue a Class Ruling confirming the following:

- Scrip for scrip roll-over will be available under Subdivision 124-M of the 1997 Act in respect of the non-cash consideration received by PBL shareholders under the PBL Scheme;
- PBL shareholders receiving cash under the PBL Scheme will be required to treat the cash received as capital proceeds in respect of their disposal of PBL shares. A resultant capital gain or loss may arise to PBL shareholders; and
- Section 45B of the 1936 Act will not operate in respect of the Demerger Scheme to include any amount in the assessable income of Crown shareholders.

As stated above, the ATO has indicated that it will issue a Class Ruling stating that demerger roll-over relief under Division 125 of the 1997 Act **will not** be available in respect of the Demerger Scheme. The consequence of demerger relief not being available would be that shareholders would be required to reduce their cost base in the Crown shares they acquire under the PBL Scheme by the market value of the CMH shares they receive under the Demerger Scheme. A capital gain should only arise to Australian resident shareholders in circumstances where the market value of the CMH share received under the Demerger Scheme exceeds the cost base of the Crown share. No capital gain should arise to non-resident shareholders.

A Class Ruling has not been sought in respect of the tax implications for foreign resident shareholders.

Whilst our view is that the Australian tax implications for PBL shareholders should be as described in this letter, we anticipate that the ATO is likely to issue amended assessments to PBL shareholders who prepare their income tax returns on the basis that demerger relief is available and that no capital

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gain arose in respect of the Demerger Scheme (if, in fact, a capital gain would have arisen in the absence of demerger roll-over relief under Division 125 of the 1997 Act). We note that unless a capital gain would arise to a shareholder as a consequence of the Demerger Scheme, the impact of demerger roll-over relief not being available should not be relevant until there is a subsequent capital gains tax event in respect of the Crown and / or CMH shares. Where demerger roll-over relief is not available in respect of the Demerger Scheme, the Crown and / or CMH shares may have a different cost base or reduced cost base than would be the case where demerger roll-over relief is available.

If, as has been indicated to us, the ATO takes the view that demerger roll-over relief is not available in respect of the Demerger Scheme, PBL shareholders who wish to protect against potential penalties and interest charges may choose to prepare their income tax returns on the basis that demerger roll-over relief is not available. PBL shareholders may then be able to object against their assessment to income tax.

4. Overview of Australian Tax Implications

The following is an overview of the Australian income tax implications that, in our view, should arise as a consequence of the PBL Scheme and the Demerger Scheme for PBL shareholders who hold their PBL shares on capital account. The Australian income tax implications for PBL shareholders are discussed in more detail in Section 5 below.

	PBL Scheme	Demerger Scheme
Capital Gain / Loss	A capital gain / loss may arise for an Australian resident PBL shareholder from the disposal of their PBL shares. CGT roll-over should be available such that a capital gain is disregarded to the extent consideration for the disposal of the PBL shares is Crown shares and the shareholder chooses to obtain roll-over. Foreign resident PBL shareholders should not be subject to CGT on disposal of their PBL shares.	A capital gain may arise for an Australian resident Crown shareholder as a result of the return of capital under the Demerger Scheme. A capital loss should not arise. Roll-over relief should be available in respect of the Demerger Scheme. Any capital gain should be disregarded to the extent that an Australian resident shareholder chooses to obtain roll-over. Foreign resident shareholders should not be subject to CGT.
CGT Cost Base	Where a shareholder chooses roll-over, their cost base in the PBL shares should be transferred to the Crown shares. However, the cost base should be reduced by so much of that cost base as is attributable to the cash consideration received. Where a shareholder does not	The cost base in the Crown shares should be apportioned between the CMH shares and the Crown shares on the basis of the relative market values of the CMH shares and Crown shares after the demerger.

	PBL Scheme	Demerger Scheme
	choose roll-over, the cost base of the Crown shares should be equal to the market value of the PBL shares given to obtain the Crown shares.	

The following is an overview of the Australian income tax implications that would arise as a consequence of the PBL Scheme and the Demerger Scheme for PBL shareholders who hold their PBL shares on capital account if, as the ATO contends, demerger roll-over relief is ultimately held not to be available under Division 125 of the 1997 Act. The Australian income tax implications for PBL shareholders are discussed in more detail in Section 5 below.

	PBL Scheme	Demerger Scheme
Capital Gain / Loss	A capital gain / loss may arise for an Australian resident PBL shareholder from the disposal of their PBL shares. CGT roll-over should be available such that a capital gain is disregarded to the extent consideration for the disposal of the PBL shares is Crown shares and the shareholder chooses to obtain roll-over. Foreign resident PBL shareholders should not be subject to CGT on disposal of their PBL shares.	A capital gain should arise for an Australian resident Crown shareholder as a result of the return of capital under the Demerger Scheme only to the extent to which the market value of the CMH shares received exceeds the cost base of the Crown shares. A capital loss should not arise. Shareholders would not be entitled to choose demerger roll-over relief. Foreign resident shareholders should not be subject to CGT.
CGT Cost Base	Where a shareholder chooses roll-over, their cost base in the PBL shares should be transferred to the Crown shares. However, the cost base should be reduced by so much of that cost base as is attributable to the cash consideration received. Where a shareholder does not choose roll-over, the cost base of the Crown shares should be equal to the market value of the PBL shares given to obtain the Crown shares.	The cost base in the Crown shares should be reduced by the market value of the CMH shares received. Shareholders should obtain a cost base in the CMH shares equal to their market value at the time received.

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5. Australian Income Tax Implications

5.1 PBL Scheme

We anticipate that the ATO will issue a Class Ruling confirming the Australian income tax implications of the PBL Scheme for Australian resident PBL shareholders as outlined below.

5.1.1 CGT Event – Disposal of PBL Shares

CGT event A1 should occur for PBL shareholders when they dispose of their PBL shares to Crown under the PBL Scheme. The event should happen at the time the shareholders exchange their PBL shares for the consideration payable by Crown under the PBL Scheme.

Subject to the availability of CGT roll-over (discussed below), PBL shareholders should make a capital gain from CGT event A1 if the capital proceeds for the disposal of their PBL shares exceeds their cost base (or indexed cost base if relevant). PBL shareholders should make a capital loss if those capital proceeds are less than the shares' reduced cost base.

For PBL shareholders, the capital proceeds received for the disposal of their PBL shares should be:

- The amount of cash received in exchange for their PBL shares; plus
- The market value of the Crown shares at the time the shareholders dispose of their PBL shares.

The amount of cash received by PBL shareholders under the PBL Scheme may differ depending on whether the shareholder elects to receive the PBL Scheme Standard Consideration, the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration. This election may affect the extent to which CGT roll-over (discussed below) is available to PBL shareholders for the disposal of their PBL shares.

5.1.2 CGT Roll-Over

The PBL Scheme should satisfy the requirements to be eligible for scrip-for-scrip roll-over under subdivision 124-M of the 1997 Act.

Capital Gain is Disregarded

To the extent the consideration received for the disposal of their PBL shares is shares in Crown, any capital gain derived by PBL shareholders who are Australian residents, who hold their shares on capital account and elect for roll-over, should be disregarded.

To the extent PBL shareholders who are Australian residents and hold their shares on capital account, receive cash consideration for the disposal of their PBL shares, they will be required to calculate a capital gain or capital loss in respect of the disposal of their PBL shares. The capital gain or capital loss should not be disregarded to the extent it is attributable to the cash component.

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In determining the capital gain or capital loss attributable to the cash component, PBL shareholders should apportion the total cost base in their PBL shares between the cash consideration and the scrip consideration (ie. Crown shares) on a reasonable basis.

Example A:

Patrick owns 1,000 PBL shares with a cost base of $10 per share (total cost base $10,000).

Patrick chooses to accept the PBL Scheme Standard Consideration under the PBL Scheme for the disposal of his PBL shares. The capital proceeds are $3 cash per share plus one Crown share (assumed market value for illustration purposes - $19). The total market value of the consideration received by Patrick for disposal of his PBL shares is therefore $22,000.

Patrick chooses roll-over to the extent that he can (ie. in respect of the Crown share component).

The cost base of the PBL shares attributable to the cash component should be calculated as follows:

*Cash consideration / Market value of total consideration * Cost base of PBL shares*

*= $3,000 / $22,000 * $10,000 = $1,364*

Patrick should make a capital gain of $3,000 - $1,364 = $1,636

A PBL shareholder who is an individual, complying superannuation funds or trust, and who acquired their PBL shares at least 12 months before the date of disposal to Crown, may be entitled to apply the CGT discount rule in respect of any capital gain that is referable to the cash component of the consideration received for the disposal of their PBL shares.

Cost Base in Crown Shares

The cost base that PBL shareholders have in their PBL shares should be transferred to the Crown shares acquired under the PBL Scheme. However, this cost base should be reduced if the shareholders receive cash. If PBL shareholders receive cash, the cost base of the Crown shares received by PBL shareholders under the PBL Scheme should be reduced by the proportion of the total consideration that is reasonably attributable to the cash component.

Example B:

Using the same facts as in Example A, Patrick will receive 1,000 Crown shares as part of the consideration for the disposal of his PBL shares.

Patrick should calculate the cost base of the Crown shares as follows:

*Value of Crown share consideration / Market value of total consideration * Cost base of PBL shares*

*= $19,000 / $22,000 * $10,000 = $8,636*

The cost base of each Crown share should therefore be $8.636 (ie. $8,636 / 1,000 Crown shares).

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Application of CGT Discount

For the purposes of determining the availability of the CGT discount on a subsequent sale of Crown shares, the Crown shares should be deemed to have been acquired on the date that shareholders acquired their PBL shares.

5.1.3 CGT Roll-Over not Chosen

PBL shareholders who are Australian residents and do not choose CGT roll-over in respect of the disposal of their PBL shares, should calculate a capital gain or capital loss from the disposal of their PBL shares as outlined in section 5.1.1 above. That is, PBL shareholders should make a capital gain if the capital proceeds from the disposal of their PBL shares exceeds their cost base (or indexed cost base if relevant). PBL shareholders should make a capital loss if those capital proceeds are less than the shares' reduced cost base.

A PBL shareholder who is an individual, complying superannuation fund or trust, and who acquired their PBL shares at least 12 months before the date of disposal to Crown, may be entitled to apply the CGT discount rule in respect of any capital gain made on disposal of their PBL shares.

The CGT cost base of the Crown shares received for disposal of the PBL shares should be equal to the market value of those PBL shares on the date of disposal and the date of acquisition of the Crown shares should be the date on which those shares are issued to shareholders.

5.1.4 Foreign Resident Shareholders

Foreign resident shareholders who hold their PBL shares on capital account should not be subject to CGT on the disposal of their PBL shares under the PBL Scheme.

5.2 Demerger Scheme – Ernst & Young Opinion

In our opinion, the Demerger Scheme should satisfy the requirements for demerger roll-over under Division 125 of the 1997 Act. The following is an outline of the Australian income tax implications of the Demerger Scheme for Australian resident Crown shareholders on the basis that demerger roll-over is available.

5.2.1 CGT Event – Return of Capital

CGT event G1 should occur for Crown shareholders when Crown makes the distribution of the CMH shares under the Demerger Scheme, as the distribution of the CMH shares should not be an assessable dividend. The event should happen at the time Crown makes the distribution to its shareholders.

Crown shareholders should make a capital gain if the non-assessable part of the distribution (which should be the entire distribution) exceeds the cost base the shareholders have in their Crown shares.

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If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

5.2.2 CGT Roll-Over

Capital Gain is Disregarded

For Crown shareholders who choose to obtain roll-over relief, a capital gain made by those Crown shareholders as a result of the return of capital by Crown under the Demerger Scheme should be disregarded.

Cost Base in CMH Shares and Crown Shares

Crown shareholders who choose to obtain roll-over relief should apportion the first element of the cost base in their Crown shares as between those Crown shares and the CMH shares received under the Demerger Scheme. This apportionment should be based on the market value of the Crown shares just after the demerger and the market value of the CMH shares just after the demerger, or a reasonable approximation of those market values.

Example C:

Using the same facts as in Example B, Patrick will receive 1,000 CMH shares under the Demerger Scheme.

Patrick should apportion the cost base of the Crown shares (ie. $8,636 as calculated in Example B) across both the Crown shares and the CMH shares on a reasonable basis.

Patrick chooses to apportion the cost base using the anticipated market values of the Crown shares and the CMH shares, which are assumed, for illustrative purposes, to be $19 and $4 respectively.

*Therefore, the cost base of Patrick's Crown shares after the Demerger Scheme should be $7,134 (ie. $19 / $23 * $8,636).*

*The cost base of Patrick's CMH shares after the Demerger Scheme should be $1,502 (ie. $4 / $23 * $8,636).*

Application of CGT Discount

For the purposes of determining the availability of the CGT discount on a subsequent sale of CMH shares, the CMH shares should be deemed to have been acquired on the date that shareholders acquired (or are treated as having acquired) their Crown shares.

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5.2.3 CGT Roll-Over not Chosen

For Crown shareholders who do not choose to obtain roll-over relief, a capital gain made by those Crown shareholders as a result of the return of capital by Crown under the Demerger Scheme should not be disregarded. The capital gain should be calculated as outlined in section 5.2.1 above. That is, Crown shareholders should make a capital gain if the non-assessable part of the distribution (which should be the entire distribution) exceeds the cost base the shareholders have in their Crown shares.

If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

Crown shareholders who do not choose to obtain roll-over relief should apportion the first element of the cost base in their Crown shares as between those Crown shares and the CMH shares received under the Demerger Scheme. The method of apportionment should be as outlined in section 5.2.2 above.

5.2.4 Foreign Resident Shareholders

Foreign resident shareholders should not be subject to CGT to the extent that a capital gain arises from the return of capital under the Demerger Scheme.

5.2.5 Demerger Dividend

No part of the return of capital by Crown under the Demerger Scheme should be a dividend to the Crown shareholders as the entire amount of the distribution by Crown will be debited against its share capital account.

5.2.6 Capital Streaming Integrity Provisions

The Australian income tax law contains provisions which provide a mechanism for the Commissioner of Taxation to deem certain payments, referred to as "capital benefits" and "demerger benefits", that are paid to shareholders in substitution for taxable dividends, to be treated as taxable dividends for income tax purposes.

The requirements for the provisions to apply are complex, and require a consideration of all the relevant circumstances of the scheme, including the general anti-avoidance provisions. One of the requirements for the provisions to apply is that, having regard to the relevant circumstances of the scheme, it would be concluded that one of the persons who entered into the scheme or carried out the scheme did so for the purpose (but not an incidental purpose) of enabling a taxpayer to obtain a tax benefit.

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Having considered the relevant circumstances of the Demerger Scheme, and the matters set out in the relevant anti-avoidance provisions, in our view it should not be concluded that the Demerger Scheme is being carried out for the purposes of enabling a taxpayer to obtain a tax benefit. Therefore, in our view, the Commissioner should not exercise his discretion to apply the capital streaming integrity provisions to deem any part of the "demerger allocation" (ie. the value of the CMH shares distributed to Crown shareholders under the Demerger Scheme) to be a dividend.

It is expected that the Commissioner will confirm this position for Crown shareholders in a Class Ruling to be issued prior to the Court approving the Demerger Scheme.

5.3 Demerger Scheme – ATO Position

The ATO has indicated that, in their opinion, the Demerger Scheme does not qualify for demerger roll-over relief under Division 125 of the 1997 Act. The following is an outline of the Australian income tax implications of the Demerger Scheme for Australian resident Crown shareholders on the basis that demerger roll-over is not available.

Capital Gain

A capital gain may arise for Crown shareholders under CGT event G1. As outlined above, Crown shareholders should make a capital gain if the non-assessable part of the distribution (ie. the market value of the CMH shares) exceeds the cost base the shareholders have in their Crown shares.

If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

Cost Base in CMH Shares and Crown Shares

Where demerger roll-over is not available, the cost base in the Crown shares should be reduced by the market value of the CMH shares distributed to Crown shareholders. Shareholders should obtain a market value cost base in the CMH shares.

The following example demonstrates how a Crown shareholder should adjust the cost base in their Crown shares and CMH shares where demerger roll-over is not available and a capital gain does not arise under CGT event G1.

Example D:

Matthew owns 1,000 Crown shares with a total cost base of $10,000.

Under the Demerger Scheme, Matthew will receive 1,000 CMH shares.

The anticipated market values of the Crown shares and the CMH shares are assumed, for illustrative purposes, to be $15 and $5 respectively. Therefore, the market value of the CMH shares distributed to Matthew will be $5,000.

Therefore, the cost base of Matthew's Crown shares after the Demerger Scheme should be $5,000 (ie. $10,000 less the market value of non-assessable distribution (being $5,000)).

The cost base of Matthew's CMH shares after the Demerger Scheme should be $5,000 (ie. the market value of the CMH shares distributed).

The total overall cost base in the Crown shares and the CMH shares is $10,000.

The following example demonstrates how a Crown shareholder should adjust the cost base in their Crown shares and CMH shares where demerger roll-over is not available and a capital gain arises under CGT event G1.

Example E:

Jessica owns 1,000 Crown shares with a total cost base of $4,000.

Under the Demerger Scheme, Jessica will receive 1,000 CMH shares.

The anticipated market values of the Crown shares and the CMH shares are assumed, for illustrative purposes, to be $15 and $5 respectively. Therefore, the market value of the CMH shares distributed to Jessica will be $5,000.

As the market value of the non-assessable distribution (ie. the CMH shares) exceeds the cost base in the Crown shares, a capital gain of $1,000 arises for Jessica.

The cost base of Jessica's Crown shares after the Demerger Scheme should be reduced to nil.

The cost base of Jessica's CMH shares after the Demerger Scheme should be $5,000 (ie. the market value of the CMH shares distributed).

The total overall cost base in the Crown shares and the CMH shares is $5,000 (which equates to the original Crown cost base ($4,000) plus the amount of the capital gain under CGT event G1 ($1,000)).

5.4 PBL Scheme Implemented but not the Demerger Scheme

If the PBL Scheme is implemented but not the Demerger Scheme, the only income tax implications for PBL shareholders should be as outlined in section 5.1 above.

6. Goods & Services Tax Implications

The disposal of PBL shares by PBL shareholders under the PBL Scheme should not attract GST. Similarly, no GST should be payable on the transfer of CMH shares by Crown under the Demerger Scheme.

As noted above, this tax letter is limited to implications for Australian resident PBL shareholders.

Where PBL shareholders are registered for GST, any GST incurred on acquisitions that relate to the disposal of the PBL shares or the acquisition of CMH shares should not be recoverable if the individual shareholder exceeds the financial acquisitions threshold, as defined under the GST Act.

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However, a Reduced Input Tax Credit may still be available if the acquisition constitutes a "reduced credit acquisition" under the GST Act.

Where PBL shareholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the disposal of PBL shares or the acquisition of CMH shares.

7. Disclaimer

Tax laws are complicated and there could be implications for PBL shareholders and Crown shareholders in addition to those described above. The above information is general in nature and the individual circumstances of each shareholder may affect the tax implications of the investment of that shareholder. PBL shareholders and Crown shareholders should seek appropriate independent professional advice that considers the tax implications in respect of their own specific circumstances. We disclaim all liability to any shareholder or other party for all costs, loss, damage and liability that the shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this letter or the provision of this letter to the shareholder or other party or the reliance on this letter by the shareholder or other party.

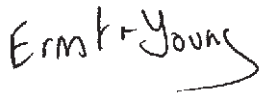
The tax information is being provided by Ernst & Young, which is not required to hold an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001* to provide that information. The information is confined to tax issues and is only one of the matters that must be considered by PBL shareholders when making a decision as to what consideration they should choose under the PBL Scheme. Before making a decision, PBL shareholders should consider taking advice from the holder of an AFSL.

This letter does not constitute an endorsement of the Scheme Booklet or a recommendation as to whether PBL shareholders should vote in favour of the PBL Scheme. Ernst & Young expresses no opinion and gives no assurance or guarantee in respect of the Scheme Booklet.

We consent to the inclusion of this tax letter in the Scheme Booklet. This consent has not been withdrawn at the date of this letter.

* * * *

Yours sincerely



Ernst & Young

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Section 14
Additional information

14

14. Additional information

14.1 PBL Directors

The PBL Directors and their experience and qualifications are set out below. The members of the Crown Board and the members of the CMH Board after the Recommended Proposal is implemented will be the current PBL Directors.

James D Packer (Age 40)
Executive Chairman

Mr Packer has been Executive Chairman of PBL since May 1998 and prior to that was the CEO from March 1996 to May 1998.

Mr Packer is the Executive Chairman of CPH and a director of various companies including Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited, PBL Media Holdings Pty Limited, Challenger Financial Services Group Limited, Sunland Group Limited and is the Chairman of SEEK Limited.

John H Alexander BA (Age 56)
Chief Executive Officer and Managing Director

Mr Alexander has been CEO and Managing Director of PBL since June 2004. He joined ACP Magazines as Group Publisher in 1998 and was appointed CEO of that division in March 1999, a position he held until April 2006. In January 2002, he was appointed CEO of PBL's media businesses which included ACP Magazines and Nine Network – then owned by PBL. Prior to joining the PBL Group, Mr Alexander was the Editor-in-Chief, Publisher and Editor of *The Sydney Morning Herald*, and Editor-in-Chief of *The Australian Financial Review*.

Mr Alexander is a director of various companies including Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited, Aspinalls Holdings (Jersey) Limited, Ninemsn Pty Limited, FOXTEL Management Pty Limited, PBL Media Holdings Pty Limited, Premier Media Group Pty Limited and The International Federation of the Periodical Press Limited.

Christopher J Anderson BEc (Age 62)
Executive Deputy Chairman

Mr Anderson joined the PBL Board in June 2004 and was appointed Executive Deputy Chairman in January 2006. Mr Anderson was previously the Chief Executive Officer of Optus and resigned from that role in late 2004. Prior to joining Optus in 1997, Mr Anderson was the Group Chief Executive of Television New Zealand Limited. Previously, he was the Managing Editor of the Australian Broadcasting Corporation and was Chief Executive Officer and Editorial Director of John Fairfax Limited Group. Mr Anderson was employed by John Fairfax Limited from 1966 to 1991 in various positions.

Mr Anderson represents PBL as a Board director of SEEK Limited, FOXTEL Management Pty Limited, Premier Media Group Pty Limited, Ninemsn Pty Limited, The Hoyts Corporation Pty Limited (until completion of the sale of the Hoyts group) and Australian News Channel Pty Limited.

Christopher D Corrigan (Age 61)
Independent, non-executive Director

Mr Corrigan was Managing Director of Patrick Corporation Limited, Australia's largest stevedore company with interests in rail transportation and aviation from March 1990 to May 2006. Prior to that, he had a career with Bankers Trust spanning 20 years, including periods as Managing Director of Bankers Trust in Australia and for the Asia-Pacific region.

Mr Corrigan sponsored the formation of a development capital business of A$220 million known as Jamison Equity Limited in 1990, which became a wholly owned subsidiary, in December 1996, of the then publicly listed company Patrick Corporation.

Rowen B Craigie BEc (Hons) (Age 52)
CEO, PBL Gaming

Mr Craigie is the head of PBL Gaming, overseeing all of PBL's Australian and international gaming operations. He is also a director of Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited and Aspinalls Holdings (Jersey) Limited. Mr Craigie has previously served from 2002 to 2007 as the CEO of Crown Melbourne Limited. Mr Craigie joined Crown Melbourne Limited in 1993 and was appointed as the Executive General Manager of its Gaming Machines department in 1996, and was promoted to Chief Operating Officer in 2000. Prior to joining Crown Melbourne Limited, Mr Craigie was the Group General Manager for Gaming at the TAB in Victoria from 1990 to 1993, and had held senior economic policy positions in Treasury and the Department of Industry in Victoria from 1984 to 1990.

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Rowena Danziger BA, TC, MACE (Age 69)
Independent, non-executive Director

Mrs Danziger's professional experience spans over 30 years in various Australian and American educational institutions. She was the Headmistress at Ascham School in Sydney from 1973 to 2003. She is currently a director of Opera Australia and a board member of Sydney Writers' Festival and Chairperson of The Foundation of the Art Gallery of NSW.

Mrs Danziger is also a director of Crown Melbourne Limited.

Geoffrey J Dixon (Age 67)
Independent, non-executive Director

Mr Dixon is the Managing Director and Chief Executive Officer of Qantas Airways Limited. Mr Dixon joined Qantas in 1994 and has had responsibility at the airline for all commercial activities. Before joining Qantas, Mr Dixon was Director of Marketing and Industry Sales at Ansett Australia Airlines and General Manager Marketing and Corporate Affairs at Australian Airlines.

Mr Dixon is on the boards of Air Pacific Limited and the Business Council of Australia. He is also on the Governing Board of IATA. Prior to his career in the airline industry, Mr Dixon worked for an arm of the Australian Government Overseas Service in Australia and on postings to Australian Missions in The Hague, New York and San Francisco. He has also worked in the mining and media sectors.

Ashok P Jacob MBA (Age 46)
Non-independent, non-executive Director

Mr Jacob is the Chief Executive Officer of Consolidated Press Holdings Limited. Mr Jacob is a director of Challenger Financial Services Group Limited, Ellerston Capital Limited, Teys Bros (Holdings) Pty Ltd, Crown Melbourne Limited and MRF Limited.

Michael R Johnston BEc, CA (Age 46)
Non-independent, non-executive Director

Mr Johnston was appointed to the PBL Board in December 2005. Mr Johnston is Finance Director of Consolidated Press Holdings Limited.

Prior to his appointment with Consolidated Press Holdings Limited, Mr Johnston was a Senior Partner in the Australian member firm of Ernst & Young, having been with Ernst & Young for over 17 years. Mr Johnston was also on the Board of Partners of Ernst & Young, Australia.

David H Lowy AM, BCom (Age 52)
Independent, non-executive Director

Mr Lowy is a principal of LFG Holdings Pty Ltd and is Deputy Chairman (non-executive) of the Westfield Group. He joined Westfield in 1977 and became Managing Director in 1987, a position he held until June 2000. Mr Lowy is the founder and president of Temora Aviation Museum.

Christopher J Mackay BEc, LLB (Hons), LLM, FFin (Age 44)
Independent, non-executive Director

Mr Mackay is co-founder and Deputy Chairman of Magellan Financial Group Limited and a Director of Magellan Flagship Fund Limited and Magellan Asset Management Limited. He is also the Chief Investment Officer of Magellan Asset Management Limited.

Mr Mackay has considerable experience in investment, business management, business assessment, capital allocation and risk management. He became an investment banker in 1988, after being a corporate and banking lawyer, and has broad experience in the financial and corporate sectors.

Mr Mackay retired as Chairman of the investment bank UBS Australasia, in March 2006, having previously been its Chief Executive Officer, and remains as a senior adviser to UBS. He is a member of the Federal Treasurer's Financial Sector Advisory Council and is a former member of the Business Council of Australia and director of the International Banks & Securities Association.

Richard W Turner AM, BEc, FCA (Age 69)
Independent, non-executive Director

Before his retirement in 1994, Mr Turner had been the Chief Executive Officer of Ernst & Young, having had a successful 36 year career as an audit partner. Mr Turner is a Fellow of the Institute of Chartered Accountants in Australia. He is a director of HBOS Australia Limited, BankWest Limited, Mirvac Ltd and its group companies. He was past President and director of The Smith Family and past Chairman and a current director of the Institute of Pain Management Limited.

Mr Turner is also a director of Crown Melbourne Limited.

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14.2 PBL Directors' interests in PBL and Crown and voting intentions in relation to PBL Shares held

The PBL Directors and the number of marketable securities of PBL and Crown that are held by or on behalf of the PBL Directors, or in which the PBL Directors have a relevant interest at the date this Booklet is lodged for registration with ASIC, are listed in the table below:

Name	Number of PBL Shares
James D Packer	261,500,000
John H Alexander	1,812,500
Christopher J Anderson	315,194
Christopher D Corrigan	0
Rowen B Craigie	850,000
Rowena Danziger	22,876
Geoffrey J Dixon	0
Ashok P Jacob	0
Michael R Johnston	0
David H Lowy	117,253
Christopher J Mackay	100
Richard W Turner	27,000

Other than as set out above, no marketable securities of PBL or Crown are held by or on behalf of PBL Directors as at the time of lodgement of this Booklet for registration with ASIC.

Each PBL Director who holds, or on whose behalf PBL Shares are held (as set out above) intends to vote those shares in favour of the PBL Scheme.

14.3 Payments or other benefits to PBL Directors, secretaries and executive officers

No payment or other benefit is proposed to be made or given to any director, secretary or executive officer of PBL, or of any related body corporate of PBL, as compensation for loss of, or as consideration for or in connection with his or her retirement from office, as director, secretary or executive officer of PBL or a related body corporate of PBL as a result of the PBL Scheme or the Recommended Proposal except as follows or as set out elsewhere in this Booklet.

Arrangements in relation to the ESP are discussed in Section 14.7.

14.4 Agreements of PBL Directors conditional on PBL Scheme

Other than:

- the arrangements set out in Section 14.7 in relation to the ESP; and
- the entry by Mr Alexander, Mr Anderson and Mr Craigie into varied service agreements with PBL which are referred to below,

there are no agreements or arrangements made between a PBL Director and any other person in connection with or conditional upon the outcome of the PBL Scheme or the Recommended Proposal.

John H Alexander

Mr Alexander is the Managing Director and Chief Executive Officer of PBL pursuant to a fixed term agreement which expires on 13 December 2009.

Before the PBL Scheme Effective Date, but with effect from that date, it is proposed to vary Mr Alexander's existing service agreement in a number of respects, which are summarised below. These variations are intended to ensure that Mr Alexander's expertise and experience are available to both CMH and Crown for a period of five years after the PBL Scheme Effective Date. Mr Alexander will also enter into a restraint from working or consulting with any media or gaming business that competes with CMH and Crown during the five year period.

Under the varied service agreement:

(a) Mr Alexander will be paid $15 million which is broadly equivalent to the balance of his entitlements under his existing service agreement through to 13 December 2009, including maximum short term incentives, with this payment also supporting the five year restraint of trade;

(b) Mr Alexander will forego the opportunity to participate in $2 million in short term incentives for the financial year ended 30 June 2007;

(c) Mr Alexander will be appointed Executive Chairman of CMH for a period of five years with a fixed annual remuneration of $1.5 million (plus CPI), payable by CMH. As Executive Chairman of CMH, Mr Alexander's duties and responsibilities will be equivalent to the duties and responsibilities of a chief executive officer as it is not proposed to appoint a CEO to CMH;

(d) Mr Alexander will be appointed Executive Deputy Chairman of Crown with executive responsibilities for a period of five years, with a fixed annual income of $1.5 million (plus CPI), payable by Crown.

In agreeing to these arrangements, the PBL Directors have had regard to the diminution in the responsibilities and status of Mr Alexander and loss of future opportunities, which will result from the implementation of the Recommended Proposal, including the PBL Scheme.

The PBL Directors have also taken into account that Mr Alexander will also be retained by CPH to assist that company in its businesses, subject to Mr Alexander being able to fulfil his ongoing duties as Executive Chairman of CMH and Executive Deputy Chairman of Crown.

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The PBL Directors have obtained advice from an external remuneration consultant that the arrangements proposed for Mr Alexander are reasonable in the circumstances of PBL and Mr Alexander.

Christopher J Anderson

Mr Anderson is currently employed by PBL as an Executive Director, and acts as Executive Deputy Chairman of the PBL Board, pursuant to a fixed term agreement which expires on 1 August 2011.

Before the PBL Scheme Effective Date, but with effect from that date, it is proposed to vary Mr Anderson's existing service agreement in a number of respects, which are summarised below. These variations are intended to ensure that Mr Anderson's expertise and experience are available to both CMH and Crown for a period of five years after the PBL Scheme Effective Date. Mr Anderson will also enter into a restraint from working or consulting with any media or gaming business that competes with CMH and Crown during the five year period.

Under the varied service agreement:

(a) Mr Anderson will be paid $5 million which is a portion of the balance of his entitlements under his existing service agreement, through to 1 August 2011, including maximum short term incentives, with this payment also supporting the five year restraint of trade;

(b) Mr Anderson will forego the opportunity to participate in $330,000 of short term incentives for the financial year ended 30 June 2007;

(c) Mr Anderson will be a non-executive director of both CMH and Crown, for which he will receive normal board and board committee fees; and

(d) as non-executive director of CMH, Mr Anderson will be responsible for monitoring the performance of a number of the CMH investments and will be a CMH nominee on the boards of those investment companies, in particular FOXTEL, FOX SPORTS and SEEK.

The PBL Directors have obtained advice from an external remuneration consultant that the arrangements proposed for Mr Anderson are reasonable in the circumstances of PBL and Mr Anderson in view of, among other things, the diminution in the responsibilities and status of Mr Anderson and the loss of future opportunities as Executive Director and Executive Deputy Chairman which will result from the implementation of the Recommended Proposal, including the PBL Scheme.

Rowen B Craigie

Mr Craigie is currently the Chief Executive Officer of PBL Gaming, pursuant to a fixed term agreement entered into on 6 March 2007 and which expires on 6 March 2012.[1]

If the PBL Scheme is approved and implemented, Mr Craigie will be appointed Managing Director and Chief Executive Officer of Crown with effect from the PBL Scheme Effective Date for a period of five years.

As such, his status, responsibilities and duties will be significantly enlarged.

Before the PBL Scheme Effective Date, but with effect from that date, it is proposed to vary Mr Craigie's existing service agreement in the following respects:

(a) his annual total employment costs, exclusive of short term and long term incentives, will be increased to $3 million;

(b) his short term incentive will have a maximum annual bonus potential of $2 million. Of this sum, up to a maximum of $1 million will be determined by the Executive Chairman based on the achievement of agreed KPIs. A further $1 million may be paid at the discretion of the Crown Board or its delegate if Crown's performance substantially exceeds that set out in the business plan and represents an exemplary outcome;

(c) the term of Mr Craigie's service agreement will be five years commencing from the PBL Scheme Effective Date;

(d) the termination provisions will remain in accordance with his existing service agreement. Mr Craigie may be terminated without cause on 12 months notice by Crown or payment of an equivalent amount in lieu of notice and for shorter periods of notice in the case of incapacity (three months), significant neglect in the performance of his duties (one month) or for cause (no notice period is required);

(e) in the event of termination of his employment, Mr Craigie is prohibited from working for a competitor for three years; and

(f) Mr Craigie's long term incentives are intended to be constituted by his participation in the ESP. Subject to PBL Shareholder approval of resolution 6 in the Notice of the PBL Annual General Meeting, Mr Craigie will hold a total of 2,000,000 ESP Shares. Mr Craigie presently holds 850,000 ESP Shares.

Further details concerning the requirement for PBL Shareholders to approve the issue of an additional 1,150,000 ESP Shares to Mr Craigie are set out in Section 7.6. Further details of the ESP, and how it will be modified to take account of the Recommended Proposal, including the PBL Scheme, are set out in Section 14.7.

The PBL Directors have obtained advice from an external remuneration consultant that the arrangements proposed for Mr Craigie are reasonable in the circumstances of PBL and Mr Craigie and they are also reasonable in the circumstances of Crown, assuming the PBL Scheme is approved and implemented.

Note:

1 This service agreement was entered into in the 2007 financial year. Its terms are set out in the remuneration report in PBL's 2007 Annual Report. Mr Craigie's total employment cost was increased to $2.2 million

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14.5 PBL Group redundancies

The implementation of the Recommended Proposal will result in the retrenchment and redundancy of approximately 25 PBL Group employees who, at the date the Recommended Proposal was announced on 8 May 2007, worked at PBL's head office located at 54 Park Street, Sydney. The redundancies commenced after the Recommended Proposal was announced and will continue until 31 December 2007.

In addition, five PBL Group employees have been offered and have accepted employment with companies that are associated with PBL, including companies in which PBL holds investments. Nine employees will continue working for CMH. It is possible that Crown may seek to offer employment to two former PBL Group employees who worked at PBL's head office.

The total estimated one-off cost of these redundancies (inclusive of the payments to Mr Alexander and Mr Anderson referred to in Section 14.4) is $39 million. Once these redundancies have occurred, the combined corporate costs incurred by Crown and CMH on an ongoing basis are expected to be at least $30 million per annum less than the corporate costs currently incurred by PBL.[1]

14.6 Intentions of PBL Directors

If the PBL Scheme becomes effective but the Demerger Scheme does not become effective, Crown will be the only ASX listed entity. In this circumstance, the Crown Directors will be solely responsible for determining the strategic direction of Crown, which will include the Gaming Businesses and the Media Businesses.

If the PBL Scheme and the Demerger Scheme are approved and implemented, each of Crown and CMH will be separately listed on the ASX. Each company will, in those circumstances, be solely responsible for determining the strategic direction of its own businesses.

Other than as disclosed in this Booklet (including for the avoidance of doubt, the possible disposal of the Discontinuing Businesses), the following are the present intentions of the PBL Directors and the Crown Directors:

Continuation of the Media Businesses and Gaming Businesses

If the PBL Scheme and the Demerger Scheme are approved and implemented, then:

- CMH intends to continue the Media Businesses; and
- Crown intends to continue the Gaming Businesses.

If only the PBL Scheme is approved and implemented, then Crown intends to continue both the Media Businesses and the Gaming Businesses.

Major changes to the business or redeployment of assets

Except as expressly disclosed in this Booklet, if the PBL Scheme and the Demerger Scheme are approved and implemented, Crown does not propose to make any major changes to the Gaming Businesses or redeploy any assets of the Gaming Businesses and CMH does not propose to make any changes to the Media Businesses or redeploy any assets of the Media Businesses.

If only the PBL Scheme is approved and implemented, then Crown does not propose to make any major changes either to the Gaming Businesses or the Media Businesses nor redeploy any of the assets of those businesses.

Future employment of present PBL employees

As disclosed in Section 14.5, PBL has offered redundancy to approximately 25 employees who have accepted the offers with the consequence that their employment with PBL Group will cease on various dates up to 31 December 2007.

Subject thereto, if the PBL Scheme and the Demerger Scheme are approved and implemented, then:

- Crown intends to continue the future employment of the present PBL Group employees who work in the Gaming Businesses; and
- CMH intends to continue the future employment of the present PBL Group employees who have not been made redundant and work in the Media Businesses.

If only the PBL Scheme is approved and implemented then Crown intends to continue the future employment of the present PBL Group employees who are employed in the Gaming Businesses and also the present PBL Group employees who have not been made redundant and work in the Media Businesses.

14.7 ESP

PBL operates an executive share plan (**ESP**) which was approved by PBL Shareholders at the 1994 annual general meeting.

At the date of this Booklet, there are 70 PBL Group employees who participate in the ESP (**ESP Participants**).

The ESP Participants hold, in total, 9,580,000 PBL Shares which have been issued under the ESP (**ESP Shares**), in respect of which there are outstanding loans, totalling $164,445,800 (**ESP Loans**) due to PBL. A further 1,150,000 ESP Shares will be issued to Mr Craigie if resolution 6 in the notice of PBL Annual General Meeting is approved. These additional 1,150,000 ESP Shares will be subject to an ESP Loan of $22,004,500.

Note:

1 Annual corporate costs for Crown are estimated at $33 million in Section 10.6.5(a) and (b); annual corporate costs for CMH are estimated at $8 million in Sections 11.6.5 (a) and (b); PBL's annual corporate costs for FY2007 were $93 million

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The ESP Shares are subject to time vesting conditions and some ESP Shares are also subject to performance hurdles that have not been satisfied.

Whilst the rules governing the operation of the ESP do not precisely address circumstances such as the implementation of the PBL Scheme or the Recommended Proposal, the terms of the ESP provide the PBL Directors with discretion as to how the ESP should operate and a power to amend or vary the ESP rules. In order to retain and incentivise senior executives of the Gaming Businesses and the Media Businesses to whom ESP Shares have previously been issued, the PBL Directors have (in accordance with the discretions that they have under the terms of the ESP) determined that ESP Participants should participate in the PBL Scheme and the Recommended Proposal in the following manner:

- the restrictions on transfer of the ESP Shares will be lifted to allow the ESP Shares to participate in the PBL Scheme subject as set out below;
- ESP Participants will be issued with Crown Shares under the PBL Scheme and they will have CMH Shares transferred to them under the Demerger Scheme, assuming those Schemes are approved and implemented;
- the cash component of the PBL Scheme Consideration that ESP Participants receive in respect of their ESP Shares (determined after taking into account any Election that they have made in respect of their ESP Shares) will be applied to reduce the amount of any outstanding ESP Loan on their ESP Shares;
- restrictions which permit only 25% of ESP Shares to be released from vesting conditions each year after issue will continue to apply to the CMH Shares and Crown Shares that are provided to ESP Participants in respect of their ESP Shares;
- share price performance hurdles requiring a compound share price appreciation of 7% per annum based on the issue price of the ESP Shares will be substituted by equivalent performance hurdles that will be imposed separately on the Crown Shares (and, if the Demerger Scheme is approved and implemented, on the CMH Shares) received by the ESP Participants under the Schemes in respect of their ESP Shares. It is proposed that the substitute hurdles will be determined by the Crown Board and the CMH Board having regard to the following factors:
  - the market price of Crown Shares (and, as applicable, the CMH Shares) in the first 20 Business Days that those shares trade on ASX after the PBL Scheme Effective Date;
  - the issue price of the ESP Shares and the extent to which, by reference to that issue price, the performance hurdles have been or would have been satisfied having regard to the market price of PBL Shares in the period prior to the PBL Scheme Effective Date; and
  - the principle that the performance hurdles to be applied to the Crown Shares (and, as applicable, the CMH Shares) should neither confer an advantage on, nor a disadvantage to, the ESP Participants and they should each achieve the required 7% per annum compound share price accumulation;
- the ESP Loan will remain outstanding and it will be applied to the Crown Shares issued to the ESP Participants, if only the PBL Scheme is approved and implemented;
- if the Demerger Scheme is also approved and implemented, then the ESP Participants' ESP Loan will be allocated as to 25% of the outstanding amount to the CMH Shares that each ESP Participant receives under the Demerger Scheme and, as to the balance of the outstanding amount (i.e. 75%), to the Crown Shares that each ESP Participant receives under the PBL Scheme in respect of the ESP Shares held by that participant;
- there will be a window to allow trading of Crown Shares and, if applicable, CMH Shares in the period commencing on the PBL Scheme Effective Date and ending on 31 December 2007. This will allow ESP Participants who have ESP Shares which are free of restrictions to sell Crown Shares and/or CMH Shares that they receive under the Schemes in respect of those unrestricted ESP Shares for a further limited time period after the Schemes are implemented, subject to compliance with all other legal requirements;
- if an ESP Participant, in accordance with the ESP rules, sells Crown Shares received under the PBL Scheme in respect of the ESP Shares of the participant, then, subject as set out below, the proceeds of sale must be applied to reduce the ESP Loan amount in respect of the Crown Shares which are sold;
- if an ESP Participant, in accordance with the ESP Rules, sells CMH Shares received under the Demerger Scheme in respect of the ESP Shares of the participant, then, subject as set out below, the proceeds of sale must be applied to reduce the ESP Loan amount in respect of the CMH Shares which are sold; and
- where an ESP Participant sells only part of the Crown Shares or CMH Shares received under the Schemes in respect of ESP Shares held by that participant, then the proceeds of sale must be applied to repay a proportion of the outstanding ESP Loan. The proportion will be the same proportion as the number of Crown Shares or CMH Shares (as the case may be) that have been sold by the ESP Participant bears to the total number of Crown Shares or CMH Shares (as the case may be) held by that participant immediately before the sale. The ESP Participant will be entitled to retain any excess from the proceeds of sale after the ESP Loan repayment, in accordance with the foregoing, is made.

PBL Directors have the number of ESP Shares and the ESP Loans in respect of those ESP Shares set out in the table below. It is proposed that PBL Directors who hold ESP Shares will be treated identically with all other ESP Participants in respect of their ESP Shares and ESP Loans.

PBL Director	ESP Shares	ESP Loans
John H Alexander	1,300,000	$22,668,000
Christopher J Anderson	300,000	$4,848,000
Rowen B Craigie*	850,000	$14,566,000

* The number of ESP Shares and ESP Loan for Mr Craigie does not include the 1,150,000 ESP Shares (and the ESP Loan in respect thereof being $22,004,500) that will be issued to Mr Craigie if resolution 6 in the accompanying Notice of Annual General Meeting is passed

14.8 Update of financial information since last annual report

Within the knowledge of the PBL Directors, and other than as disclosed in this Booklet or announced to the ASX, the financial position of PBL has not materially changed since 30 June 2007, being the date of PBL's financial results for FY2007 which were lodged with the ASX in the PBL 2007 Annual General Report on 28 September 2007.

14.9 Transactions in relation to Crown Shares in previous six months

The only share capital of Crown as at the date of this Booklet being lodged with ASIC for registration is the eight Crown Initial Shares. The Crown Initial Shares were issued on the incorporation of Crown on 31 May 2007.

As at the date of this Booklet being lodged with ASIC, no transactions have been entered into in relation to the Crown Initial Shares since their issue.

14.10 Crown – 2007 annual general meeting

At the 2007 annual general meeting of Crown on 6 July 2007:

(a) Ernst & Young was appointed auditor of Crown;

(b) a new Crown Constitution (summarised in Section 14.14) was adopted; and

(c) each of the Crown Directors was elected to the Crown Board.

14.11 End date of PBL Scheme

In accordance with clause 2.4 of the PBL Scheme, the PBL Scheme lapses and has no further force or effect if the PBL Scheme Effective Date is not on or before 31 December 2007 (or such later date as PBL determines and, if required, is approved by the Court).

14.12 Material contracts

Either Crown or PBL (or a controlled entity of either Crown or PBL) is a party to the material contracts described below:

(a) Implementation Deed

The Implementation Deed has been entered into by PBL and Crown and sets out the steps required to be taken by each of PBL and Crown to implement the Recommended Proposal, including without limitation the PBL Scheme, the Capital Reduction, the Demerger Scheme and other steps necessary to give effect to the Demerger. The Implementation Deed can be terminated by either PBL or Crown if the Demerger Implementation Date has not occurred by 31 December 2007 or such later date as PBL determines.

Obligations of PBL

Under the Implementation Deed, PBL agrees that it will take certain steps necessary to implement the Recommended Proposal including:

- executing (and, where relevant, procuring that each Subsidiary executes) the Demerger Deed and the other transaction documents necessary to give effect to the Recommended Proposal;
- applying to the Court for orders convening the PBL Scheme Meeting;
- if the Court makes orders convening the PBL Scheme Meeting, convening the PBL Annual General Meeting for the purposes of considering the Resolutions to be held on the same day as the PBL Scheme Meeting;
- applying to the Court for an order approving the PBL Scheme;
- lodging office copies of the Court order approving the PBL Scheme with ASIC and ASX on the PBL Scheme Effective Date;
- applying to ASX for a new trading quotation code for PBL;
- using its best endeavours to satisfy any requirements ASX imposes on Crown and to work with Crown in preparing and lodging the application to ASX for the admission of Crown to the ASX official list and for official quotation of all Crown Shares on ASX;
- using its best endeavours to ensure that ASX grants approval to the application for Crown's admission to the ASX official list and for official quotation of all Crown Shares on ASX;
- completing the Reorganisation; and
- issuing confirmation of allotment statements to Demerger Scheme Participants.

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Obligations of Crown

Under the Implementation Deed, Crown agrees to take the steps necessary to implement the Recommended Proposal, including:

- executing (and, where relevant, procuring that each Crown Subsidiary executes) the Demerger Deed and the other transaction documents necessary to give effect to the Recommended Proposal;
- applying to ASX for admission of Crown to the ASX official list and for official quotation of all Crown Shares on ASX;
- using its best endeavours to ensure that ASX grants approval for the admission of the Crown Shares to the ASX official list and official quotation of all the Crown Shares on ASX;
- applying to the Court for orders convening the Demerger Scheme Meeting;
- if the Court makes orders convening the Demerger Scheme Meeting, convening the Crown General Meeting for the purposes of considering the Capital Reduction Resolution and the Crown Financial Assistance Resolution, to be held on the same day as the Demerger Scheme Meeting;
- applying to the Court for an order approving the Demerger Scheme;
- lodging office copies of the Court order approving the Demerger Scheme with ASIC and ASX on the Demerger Scheme Effective Date;
- procuring the sale by the Nominee of the Crown Shares to which Ineligible Overseas Shareholders would otherwise be entitled under the PBL Scheme and the CMH Shares referable to the Ineligible Overseas Shareholders;
- completing the Reorganisation;
- on the Demerger Implementation Date, reducing the capital of each Crown Share in accordance with the Capital Reduction Resolution and applying these funds as consideration for the transfer of CMH Shares to Demerger Scheme Participants in the manner required under the Demerger Scheme; and
- issuing confirmation of allotment statements to PBL Scheme Participants.

(b) Demerger Deed

The Demerger Deed will be entered into by PBL and Crown prior to the PBL Second Court Date and will deal with transitional, commercial and legal issues arising in connection with the legal and economic separation of the Gaming Businesses and the Media Businesses and the ongoing relationship between Crown and CMH following the implementation of the Recommended Proposal. The key terms that will be included in the Demerger Deed are summarised below:

Fundamental Demerger principle

The fundamental Demerger principle of the separation of the Gaming Businesses and the Media Businesses is that, following the Demerger, as between Crown on the one hand and CMH on the other:

Crown will have:

- the entire economic and commercial benefit (including all profits) of the Gaming Businesses on and from completion of the Demerger on the Demerger Implementation Date;
- the entire economic and commercial risk and liabilities of the Gaming Businesses as if Crown had owned and operated the Gaming Businesses at all relevant times;
- none of the economic or commercial benefit of the Media Businesses on and from completion of the Demerger on the Demerger Implementation Date; and
- none of the economic or commercial risk or liabilities of the Media Businesses whenever arising; and

CMH will have:

- the entire economic and commercial benefit (including all profits) of the Media Businesses on and from completion of the Demerger on the Demerger Implementation Date;
- the entire economic and commercial risk and liabilities of the Media Businesses as if CMH had owned and operated the Media Businesses at all relevant times;
- none of the economic or commercial benefit of the Gaming Businesses on and from completion of the Demerger on the Demerger Implementation Date; and
- none of the economic or commercial risk or liabilities of the Gaming Businesses whenever arising.

As an exception to the fundamental Demerger principle, the responsibility for any liability arising in connection with the litigation brought against PBL by Seven Network Limited and C7 Pty Limited (**C7 Litigation**) and the litigation brought against PBL by One.Tel Limited (**One.Tel Litigation**) (more fully described in Sections 14.13(a) and 14.13(c) respectively) and any tax audit of the PBL Group in respect of the financial years ending on or prior to 30 June 2007 will be shared by the parties as follows:

- Crown: 75%; and
- CMH: 25%.

As a further exception to the fundamental Demerger principle, Crown has agreed to guarantee CMH's obligations under the tax indemnities given by CMH in favour of PBL Media Holdings Pty Limited under the deed pursuant to which PBL sold down its interest in PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific in October 2006.

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No claims against the other

Consistent with the fundamental Demerger principle, Crown and CMH acknowledge that once the Demerger is complete, Crown will not have any rights against CMH, and CMH will not have any rights against Crown, except in the circumstances specified in the Demerger Deed.

Neither Crown nor CMH will have any right to make a claim for liability or loss arising directly or indirectly in relation to the Demerger (including the restructure of PBL described in Section 7.7.2) or the Gaming Businesses (in the case of Crown) or the Media Businesses (in the case of CMH) unless expressly permitted by the Demerger Deed, the other transaction documents entered into to implement the Demerger, or any other agreement between Crown and CMH in existence at, or entered into, after the Demerger Implementation Date.

A six year time limit applies to all claims which may be made under the Demerger Deed.

Liability for Booklet

Any liability which arises from claims by a third party against Crown or CMH that this Booklet (or other material published or distributed in connection with the Recommended Proposal including the Demerger Scheme Booklet and the information memorandum to be issued by Crown in connection with its application to be admitted to the official list of ASX) fails to comply with legal requirements will be borne by Crown to the extent it relates to information about the Crown Group or the Gaming Businesses and CMH to the extent it relates to the CMH Group or the Media Businesses.

Post-Demerger transfers

The Demerger Deed sets out agreed mechanisms for the future transfer between Crown and CMH of, or other access to, any asset, contract, licence or intellectual property rights and any related liability which either of them owns or holds after the Demerger Implementation Date but which formed part of, or was primarily used in the conduct of:

- the Gaming Businesses (in the case of CMH); or
- the Media Businesses (in the case of Crown),

but which was not transferred as part of the internal restructuring to Crown or CMH, as the case may be, or the owning or holding of which is inconsistent with the fundamental Demerger principle outlined above.

Litigation management

Consistent with the fundamental Demerger principle outlined above, Crown will manage existing and new litigation matters relating to the Gaming Businesses and CMH will manage existing and new litigation matters relating to the Media Businesses. Other than in relation to any liability in connection with the C7 Litigation and One.Tel Litigation:

- Crown indemnifies CMH in respect of liability or loss suffered by CMH in connection with a claim arising from such matters where that liability relates to the Gaming Businesses; and
- CMH indemnifies Crown in respect of a liability or loss suffered by Crown in connection with a claim arising from such matters where that liability relates to the Media Businesses.

Employees and superannuation

From the Demerger Implementation Date:

- Crown will be responsible for and will indemnify CMH against liability or loss that relates to any aspect of the employment of any Crown Employee; and
- CMH will be responsible for and will indemnify Crown against liability or loss that relates to any aspect of the employment of any employee of CMH.

As part of the Reorganisation, Crown must procure that each employee who is to be transferred from CMH Group to Crown Group is offered membership of a default superannuation fund nominated by Crown or a complying superannuation fund of the transferring employee's choice with effect from the Demerger. Where the transferring employee accepts such offer, Crown and CMH must use their best endeavours to have the transferring employee's superannuation benefits transferred to the relevant superannuation fund in a manner that complies with superannuation law.

Insurance

Other than in relation to directors' and officers' liability insurance and workers' compensation insurance, CMH will maintain in respect of both the Gaming Businesses and the Media Businesses its current insurance program up to 30 November 2007. In relation to directors' and officers' liability, Crown will maintain insurance covering claims made against a director or officer of any Crown Group or CMH Group company up to the Demerger or the date that Crown obtains its own insurance, whichever occurs first. In relation to workers compensation, other than in Victoria, CMH will maintain insurance up to the Demerger and, in Victoria, up to the Demerger or the date that Crown obtains its own self-insurance licence, whichever occurs first.

CMH will use its reasonable endeavours to ensure that Crown has access to the benefits attaching to CMH insurance policies referred to above and Crown agrees to reimburse CMH for that proportion of the premiums relating to those insurance policies that relate to the Gaming Businesses for periods beyond the Demerger.

Subject to the above, on and from the Demerger, Crown will be solely responsible for obtaining and maintaining insurance for the Crown Group and the Gaming Businesses and CMH will be solely responsible for obtaining and maintaining insurance for the CMH Group and the Media Businesses.

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Access to records
Under the Demerger Deed, CMH must deliver to Crown or provide Crown with access to originals or copies of records connected with the Gaming Businesses and Crown must deliver to CMH or provide CMH access to originals or copies of records connected with the Media Businesses.

Financial and tax assistance
Crown and CMH will assist each other in relation to the preparation of financial statements for the financial period during which the Demerger Implementation Date occurs and any uncompleted financial statements for any earlier relevant financial periods.

Crown and CMH will also assist each other to prepare their respective tax returns and in the event of any tax audit by a relevant authority.

Indemnities
Crown and CMH each gives certain indemnities to the other, including tax indemnities, to ensure that the intended economic effect of the Demerger is achieved.

On completion of the proposed Share Sale Agreement for the sale of all the shares in Crown Entertainment Group Holdings Pty Limited to be entered into between Crown and CMH, the indemnities in the Demerger Deed will cease to apply and the matters they are concerned with will be dealt with exclusively by the Share Sale Agreement. The Share Sale Agreement will provide that where a payment is required to be made in respect of circumstances that would have fallen within the indemnities set out in the Demerger Deed, any such payment will be treated as a reduction in purchase price of the gaming entities if made by CMH, and an increase in purchase price of those entities if made by Crown.

Confidentiality
Crown and CMH must not use the other's confidential information for any purposes other than purposes permitted by the Demerger Deed or other agreements between them, must store the other's confidential information securely and must not allow any person access to the other's confidential information except to the extent that the disclosure is strictly necessary and is permitted under the Demerger Deed.

Demerger and other costs
All retrenchment costs associated with the Recommended Proposal that are incurred prior to the Demerger are to be paid solely by PBL prior to the Demerger.

Each of CMH and Crown is to pay its own retrenchment costs incurred following the Demerger. All other transaction costs associated with the Proposed Transaction are, to the extent they are incurred by either party prior to the Demerger, to be paid by PBL and, to the extent they are incurred by either party following the Demerger will be shared by the parties as follows:

- Crown: 75%; and
- CMH: 25%.

It is intended that each of the indemnities under the Demerger Deed will have effect under the Demerger Deed in accordance with their terms unless and until provisions of equivalent ongoing economic effect are included in the agreements that will be entered into in connection with the Reorganisation.

(c) Crown Deed Poll
The Crown Deed Poll executed on 12 October 2007 is for the benefit of the PBL Scheme Participants. Under the Crown Deed Poll and subject to the satisfaction of the conditions set out in clause 2.1 of the PBL Scheme, Crown covenants in favour of the PBL Scheme Participants to:

(i) perform all steps attributed to it under, and otherwise comply with, the PBL Scheme as if named as a party to the PBL Scheme; and

(ii) perform all steps required of it under, and otherwise comply with, the Implementation Deed (insofar as it relates to the PBL Scheme).

In particular, Crown agrees to register, or cause to be registered, the PBL Scheme Participants as the holders of the Crown Shares to which the PBL Scheme Participants are entitled under the PBL Scheme and otherwise to provide the PBL Scheme Consideration to the PBL Scheme Participants in accordance with the PBL Scheme.

(d) PBL Deed Poll
The PBL Deed Poll executed on 12 October 2007 is for the benefit of the Demerger Scheme Participants. Under the PBL Deed Poll and subject to the satisfaction of the conditions set out in clause 2.1 of the Demerger Scheme, PBL covenants in favour of the Demerger Scheme Participants to:

(i) perform all steps attributed to it under, and otherwise comply with, the Demerger Scheme as if named as a party to the Demerger Scheme; and

(ii) perform all steps required of it under, and otherwise comply with, the Implementation Deed (insofar as it relates to the Demerger Scheme).

In particular, PBL agrees to register, or cause to be registered, the Demerger Scheme Participants as the holders of the CMH Shares to which the Demerger Scheme Participants are entitled under the Demerger Scheme.

(e) Crown Initial Shareholders' Deed Poll

Each of the Crown Initial Shareholders has executed a deed poll (the **Crown Initial Shareholders' Deed Poll**) which is for the benefit of the PBL Scheme Participants.

Under this deed poll, each Crown Initial Shareholder covenants in favour of the PBL Scheme Participants to:

(i) only vote in favour of the resolution to approve the Demerger Scheme and the Capital Reduction Resolution only if the PBL Shareholders approve the Demerger Scheme Advisory Resolution by the requisite majority at the PBL Annual General Meeting; and

(ii) only vote in favour of the Crown Financial Assistance Resolution provided the PBL Shareholders approve the Financial Assistance Resolution by the requisite majority at the PBL Annual General Meeting.

(f) Key terms of material media investments

1 FOXTEL

The FOXTEL business is an alliance between The News Corporation Limited (**News**), PBL and Telstra Corporation Limited (**Telstra**). Its objective is to establish a leading business within the broadband video home entertainment sector in Australia on a profitable basis.

PBL and News each have a 25% indirect interest in the FOXTEL business, via Sky Cable Pty Limited, an entity owned by Premier Media Group Pty Limited which is in turn owned as to 50% by PBL and 50% by News. Telstra holds the remaining 50% of FOXTEL through Telstra Media Pty Limited.

The FOXTEL board comprises nine directors; four are appointed by Telstra, two by News, and two by PBL. The ninth member of the board is the CEO, who does not have a vote. Telstra is entitled to appoint the Chairman of the FOXTEL board, and a "senior management officer". News is entitled to appoint the CEO, and PBL is entitled to appoint the CFO. The CEO has significant delegated authority to conduct the business of FOXTEL in accordance with its business plans. Resolutions of the board are made by majority vote including the affirmative vote of at least one director appointed by each of PBL, News and Telstra.

News, PBL and Telstra must fund FOXTEL to achieve FOXTEL's prevailing business plan (as approved by them).

No shareholder may dispose of its interest in FOXTEL without the consent of the other shareholders.

If an event of default occurs in relation to a shareholder there are various consequences including a potential requirement on a defaulting party to sell its interest to the non-defaulting party at market value.

There are currently broad non-compete obligations owed by News, PBL and Telstra in relation to interests in subscription television in Australia, subject to specific and complex exceptions.

There is a broad non-circumvention obligation owed by each of News, PBL and Telstra. News, PBL and Telstra are obliged to act in good faith in their dealings with each other in respect of their alliance and FOXTEL.

2 PMG (FOX SPORTS)

The FOX SPORTS business is carried on by PMG. The business involves establishing, operating and supplying subscription television channels (primarily involving sports programming) to pay television operators (including FOXTEL).

As noted above, PBL has an effective 50% interest in PMG. The other 50% of PMG is owned by News.

News and PBL may each appoint three directors to the PMG Board. Voting on the PMG board is unanimous for all decisions concerning the FOX SPORTS business except for decisions on specified matters involving a conflict of interest. Each director of PMG is required to act in good faith in the best interests of PMG and the businesses it manages.

News appoints the CEO of the FOX SPORTS business, who has specified delegated authorities relating to that business. PBL is entitled to appoint the CFO of the FOX SPORTS business, subject to the approval of the CEO. News and PBL are required to consult with each other regarding their proposed appointments (and removal of those appointments).

PBL and News are obliged to fund PMG and Publishing Services Australia Pty Limited (**PSA**) upon request from the CEO of the FOX SPORTS business in the same form and by equal capital contributions, so as to fund approved budgets and business plans, in proportion to their shareholding in PMG.

PBL and its affiliates are prohibited (as are News and its affiliates) from holding an interest in a business of providing subscription broadcasting services, producing and providing channels to such a business, or acquiring rights to supply channels of television programming and providing them to such a business other than via PMG.

The shareholders of PMG and PSA are prohibited from disposing of any of their shares in PMG or PSA, subject to 'intra-group' exceptions which apply to News, PBL and their controlling shareholders. News and PBL will retain continuing funding, non-compete and guarantee obligations after such a transfer.

Failure to comply with the restrictions on disposal described above is an event of default which entitles the non-defaulting party, among other things, to take control of PMG, PSA and Sky Cable and to acquire the defaulting party's interest potentially at a discount to market value.

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Following completion of the sale of a defaulting party's interest (as described above), the defaulting party continues to be bound by these non-compete obligations for five years after that completion.

There is a broad non-circumvention obligation owed by each of News and PBL regarding all matters relating to PMG, PSA and the FOX SPORTS business. News and PBL are obliged to act in good faith in their dealings with each other in respect of PMG, PSA and the FOX SPORTS business.

3 PBL Media

PBL holds a 25% interest in the businesses comprising PBL Media. These businesses include the broadcasting television businesses of Nine Network and NBN; the magazine and publishing businesses of ACP; the event ticketing business Ticketek; a majority interest in carsales; a 48.75% interest in myhome; and an equal interest in ninemsn, a joint venture with Microsoft. The remaining 75% interest in PBL Media is owned by Red Earth Holdings B.V., a company ultimately owned and controlled by funds advised by CVC Capital Partners and CVC Asia Pacific (**Red Earth**).

PBL Media currently has seven directors, with two representatives from PBL, two PBL Media executive representatives and three representatives from Red Earth. Red Earth has the right to appoint a further three directors bringing the total to 10, however, under the conditions imposed by the Commonwealth Government on Red Earth's acquisition of a controlling stake in PBL Media, a majority of the directors of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited (as trustee for the PBL Media Holdings Trust) must be Australian citizens. Those conditions also include that the chief executive and chief financial officers of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited are Australian citizens, that a majority of its board meetings are held in Australia and that its headquarters remain in Australia. The PBL representatives currently on the board are Mr James Packer and Mr John Alexander.

With limited exceptions, decisions of the PBL Media Holdings board are to be made by a simple majority of votes. The key exceptions to this are decisions in respect of changes to PBL Media's constitution or capital structure (which must include at least one vote by a director appointed by Red Earth and PBL) and PBL Media's decisions in relation to ninemsn (which are still controlled by PBL notwithstanding PBL no longer holds an equal or controlling stake in PBL Media).

PBL has no obligation to provide further funding to PBL Media but has the right to provide further equity funding on a pro rata basis with Red Earth.

PBL may not sell its interest until after 10 September 2009 without the consent of Red Earth. On any transfer by PBL or Red Earth, each other party has certain rights in relation to that sale. In certain circumstances, Red Earth can force PBL to sell its remaining 25% interest to a purchaser of Red Earth's interest.

PBL has an obligation to offer to PBL Media or to Red Earth any new opportunities to invest in businesses similar to those currently held within the PBL Media group.

(g) Key terms of material gaming investments

1 Betfair Australia

PBL owns a 50% interest in Betfair Australia which operates a wagering business in a number of states in Australia. The other 50% interest is owned by The Sporting Exchange Limited, which operates a wagering business in Britain and other countries.

PBL and The Sporting Exchange have equal rights to appoint directors to the board of Betfair Australia and all material decisions require the approval of directors appointed by both parties. Neither party has any obligation to fund further capital required by Betfair Australia that is not required by an approved business plan. If additional equity capital is required, the parties must be offered the opportunity to provide it on a pro rata basis.

Neither party may dispose of its interest in Betfair Australia until 2011, after which time customary pre-emptive rights apply.

Whilst PBL and The Sporting Exchange remain shareholders in Betfair (and for a period of up to 30 months following the disposal of the shareholding), they are restricted from owning or operating a competing business in Australia or New Zealand.

2 Aspinalls

The Aspinalls business runs casinos in the United Kingdom. PBL has a 50% interest in the Aspinalls business via its shareholding in Aspinalls Holdings (Jersey) Limited. The other shareholders in Aspinalls Holdings are Aspinall Investment Holdings Limited with 45.66% and James Osborne with 4.34%. The shareholders' rights and obligations are governed by the terms of a shareholders' agreement.

The Aspinalls Holdings' board comprises up to six directors, up to four are appointed by PBL and two by Aspinall Investment. PBL has appointed two directors and is entitled to appoint two further directors if it so chooses. However, the number of votes cast by the directors reflect the number of shares held by their appointor, in effect giving PBL and Aspinall Investment equal board representation. Certain matters require the approval of directors representing shareholders together holding at least 75% of the shares. These specified matters cover the key strategic and corporate actions of the Aspinalls business and include the approval of the annual budget and material acquisitions or disposals. PBL has the right to appoint the CEO, CFO and COO of the Aspinalls business (subject to Aspinall Investment's veto of the first three persons nominated by PBL for any of those positions).

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Pursuant to a facility agreement dated 1 November 2006 between Aspinalls Holdings and Publishing and Broadcasting (Finance) Ltd (**PBFL**), PBFL agreed to lend up to a maximum of £15,000,000 to Aspinalls Holdings by way of a 10 year non-revolving cash advance facility. Approximately £8.45 million of this facility is still to be drawn down. In addition, under the shareholders' agreement, PBL is required to subscribe for further shares in Aspinalls Holdings, at the same time as PBFL makes any advance under the facility agreement, for a subscription price equal to the amount of that advance, with Aspinall Investment being entitled to receive the same number of shares for a purely nominal payment. Other than this, PBL is not required to subscribe for any further shares in Aspinalls Holdings.

No shareholder may dispose of shares unless they first go through a specified pre-emption process, customary for a joint venture of this type.

PBL must not compete with the Aspinalls business in any part of the United Kingdom in which the Aspinalls group carries on business.

3 Melco PBL Entertainment

PBL and Melco International Development Limited are the major shareholders in Melco PBL Entertainment (Macau) Limited (**MPEL**) which has American Depository Shares listed on the NASDAQ under the symbol "MPEL". MPEL is a developer, owner and, through its subsidiary Melco PBL Gaming (Macau) Limited, an operator of casino gaming and entertainment projects in Macau. MPEL is owned 41.4% by a PBL subsidiary and 41.4% by a Melco subsidiary. The remaining 17.23% is publicly traded (in the form of American Depository Receipts) on NASDAQ and owned by the general public and institutions.

Melco and PBL have agreed with each other that they may each appoint up to three directors to the board of MPEL. A further four directors are to be independent non-executive directors. The total number of directors appointed to the MPEL board is ten, however, if that number is increased, each of Melco and PBL will proportionately increase the number of directors that they nominate so that no less than 60% of the board will be directors nominated by Melco and PBL.

Neither Melco nor PBL is required to subscribe for any further shares in MPEL.

Without approval from Melco, PBL may not transfer or otherwise dispose of its shares, except for: (1) permitted transfers to its wholly owned subsidiaries; (2) transfer of up to 1% of MPEL shares over any three month period up to a total cap of 5% of the shares; and (3) transfers subject to customary pre-emptive rights.

If a regulatory authority directs either Melco or PBL to end its relationship with the other, or makes a decision that would have a material adverse effect on its rights or benefits, then Melco or PBL (as relevant) may serve a notice of proposed sale to the other and, if the other shareholder does not want to purchase those shares, may sell the shares to a third party.

Melco and PBL must not (and must ensure that their respective affiliates and major shareholders do not), other than through MPEL, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel in Macau, or acquire or hold an interest in an entity that owns, operates or manages such businesses unless otherwise agreed between them or the activity falls within the limited exceptions already agreed between them.

4 Melco joint venture in Asia Pacific (excluding Macau)

PBL and Melco have entered into a joint venture to develop gaming ventures in certain countries in the Asia Pacific region (excluding, Australia, New Zealand and Macau). The joint venture vehicle, Melco PBL Entertainment Asia Holdings Limited (**Asia Pacific joint venture**), is owned 50% by a PBL subsidiary and 50% by a Melco subsidiary.

The total number of directors appointed to the Asia Pacific joint venture board is eight, of which Melco and PBL may each appoint up to four directors. A number of key matters require a two thirds approval by the board, including the approval of the joint venture's annual budget.

Customary pre-emptive rights apply over any transfer of an interest in the joint venture by either party. Any transfer pursuant to the pre-emptive process may not take place before 7 March 2010 and any third party purchaser must be able to demonstrate that they have a sufficient level of net tangible assets.

Melco and PBL must not (and must ensure that their respective affiliates and major shareholders do not), other than through the Asia Pacific joint venture, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel in the Asia Pacific region (excluding Australia, New Zealand and Macau), or acquire or hold an interest in an entity that owns, operates or manages such businesses. If however, Melco or PBL wish to pursue an opportunity but the other does not wish to, then they may pursue that opportunity outside the joint venture, subject to granting the joint venture an option to participate in the opportunity.

Subject to Melco and PBL agreeing the joint venture's annual budget, they must each fund their proportionate share of the joint venture's working capital requirements pursuant to the budget. Otherwise they are not required to provide further funding to the joint venture.

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On 30 July 2007, PBL, Crown Melbourne Limited, Burswood Nominees Limited, Melco International Development Limited (**Melco**), MPEL and a special purpose vehicle (**SPV**) which is 50% owned by PBL and 50% owned by Melco, entered into a subscription agreement with Merrill Lynch International (**ML**) for the sale by the SPV to ML of US$200 million aggregate principal amount of Exchangeable Bonds due 2012 (**EBs**), with an option for ML to purchase a further US$50 million aggregate principal amount of EBs exercisable for 30 days following the initial closing date. The EBs (including all payment, delivery and other obligations thereunder) are to be guaranteed jointly and severally by Crown Melbourne Limited, Burswood Nominees Limited and Melco, and are exchangeable at any time following the date one year after the initial closing date for American Depositary Shares (**ADSs**) of MPEL at an initial Exchange Price of US$17.19 per ADS (subject to adjustment for certain events). The EBs bear interest at a rate of 2.4% per annum and may be redeemed at the option of the SPV or the holders on the occurrence of certain events. The initial closing of the sale of EBs occurred on 10 September 2007 and ML has subsequently exercised the option and on 27 September 2007 purchased the further US$50 million aggregate principal amount of EBs. As part of the transaction, pursuant to a registration rights agreement, MPEL has agreed to file a registration statement with United States Securities and Exchange Commission for registration of the ADSs to be transferred to holders who exchange EBs.

If the PBL Scheme is approved and implemented the obligations of Crown Melbourne Limited and the Burswood Nominees Limited under the EBs will be guaranteed by Crown, otherwise they will be guaranteed by PBL.

5 North American investments

PBL has recently entered into a variety of different arrangements to invest in gaming businesses in North America. These include:

- a joint venture with entities related to Macquarie Bank in relation to New World Gaming in Canada;
- 19.6% of Fontainebleau Equity Holdings LLC which is the developer of Fontainebleau Las Vegas and Fontainebleau Miami Beach; and
- a joint venture to develop Crown Las Vegas on the Las Vegas strip.

These arrangements are in customary form and, under each of them, PBL will have governance rights and funding obligations consistent with its relative equity interest. Customary pre-emptive rights provisions will apply to any securities PBL acquires in connection with these ventures.

After the Demerger has been completed, the gaming arrangements described in this paragraph (g) will be held as part of the Crown Group and, after the Demerger, references in this paragraph (g) to "PBL" should be read as references to "Crown".

14.13 Litigation

PBL and various of its subsidiaries and investments are involved in a number of disputes which arise in the ordinary course of businesses. The directors of PBL believe that there is a low probability of an exposure arising in connection with any of these matters and, accordingly, no amounts have been provided in the Pro Forma Financial Statements in respect of these matters.

The only material litigation is:

(a) C7

PBL is a respondent in Federal Court proceedings commenced by Seven Network Limited and C7 Pty Limited (together, **Seven**) against it and a number of other parties, including News Limited, Telstra Corporation Limited, Premier Media Group Pty Limited (FOX SPORTS), FOXTEL Management Pty Limited (FOXTEL), Optus Vision Pty Limited and others.

Seven sought various orders from the Court in the proceedings, including damages in the range $253.7 million to $492.6 million (plus interest from December 2004); orders requiring FOXTEL to acquire pay television channels from Seven on specified terms, or requiring FOXTEL and Telstra to provide services allowing Seven to conduct a retail pay television service; orders restraining parties from giving effect to the content sharing agreement between FOXTEL and Optus Vision; and orders requiring PBL and News to divest their interests in FOXTEL and/or FOX SPORTS. PBL denies that Seven has any entitlement to any of this relief.

Judgment in the proceedings was delivered on 27 July 2007. Seven was unsuccessful on every one of its claims. The Court has determined that the respondents may recover their costs on a "party/party" basis. PBL has now reached a confidential agreement with Seven regarding payment for PBL's costs of the proceedings.

Seven also has until 22 October 2007 to file any appeal from the principal judgment.

(b) VIP gambling claim

Another claim relates to a VIP patron of Crown Melbourne who is claiming approximately $30 million of gaming losses sustained by him. The claim is against Crown Melbourne and one of its employees and alleges that the VIP patron was induced to gamble when Crown Melbourne and the relevant employee knew the plaintiff was a pathological gambler. Crown Melbourne has indemnified the relevant employee in relation to the claim.

At the date of this Booklet, a writ has been served in relation to this claim and Crown Melbourne has challenged the validity of that writ. To the extent this claim proceeds and ever gives rise to liability Crown will pay for that liability.

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(c) One.Tel

PBL understands that the special purpose liquidator appointed to One.Tel has filed documents with the Supreme Court of New South Wales, making claims against various parties including PBL and certain of its directors in connection with the collapse of One.Tel. No PBL entity or director has, at the time of preparation of this Booklet, been served with that Court process and PBL understands that service may not occur for some time.

14.14 Crown Constitution

As an Australian public company registered under the Corporations Act, Crown has adopted a constitution in substitution for the replaceable rules in the Corporations Act. Approval of the PBL Scheme will result in PBL Shareholders becoming Crown Shareholders who will be, as Crown Shareholders, bound by the terms of the Crown Constitution. Under the Corporations Act, a special resolution (at least 75% of votes cast in favour of the resolution) of shareholders is required to alter the Crown Constitution.

Some important features of the Crown Constitution and the rights and liabilities attaching to Crown Shares are summarised below. This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of Crown Shareholders:

Directors

The Crown Constitution sets out the rights and obligations of the Crown Directors and officers of Crown, including:

- the appointment, election and removal of directors and company secretaries (the Crown Board must comprise at least 3 and not more than 12 directors who are appointed for terms not exceeding three years and are eligible for re-appointment);
- the remuneration of Crown Directors (an aggregate of $1 million for the remuneration of non-executive directors is provided in the Crown Constitution and the Crown Board has the power to fix the remuneration of each executive director);
- the powers and duties of Crown Directors; and
- the right of Crown Directors and, if the Crown Directors so determine, auditors to be indemnified (subject to statute) against all liabilities incurred as a director or auditor of Crown, and the right of Crown to maintain insurance in respect of directors and auditors.

Crown Directors are not required to hold any securities in Crown. Nominations to the position of director must be received by the company at least 35 Business Days before the general meeting, except in the case of Crown Directors standing for re-election.

A quorum for a board meeting is two directors, unless the Crown Board decides otherwise. Resolutions at a meeting of directors are to be decided by a majority vote where the chairman (provided that the chairman and more than two directors are entitled to vote) has a casting vote.

Proportional takeover approval provisions

If a proportional takeover bid is made, Crown Directors must hold a meeting of members of the class of shares the subject of the bid, to consider passing an approving resolution in respect of the bid. An approving resolution must be voted on before the 14th day before the end of the bid period. The resolution will be passed if more than 50% of votes are cast in favour of the resolution. The bidder and its associates are not allowed to vote on the resolution. If no such resolution is considered by the deadline, a resolution approving the bid is taken to have been passed.

If a resolution to approve the bid is rejected, then under the Corporations Act binding acceptances are required to be rescinded, and all unaccepted offers are taken to have been withdrawn. If the bid is approved or taken to have been approved, the transfers resulting from the bid may be registered provided they comply with other provisions of the Corporations Act and the Crown Constitution.

The proportional takeover provisions do not apply to full takeover offers. Under the Corporations Act, the provisions will expire three years after the Crown Constitution becomes the constitution of Crown, but may be renewed by a resolution of Crown Shareholders.

General meetings and voting

General meetings of Crown are to be held in accordance with the Corporations Act, and each Crown Shareholder will be entitled to receive notice of a general meeting, and financial and directors' reports, in accordance with the Corporations Act and, except in certain circumstances, attend and vote at a general meeting of Crown.

The quorum required for a meeting of shareholders is two shareholders present in person or by proxy, attorney or corporate representative entitled to vote or the number of members of the company (whichever is the lesser).

Voting at any meeting of shareholders is by a show of hands (unless a poll is demanded). Each shareholder has one vote on a show of hands, and one vote for each fully paid share on a poll, or for a partly paid share, a fraction of a vote equal to the proportion which the amount paid on the share bears to the total issue price of the share. A poll may be demanded by the chairman of the meeting, by at least five shareholders entitled to vote, or by shareholders entitled to cast at least 10% of the votes, or by shareholders holding shares entitled to vote at the meeting on which an aggregate sum has been paid up equal to at least 10% of the total amount paid up on all the shares conferring that right.

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Share capital and variation of rights

Subject to the Crown Constitution, the Corporations Act and the Listing Rules, Crown Directors may issue and allot, or otherwise dispose of, Crown Shares or grant options over unissued Crown Shares, on terms, at a price and with the rights determined by the Crown Directors.

The Crown Directors may issue preference shares which have restricted rights to vote and priority of payment on winding up and otherwise on terms which the Crown Directors determine, including shares which are liable to be redeemed, which are convertible to ordinary shares, or which carry preferential rights as to dividends (which may be cumulative).

If the capital of Crown is divided into different classes of shares, the rights attached to any class of share may only be altered with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of shares of the affected class.

Dividends

Subject to the Corporations Act and the Crown Constitution, the Crown Board may declare any dividend it thinks appropriate and fix the time and method of payment. Dividends may be paid in cash or by distribution of specific assets, including securities in another corporation.

Subject to the terms of issue of shares, all fully paid shares of a particular class on which any dividend is declared or paid are entitled to participate in the dividend equally, and partly paid shares are entitled to participate in proportion to the amount for the time being paid relative to the total issue price of the shares.

Transfer of shares

Crown Shareholders may transfer shares in Crown in accordance with the ASTC Settlement Rules or by providing a document of transfer to the address of the registered office or register.

Where permitted by the Crown Constitution, Listing Rules or ASTC Settlement Rules, the Crown Directors may refuse to register a transfer of shares. In this case, notice of the refusal and reasons for it must be given to the lodging party by Crown within five Business Days after the date on which the transfer was lodged.

Statutory declaration of beneficial interests in Crown Shares

The Crown Constitution allows the Crown Directors, by written notice, to require any Crown Shareholder to provide a statutory declaration disclosing the name and address of any third party who has a beneficial interest in or right to vote attaching to (**Relevant Interest**) any of that Crown Shareholder's shares.

The Crown Shareholder may also be required to provide a statutory declaration disclosing whether they have a Relevant Interest in any Crown Shares in relation to which their name is not entered on the Crown Share Register.

Media ownership restrictions

The Crown Directors are permitted by the Crown Constitution to refuse to allot or to register a transfer of shares which is or may be in contravention of Part 5 of the *Broadcasting Services Act* 1992 (Cth).

If they reasonably believe that the holding of Crown Shares by a person contravenes or might result in a contravention of Part 5 of the Broadcasting Services Act, the Crown Directors may require that person to dispose of all Crown Shares held by them within one month of being given notice to that effect.

Unmarketable parcels

Crown may, consistent with the Listing Rules, give notice to shareholders who hold shares which would not constitute a Marketable Parcel, setting out its intention to sell the shares on behalf of the shareholder. Crown will pay the costs of the sale and the proceeds of the sale are held on trust for the former shareholder, to be paid at that former shareholder's direction.

The notice must set a period of at least six weeks within which the Crown Shareholder can notify Crown that they wish to retain the shares. If a Crown Shareholder notifies Crown that they wish to retain the shares, Crown will not sell the shares.

Winding up

If Crown is wound up, all fully paid shares are entitled to share equally in any surplus assets of Crown after payment of its debts. A liquidator, by approval of a special resolution of Crown Shareholders, may distribute Crown assets (in kind) among the Crown Shareholders and determine how to divide assets as between the shareholders and different classes of shareholders. A liquidator cannot compel a shareholder to accept any securities in respect of which there is a liability as part of a distribution of the assets of Crown.

In addition to the rights summarised above, the rights attaching to Crown Shares arise from a combination of the Corporations Act and the common law.

A copy of the Crown Constitution may be obtained by calling the PBL Infoline on 1300 138 983 (within Australia) or +61 3 9415 4262 (international).

14.15 PBL/CMH Constitution

As an Australian public company registered under the Corporations Act, CMH has adopted a constitution in substitution for the replaceable rules in the Corporations Act. Subject to the PBL Scheme and the Demerger Scheme being implemented, PBL Scheme Participants (being Demerger Scheme Participants) will become CMH Shareholders who will be, as CMH Shareholders, bound by the terms of the CMH Constitution. Under the Corporations Act, a special resolution (at least 75% of votes cast in favour of the resolution) of shareholders is required to alter the CMH Constitution.

Some important features of the CMH Constitution and the rights and liabilities attaching to CMH Shares are summarised below. This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of CMH shareholders:

Directors

The CMH Constitution sets out the rights and obligations of the CMH Directors and officers of CMH, including:

- the appointment, election and removal of directors and company secretaries (the CMH Board must comprise at least three and not more than twelve directors who are appointed for terms not exceeding three years and are eligible for re-appointment);
- the remuneration of CMH Directors (an aggregate of $1 million for the remuneration of non-executive directors is provided in the CMH Constitution and the CMH Board has the power to fix the remuneration of each executive director);
- the powers and duties of CMH Directors; and
- the right of CMH Directors and, if the CMH Directors so determine, auditors to be indemnified (subject to statute) against all liabilities incurred as a director or auditor of CMH, and the right of CMH to maintain insurance in respect of directors and auditors.

CMH Directors are not required to hold any securities in CMH. Nominations to the position of director must be received by the company at least 35 Business Days before the general meeting, except in the case of CMH Directors standing for re-election.

The quorum for a board meeting is two directors, unless the CMH Board decides otherwise. Resolutions at a meeting of directors are to be decided by a majority vote where the chairman (provided that the chairman and more than two directors are entitled to vote) has a casting vote.

General meetings and voting

General meetings of CMH are to be held in accordance with the Corporations Act, and each CMH Shareholder will be entitled to receive notice of a general meeting, and financial and directors' reports, in accordance with the Corporations Act and, except in certain circumstances, attend and vote at a general meeting of CMH.

The quorum required for a meeting of shareholders is two shareholders present in person or by proxy, attorney or corporate representative entitled to vote or the number of members of the company (whichever is the lesser).

Voting at any meeting of shareholders is by a show of hands (unless a poll is demanded). Each shareholder has one vote on a show of hands, and one vote for each fully paid share on a poll, or for a partly paid share, a fraction of a vote equal to the proportion which the amount paid on the share bears to the total issue price of the share. A poll may be demanded by the chairman of the meeting, by at least five shareholders entitled to vote, by shareholders entitled to cast at least 10% of the votes, or by shareholders holding shares entitled to vote at the meeting on which an aggregate sum has been paid up equal to at least 10% of the total amount paid up on all the shares conferring that right.

Share capital and variation of rights

Subject to the CMH Constitution, the Corporations Act and the Listing Rules, CMH Directors may issue and allot, or otherwise dispose of, CMH Shares or grant options over unissued CMH Shares, on terms, at a price and with the rights determined by the CMH Directors.

The CMH Directors may issue preference shares which have restricted rights to vote and priority of payment on winding up and otherwise on terms which the CMH Directors determine, including shares which are liable to be redeemed, which are convertible to ordinary shares, or which carry preferential rights as to dividends (which may be cumulative).

If the capital of CMH is divided into different classes of shares, the rights attached to any class of share may only be altered with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of shares of the affected class.

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Dividends

Subject to the Corporations Act and the CMH Constitution, the CMH Board may declare any dividend it thinks appropriate and fix the time and method of payment. Dividends may be paid in cash or by distribution of specific assets, including securities in another corporation.

Subject to the terms of issue of shares, all fully paid shares of a particular class on which any dividend is declared or paid are entitled to participate in the dividend equally, and partly paid shares are entitled to participate in proportion to the amount for the time being paid relative to the total issue price of the shares.

Transfer of shares

CMH Shareholders may transfer shares in CMH in accordance with the ASTC Settlement Rules or by providing a document of transfer to the address of the registered office or registry.

Where permitted by the CMH Constitution, Listing Rules or ASTC Settlement Rules, the CMH Directors may refuse to register a transfer of shares. In which case, notice of the refusal and reasons for it must be given to the lodging party by CMH within five Business Days after the date on which the transfer was lodged.

Media ownership restrictions

The CMH Directors are permitted by the CMH Constitution to refuse to allot or to register a transfer of shares which is or may be in contravention of Part 5 of the *Broadcasting Services Act* 1992 (Cth).

The CMH Directors may by notice in writing require that a CMH Shareholder give a statutory declaration disclosing whether any third party has a beneficial interest in the CMH Shares in respect of which that CMH Shareholder is entered on the CMH Register or a right to exercise or control the votes attached to such shares at a general meeting of CMH.

The CMH Directors may also require a CMH Shareholder to provide a statutory declaration in respect of any similar beneficial interest or right to exercise or control the vote of any CMH Shares in respect of which that shareholder is not entered on the CMH Share Register.

If they reasonably believe that the holding of CMH Shares by a person contravenes or might result in a contravention of Part 5 of the Broadcasting Services Act, the CMH Directors may require that person to dispose of all CMH Shares held by them within one month of being given notice to that effect.

Unmarketable parcels

CMH may, consistent with the Listing Rules, give notice to shareholders who hold shares which would not constitute a Marketable Parcel, setting out its intention to sell the shares on behalf of the shareholder. CMH will pay the costs of the sale and the proceeds of the sale are held on trust for the former shareholder, to be paid at that former shareholder's direction.

The notice must set a period of at least six weeks within which the CMH shareholder can notify CMH that they wish to retain the shares. If a CMH shareholder notifies CMH that they wish to retain the shares, CMH will not sell the shares.

Winding up

If CMH is wound up, all fully paid shares are entitled to share equally in any surplus assets of CMH after payment of its debts. A liquidator, by approval of a special resolution of CMH shareholders, may distribute CMH assets (in kind) among the CMH shareholders and determine how to divide assets as between the shareholders and different classes of shareholders. A liquidator cannot compel a shareholder to accept any securities in respect of which there is a liability, as part of a distribution of the assets of CMH.

In addition to the rights summarised above, the rights attaching to CMH Shares arise from a combination of the Corporations Act and the common law.

A copy of the CMH Constitution may be obtained by calling the PBL Infoline on 1300 138 983 (within Australia) or on +61 3 9415 4262 (international).

14.16 Crown Directors' interests

- Except as disclosed elsewhere in this Booklet, no:
  - (i) director or proposed director of Crown;
  - (ii) person named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet; or
  - (iii) promoter of Crown,

  holds at the date of this Booklet or held at any time during the last two years, any interest in:
  - (iv) the formation or promotion of Crown;
  - (v) property acquired or proposed to be acquired by Crown in connection with its formation or promotion, or the offer of Crown Shares under the PBL Scheme; or
  - (vi) the offer of Crown Shares under the PBL Scheme.
- Other than as set out in this Booklet, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a director or proposed director of Crown to induce them to become, or to qualify as, a director of Crown.

14.17 Advisers' interests

The persons named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet are:

- Gilbert + Tobin: as legal adviser to PBL and Crown;
- Ernst & Young: as auditor of PBL and Crown, the Independent Accountant in relation to the Pro Forma Financial Information and tax adviser;
- KPMG Corporate Finance: as the Independent Expert; and
- Computershare Limited: as the Crown Share Registry, the CMH Share Registry and the PBL Share Registry.

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging. These fees are among the items which comprise the cash transaction costs referred to in Section 6.4(d).

14.18 CMH Directors' interests

- Except as disclosed elsewhere in this Booklet, no:
  - (i) director or proposed director of CMH;
  - (ii) person named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet; or
  - (iii) promoter of CMH,

  holds at the date of this Booklet or held at any time during the last two years, any interest in:
  - (iv) the formation or promotion of CMH;
  - (v) property acquired or proposed to be acquired by CMH in connection with its formation or promotion; or
  - (vi) the offer of CMH Shares under the Demerger Scheme.

Other than as set out in this Booklet, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a director or proposed director of CMH to induce them to become, or to qualify as, a director of CMH.

14.19 Consents and disclaimers of responsibility

The following parties have given and have not, before the time of registration of this Booklet by ASIC, withdrawn their consent to be named in this Booklet in the form and context in which they are named:

(a) UBS as financial adviser to PBL and Crown;

(b) Gilbert + Tobin as legal adviser to PBL and Crown; and

(c) Computershare Limited as the PBL Share Registry, the Crown Share Registry and the CMH Share Registry.

14.20 Consent to be named and to the inclusion of information

The following parties have given and have not, before the time of registration of this Booklet by ASIC, withdrawn their written consent to the inclusion of the following information in the Booklet in the form and context in which it is included and to all references in this Booklet to that information in the form and context in which they appear:

(a) KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 – to be named as the Independent Expert and to the inclusion of the summary of the Independent Expert's Report set out in Section 16 and other statements in this Booklet said to be based on statements made in that report; and

(b) Ernst & Young – to be named as the auditor of PBL, Crown and CMH, the tax adviser and as the Independent Accountant in relation to the Pro Forma Financial Information and to the inclusion of the taxation report set out in Section 13 and the Independent Accountant's Report set out in Section 15 and other statements in this Booklet said to be based on statements made in those reports.

14.21 Disclaimer of responsibility

Each person named in Sections 14.19 and 14.20:

(a) has not authorised or caused the issue of this Booklet;

(b) does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is made other than, in the case of a person referred to in Section 14.20, a statement included in this Booklet with the consent of that person; and

(c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Booklet, other than a reference to its name and, in case of a person referred to in Section 14.20, any statement or report which has been included in this Booklet with the consent of that person.

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14.22 Regulatory matters

(a) ASX approvals

ASX has provided the following in principle approval in relation to the Listing Rules in connection with the Recommended Proposal:

1 approval under Listing Rule 1.1, Condition 3 that Crown may issue an information memorandum that complies with the requirements of Appendix 1A of the Listing Rules rather than a prospectus in relation to the admission of Crown to the official list of the ASX.

In addition ASX has confirmed in principle to PBL that:

1 in connection with Crown's application for admission to the official list of the ASX, Crown does not require a waiver of Listing Rule 1.1, condition 7 (that Crown has sufficient spread of shareholders) or condition 8 (that Crown satisfies either the assets or profits test);

2 the PBL Scheme and the Demerger Scheme do not require PBL Shareholder approval under Listing Rule 10.1 for the effective disposal to CPH of a material interest in PBL's existing assets, being the approximate 38% shareholding interest in CMH; and

3 the Recommended Proposal does not require PBL Shareholder approval under Listing Rule 11 which requires shareholder approval for a change in the nature or scale of activities of a listed entity.

(b) ASIC relief

ASIC has granted PBL and Crown the following exemptions, modifications and consents in connection with the Recommended Proposal:

1 Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires this Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of PBL or a related body corporate of PBL as compensation for the loss of office, or as consideration for or in connection with his or her retirement from office. ASIC has allowed PBL to depart from certain of the requirements of regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations. The effect of this relief is that this Booklet is not required to state:

   (i) particulars of payments or benefits which may be made to a director, secretary or executive officer of PBL or any related body corporate of PBL in relation to their loss of office or retirement from office, unless:

      (A) the director, secretary or executive officer of PBL or a related body corporate of PBL will lose office as a consequence of, or in connection with, the PBL Scheme; or

      (B) the amount of any payment or benefit which may be made to the director, secretary or executive officer of PBL or a related body corporate of PBL upon their loss of, or retirement from, office may be materially affected by the PBL Scheme;

   (ii) the identity of any director, secretary or executive officer of PBL or a related body corporate of PBL who will lose office or retire from office in connection with the PBL Scheme, unless that person is a PBL Director; and

   (iii) particulars of any payments or benefits to any director, secretary or executive officer of PBL or a related body corporate of PBL other than PBL Directors, that would otherwise be required to be disclosed under paragraph (i) provided:

      (A) such payments or benefits are disclosed on an aggregate basis; and

      (B) this Booklet discloses the number of persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive $10,000 band commencing at nil, where the number of persons is no less than one.

2 Regulation 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires this Booklet to disclose whether, to the knowledge of PBL Directors, the financial position of PBL has materially changed since the date of the last balance sheet sent to PBL shareholders and particulars of that change. ASIC has allowed PBL to depart from this obligation on the basis that PBL:

   (i) complies with Division 1 of Part 2M.3 of the Corporations Act in respect of the period ended 30 June 2007;

   (ii) has lodged with ASIC and ASX the documents referred to in section 295 of the Corporations Act in respect of the period ended 30 June 2007;

   (iii) will provide, free of charge, copies of the documents referred to in paragraph (ii) above to anyone who requests them prior to the PBL Scheme being approved by the Court; and

   (iv) has disclosed any material changes to PBL's financial position occurring after the balance date of PBL's financial report for the period ended 30 June 2007 in the Scheme Booklet.

3 Regulation 8303 of Part 3 of Schedule 8 to the Corporations Regulations requires this Booklet to be accompanied by a copy of a report made by an expert who is not associated with the corporation that is the other party (in this case, Crown) stating whether or not, in his or her opinion, the PBL Scheme is in the best interests of the members of PBL and setting out his or her reasons for that opinion. ASIC has allowed PBL to depart from this obligation on the basis that:

   (i) a summary of the PBL Expert Report accompanies this Booklet (see Section 16);

   (ii) PBL will release the full Independent Expert's Report to the ASX Announcements Platform and to PBL's website (www.pbl.com.au); and

   (iii) PBL will provide, free of charge, a copy of the complete Independent Expert's Report to anyone who requests it prior to the PBL Scheme being approved by the Court.

4 Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires the Demerger Scheme Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Crown or a related body corporate of Crown as compensation for the loss of office, or as consideration for or in connection with his or her retirement from office. ASIC has allowed Crown to depart from certain of the requirements of Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations. The effect of this relief is that the Demerger Scheme Booklet is not required to state:

(i) particulars of payments or benefits which may be made or given to a director, secretary or executive officer of Crown or any related body corporate of Crown in relation to their loss of office or retirement from office, unless:

(A) the director, secretary or executive officer of Crown or a related body corporate of Crown will lose office as a consequence of, or in connection with, the Demerger Scheme; or

(B) the amount of any payment or benefit which may be made to the director, secretary or executive officer of Crown or a related body corporate of Crown upon their loss of, or retirement from, office may be materially affected by the Demerger Scheme;

(ii) the identity of any director, secretary or executive officer of Crown or a related body corporate of Crown who will lose office or retire from office in connection with the Crown Scheme, unless that person is a Crown Director; and

(iii) particulars of any payments or benefits to any director, secretary or executive officer of Crown or a related body corporate of Crown other than Crown Directors, that would otherwise be required to be disclosed under paragraph (i) provided:

(A) such payments or benefits are disclosed on an aggregate basis; and

(B) the Demerger Scheme Booklet discloses the number of persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive $10,000 band commencing at nil, where the number of persons is no less than one.

5 Regulation 8303 of Part 3 of Schedule 8 to the Corporations Regulations arguably requires the Demerger Scheme Booklet to be accompanied by a copy of a report made by an expert who is not associated with Crown stating whether or not, in his or her opinion, the Demerger Scheme is in the best interests of the members of Crown and setting out his or her reasons for that opinion. ASIC has allowed Crown to depart from this obligation.

14.23 Exemption from requirements of the New Zealand Securities Act

The Crown Shares and the CMH Shares to be distributed under the Recommended Proposal are offered to PBL Shareholders whose address is noted on the PBL Registry as being in New Zealand in reliance on the *New Zealand Securities Act (Overseas Companies) Exemption Notice* 2002, which exempts the offers being made pursuant to a New Zealand registered prospectus and investment statement.

14.24 Supplementary disclosure

PBL will issue a supplementary document to this Booklet if between the date of this Booklet and the date of the PBL Scheme Meeting it becomes aware that:

(a) a material statement in this Booklet is false or misleading;

(b) there is a material omission from this Booklet;

(c) there is a significant change affecting a matter included in this Booklet; or

(d) a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of this Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining relevant approvals (if any), PBL may circulate and publish any supplementary document by making an announcement to ASX. In addition, PBL may also:

(a) place an advertisement in a prominently published newspaper which is circulated throughout Australia; or

(b) post the supplementary document on PBL's website at www.pbl.com.au.

Any updated information about the Recommended Proposal or the PBL Scheme which is not materially adverse to investors is likely to be made available by way of an announcement to ASX and on the PBL website. Where updated information about the Recommended Proposal or the PBL Scheme is materially adverse to PBL Shareholders, a supplementary document will be issued and made available in accordance with regulatory requirements.

PBL will provide a copy of the updated information free of charge, to any person who requests a copy by calling the PBL Infoline on 1300 138 983 (within Australia) or on +61 3 9415 4262 (international).

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14.25 Tax File Numbers

Under the tax law, a company is entitled to ask its shareholders to disclose their tax file numbers (**TFN**) to the company. A shareholder can choose to disclose or not disclose the TFN.

If a shareholder chooses not to disclose the TFN to the company, the company is required by the tax law to withhold tax, at the top marginal tax rate plus Medicare levy (being 46.5% as at the date of this Booklet), on any dividends paid to the shareholder, unless the dividend is fully franked. If the tax withheld by the company is more than the shareholder would have paid in tax, the shareholder must wait until he or she lodges an income tax return before being entitled to a refund of any excess tax withheld from the dividend payment. On the other hand, if a shareholder chooses to disclose the TFN, the company does not have to withhold any tax from any dividends paid to the shareholder.

As part of the PBL Scheme, PBL (or the PBL Share Registry) will transfer the TFNs provided to PBL by PBL Shareholders to Crown (or the Crown Share Registry) on behalf of the PBL Shareholders in respect of their tax affairs so that Crown will not otherwise be required to withhold tax from any dividend payments. In addition, under the PBL Scheme, the PBL Shareholders acknowledge that under the Demerger Scheme, Crown (or the Crown Share Registry) will transfer the TFNs provided to Crown by (or on behalf of) the Crown Shareholders to CMH (or the CMH Share Registry) on behalf of the Crown Shareholders in respect of their tax affairs so that CMH will not otherwise be required to withhold tax from any dividend payments.

However, a PBL Shareholder may request that PBL not transfer that shareholder's TFN to Crown (thereby making it not available for Crown to transfer to CMH). If you would not like PBL to transfer your TFN to Crown, please complete the appropriate section of the blue proxy form in relation to the PBL Scheme Meeting and return it to PBL or write to the PBL Share Registry before the PBL Scheme Effective Date.

If a PBL Shareholder does not indicate on the proxy form or specify otherwise in writing that they do not wish their TFN to be disclosed and collected in accordance with the process discussed above, they are deemed under the terms of the PBL Scheme to agree to such disclosure and collection of their TFN.

14.26 Warranty by PBL Shareholders about their PBL Scheme Shares

The effect of clause 5.4 of the PBL Scheme is that all PBL Scheme Participants, including those who vote against the PBL Scheme and those who do not vote, will be deemed to have warranted to Crown that their PBL Scheme Shares are not subject to any of the encumbrances or restrictions on transfer specified in clause 5.4 of the PBL Scheme and that the PBL Scheme Participants have full power and capacity to sell and to transfer their PBL Scheme Shares together with any rights attaching to those shares.

14.27 Other Information – Taxation

(a) Subject to paragraph (b) within the knowledge of the PBL Board, and other than as disclosed or referred to in this Booklet, there is no other information material to the making of a decision in relation to the PBL Scheme, being information that has not previously been disclosed to PBL Shareholders.

(b) The taxation letter, prepared by Ernst & Young and included in Section 13 (**Taxation Letter**), provides a guide as to the potential Australian income tax and goods and services tax (**GST**) implications applicable to PBL Shareholders as a result of the PBL Scheme and the Demerger Scheme.

The Taxation Letter is not intended to provide an exhaustive or definitive statement as to all possible outcomes for PBL Shareholders; therefore PBL Shareholders are recommended to obtain advice from their own taxation advisers in relation to the income tax and GST tax consequences applicable to them, having regard to their personal circumstances.

As noted in the Taxation Letter, PBL has lodged an application with the Australian Taxation Office (**ATO**) for a Class Ruling in relation to the Australian income tax implications of the PBL Scheme and the Demerger Scheme for Australian resident PBL Shareholders.

At the date of this Booklet, the Class Ruling has not been issued by the ATO.

However, as noted in the Taxation Letter, the ATO has indicated that it will provide confirmation of certain taxation outcomes for PBL Shareholders by way of Class Ruling. In particular, PBL anticipates following that confirmation, that the Class Ruling, when it is issued by the ATO, will confirm the following:

- scrip for scrip rollover will be available under subdivision 124-M in respect of the non cash consideration received by the PBL Scheme Participants under the PBL Scheme;
- PBL Scheme Participants who receive cash under the PBL Scheme will be required to treat the cash received as capital proceeds in respect of the disposal of their PBL Shares. A relevant capital gain or loss may arise to the PBL Scheme Participants;
- section 45B of the 1936 Act will not operate in respect of the Demerger Scheme to include any amount in the assessable income of Crown Shareholders; and
- that demerger rollover relief is not available in respect of the Demerger Scheme.

On 12 October 2007, the Minister for Revenue announced modifications to the tax consolidation regime which, if implemented, could have material taxation consequences for Crown in respect of the Demerger Scheme, in the event that demerger rollover relief is not available. In light of that announcement, PBL announced to ASX on 15 October 2007 that it would defer the PBL Shareholders' consideration of the Recommended Proposal until it had sufficient time to consider the consequences of the announcement for PBL and whether the Recommended Proposal remained in the best interests of PBL Shareholders in light of those consequences. Subsequent to PBL's announcement to ASX on 15 October 2007, the ATO advised PBL that, in the opinion of the ATO, demerger relief would not be available in respect of the Demerger Scheme.

On 16 October 2007, the Minister for Revenue announced that the modifications to the tax consolidation regime will apply to corporate actions by takeover bid or scheme of arrangement involving listed companies that are announced to the ASX after 12 October 2007. Accordingly, and based on the announcement made by the Minister for Revenue on 16 October 2007 and assuming any legislation is consistent with that announcement, the PBL Scheme and the Demerger Scheme will not be affected by the modifications to the tax consolidation regime as those schemes were announced to the ASX in May 2007.

As soon as the Class Ruling issues, PBL will advise the ASX by announcement of the details of the Class Ruling and, subsequently, PBL will send details of the Class Ruling by letter to all PBL Shareholders.

As the ATO in the Class Ruling will state that demerger rollover relief in respect of the CMH Shares is not available then, as described in the Taxation Letter, the cost base of the Crown Shares issued to the PBL Shareholders under the PBL Scheme (which should represent the cost base that those shareholders have in their PBL Shares[1]) will be reduced by the market value of the CMH Shares that they receive under the Demerger Scheme.

If the market value of the CMH Shares that a Demerger Scheme Participant receives under the Demerger Scheme exceeds the cost base that the participant has in the Crown Shares issued to him or her under the PBL Scheme, then a capital gain will arise to the extent of that excess and that capital gain would need to be included in the participant's income tax return in order to protect against penalties and interest charges. The participant may include that capital gain in his or her income tax return without prejudice to the participant's ability to object against the assessment to income tax in respect thereof, on the basis that demerger rollover relief is available.

The cost base of the Crown Shares issued to each PBL Scheme Participant will differ and will depend upon the cost base of that Participant's PBL Scheme Shares (which as discussed above and in the Taxation Letter will be altered as a result of the cash component of the PBL Scheme Consideration).

The market value of CMH shares will be the same for all PBL Scheme Participants and it will be determined on the Demerger Implementation Date. There is no certainty about what the likely market value of CMH Shares will be if the Demerger Scheme is implemented. It will depend on a number of factors including external factors over which the PBL Directors have no control; for example the strength of the stock market at the time the Demerger Scheme is implemented, investor confidence and interest in CMH Shares and Crown Shares.

Another consequence of demerger rollover relief not being available is a potential impact on Crown. In the absence of demerger rollover relief, Crown's first income tax return would need to include any net capital gain that it makes as a result of implementing the Demerger. The net capital gain is in part dependent on the market value of PBL on the PBL Scheme Implementation Date, the market value of CMH on the Demerger Implementation Date and the extent of capital losses available to Crown. On the basis of information that PBL has available to it at the date of this Booklet, PBL does not consider that the income tax on any such capital gain would be material.

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Note:

1 The existing cost base that PBL Shareholders have in their PBL Shares will be altered in the manner described in the Taxation Letter as a result of the cash component of the PBL Scheme Consideration that PBL Shareholders receive from Crown for their PBL Scheme Shares

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Section 15
Independent Accountant's Report on Pro Forma Financial Information

15

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ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

5 October 2007

The Directors
Publishing and Broadcasting Limited ("PBL"),
Consolidated Media Holdings ("CMH") and Crown Limited ("Crown")
54 Park Street
SYDNEY NSW 2000

Dear Directors

Independent Accountant's Report on Pro Forma Financial Information

We have prepared this Independent Accountant's Report (the Report) on the Pro Forma Financial Information of CMH, Crown and Crown (post PBL Scheme only) for inclusion in a Scheme Booklet to be dated on or about 15 October 2007 (the Scheme Booklet) relating to the Acquisition by Scheme of Arrangement of CMH by Crown and the Demerger by Scheme of Arrangement of CMH from Crown.

Expressions defined in the Scheme Booklet have the same meaning in this Report.

Scope

You have requested Ernst & Young to prepare a report for inclusion in the Scheme Booklet covering the following information:

a) Summary pro forma historical income statements for Crown prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the Crown Pro Forma Income Statements) as set out in Section 10.6.5;
b) Summary pro forma historical cash flow statements for Crown prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the Crown Pro Forma Cash Flow Statements) as set out in Section 10.6.7;
c) Pro forma historical balance sheet for Crown prepared by the Directors as at 30 June 2007 (the Crown Pro Forma Balance Sheet) as set out in Section 10.6.9;
d) Summary pro forma historical income statements for CMH prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the CMH Pro Forma Income Statements), as set out in Section 11.6.5;
e) Summary pro forma historical cash flow statements for CMH prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the CMH Pro Forma Cash Flow Statements) as set out in section 11.6.7;
f) Pro forma historical balance sheet for CMH prepared by the Directors as at 30 June 2007 (the CMH Pro Forma Balance Sheet) as set out in Section 11.6.9;
g) Summary pro forma historical income statements for Crown (post PBL Scheme only) prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the Crown (post PBL Scheme only) Pro Forma Income Statements) as set out in Section 12.5.5;

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h) Summary pro forma historical cash flow statements for Crown (post PBL Scheme only) prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements) as set out in section 12.5.6; and
i) Pro forma historical balance sheet for Crown (post PBL Scheme only) prepared by the Directors as at 30 June 2007 (the Crown (post PBL Scheme only) Pro Forma Balance Sheet) as set out in Section 12.5.8.

The pro forma historical income statement financial information referred to in a), d) and g) above are collectively defined as the Pro Forma Income Statements.

The pro forma historical cash flow statement financial information referred to in b), e) and h) above are collectively defined as the Pro Forma Cash Flow Statements.

The pro forma historical balance sheet financial information referred to in c), f) and i) are collectively defined as the Pro Forma Balance Sheets.

The financial information set out in a) to i) above is collectively referred to as the Pro Forma Financial Information.

The Pro Forma Financial Information for the years ended 30 June 2006 and 30 June 2007 has been extracted from the accounting records used to generate the audited statutory financial statements of PBL which were audited by Ernst & Young and on which unqualified audit opinions were issued.

The Directors have prepared and are responsible for the preparation and presentation of the Pro Forma Financial Information. The Pro Forma Financial Information has been prepared for inclusion in the Scheme Booklet. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Scheme Booklet.

Review of Pro Forma Income Statements and Pro Forma Cash Flow Statements

We have conducted an independent review of the Pro Forma Income Statements and Pro Forma Cash Flow Statements in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro Forma Income Statements and Pro Forma Cash Flow Statements are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections:

- Crown – Section 10.6.2 and 10.6.3;
- CMH – Section 11.6.2 and 11.6.3; and
- Crown (Post PBL Scheme) – Section 12.5.2 and 12.5.3.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Income Statements and Pro Forma Cash Flow Statements.

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Review of Pro Forma Balance Sheets

We have conducted an independent review of the Pro Forma Balance Sheets in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro Forma Balance Sheets are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections, (as if the pro forma transactions had occurred at 30 June 2007):

- Crown – Section 10.6.2 and 10.6.3;
- CMH – Section 11.6.2 and 11.6.3; and
- Crown (Post PBL Scheme) – Section 12.5.2 and 12.5.3.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Balance Sheets.

Review Statements

Review of Pro Forma Income Statements and Pro Forma Cash Flow Statements

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro Forma Income Statements and Pro Forma Cash Flow Statements are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections:

- Crown – Section 10.6.2 and 10.6.3;
- CMH – Section 11.6.2 and 11.6.3; and
- Crown (Post PBL Scheme) – Section 12.5.2 and 12.5.3.

Review of Pro Forma Balance Sheets

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro Forma Balance Sheets do not present fairly the financial positions of CMH, Crown or Crown (post PBL Scheme only) as at 30 June 2007 in accordance with the basis of preparation and presentation set out in the following sections, as if the pro forma transactions had occurred at 30 June 2007:

- Crown – Section 10.6.2 and 10.6.3;
- CMH – Section 11.6.2 and 11.6.3; and
- Crown (Post PBL Scheme) – Section 12.5.2 and 12.5.3.

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5. Subsequent Events

Having regard to the scope of our Report, to the best of our knowledge and belief, there have been no material transactions or events outside the ordinary business of PBL, CMH and Crown subsequent to 30 June 2007 that have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

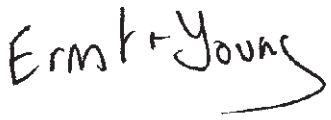
6. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit, tax, and other advisory services to PBL and will receive a professional fee for the preparation of this Report.

The Directors have agreed to indemnify and hold harmless Ernst & Young and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors.

Consent to the inclusion of the Independent Accountant's Report in the Scheme Booklet in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Ernst & Young

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Section 16
Summary of Independent Expert's Report

16

16

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KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901
10 Shelley Street
Sydney NSW 2000

P O Box H67
Australia Square 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 8021
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Publishing and Broadcasting Limited
Level 2, 54 Park St
Sydney NSW 2000

16 October 2007

Dear Sirs/Madam

Summary of Independent expert report and Financial services guide

1 Introduction

On 8 May 2007, Publishing and Broadcasting Limited (PBL or the Company) announced its intention to split its businesses into two publicly listed companies: Crown Limited (Crown), a company with operations and investments in the gaming industry and Consolidated Media Holdings Limited (CMH), a holding company for media related investments. The split is to be facilitated by way of two schemes of arrangement and an internal reorganisation (the Proposed Restructure), of which one scheme will require approval by PBL shareholders.

PBL is an Australian based media and gaming company listed on the Official List of Australian Stock Exchange Limited (ASX). As at 11 October 2007, PBL had a market capitalisation of $14.2 billion[1]. Under the Proposed Restructure:

- Crown will acquire all of the shares in PBL for $3.00 per share plus one Crown share as standard consideration (PBL Scheme).
- Crown will undertake an internal reorganisation, establishing CMH as the holding company for the media related investments currently held by PBL (Reorganisation). CMH will then be demerged from Crown and PBL shareholders will receive one CMH share for each Crown share issued under the PBL Scheme (Demerger Scheme). Application will be made to the ASX for Crown to be separately listed.
- Post the Proposed Restructure, Crown will hold a portfolio of gaming assets, including, the Crown and Burswood casinos, a 41.4 percent interest in Melco PBL Entertainment (Macau) Limited, as well as interests in Betfair Australia, Aspinalls, Fontainebleau and Crown Las Vegas. CMH will hold a portfolio of media related investments, including FOXTEL (25 percent), Premier Media Group (PMG) (50 percent), SEEK (27 percent) and PBL Media (25 percent).

[1] Unless explicitly stated, all financial amounts set out in this report are denominated in Australian dollars ($).

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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The two schemes that will facilitate the Proposed Restructure are not independent. Completion of the PBL Scheme requires the approval of PBL's shareholders and the satisfaction of various conditions precedent. Completion of the Demerger Scheme requires approval of the initial Crown shareholders, who comprise various lawyers from Gilbert + Tobin and executives of PBL, as well as the satisfaction of various conditions precedent. However, although the initial Crown shareholders are required to approve the Demerger Scheme, they have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote by PBL shareholders to approve resolution number five (the Demerger Scheme Advisory Resolution) at the PBL Annual General Meeting.

The board of PBL has requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG) to provide an independent expert report (IER) indicating whether in our opinion, the PBL Scheme and the Proposed Restructure are in the best interests of PBL shareholders. The PBL Scheme will be implemented as the initial step of the Proposed Restructure and would not have been put to PBL shareholders unless it was part of the Proposed Restructure. In addition, PBL shareholders are entitled to vote on the Demerger Scheme Advisory Resolution, which allows them to direct the vote of the initial Crown shareholders on the Demerger Scheme. Accordingly, it is unlikely that the PBL Scheme only will be implemented and therefore in order to opine on whether the PBL Scheme is in the best interests of PBL shareholders, we have reviewed the impact of the Proposed Restructure as a whole.

However, as the PBL Scheme is independent of the Demerger Scheme, we acknowledge it is possible that the PBL Scheme may be implemented without the Proposed Restructure being fully completed. Therefore, in forming our opinion on the Proposed Restructure, we have considered the implications of the PBL Scheme being approved and the Demerger Scheme being rejected, allowing us to extend our opinion on the Proposed Restructure to consider the PBL Scheme alone.

Details of the Proposed Restructure are set out more fully in Section 3 of our full report, a copy of which is available to PBL shareholders on PBL's website (www.pbl.com.au) and in depth in Section 4 of the Scheme Booklet to which this summary report is attached.

The Scheme Booklet is to accompany the notice of meeting to be sent to shareholders eligible to vote at the special meeting of shareholders to be held on 23 November 2007 in relation to the PBL Scheme (Scheme Meeting). There will be a PBL Annual General Meeting held immediately after the Scheme meeting to vote on, amongst other things, the Demerger Scheme Advisory Resolution.

2 Summary of opinion

2.1 The Proposed Restructure is in the best interests of PBL shareholders

In our opinion, the Proposed Restructure is in the best interests of PBL shareholders.

Historically, PBL has been one of Australia's most prominent media businesses. However, through the acquisition of Crown in 1999 and Burswood in early 2004, gaming became an increasingly significant part of the total PBL business. As it became evident there was little benefit in operating the two diverse businesses within a single company, the market considered PBL to be a natural candidate for a demerger.

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However, rather than undertake significant structural change, PBL continued its investment in various international gaming opportunities. And in October 2006, PBL announced to the market that it was selling 50 percent of its investment in its traditional media assets, which were to be restructured as PBL Media. The sale of the initial 50 percent of PBL Media and the subsequent announcement of the sale of a further 25 percent, resulted in PBL becoming the gaming orientated business it is today; with the only remaining link to its media origins being a select number of non-controlling investments in 'new media' assets and 25 percent of PBL Media.

The initial PBL Media transaction sent a clear message that PBL was redefining itself as a gaming business. However, PBL management believes that some participants in the market still view PBL as a diversified media and entertainment company and this perspective has limited the market's ability to assess the value of the gaming business and the remaining 'new media' related investments. Effectively, the sale of PBL Media resulted in PBL operating predominantly as a gaming business, but key investors domestically and internationally have not been recognising it as such due to the continuing ownership of the 'new media' investments. Further, PBL management felt that the opportunities that are inherent in the 'new media' investments are not transparent to the market, resulting in their growth potential not being fully recognised.

Therefore, in order to position PBL to best achieve its new strategy and be valued appropriately by the market, PBL has elected to undertake the demerger process that the market had previously anticipated. In doing so, the Proposed Restructure will result in PBL shareholders holding an investment in a 'pure play' gaming business and a separate investment in a 'new media' business.

After reviewing the recent changes in the PBL businesses, and assessing its current operating structure, it is clear there are sufficient potential benefits to PBL shareholders for the Proposed Restructure to be considered an appropriate next step in PBL's development.

The principal matters that KPMG has taken into consideration in forming its opinion that the Proposed Restructure is in the best interests of PBL shareholders are summarised below and discussed in more detail in our full report.

Strategic focus

As a consequence of the Proposed Restructure, each demerged business will have a dedicated board and management team, which over time is expected to result in a greater focus on the respective core businesses. This focus is considered to be an important issue for PBL given the contrasting strategies likely to be adopted for Crown and CMH. In this regard, it is noted that:

- Crown intends to position itself as a leading international gaming company, achieving growth via acquisitions or developments in high growth markets and thus, it will have high capital requirements.
- In contrast, CMH's growth is largely expected to be achieved through organic growth in its current 'new media' investments and thus, it is likely to have low capital requirements.

While it is arguable that PBL can currently implement these strategic objectives within its current structure, the demerger into 'pure play' companies allows a more transparent view of the companies'

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strategy, making it clearer for investors to assess the strategy and risks of each company. This means the board and management team of each company will have a greater mandate to implement their strategy and can thus pursue their goals more aggressively than would be possible if operating within a diversified business.

Shareholder flexibility

Post the Proposed Restructure, investors will have the flexibility to invest in a 'pure play' gaming business or a 'new media' investment company. Given the contrasting strategies proposed for Crown and CMH, it is likely that the varying risk/return profile of each entity will attract a different set of investors. Crown's gaming businesses, particularly its international developments, have a higher level of risk attached, as investors are currently investing in potential and not actual cash flows at this time. In contrast, CMH's media related investments have a more stable income generating profile and whilst it has strong growth expectations, it is likely to have a different growth profile to that of Crown.

As a result of the Proposed Restructure, a greater level of transparency in the demerged entities will allow investors to better assess the strategy and risks of each entity. In doing so, investors will have the flexibility to match their investment in Crown and/or CMH to their personal risk/return profile. Similarly, PBL shareholders will be able to adjust their holdings in Crown and CMH, or if they consider PBL's current diversified media and gaming business to be a satisfactory fit for their risk/return profile, they can continue to hold shares in both Crown and CMH.

Financial flexibility

A demerger can allow companies to re-allocate their capital in accordance with their strategic goals. Further, by aligning the interests of management, a demerger also limits the possibility of any internal struggles for access to capital between segments of a diversified firm. In this regard, the Proposed Restructure will allow Crown and CMH to independently manage their funding requirements to best achieve their operational, financial and strategic goals.

Although PBL's current financing structure is not considered to have restricted the recent development of the business, it is possible that the future development of the gaming and media businesses may be impacted by their different earnings profiles and capital requirements.

Trading liquidity maintained

PBL is currently included in the ASX 50 index and is one of the more heavily traded shares on the ASX. The Proposed Restructure will result in the following:

- Crown is likely to be included in the ASX 50 index and will be the only listed gaming company on the ASX with an international portfolio of assets. It will also be one of the few companies globally that holds assets in a number of the key international gaming locations.

- CMH is likely to be included in the ASX 200 index and is one of only a few 'new media' companies listed on the ASX.

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Therefore, although the trading interest in Crown is expected to generate stronger trading volumes than for CMH, the respective features of both Crown and CMH should attract sufficient investor interest to provide the level of liquidity required for the efficient pricing of the shares in the future.

Takeover potential

There are a number of reasons why a demerged Crown and CMH may be more attractive to potential bidders, including their smaller size and the more focused nature of their businesses. However, it is unlikely that Crown and CMH will be viewed as a takeover target unless support is obtained from Mr James Packer, whose company Consolidated Press Holdings Limited (CPH), will continue to hold a 38 percent interest in both companies. CPH has advised PBL that if the Proposed Restructure is implemented, it will be supportive of both Crown and CMH and has no present intention to dispose of its interest in either entity.

Cost savings

As separately listed companies, Crown and CMH will incur increased costs as a result of the need to maintain separate boards of directors, share registries, information technology and reporting systems, and corporate and administrative functions. In addition, Crown will incur other costs associated with its initial listing, including listing fees, shareholder communications, and legal and regulatory compliance costs.

However, PBL has indicated that the combined head office costs of Crown and CMH will be significantly lower than the existing costs of PBL, primarily due to a reduction in management costs at CMH. Based on the preliminary analysis undertaken by PBL, corporate costs going forward will be $33 million and $8 million for Crown and CMH respectively. This reflects a significant reduction to the $93 million that was reported in 2007.

However, it is noted that a number of these cost savings should be capable of being realised regardless of whether the Proposed Restructure occurs. Nonetheless, the Proposed Restructure provides an opportunity to implement these cost saving initiatives as part of the broader changes required under the Proposed Restructure. Without this opportunity, these cost saving initiatives may have been more difficult to implement in isolation.

Better alignment of management incentives with performance

The implementation of the Proposed Restructure will allow the respective boards of Crown and CMH to introduce new employee incentive plans, which are more directly aligned to the financial performance of the businesses on a stand-alone basis. By aligning management incentives in this way, business performance should be maximised to the benefit of shareholders generally.

Market re-rating

One of the prime drivers of a demerger is the potential for value enhancement. The creation of two separately listed entities is likely to result in a greater level of transparency and understanding of the operations of each business, which will, in turn, increase the likelihood of a more efficient value assessment being made by the market. We consider any market re-rating as a result of a demerger process to typically occur over a medium term investment horizon, say one to two years.

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Based on our assessment of the operations of both Crown and CMH, we consider it more likely that a re-rating will occur in Crown rather than CMH. However, at this time we are unable to quantify with any certainty the extent or timing of any re-rating, due to the lack of consistency in the trading multiples of the companies likely to be considered as peers to Crown and CMH and the developmental stage of significant parts of Crown, CMH and a number of the comparable companies.

Ultimately, the traded price of Crown and CMH, and the quantum of any re-rating, will be influenced by a range of factors, including:

- The extent of any increase in the transparency of each business.
- The extent to which the market will discount the value of Crown or CMH as a result of the non-controlling nature of a number of their investments.
- The ability of Crown and CMH to 'win' the trust of analysts, institutional and retail investors by demonstrating on a stand alone basis an ability to achieve the strategy set out to the market.
- The extent to which the 'pure play' companies can attract and maintain a new investor base.
- The performance of the broader gaming industry for Crown and the media industry for CMH, in particular the subscription television and online media sectors.
- The market conditions of global equity markets.
- Economic conditions prevalent at the time.

Potential impact on debt ratings and financing costs

Crown is not expected to have a material change in its borrowing capacity as a result of the Proposed Restructure, although it will be a smaller entity and thus be more susceptible to the volatile cash flows that can be generated by its development activity.

Although CMH will have capacity to raise debt, it is expected that it will have more difficulty doing so, given its size and the nature of its activities. However, PBL has indicated that if CMH did require debt, it may be possible to borrow at the investment level, as opposed to borrowing directly within CMH.

Loss of diversification

If the Proposed Restructure is successful, both CMH and Crown will be smaller on a stand-alone basis than PBL and individually will have reduced earnings diversification. Shareholders may experience greater earnings volatility by being more directly exposed to the risks of the respective industries in which Crown and CMH will operate. This will also be impacted by decisions they make as to whether to continue with an equal weighting in Crown and CMH. However, PBL shareholders will be able to achieve diversification against these risks by holding shares in a broad portfolio of companies.

Reduced index weighting

As previously noted, the Proposed Restructure will lead to both Crown and CMH individually having lower share market capitalisations and consequently, lower index weightings, than the current market capitalisation and index weighting of PBL. As a result, Crown is expected to be included in the ASX 50

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and CMH is expected to be included in the ASX 200. This lower presence in the sharemarket indices may result in a lower level of institutional interest in each of the demerged entities, particularly CMH.

If a company has a reduced index weighing and thus a lower level of demand from institutional investors, there is a risk the reduced demand for the company's shares will result in the company not being fully priced. This is a particular risk for CMH, given its smaller size and the nature of its investments, and therefore a discount to the value of the underlying investments may be applied in the trading price of CMH's shares.

Loss of scope

After a demerger process, it is possible for the newly separated companies to lose some of the efficiencies that come with operating one large company, such as lower costs in shared services and administration, and the benefits of a management team with diverse business experience.

Whilst the Proposed Restructure is expected to generate a reduction in costs, it will also result in the separation of assets and the streamlining of management. As such, there is a risk that Crown and CMH may lose some of the broad commercial 'know-how' that was previously available due to the 'cross pollination' of ideas across the middle and senior management teams of the various business units.

One-off transaction costs

PBL has estimated that the costs of implementing the Proposed Restructure are likely to be in the order of $33 million. These costs are related to debt restructuring costs, advisers fees and financing costs. It is noted most of these transaction costs are likely to be incurred, or will be committed, prior to the date that PBL shareholders will vote on the PBL Scheme. A further $39 million will be incurred in relation to redundancy costs associated with the reorganisation of PBL head office employees. It is likely these costs will be incurred regardless of whether the PBL Scheme goes ahead.

Transition risk

It is possible that once the Proposed Restructure is implemented, PBL shareholders will adjust their portfolio holdings in both Crown and CMH. Accordingly, until the shareholder bases of both companies are rebalanced, a risk exists that short-term volatility in the share price of both Crown and CMH will result in the combined value of Crown and CMH being lower than the current market capitalisation of PBL. Such short-term volatility is not unusual after a demerger, as discussed in Section 5 of our full report.

Taxation implications for current PBL shareholders

Section 13 of the Scheme Booklet sets out the taxation implications of the Proposed Restructure for PBL shareholders in Australia and overseas. PBL has sought legal and tax advice in respect of the Proposal and the advice received is summarised in Section 8.3 of our full report.

PBL has also sought a Class Ruling from the Australian Tax Office (ATO) in relation to the Australian taxation implications of the PBL Scheme and Demerger Scheme. Whilst at the date of this report, the Class Ruling has not been issued, PBL has received an indication from the ATO that a Class Ruling will

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be issued to confirm the taxation treatment of the PBL Scheme and capital payment as set out in the taxation advice received by PBL.

However, the ATO has indicated that demerger roll-over relief will not be available for the Demerger Scheme. As a result, it is possible that some PBL shareholders may incur a taxable capital gain on implementation of the Demerger Scheme. However, in considering PBL shareholders as a whole, we do not consider the likely nature of any taxation consequences that may be incurred to be sufficient to impact our opinion of the Proposed Restructure or the PBL Scheme. In particular, we note that:

- Any capital gain incurred by a PBL shareholder will effectively be the bringing forward of a capital gain that would have otherwise been incurred on any subsequent disposal of their Crown shares.
- As PBL shareholders can choose to receive a capital payment of $3 per share under the PBL Scheme, funds can be available to meet any taxation obligations resulting from the Demerger Scheme.

Implications if the PBL Scheme is not approved

In the event that the Proposed Restructure is not implemented, PBL will continue to operate in its current form and be listed on the ASX. As a consequence:

- PBL shareholders will continue to own shares in a diversified PBL. PBL shareholders will not receive shares in Crown nor CMH, and they will not receive a cash payment.
- The advantages, disadvantages and risks of the Proposed Restructure, as summarised above, will not occur, other than with respect to the one-off costs incurred prior to the implementation of the Proposed Restructure of approximately $33 million.
- Any cost reductions related to the sell down of PBL's interest in PBL Media are still likely to occur, although the process by which they are achieved will be different. As the management costs have been reviewed in view of the Proposed Restructure as a whole, these cost reductions have not been separately calculated.
- The PBL board may revisit options previously considered to unlock value for PBL's shareholders.

Implications if the Demerger Scheme is not approved

As the PBL Scheme is not conditional on the Demerger Scheme being approved, there is a risk that the PBL Scheme will be approved and the Demerger Scheme will not be approved. In the event that the Demerger Scheme is not implemented, there will be little change to the position of PBL shareholders, with the new Crown entity essentially replacing the existing PBL entity. However, the payment of approximately $2.1 billion cash consideration to PBL shareholders will be completed. The primary disadvantage of this scenario is that PBL shareholders will have paid $33 million in transaction costs solely in relation to payment of the cash consideration and the establishment of a new holding company.

Nonetheless, for the following reasons, KPMG believes the likelihood of the Demerger Scheme not being approved, is remote:

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- The initial Crown shareholders have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote of the PBL shareholders on the Demerger Scheme Advisory Resolution.
- The right to vote on the PBL Scheme and the Demerger Scheme Advisory Resolution, effectively enables PBL shareholders to vote in relation to the Proposed Restructure as a whole.

On that basis, we consider it remote that the Demerger Scheme will not be approved if the PBL Scheme is approved. However, if the Demerger Scheme was not approved, the major disadvantage would be the effective cost of the payment of the cash consideration and the loss of the benefits associated with the Proposed Restructure. We do not consider these factors to be sufficiently detrimental to impact on our opinion in relation to the Proposed Restructure. As such, our opinion in relation to the PBL Scheme is that it is also in the best interests of PBL shareholders.

2.2 General advice

In forming our opinion, we have considered the interests of PBL shareholders as a whole, including ineligible overseas shareholders. This advice therefore, does not consider the financial situation, objectives or needs of individual PBL shareholders. It is neither practical nor possible to assess the implications of the Proposed Restructure or the PBL Scheme on individual shareholders as we do not know their specific financial circumstances.

The decision of PBL shareholders as to whether or not to vote in favour of the PBL Scheme and the Demerger Scheme Advisory Resolution is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. In particular, the taxation consequences may vary widely depending on individual circumstances. Individual PBL shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual shareholder's decision to approve the PBL Scheme and the Demerger Scheme Advisory Resolution may be influenced by his or her particular circumstances, we recommend that individual shareholders consult their financial adviser.

2.3 Other

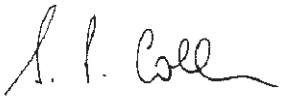
Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of our full report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report.

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The above opinion should be considered in conjunction with, and not independently of, the information set out in our report, including the appendices, a copy of which is available to PBL shareholders on PBL's website (www.pbl.com.au).

Yours faithfully





Ian Jedlin
Executive Director

Sean P Collins
Executive Director

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Financial services guide

Dated 16 October 2007

KPMG Corporate Finance

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**FSG**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

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Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its executive directors, directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (**FICS**). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly at: Financial Industry Complaints Service Limited, PO Box 579, Collins Street, West Melbourne VIC 8007 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9621 2291

Contact details
You may contact us at 10 Shelley Street, Sydney, NSW 2000 or by telephone (02) 9335 7000.

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Appendix 1 – Qualifications and declarations

Qualifications

KPMG is the holder of an Australian Financial Services Licence, No 246901, under the Corporations Act 2001 and is controlled by the KPMG partnership.

The individuals responsible for the preparation of this report are Ian Jedlin and Sean Collins.

Ian Jedlin is a partner in the KPMG Partnership and an Executive Director in KPMG. Ian is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australasia (previously the Securities Institute of Australia). Ian holds a Master of Commerce from the University of NSW and has had in excess of 17 years experience in the preparation of independent reports on the valuation of shares and businesses.

Sean Collins is an Executive Director of KPMG, an associate of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce degree from the University of Queensland. He is a Fellow of the Securities and Investments Institute, UK and has extensive experience in the preparation of independent reports on the valuation of shares and businesses.

Declarations

The statements contained in the report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, KPMG provided draft copies of this report to management from PBL for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG.

Interests

KPMG is entitled to receive a fee of $370,000, excluding GST, for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in PBL. However, no individual involved in the preparation of this report, or review thereof, holds a direct interest in the securities of the PBL.

With the exception of these matters, neither KPMG or the KPMG Partnership will receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

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Consent

KPMG consents to the issue of this report by PBL in conjunction with PBL's Scheme Booklet.

Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of KPMG to the form and context in which it appears.

Responsibility

KPMG has prepared this report on the basis of information available as at the date of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of PBL for the purposes of this report. We have considered and relied upon information provided by certain directors and senior management of PBL, which after due enquiry, we believe to be reliable, complete and not misleading. We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

We note that any forecasts and projections as supplied to us are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG cannot provide any assurance that the estimates will be representative of the results, which will actually be achieved during the forecast period.

Indemnity

PBL has indemnified KPMG, the KPMG Partnership and its affiliated entities and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by KPMG and occasioned by reliance by KPMG on information provided by PBL or its representatives which is subsequently found to be false or misleading or not complete.

Complete information is deemed to be information which at the time of completing this report should have been available to KPMG and would have reasonably been expected to have been made available to KPMG to enable us to form our opinion.

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Section 17
Glossary

17

17. Glossary

In this Booklet, unless the contrary intention appears or the context requires otherwise:

1H2006 means the first half year period for the 2006 financial year, being the period from 1 July 2005 to 31 December 2005.

2H2006 means the second half year period for the 2006 financial year, being the period from 1 January 2006 to 30 June 2006.

1H2007 means the first half year period for the 2007 financial year, being the period from 1 July 2006 to 31 December 2006.

2H2007 means the second half year period for the 2007 financial year, being the period from 1 January 2007 to 30 June 2007.

ACMA means the Australian Communications and Media Authority.

ACP means Australian Consolidated Press Limited.

AFL means Australian Football League.

AGLC means the Alberta Gaming and Liquor Commission.

AIFRS means the Australian equivalents to IFRS.

ANZ means Australia and New Zealand Banking Group Limited ABN 11 005 357 522.

ASIC means the Australian Securities and Investments Commission.

Aspinalls means Aspinall Holdings (Jersey) Limited.

ASTC Settlement Rules means the settlement rules of the ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

ASX means ASX Limited ABN 98 008 624 691.

ATO means the Australian Taxation Office.

Australian Accounting Standard means an accounting standard made by the Australian Accounting Standards Board in accordance with the Corporations Act.

A$**, **$ or **cents** means the lawful currency of Australia.

Banks means the banks who are parties to the Facility as described in Section 7.3.

BC means British Columbia, Canada.

BCLC means the British Columbia Lottery Corporation.

Betfair Australia means Betfair Australasia Pty Limited, the 50:50 joint venture between Betfair UK and PBL.

Betfair UK means The Sporting Exchange Limited.

Booklet means this booklet.

BSA means the *Broadcasting Services Act 1992* (Cth).

BuddeComm means Paul Budde Communications Pty Limited.

Burswood means Burswood Entertainment Complex in Perth.

Business Day means a business day as defined in the Listing Rules.

CAGR means compound annual growth rate.

Capital Reduction means the reduction of the share capital of Crown by the Capital Reduction Amount, in accordance with the terms of the Capital Reduction Resolution.

Capital Reduction Amount means the amount of Crown's share capital that is to be reduced in accordance with the Capital Reduction Resolution.

Capital Reduction Resolution means the ordinary resolution to approve the Capital Reduction to be considered at the Crown General Meeting.

carsales means carsales.com.au Limited.

CEO means Chief Executive Officer.

CFO means Chief Financial Officer.

COO means Chief Operating Officer.

CGT means Australian capital gains tax.

CMH means Consolidated Media Holdings Limited, which is one and the same as PBL after the Name Change Resolution has become effective. If the Name Change Resolution is not passed by the PBL Shareholders at the PBL Annual General Meeting, all references to CMH should be read as references to PBL.

CMH Board means the board of directors of CMH from time to time.

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CMH Constitution means the constitution of CMH.

CMH Directors means the directors of CMH as at the date of this Booklet.

CMH Group means CMH and each entity that is controlled by CMH immediately following implementation of the Demerger Scheme.

CMH Pro Forma Financial Information means the pro forma financial information relating to CMH contained in Section 11.6.

CMH Shares means ordinary shares in CMH.

CMH Share Register means the register of members of CMH maintained under section 169 of the Corporations Act.

CMH Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067.

CMH Shareholder means a holder of CMH Shares from time to time.

Consideration Facility means the consideration facility between Crown and Crown Group Finance Limited described in Section 7.3.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

COSAs means the Casino Operational Services Agreements.

Court means the Federal Court of Australia.

CPH means Consolidated Press Holdings Limited.

Crown means Crown Limited ABN 39 125 709 953.

Crown (post PBL Scheme only) means Crown, in the event that the PBL Scheme is approved and implemented but the Demerger Scheme is not approved or implemented.

Crown (post PBL Scheme only) Pro Forma Financial Information means the pro forma financial information relating to Crown (post PBL Scheme only) contained in Section 12.5.

Crown Board means the board of directors of Crown from time to time.

Crown Constitution means the constitution of Crown.

Crown Deed Poll means the deed poll dated 12 October 2007 executed by Crown in favour of the PBL Scheme Participants (subject to any amendments permitted by its terms).

Crown Directors means the directors of Crown as at the date of this Booklet.

Crown Financial Assistance Resolution means the resolution proposed for the purposes of section 260B of the Corporations Act at the Crown General Meeting to approve financial assistance being given in connection with the acquisition of the PBL Scheme Shares by Crown under the PBL Scheme.

Crown General Meeting means the meeting of Crown which is convened to consider the Capital Reduction Resolution and the Crown Financial Assistance Resolution.

Crown Group Finance Limited means Crown Group Finance Limited ACN 125 812 615.

Crown Group means Crown and each entity that is controlled by Crown immediately following implementation of the Demerger but not including PBL, which for the avoidance of doubt will not then be a subsidiary of Crown.

Crown Initial Shareholders means the eight holders of the Crown Initial Shares, comprising various lawyers of Gilbert + Tobin and executives of PBL Group.

Crown Initial Shareholders' Deed Poll means the Deed Poll entered into by each of the Crown Initial Shareholders under which, among other things, they have agreed that they will vote to approve the Demerger Scheme provided the PBL Shareholders vote to approve the Demerger Scheme Advisory Resolution.

Crown Initial Shares means the fully paid ordinary shares in the capital of Crown issued at the time of Crown's incorporation, being the only share capital of Crown at the date of the Demerger Scheme Meeting.

Crown Initial Shares Buy Back and Cancellation means the proposed buy-back and cancellation of the Crown Initial Shares described in Section 7.7.3.

Crown Melbourne means Crown Entertainment Complex in Melbourne.

Crown Melbourne Limited means Crown Melbourne Limited ACN 006 973 262 (previously called Crown Limited).

Crown Pro Forma Financial Information means the pro forma financial information relating to Crown contained in Section 10.6.

Crown Share means a fully paid ordinary share in the capital of Crown.

Crown Share Register means the register of members of Crown maintained under section 169 of the Corporations Act.

Crown Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

Crown Shareholder means a holder of Crown Shares from time to time.

Demerger means the demerger of CMH from Crown to be implemented through the Capital Reduction and the Demerger Scheme in the manner more fully described in this Booklet, in particular in Sections 3 and 7.

Demerger Deed means the deed dated 12 October 2007 between PBL and Crown to record their agreement with respect to the ongoing relationship between CMH and Crown after the Demerger Implementation Date.

Demerger Implementation Date means the eighth Business Day after the Demerger Scheme Effective Date, being the date on which the CMH Share Register will be updated to reflect the transfer of the Demerger Shares to the Crown Shareholders under the Demerger.

Demerger Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Crown and Crown Shareholders described in the Demerger Scheme Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

Demerger Scheme Advisory Resolution means resolution 5 in the notice of PBL Annual General Meeting that is included in this Booklet.

Demerger Scheme Booklet means the booklet approved by the Court under section 411(1) of the Corporations Act for distribution to Crown Shareholders explaining the Demerger Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to the Demerger Scheme.

Demerger Scheme Effective Date means the date on which the office copy of the Court order approving the Demerger Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the Demerger Scheme, that earlier date.

Demerger Scheme Meeting means the meeting of Crown Shareholders ordered by the Court to be held to consider the resolution to approve the Demerger Scheme to be held at 3:00pm on 23 November 2007.

Demerger Scheme Participant means a person who is registered on the Crown Share Register at the Demerger Scheme Record Date as the holder of Crown Shares, being a person to whom Crown Shares have been issued and allotted in accordance with the PBL Scheme.

Demerger Scheme Record Date means 7:00pm on the sixth Business Day after the PBL Scheme Effective Date, or such later time as required to ensure that the Crown Share Register contains the names of all persons to whom Crown Shares have been issued under the PBL Scheme.

Demerger Shares means the ordinary shares in PBL (or in CMH if the Name Change Resolution has been approved and notice lodged with ASIC) which will be transferred to Demerger Scheme Participants on the Demerger Implementation Date under the Demerger Scheme (if it is approved).

DICJ means the Government of Macau Special Administrative Region Gaming Inspection and Coordination Bureau.

Discontinuing Businesses means the businesses in which PBL will look to sensibly monetise its ownership interest described in Section 8.5.

Dispatch Date means the 10th Business Day after the PBL Scheme Effective Date.

DSEC means the Government of Macau Special Administrative Region Statistics and Census Service.

EBIT means earnings before interest and tax.

EBITDA means earnings before interest, tax, depreciation, amortisation and share of associate's results.

EGMs means electronic gaming machines.

Election means a valid election by a PBL Shareholder in relation to the PBL Scheme Consideration, such election to be made in the manner set out in Section 5.

Election Date means 5:00pm Sydney time on the PBL Scheme Effective Date.

ESP means the PBL Executive Share Plan referred to in Section 14.7.

ESP Participant means a person who is a participant in the ESP being a person who has been issued shares in PBL under the ESP.

ESP Shares means PBL Shares that are issued under the ESP.

Explanatory Statement has the meaning given to that term in Part 5.1 of the Corporations Act.

Facility means the syndicated/cash advance and letter of credit facility entered into between Crown Group Finance Limited and the Banks described in Section 7.3.

Financial Assistance Resolution means resolution 4 in the notice of PBL Annual General Meeting.

Fontainebleau Resorts means Fontainebleau Resorts LLC.

FOXTEL O&O Channels means the eight channels FOXTEL owns and operates: FOX8, The History Channel, The Comedy Channel, Crime and Investigation, W, Bio and FOX Classics and FOXTEL Box Office.

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FTA TV means free to air television.

FY means financial year.

FY2006 means the 2006 financial year from 1 July 2005 to 30 June 2006.

FY2007 means the 2007 financial year from 1 July 2006 to 30 June 2007.

Gaming Businesses means the businesses described in Section 8.

Gateway means all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star Fortune Gaming Management Corp.

Gateway Offer means the takeover offer to acquire all the units in the Gateway Casinos Income Fund, Gateway Casinos Inc. and all the outstanding shares in Star of Fortune Gaming Management (B.C.) Corp, referred to in Section 8.4.5.

GDP means gross domestic product.

GSP means gross state product.

HLT Advisory means HLT Advisory Inc, a consultancy company that has prepared a report for the Canadian Gaming Association.

Hoyts means The Hoyts Group.

IFRS means International Financial Reporting Standards.

IHG means IHG (Victoria Park) Pty Ltd.

Implementation Deed means the deed dated 12 October 2007 between PBL and Crown to carry into effect the PBL Scheme, the Demerger Scheme and the Demerger, described more fully in Section 14.12.

Independent Accountant means Ernst & Young.

Independent Accountant's Report means the report of the Independent Accountant set out in Section 15.

Independent Expert means KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215.

Independent Expert's Report means the report of the Independent Expert, a summary of which is set out in Section 16.

Indicative Timetable means the timetable set out in Section 1.

Ineligible Overseas Shareholder means each PBL Scheme Participant whose address on the PBL Share Register on the PBL Scheme Record Date is in any jurisdiction other than Australia and its external territories or New Zealand.

ISDA means International Swap Dealers Association.

Listing Rules means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

LVTI means LVTI LLC.

Macquarie means Macquarie Bank Limited.

Market Rules means the ASX Market Rules from time to time.

Marketable Parcel has the meaning given in the Listing Rules.

Maximum Number of Crown Shares means 688,526,925 Crown Shares or, if resolution 6 in the notice of PBL Annual General Meeting is passed it means 689,676,925 Crown Shares.

Media Businesses means the businesses described in Section 9.

Microsoft means Microsoft Corporation.

MPEL means Melco PBL Entertainment (Macau) Limited.

MPBL Gaming means Melco PBL Gaming (Macau) Limited.

Name Change Resolution means the special resolution to approve the change of name of PBL to Consolidated Media Holdings Limited to be considered at the PBL Annual General Meeting.

Nominee means the person appointed by PBL to sell or facilitate the transfer of:

(a) the Crown Shares attributable to Ineligible Overseas Shareholders in accordance with clause 3.5 of the PBL Scheme; and

(b) the Demerger Shares to be issued to the Nominee, as a Crown Shareholder under the Demerger Scheme.

NSW means New South Wales.

PBL means Publishing and Broadcasting Limited ABN 52 009 071 167.

PBL 2007 Annual Report means the annual report of PBL in respect of FY2007 lodged with ASX on 28 September 2007.

PBL Annual General Meeting means the general meeting of PBL Shareholders convened to consider the resolutions set out in the notice of general meeting set out in Section 18.2.

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PBL Board means the board of directors of PBL from time to time.

PBL Constitution means the constitution of PBL which will be the constitution of CMH after the Name Change Resolution is implemented.

PBL Deed Poll means the deed poll executed by PBL in favour of Demerger Scheme Participants to perform its obligations under the Implementation Deed insofar as it relates to the Demerger Scheme.

PBL Directors means the directors of PBL as at the date of this Booklet.

PBL Group means PBL and each entity that is controlled by PBL immediately before implementation of the PBL Scheme.

PBL Infoline means the telephone number which PBL Shareholders may call to receive information in relation to the Recommended Proposal and the PBL Scheme. The number is 1300 138 983 (within Australia) or +61 3 9415 4262 (international) and is available between 9:00am and 5:00pm (Sydney time), Monday to Friday in the period prior to the PBL Scheme Effective Date.

PBL Meetings means the PBL Scheme Meeting and the PBL Annual General Meeting.

PBL Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act for the transfer of PBL Scheme Shares to Crown described in this Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

PBL Scheme Consideration means the consideration described in Section 5.

PBL Scheme Consideration Alternatives means the PBL Scheme Maximum Share Consideration and the PBL Scheme Maximum Cash Consideration.

PBL Scheme Effective Date means the date on which the office copy of the Court order approving the PBL Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the PBL Scheme, that earlier date.

PBL Scheme Entitlement means:

(a) in the case of a PBL Scheme Participant (other than an Ineligible Overseas Shareholder) – the PBL Scheme Standard Consideration, the PBL Scheme Maximum Share Consideration or the PBL Scheme Maximum Cash Consideration as applicable to the PBL Scheme Participant for each PBL Share held by the PBL Scheme Participant as at the PBL Scheme Record Date; and

(b) in the case of an Ineligible Overseas Shareholder – the cash proceeds the Ineligible Overseas Shareholder receives in accordance with clause 3.5 of the PBL Scheme.

PBL Scheme Implementation Date means the sixth Business Day after the PBL Effective Date, being the date on which the PBL Share Register and the Crown Share Register will be updated to reflect the transfer of PBL Shares to Crown and the issue of Crown Shares to PBL Scheme Participants under the PBL Scheme.

PBL Scheme Maximum Cash Consideration means the consideration of that name described in Section 5.1.

PBL Scheme Maximum Share Consideration means the consideration of that name described in Section 5.1.

PBL Scheme Meeting means the meeting of PBL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to be held at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank Victoria on Friday 23 November 2007 at 10:00am.

PBL Scheme Notice of Meeting means the notice of meeting for the PBL Scheme Meeting set out in Section 18.1.

PBL Scheme Participant means a person registered on the PBL Share Register at the PBL Scheme Record Date as the holder of a PBL Scheme Share after registration of all transfers and transmissions in accordance with the PBL Scheme.

PBL Scheme Record Date means 7:00pm on the fifth Business Day after the PBL Scheme Effective Date.

PBL Scheme Resolution means the resolution to approve the PBL Scheme set out in the PBL Scheme Notice of Meeting.

PBL Scheme Second Court Date means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the PBL Scheme is first heard.

PBL Scheme Share means a PBL Share on issue at the PBL Scheme Record Date.

PBL Scheme Share Value has the meaning given in Appendix 21.2.

PBL Scheme Standard Consideration means the consideration of that name described in Section 5.1.

PBL Share means a fully paid ordinary share in the capital of PBL including, for the avoidance of doubt, the ESP Shares.

PBL Share Register means the register of PBL Shareholders maintained under section 169 of the Corporations Act, which after the Demerger Scheme is implemented will be the register of CMH shareholders.

PBL Share Registry means Computershare Limited of Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

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PBL Shareholder means a person who is registered in the PBL Share Register as the holder of PBL Shares from time to time.

PBL Subsidiaries means Crown Entertainment Group Holdings Pty Ltd, Crown Melbourne Limited, Publishing and Broadcasting (Finance) Ltd and Burswood Nominees Limited as trustee of Burswood Property Trust.

PMG means Premier Media Group Pty Limited.

Pro Forma Cash Flow Statements means the pro forma cash flow statements for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 10.6, 11.6 and 12.5.

Pro Forma Income Statements means the pro forma income statements for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 10.6, 11.6 and 12.5.

Pro Forma Balance Sheets means the pro forma balance sheets for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 10.6, 11.6 and 12.5.

Pro Forma Financial Information means:

(a) the pro forma balance sheets for CMH, Crown and Crown (post PBL Scheme only) as at 30 June 2007;

(b) the pro forma cash flow statements for CMH, Crown and Crown (post PBL Scheme only) for FY2006, and FY2007; and

(c) the pro forma income statements for CMH, Crown and Crown (post PBL Scheme only) for FY2006 and FY2007.

PwC means PricewaterhouseCoopers.

Recommended Proposal means the PBL Scheme, the Reorganisation, the Demerger Scheme and the Demerger as described more fully in Sections 3 and 7.

Reduction of Capital Resolution means resolution 8 in the notice convening the PBL Annual General Meeting.

Registered Address means, in relation to a PBL Scheme Participant, the address of that PBL Scheme Participant shown in the PBL Share Register on the PBL Scheme Record Date.

Reorganisation means the reorganisation of the assets of PBL to occur in the manner described in Section 7.7.2.

Resolutions means the resolutions concerning items of special business to be considered at the PBL Annual General Meeting being the Financial Assistance Resolution, the Demerger Scheme Advisory Resolution, the resolution to approve the issue of PBL Shares to Mr Rowen Craigie, the Name Change Resolution and the Reduction of Capital Resolution.

Schemes means the PBL Scheme and the Demerger Scheme.

Section means a section of this Booklet.

Securities Act means the *US Securities Act of 1933*, as amended.

Shortfall Deed means the shortfall deed described in Section 7.6(b).

Sky News means Sky News Australia.

Subsidiary has the meaning given in the Corporations Act.

Total Cash Consideration means $2,065,580,775 or if resolution 6 in the notice of PBL Annual General Meeting is passed by PBL Shareholders it means $2,069,030,775.

Trading Day has the meaning given in the Listing Rules.

UK means the United Kingdom.

US means the United States of America.

US GAAP means the Generally Accepted Accounting Principles in the United States of America.

VCGR means the Victorian Commission for Gambling Regulation.

VWAP means the volume weighted average share price (calculated to the nearest one cent) of PBL Shares traded on the ASX excluding:

(a) all trades which are overseas trades;

(b) trades which are not an "on-market" transaction within the meaning of the Market Rules;

(c) trades pursuant to the exercise of options over PBL Shares; and

(d) any trades which PBL reasonably agrees to exclude on the basis that they are not representative of the general price at which PBL Shares traded on ASX on the Trading Day on which the trades took place.

WA means Western Australia.

WAN means West Australian Newspaper Holdings Limited.

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Interpretation

(a) Annexures and Appendices to the Booklet form part of this Booklet.

(b) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASTC Settlement Rules have that meaning in this Booklet unless that meaning is inconsistent with the context in which the word or phrase is used.

(c) Headings are for convenience only and do not affect the interpretation of this Booklet.

(d) The singular includes the plural and vice versa and words importing any gender include the other gender and reference to persons include corporations.

(e) References to a Section is to a section of this Booklet, unless the context requires otherwise.

(f) References to a Part are to a part of this Booklet, unless stated otherwise.

(g) References to paragraphs are references to paragraphs within the Sections of this Booklet in which the reference to the paragraph is made.

(h) References to time are references to time in Sydney, Australia on the relevant date, unless stated otherwise.

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Section 18
Notices of meeting

18

18. Notices of meeting

18.1 Notice of Court ordered PBL Scheme Meeting

By an order of the Federal Court of Australia made on 17 October 2007 pursuant to section 411(1) of the Corporations Act, a meeting of shareholders of Publishing and Broadcasting Limited (**Company**) will be held at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank Victoria on Friday 23 November 2007 at 10:00am.

The Court has also directed that James Packer act as Chairman of the PBL Scheme Meeting or failing him Christopher Anderson, and has directed the Chairman to report the result of the PBL Scheme Meeting to the Court.

To enable you to make an informed voting decision, further information on the PBL Scheme is set out in the Booklet, of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary in Section 17 of the Booklet unless provided otherwise.

(a) Business of the PBL Scheme Meeting

Resolution – PBL Scheme

To consider and, if thought fit, to pass the following resolution:

"That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between the Company and the holders of its ordinary shares as contained in and more particularly described in the Booklet, of which the notice convening this Meeting forms part, is approved (with or without modification as approved by the Federal Court of Australia)."

(b) Voting

Majority required

For the resolution approving the PBL Scheme to be passed, it must be approved by a majority in number (more than 50%) of the PBL Shareholders voting (whether in person, by attorney, proxy or, in the case of a corporate member, by a duly appointed corporate representative) at this Meeting, who must together hold at least 75% of the votes cast on the resolution.

How to vote

PBL Shareholders can vote in either of two ways:

- by attending the PBL Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend the PBL Scheme Meeting and vote on their behalf either by:
  - (i) using the blue proxy form accompanying the Booklet, of which this notice forms part; or
  - (ii) recording their proxy voting instructions on the internet at (www.computershare.com/au/proxy/PBL). To access this facility, PBL Shareholders will need their holder identification number (**HIN**) or security holder reference number (**SRN**) and postcode which are printed on the proxy form which accompanies this Booklet. PBL Shareholders who wish to vote only part of their holding, or to split their vote, will need to lodge a paper proxy form.

Instructions on how to appoint a proxy are set out below and are detailed on the back of the blue proxy form.

Voting in person or by attorney

PBL Shareholders are asked to arrive at the venue from 9:00am to allow for registration for the Meeting. To help facilitate registration for the Meeting, please bring the blue proxy form accompanying the Booklet.

A representative of a company attending the Meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with PBL or the PBL Share Registry. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Meeting, unless previously lodged with PBL or the PBL Share Registry.

Voting by proxy

- A PBL Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the PBL Scheme Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the PBL Shareholder's votes that each proxy may exercise, each proxy may exercise half of the votes. However, neither proxy may vote on a show of hands.
- A proxy need not be a PBL Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the PBL Shareholder's behalf on the poll, and the PBL Shares the subject of the proxy appointment will not be counted in computing the required majority.

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- PBL Shareholders who return their proxy form(s) with a direction on how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the PBL Scheme Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Meeting, the Chairman of the PBL Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the PBL Scheme Meeting, the company secretary of PBL or any PBL Director which do not contain a direction will be used to support the resolution to approve the PBL Scheme.
- Completed proxy forms should be sent to the PBL Share Registry using the envelope provided with the Booklet.
- To be effective:

  (a) proxy forms must be:

  (i) sent to the PBL Share Registry (using the envelope included with the Booklet) or hand delivered to 452 Johnston Street, Abbotsford VIC 3067;

  (ii) faxed to the PBL Share Registry on 03 9473 2555 from within Australia or +61 3 9473 2555 from overseas;

  (iii) sent to PBL's registered office at Level 2, 54 Park Street, Sydney NSW 2000 (to the attention of the PBL Company Secretary), or

  (b) electronic proxy voting instructions must be recorded on the internet at www.computershare.com/au/proxy/PBL,

  so that they are received by no later than 10:00am on Wednesday 21 November 2007. Proxy forms or proxy voting instructions received after this time will be invalid.
- The proxy form must be signed by the PBL Shareholder or the PBL Shareholder's attorney. Proxies given by corporations must be executed in accordance with the *Corporations Act 2001* (Cth). Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by the PBL Share Registry at either of the above addresses or by fax by 10:00am on Wednesday 21 November 2007. If faxed, the power of attorney must be certified.

(c) PBL Shareholders who are entitled to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 10:00am on Wednesday 21 November 2007. Only those PBL Shareholders entered on the PBL Share Register at that time will be entitled to attend and vote at the PBL Scheme Meeting.

(d) Court approval

In accordance with section 411(4)(b) of the Corporations Act, in order to become effective the PBL Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this Meeting is passed by the requisite majority and the other conditions precedent to the PBL Scheme are satisfied (or, where applicable, waived), PBL intends to apply to the Court on Wednesday 28 November for approval of the PBL Scheme.

(e) How to find Crown Towers Hotel

You can use the map below to find the nearest transport routes to the location of the PBL Scheme Meeting – Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria.



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By train
Both Flinders Street Station and Southern Cross Stations are within walking distance.

By car
Crown Melbourne has over 5,000 car parking spaces in two very accessible car parks. A two level basement car park located under the main site provides convenient access from Kings Way (both North and South), Whiteman Street and Southbank Boulevard.

Parking for those with disabilities is conveniently provided in both the multi-level and basement carparks, in various locations adjacent to lift lobbies.

By tram
Tram numbers 55, 96, 109 and 112 run past Crown Melbourne.

By taxi
Crown Melbourne is highly frequented by taxi cabs and has a highly organised taxi rank at the west end of the complex.

18.2 Notice of Annual General Meeting of PBL

Notice is given that the 2007 annual general meeting of PBL Shareholders will be held at the River Room, Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria on Friday 23 November 2007 at 10:00am (or as soon thereafter as the PBL Scheme Meeting has concluded or been adjourned) for the purposes of conducting the business described below.

To enable you to make an informed voting decision, an explanatory note on the items of business of the PBL Annual General Meeting is contained in Section 7.6 of the Booklet, of which this notice forms part.

Terms used in this notice have the same meaning as set out in the Glossary in Section 17 of the Booklet unless provided otherwise.

Business of the General Meeting

Ordinary Business

1 Financial Statements and Reports

To receive and consider the consolidated financial statements of the Company and its controlled entities, and the reports of the Directors and Auditor for the financial year ended 30 June 2007.

2 Election of Directors

To consider and, if thought fit, pass each of the following resolutions as an ordinary resolution:

(a) That Mr James Packer retires by rotation in accordance with clause 6.1(f) of the Company's Constitution and, being eligible, be re-elected as a director.

(b) That Mr Chris Anderson retires by rotation in accordance with clause 6.1(f) of the Company's Constitution and, being eligible, be re-elected as a director.

(c) That Mrs Rowena Danziger retires by rotation in accordance with clause 6.1(f) of the Company's Constitution and, being eligible, be re-elected as a director.

3 Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2007 be adopted."

Special Business

4 Financial Assistance Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, for the purposes of section 260B(1) and 260B(2) of the Corporations Act, approval be and is hereby given for the provision by the Company and by subsidiaries of the Company of financial assistance, as described in Section 7.6 of the Booklet of which this notice forms part, to assist in the acquisition of PBL Shares by Crown under the PBL Scheme."

5 Demerger Scheme Advisory Resolution

To consider, and if thought fit, to pass the following resolution:

"That, for the purposes explained in the Booklet of which this notice forms part, confirmation be and is hereby given, subject to the passing of the resolution to approve the PBL Scheme at the PBL Scheme Meeting, that the PBL Shareholders approve the implementation of the Recommended Proposal, including without limitation the Capital Reduction Resolution, the Demerger Scheme and the Demerger."

6 Issue of PBL Shares to Mr Rowen Craigie

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.14, approval be given to the issue of 1,150,000 PBL Shares by Mr Rowen Craigie under and in accordance with the PBL Executive Share Plan and on the terms more particularly summarised in the Booklet, of which this notice forms part."

7 Name Change Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to and conditional on the Demerger Scheme coming into effect in accordance with section 411(10) of the Corporations Act, for the purposes of section 157(1) of the Corporations Act and for all other

purposes, the Company adopt "Consolidated Media Holdings Limited" as the name of the Company with effect from the Demerger Scheme Effective Date and the Company's constitution be amended accordingly."

8 Reduction of Capital Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional on the Demerger Scheme Effective Date being achieved, and for the purposes of section 256C(1) of the Corporations Act:

(a) the capital of the Company be reduced by $2,440 million;

(b) subject to paragraph (c), the amount referred to in paragraph (a) be distributed to the holder of all the ordinary shares issued in the capital of the Company on the second Business Day after the PBL Scheme Record Date, namely Crown Limited, on the basis of an equal amount for each such PBL share; and

(c) the Company's obligations under paragraph (b) are to be satisfied by applying the sum of $2,440 million in satisfaction of the equivalent amount that will be owing by Crown Limited to the Company as a result of entering into the agreements to give effect to the Reorganisation."

By order of the Board



Guy Jalland
Company Secretary
17 October 2007

(a) Voting

Majorities required

- For resolutions 4 (Financial Assistance Resolution) and 7 (Name Change Resolution) to be passed, each must be approved by a special majority, being at least 75% of the votes cast on the resolution. Neither Crown nor its associates may cast a vote in favour of resolution 4.
- As explained in Section 7.6 of the Booklet, of which this notice of PBL Annual General Meeting forms part, resolution 5 (Demerger Advisory Resolution) does not bind PBL. Rather, it is an advisory resolution which, if passed, and subject to the PBL Scheme being approved, will result in the Crown Initial Shareholders voting to approve the Demerger Scheme and the Capital Reduction Resolution, each being an integral requirement for the Demerger to be implemented. In that context, and having regard to the nature of the resolution and its significance for the Recommended Proposal, the PBL Directors have determined that the majority that is necessary for resolution 5 to be passed should be the same majority as is required to pass the resolution to approve the PBL Scheme; namely, the resolution must be approved by a majority in number of the PBL Shareholders voting at the Meeting (whether in person, by attorney, proxy or in the case of a corporate member by duly appointed corporate representative) who must together hold at least 75% of the votes cast on the resolution.
- For resolutions 2 (election of directors), 3 (Remuneration Report), 6 (Issue of shares to Mr Rowen Craigie) and 8 (Reduction of Capital Resolution) to be passed, they must be approved by at least 50% of the votes cast on each resolution.

Voting exclusion statement

PBL will disregard any votes cast on resolution 6 by any director who may participate in any employee incentive scheme operated by PBL (including the ESP) and any associate of such a director. However, PBL need not disregard a vote if it is cast by:

(i) such a director, or an associate of such a director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(ii) such a director who is chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

How to vote

PBL Shareholders can vote in either of two ways:

- by attending the Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend the Meeting and vote on their behalf either by:
  - using the green proxy form accompanying the Booklet, of which this notice forms part; or
  - recording their proxy voting instructions on the internet at www.computershare.com/au/proxy/PBL. To access this facility, PBL Shareholders will need their holder identification number (**HIN**) or security holder reference number (**SRN**) and postcode which are printed on the proxy form which accompanies the Booklet. PBL Shareholders who wish to vote only part of their holding, or to split their vote, will need to lodge a paper proxy form.

Instructions on how to appoint a proxy are set out below and are detailed on the back of the proxy form.

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Voting in person or by attorney

PBL Shareholders are asked to arrive at the venue from 9:00am to allow for registration for the PBL Annual General Meeting. To help facilitate registration for the Meeting, please bring the blue or green proxy form accompanying the Booklet. A map containing the location of Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria and transportation instructions appear at the end of the Notice of Court ordered PBL Scheme Meeting which immediately precedes this notice.

A representative of a company attending the Meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with PBL or the PBL Share Registry. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the PBL Annual General Meeting, unless previously lodged with PBL or the PBL Share Registry.

Voting by proxy

- A PBL Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the PBL Shareholder's votes that each proxy may exercise, each proxy may exercise half of the votes. However, neither proxy may vote on a show of hands.
- A proxy need not be a PBL Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the PBL Shareholder's behalf on the poll, and the PBL Shares the subject of the proxy appointment will not be counted in computing the required majority.
- PBL Shareholders who return their proxy form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Meeting, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the Company Secretary of PBL or any PBL Director which do not contain a direction will be used to support each of the resolutions proposed to be passed at this meeting.
- Completed proxy forms should be sent to the PBL Share Registry using the envelope provided with the Booklet.
- To be effective:

  (a) proxy forms must be:

  (i) sent to the PBL Share Registry (using the envelope included with the Booklet) or hand delivered to 452 Johnston Street, Abbotsford VIC 3067;

  (ii) faxed to the PBL Share Registry on 03 9473 2555 from within Australia or +61 3 9473 2555 from overseas; or

  (iii) sent to PBL's registered office at Level 2, 54 Park Street, Sydney NSW 2000 (to the attention of the PBL Company Secretary), or

  (b) electronic proxy voting instructions must be recorded on the internet at www.computershare.com/au/proxy/PBL,

  so that they are received by no later than 10:00am on Wednesday 21 November 2007. Proxy forms or proxy voting instructions received after this time will be invalid.
- The proxy form must be signed by the PBL Shareholder or the PBL Shareholder's attorney. Proxies given by corporations must be executed in accordance with the *Corporations Act 2001* (Cth). Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by the PBL Share Registry at either of the above addresses or by fax by 10:00am on Wednesday 21 November 2007. If faxed, the power of attorney must be certified.

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Section 19
Corporate directory

19

19. Corporate directory

Publishing and Broadcasting Limited
ABN 52 009 071 167

Registered Office
Level 2, 54 Park Street
Sydney NSW 2000

Telephone +61 (2) 9282 8000
Facsimile +61 (2) 9282 8828

Website www.pbl.com.au

Legal Adviser
Gilbert + Tobin
Level 37, 2 Park Street
Sydney NSW 2000

Taxation Adviser
Ernst & Young
680 George Street
Sydney NSW 2000

Independent Accountant
Ernst & Young
680 George Street
Sydney NSW 2000

Financial Adviser
UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Independent Expert
KPMG Corporate Finance (Aust) Pty Ltd
10 Shelley Street
Sydney NSW 2000

PBL/Crown Share Registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone 1300 85 05 05 (within Australia)
+61 (3) 9415 4000 (international)

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Section 20
Documents

20

20

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20.1 PBL Scheme of Arrangement

1 Scheme of Arrangement
Scheme of Arrangement made under Section 411 of the *Corporations Act* 2001 (Cth)

Parties

1 **Publishing and Broadcasting Limited ABN 52 009 071 167** of 54 Park Street Sydney NSW 2000 (**PBL**); and

2 The holders of fully paid ordinary shares in the capital of PBL.

Recitals

A PBL is a public company incorporated in Western Australia. It is admitted to the official list of ASX and PBL Shares are quoted on the stock market conducted by ASX.

B PBL has issued 688,526,925 PBL Shares at the date of the PBL Scheme Booklet. If resolution 6 in the notice of PBL Annual General Meeting is passed, there will be an additional 1,150,000 PBL Shares issued before this PBL Scheme becomes Effective.

C Crown is a public company incorporated in Victoria.

D PBL and Crown have entered into the Implementation Deed pursuant to which, among other things, PBL has agreed to propose this PBL Scheme to the PBL Shareholders and Crown has agreed to propose the Capital Reduction and the Demerger Scheme to the Crown Shareholders and each of PBL and Crown has agreed to take all steps required to be taken by PBL or Crown (as the case may be) to give effect to the PBL Scheme, the Reorganisation, the Capital Reduction and the Demerger Scheme.

E On the PBL Scheme Implementation Date, Crown will become entitled to have all the PBL Scheme Shares transferred to it and registered in its name.

F After the PBL Scheme Implementation Date and subject to the Demerger Scheme becoming Effective, Crown will undertake a number of steps under the Demerger Scheme including transferring the Demerger Shares, being all the shares then issued in the capital of PBL, to the Demerger Scheme Participants in accordance with their entitlements as determined under the Demerger Scheme.

G Crown has entered into the Crown Deed Poll for the purpose of covenanting in favour of the PBL Scheme Participants to perform its obligations under the PBL Scheme and the Implementation Deed.

H PBL has entered into the PBL Deed Poll for the purpose of covenanting in favour of the Demerger Scheme Participants to perform its obligations under the Implementation Deed, insofar as it relates to the Demerger Scheme.

1 Defined terms and interpretation

1.1 Definitions

In this PBL Scheme, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Business Day means a business day as defined in the Listing Rules.

Buy Back means a buy back of the Crown Initial Shares that is to be undertaken in accordance with the provisions of the Corporations Act.

Capital Reduction means a reduction of the share capital of Crown to be approved by the Crown shareholders, being a condition of the Demerger Scheme.

Capital Reduction Resolution means the ordinary resolution to approve the Capital Reduction.

CHESS means the Clearing House Electronic Subregister System.

CMH is one and the same as PBL after the Name Change Resolution has become effective.

CMH Constitution is one and the same as the PBL Constitution after the Name Change Resolution has become effective.

CMH Group means CMH and each entity that is controlled by CMH immediately following implementation of the Demerger Scheme.

CMH Share Register is one and the same as the PBL Share Register after the Name Change Resolution has become effective.

CMH Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

Corporations Act means the *Corporations Act* 2001 (Cth) and the regulations made under that Act.

Court means the Federal Court of Australia.

Crown means Crown Limited ABN 39 125 709 953.

Crown Constitution means the constitution of Crown.

Crown Deed Poll means the deed poll dated 12 October 2007 executed by Crown in favour of PBL Scheme Participants.

Crown Financial Assistance Resolution means the resolution proposed for the purposes of section 260B of the Corporations Act at the Crown General Meeting to approve financial assistance being given in connection with the acquisition of PBL Scheme Shares by Crown under the PBL Scheme.

Crown General Meeting means the meeting of Crown shareholders that is convened to consider the Capital Reduction Resolution and the Crown Financial Assistance Resolution.

Crown Initial Shares means the eight Crown Shares that were subscribed for and paid in full on the incorporation of Crown.

Crown Initial Shareholders means the holders of the Crown Initial Shares.

Crown Initial Shareholders' Deed Polls means the deed poll entered into by each of the Crown Initial Shareholders under which they have agreed how they will vote at the Crown General Meeting and on the resolution to approve the Demerger Scheme.

Crown Share means a fully paid ordinary share in the capital of Crown.

Crown Share Register means the register of Crown Shareholders maintained under section 169 of the Corporations Act.

Crown Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

Crown Shareholders means the holders of Crown Shares.

Demerger means the demerger of CMH from Crown to be implemented through the Capital Reduction and the Demerger Scheme in the manner more fully described in the PBL Scheme Booklet.

Demerger Scheme means the scheme of arrangement between Crown and Crown Shareholders the terms of which are summarised in the PBL Scheme Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

Demerger Scheme Implementation Date means the Business Day immediately following the Reorganisation being undertaken.

Demerger Scheme Participant means, subject to the terms of the Demerger Scheme, a person who is registered on the Crown Share Register at the Demerger Scheme Record Date as the holder of Crown Shares after the Crown Initial Shares have been bought back and cancelled under the Buy Back, being a person to whom Crown Shares have been issued and allotted in accordance with the PBL Scheme.

Demerger Scheme Record Date means, subject to the terms of the Demerger Scheme, the Business Day after the PBL Scheme Record Date.

Demerger Shares means ordinary shares in the capital of CMH that are transferred to the Demerger Scheme Participants under the Demerger Scheme.

Dispatch Date means the 10th Business Day after the PBL Scheme Effective Date.

Effective means, when used in relation to the PBL Scheme or the Demerger Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) in relation to the PBL Scheme or the Demerger Scheme (as the case may be).

Election means an election that is made by a PBL Shareholder, in relation to the PBL Scheme Consideration, such election to be made in the manner set out in Section 5 of the PBL Scheme Booklet.

Financial Assistance Resolution means the resolution proposed for the purpose of section 260B of the Corporations Act at the PBL Annual General Meeting to approve financial assistance being given in connection with the acquisition of the PBL Scheme Shares by Crown under the PBL Scheme.

Implementation Deed means the deed dated 12 October 2007 between PBL and Crown to carry into effect the PBL Scheme, the Reorganisation, the Demerger Scheme, the Capital Reduction and the Demerger.

Ineligible Overseas Shareholder means each PBL Scheme Participant whose address on the PBL Share Register on the PBL Scheme Record Date is in any jurisdiction other than Australia and its external territories and New Zealand.

Listing Rules means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

Maximum Number of Crown Shares means 688,526,925 Crown Shares or if resolution 6 in the notice of PBL Annual General Meeting is passed, it means 689,676,925 Crown Shares.

Name Change Resolution means the special resolution to approve the change of name of PBL to "Consolidated Media Holdings Limited", to be considered at the PBL Annual General Meeting.

Nominee means a person nominated by PBL and Crown to sell or facilitate the disposal of both the Crown Shares attributable to Ineligible Overseas Shareholders under the terms of clause 3.5(b) and the Demerger Shares that are to be issued to such nominee under the Demerger Scheme by reason that the Nominee is issued Crown Shares that are attributable to the Ineligible Overseas Shareholders under the terms of this PBL Scheme.

PBL Annual General Meeting means the annual general meeting of PBL Shareholders which is convened to be held immediately following the conclusion or adjournment of the PBL Scheme Meeting.

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PBL Board means the board of directors of PBL from time to time.

PBL Constitution means the constitution of PBL as amended from time to time.

PBL Deed Poll means the deed poll dated 12 October 2007 executed by PBL in favour of Demerger Scheme Participants to perform its obligations under the Implementation Deed, insofar as it relates to the Demerger Scheme.

PBL Directors means the directors of PBL as at the date of the PBL Scheme Booklet.

PBL Group means PBL and each entity that is controlled by PBL immediately before implementation of this PBL Scheme.

PBL Scheme means the scheme of arrangement between PBL and PBL Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

PBL Scheme Booklet means the booklet approved by the Court under section 411(1) of the Corporations Act for distribution to PBL Shareholders explaining the PBL Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to the PBL Scheme.

PBL Scheme Consideration has the same meaning as "PBL Scheme Consideration" in the PBL Scheme Booklet.

PBL Scheme Effective Date means the date on which the office copy of the Court order approving the PBL Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the PBL Scheme, that earlier date.

PBL Scheme Entitlement means:

(a) in the case of a PBL Scheme Participant (other than an Ineligible Overseas Shareholder) – the PBL Scheme Standard Consideration, the PBL Scheme Maximum Share Consideration or the PBL Scheme Maximum Cash Consideration, as applicable to the PBL Scheme Participant, for each PBL Scheme Share held by the PBL Scheme Participant; and

(b) in the case of an Ineligible Overseas Shareholder – the cash proceeds the Ineligible Overseas Shareholder receives in accordance with clause 3.5.

PBL Scheme Implementation Date means the Business Day after the PBL Scheme Record Date.

PBL Scheme Maximum Cash Consideration has the same meaning as "PBL Scheme Maximum Cash Consideration" in the PBL Scheme Booklet.

PBL Scheme Maximum Share Consideration has the same meaning as "PBL Scheme Maximum Share Consideration" in the PBL Scheme Booklet.

PBL Scheme Meeting means the meeting of PBL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

PBL Scheme Participant means a person registered on the PBL Share Register at the PBL Scheme Record Date as the holder of a PBL Share after registration of all transfer and transmission applications as provided for in clause 4 of this PBL Scheme.

PBL Scheme Record Date means the fifth Business Day after the PBL Scheme Effective Date.

PBL Scheme Second Court Date means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the PBL Scheme is first heard.

PBL Scheme Share means a PBL Share on issue at the PBL Scheme Record Date.

PBL Scheme Standard Consideration has the same meaning as "PBL Scheme Standard Consideration" in the PBL Scheme Booklet.

PBL Share means a fully paid ordinary share in the capital of PBL.

PBL Shareholder means a person who is registered in the PBL Share Register as a holder of PBL Shares.

PBL Share Register means the register of PBL Shareholders maintained under section 169 of the Corporations Act, which after the Name Change Resolution is approved and lodged with ASIC will be the register of CMH shareholders.

PBL Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

Registered Address means, in relation to a PBL Scheme Participant, the address of that PBL Scheme Participant shown in the PBL Share Register on the PBL Scheme Record Date.

Reorganisation means the reorganisation of the assets of PBL to occur in the manner described in Section 7.7.2 of the PBL Scheme Booklet.

TFN means tax file number as defined in section 202A of the *Income Tax Assessment Act* 1936 (Cth).

Total Cash Consideration means $2,065,580,775 or if resolution 6 in the notice of PBL Annual General Meeting is passed by PBL Shareholders it means $2,069,030,775.

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1.2 Interpretation

In this PBL Scheme, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;

(b) the singular includes the plural and vice versa;

(c) each gender includes the other gender;

(d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;

(e) references to paragraphs or clauses are to a paragraph or clause of this document;

(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(g) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(h) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Sydney, Australia;

(k) a reference to "dollars" or "$" is to the lawful currency of the Commonwealth of Australia;

(l) a reference to a document is that document as varied, novated, ratified or replaced from time to time;

(m) the interpretation of a substantive provision is not affected by any heading; and

(n) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, that act, matter or thing shall be done on the next Business Day.

2 Conditions

2.1 Conditions precedent to this PBL Scheme

The PBL Scheme is conditional upon the satisfaction or, as applicable, waiver of each of the following conditions precedent:

(a) the PBL Shareholders approving the PBL Scheme at the PBL Scheme Meeting, by the requisite majority;

(b) the PBL Shareholders approving the Financial Assistance Resolution at the PBL Annual General Meeting, by the requisite majority;

(c) the Crown Shareholders approving the Crown Financial Assistance Resolution at the Crown General Meeting, by the requisite majority;

(d) the Court approving the PBL Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court being lodged with ASIC;

(e) no temporary restraining order, preliminary or permanent injunction or other order being issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the PBL Scheme is in effect at 9:00am on the PBL Scheme Second Court Date;

(f) each of the conditions set out in clause 7.1 of the Implementation Deed being satisfied or, as applicable, waived in accordance with the terms of the Implementation Deed as at 9:00am on the PBL Scheme Second Court Date; and

(g) the Implementation Deed not being terminated as at 9:00am on the PBL Scheme Second Court Date.

2.2 Certificate in relation to conditions

PBL must provide to the Court on the PBL Scheme Second Court Date a certificate confirming whether or not all the conditions precedent to this PBL Scheme (other than the condition in clause 2.1(d)) have been satisfied or, as applicable, waived.

2.3 Effective date

Subject to clause 2.4, this PBL Scheme takes effect for all purposes on the PBL Scheme Effective Date.

2.4 End date

This PBL Scheme lapses and has no further force or effect if the PBL Scheme Effective Date is not on or before 31 December 2007 (or such later date as PBL determines and, if required, is approved by the Court).

3 Implementation of this PBL Scheme

3.1 Transfer of PBL Shares

Subject to Crown complying with its obligation under clause 3.2(c), on the PBL Scheme Implementation Date, all of the PBL Scheme Shares, together with all rights and entitlements attaching to those shares as at the PBL Scheme Implementation Date must be transferred to Crown without the need for any further act by any PBL Scheme Participant (other than an act performed by PBL or its directors or officers as attorney or agent for the PBL Scheme Participants under clause 5.2) and PBL must deliver to Crown duly completed and executed share transfer forms, or a master share transfer form duly completed to the reasonable satisfaction of Crown so as to transfer all of the PBL Scheme Shares to Crown.

3.2 PBL Scheme Entitlement

(a) Subject to the other provisions of this PBL Scheme, Crown must provide the Crown Share component of:

(i) the PBL Scheme Standard Consideration to each PBL Scheme Participant (other than an Ineligible Overseas Shareholder) unless the PBL Scheme Participant has given an Election to receive either the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration;

(ii) the PBL Scheme Maximum Cash Consideration to each PBL Scheme Participant (other than an Ineligible Overseas Shareholder) who has given an Election to receive the PBL Scheme Maximum Cash Consideration; and

(iii) the PBL Scheme Maximum Share Consideration to each PBL Scheme Participant (other than an Ineligible Overseas Shareholder) who has given an Election to receive the PBL Scheme Maximum Share Consideration,

by Crown:

(A) registering in the Crown Share Register, the PBL Scheme Participants who are entitled to be issued with Crown Shares under the PBL Scheme as holders of such shares, on the first Business Day after the PBL Scheme Record Date; and

(B) dispatching confirmation of allotment statements for such Crown Shares in accordance with the Listing Rules and clause 3.10 of this PBL Scheme.

(b) Subject to the other provisions of this PBL Scheme, on the Dispatch Date, Crown must provide the cash component of:

(i) the PBL Scheme Standard Consideration to each PBL Scheme Participant unless the PBL Scheme Participant has given an Election to receive either the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration;

(ii) the PBL Scheme Maximum Cash Consideration to each PBL Scheme Participant who has given an Election to receive the PBL Scheme Maximum Cash Consideration; and

(iii) the PBL Scheme Maximum Share Consideration to each PBL Scheme Participant who has given an Election to receive the PBL Scheme Maximum Share Consideration.

(c) Crown must, on or prior to the PBL Scheme Implementation Date, deposit into a trust account in the name of PBL at the risk of Crown the Total Cash Consideration, such sum (except the interest thereon which will be for the account of Crown) to be held by PBL on trust for the PBL Scheme Participants and to be drawn on solely for the purpose of allowing Crown to fulfil its obligations under this PBL Scheme, including without limitation its obligations under paragraph (b).

(d) Any PBL Shareholder who has not given an Election before 5:00pm on the PBL Scheme Effective Date is deemed for all purposes to have validly elected to receive the PBL Scheme Standard Consideration.

(e) Where a PBL Scheme Participant holds PBL Scheme Shares in more than one parcel as a trustee or nominee for, or otherwise on account of, another person, the PBL Scheme Participant may make an Election as if each parcel were a separate holding of PBL Scheme Shares provided the separate elections are made in the manner set out in the PBL Scheme Booklet.

3.3 Joint holders

In the case of PBL Scheme Shares held in joint names:

(a) any cheque required to be paid to the PBL Scheme Participant by Crown must be payable to the joint holders and forwarded to the holder whose name appears first in the PBL Share Register at the PBL Scheme Record Date; and

(b) confirmation of allotment statements for Crown Shares issued to the PBL Scheme Participants must be issued in the names of the joint holders and sent to the holder whose name appears first in the PBL Share Register at the PBL Scheme Record Date.

3.4 Fractional entitlement

(a) The number of Crown Shares which are to be issued in accordance with this PBL Scheme is the Maximum Number of Crown Shares, which is equivalent to the number of PBL Scheme Shares.

(b) Subject to paragraphs (c) and (d), if the number of PBL Scheme Shares held by a PBL Scheme Participant is such that the aggregate entitlement of that PBL Scheme Participant to Crown Shares is not a whole number then the entitlement must be rounded up or down to the nearest whole number, with fractions of 0.5 being rounded up.

(c) If PBL reasonably considers that a PBL Shareholder has split a holding or holdings of PBL Shares to result in an increased number of fractional entitlements and therefore an increased number of Crown Shares, then PBL may aggregate the relevant PBL Shareholder's various holdings of PBL Scheme Shares for the purpose of determining entitlements in the manner it considers appropriate.

(d) Where the treatment of fractional entitlements in the manners set out in paragraphs (b) and (c) would result in more than or less than the Maximum Number of Crown Shares being required to be issued, then the PBL Board will take such steps as it reasonably considers appropriate for the purpose of ensuring that a treatment of fractional interests which is different from paragraph (b) is implemented in a reasonably fair manner so that precisely the Maximum Number of Crown Shares will be issued pursuant to this PBL Scheme.

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3.5 Ineligible Overseas Shareholders

(a) Crown is under no obligation to issue and allot the Crown Shares under this PBL Scheme to Ineligible Overseas Shareholders.

(b) Crown must instead issue and allot the Crown Shares that, but for paragraph (a), the Ineligible Overseas Shareholder would have been entitled to have issued and allotted to them in accordance with this PBL Scheme (and any Election made by them), to the Nominee. The Nominee must sell those Crown Shares as soon as reasonably practicable (and in any event within 20 Business Days after the Dispatch Date) and Crown must pay to each of the Ineligible Overseas Shareholders an amount equal to the average per share net proceeds of sale (after deduction of any applicable brokerage, taxes and charges) of all Crown Shares sold under this clause multiplied by the number of Crown Shares to which that Ineligible Overseas Shareholder would have been entitled had it received the PBL Scheme Standard Consideration, the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration (in accordance with any Election made by any such Ineligible Overseas Shareholder) but for the operation of paragraph (a). Payment is to be made by cheque in Australian currency drawn on an Australian bank and is to be sent by prepaid post to the Ineligible Overseas Shareholder within 30 Business Days after the Dispatch Date.

3.6 Additional payment of cash

In the event that the Demerger Scheme becomes Effective, then:

(a) the Nominee, as the holder of Crown Shares that are issued and allotted to the Nominee under clause 3.5(b), will as a Demerger Scheme Participant be issued Demerger Shares in accordance with the Demerger Scheme;

(b) the Nominee must sell those Demerger Shares as soon as reasonably practicable (and in any event within 20 Business Days after the Dispatch Date) and Crown must cause the Nominee to pay to each Ineligible Overseas Shareholder an amount equal to the average per share net proceeds of sale (after deduction of any applicable brokerage, taxes and charges) of all Demerger Shares sold under this clause multiplied by the number of Demerger Shares that the Ineligible Overseas Shareholder would have been entitled to receive had, but for clause 3.5(a), it been issued Crown Shares as part of the PBL Scheme Consideration for the PBL Scheme Shares it held;

(c) payment pursuant to paragraph (b) is to be made by cheque in Australian currency drawn on an Australian bank and is sent by prepaid post to the Ineligible Overseas Shareholder within 30 Business Days after the Dispatch Date; and

(d) Crown must pay the cash component of the PBL Scheme Standard Consideration, the PBL Scheme Maximum Share Consideration or the PBL Maximum Cash Consideration (in accordance with any Election made by any Ineligible Overseas Shareholder) to each Ineligible Overseas Shareholder in accordance with clause 3.2.

3.7 Crown obligation

Payment in accordance with clauses 3.5(b), 3.6(b) and 3.6(d), when made by Crown, will discharge Crown's obligations to the Ineligible Overseas Shareholder in relation to respectively this PBL Scheme and the Demerger Scheme.

3.8 Share transfers

Crown must execute the share transfer forms (or a master share transfer form) referred to in clause 3.1 and must deliver such forms to PBL for registration on the PBL Scheme Implementation Date.

3.9 Registration of share transfers

As soon as practicable after delivery of the executed share transfer forms under clause 3.8, PBL must register Crown's name in the PBL Share Register on the PBL Scheme Implementation Date.

3.10 Dispatch of confirmation of allotment statements

By no later than the Dispatch Date, Crown must, in accordance with the Listing Rules, dispatch or procure the dispatch to each PBL Scheme Participant (other than Ineligible Overseas Shareholders) or to the Nominee (as the case may be) by prepaid post to their Registered Address, confirmation of allotment statements for Crown Shares to which they are entitled under this PBL Scheme.

4 Dealings in PBL Shares

4.1 Dealings in PBL Shares by Scheme Participants

For the purposes of establishing who is a PBL Scheme Participant, dealings in PBL Shares will be recognised by PBL provided that:

(a) in the case of dealings of the type to be effected on CHESS, the transferee is registered as the holder of the relevant PBL Shares on or before 7:00pm on the PBL Scheme Record Date; or

(b) in all other cases, registrable transfer or transmission applications in respect of those dealings are received at the place where the PBL Share Register is kept on or before 7:00pm on the PBL Scheme Record Date,

and PBL will not accept for registration or recognise for the purpose of establishing who are PBL Scheme Participants any transfer or transmission application in respect of PBL Shares received after 7:00pm on the PBL Scheme Record Date.

4.2 PBL Share Register

For the purpose of determining entitlements to participate in this PBL Scheme, PBL must maintain the PBL Share Register in accordance with the provisions of this clause 4 and the PBL Share Register in this form solely determines entitlements to the PBL Scheme Entitlement.

4.3 Registration of holdings

PBL must register any registrable transfer or transmission applications received in accordance with clause 4.1 on or before 7:00pm on the PBL Scheme Record Date.

5 General provisions

5.1 Agreement to become a member of Crown and CMH

(a) Under this PBL Scheme, each PBL Scheme Participant (other than Ineligible Overseas Shareholders) agrees to become a member of Crown and to have its name entered in the Crown Share Register and accepts the Crown Shares issued under this PBL Scheme on the terms and conditions of the Crown Constitution, without the need for any further act by a PBL Scheme Participant.

(b) Each PBL Scheme Participant (other than Ineligible Overseas Shareholders) and the Nominee (referred to as a Demerger Scheme Participant) agrees to become a member of CMH and have its name entered in the CMH Share Register and accept the Demerger Shares which are transferred under the Demerger Scheme on the terms and conditions of the CMH Constitution without the need for any further act by that Demerger Scheme Participant.

5.2 Appointment of agent and attorney

Each PBL Scheme Participant, without the need for any further act, irrevocably appoints PBL as its agent and attorney for the purpose of:

(a) executing any document or doing any other act necessary to give effect to the terms of this PBL Scheme including, without limitation enforcing the Crown Deed Poll against Crown;

(b) to the extent any such acknowledgment or consent is required for the purpose of section 231 of the Corporations Act, executing any acknowledgment or consent to become a member of Crown under this PBL Scheme and, subject to the Demerger Scheme becoming Effective, a member of CMH under the Demerger Scheme in accordance with clause 5.1; and

(c) exercising all powers and rights which the PBL Scheme Participant could lawfully exercise as the registered holder of the PBL Scheme Shares at any time before the Demerger Scheme becomes Effective including without limitation attending and voting at any meeting of PBL (which meeting the PBL Scheme Participant undertakes not to otherwise attend or vote at in person or by proxy or other representative), requisitioning any meeting of PBL and doing all things incidental and ancillary to any of the foregoing and it is acknowledged and agreed that in exercising such powers the attorney may act in the interests of Crown as the intended registered holder of those shares,

and PBL accepts such appointment. PBL, as agent of each PBL Scheme Participant, may in its absolute and unfettered discretion subdelegate its functions under this clause to all or any of its directors and secretaries (jointly and severally).

5.3 Enforcement of Crown Deed Poll and Crown Initial Shareholders' Deed Polls

PBL undertakes in favour of each PBL Scheme Participant that it will enforce the Crown Deed Poll against Crown and the Crown Initial Shareholders' Deed Polls against the Crown Initial Shareholders on behalf of and as agent and attorney for the PBL Scheme Participants.

5.4 Free of encumbrances

Each PBL Scheme Participant is deemed to have warranted to Crown that all its PBL Scheme Shares (including any rights attaching to those shares) that are transferred to Crown under this PBL Scheme are, at the date of transfer, fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their PBL Scheme Shares together with any rights attaching to those shares.

5.5 Instructions to PBL

(a) Under this PBL Scheme, each PBL Scheme Participant (other than Ineligible Overseas Shareholders) consents to the disclosure by PBL (or the PBL Share Registry) to Crown (or the Crown Share Registry) and the collection by Crown (or the Crown Share Registry) of all binding instructions or notifications between a PBL Scheme Participant (other than an Ineligible Overseas Shareholder) and PBL (or the PBL Share Registry) relating to PBL Scheme Shares or a PBL Scheme Participant's status as a PBL Shareholder (including, without limitation, any instructions relating to communications from PBL and whether dividends are to be paid by cheque or into a specified bank account) which disclosure will, to the extent permitted, from the PBL Scheme Implementation Date be deemed, by reason of this PBL Scheme, to be similarly binding instructions or notifications to, and accepted by, Crown in respect of Crown Shares transferred to PBL Scheme Participants until those instructions or notifications are, in each case, revoked or amended in writing addressed to Crown (at its registered address from time to time) or the Crown Share Registry.

(b) Each PBL Scheme Participant acknowledges that under the Demerger Scheme, Crown (or the Crown Share Registry) will disclose to CMH (or the CMH Share Registry) and CMH (or the CMH Share Registry) will collect all binding instructions or notifications between a Demerger Scheme Participant and Crown (or the Crown Share Registry) relating to Crown Shares or a Demerger Scheme Participant's status as a Crown Shareholder (including, without limitation any instructions relating to communications from Crown and whether dividends are to be paid by cheque or into a specified bank account) which disclosure

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will, to the extent permitted, from the Demerger Scheme Implementation Date be deemed, by reason of the Demerger Scheme, to be similarly binding instructions or notifications to, and accepted by, CMH in respect of Demerger Shares transferred to Demerger Scheme Participants until those instructions or notifications are, in each case, revoked or amended in writing addressed to CMH (at its registered address from time to time) or the CMH Share Registry.

(c) On the PBL Scheme Implementation Date, provided that a PBL Scheme Participant has properly notified PBL of the PBL Scheme Participant's TFN, PBL will transfer to Crown the PBL Scheme Participant's TFN, unless, prior to the PBL Scheme Implementation Date, the PBL Scheme Participant has either:

(i) completed and returned to the PBL Share Registry, the proxy form in the Booklet advising; or

(ii) advised the PBL Share Registry in writing,

that the PBL Scheme Participant's TFN is not to be provided to Crown.

(d) Each PBL Scheme Participant acknowledges that on the Demerger Scheme Implementation Date, provided that a Demerger Scheme Participant has properly notified Crown of the Demerger Scheme Participant's TFN (including without limitation a notification under paragraph (b)), Crown will transfer to CMH the Demerger Scheme Participant's TFN, unless prior to the Demerger Scheme Implementation Date, the Demerger Scheme Participant has advised the Crown Share Registry in writing that the Demerger Scheme Participant's TFN is not to be provided to CMH.

5.6 PBL Scheme Participants' consent

Without limiting clause 5.5, each PBL Scheme Participant consents to PBL and Crown doing all things necessary, incidental or expedient to the implementation and performance of this PBL Scheme and acknowledges that this PBL Scheme binds PBL and all of the PBL Scheme Participants (including those who do not attend the PBL Scheme Meeting, do not vote at that meeting or vote against the PBL Scheme).

5.7 Amendments to this PBL Scheme

If the Court proposes to approve this PBL Scheme subject to any alterations or conditions, PBL may, by its counsel or solicitor, and with the consent of Crown, consent to those alterations or conditions on behalf of all persons concerned, including a PBL Scheme Participant.

6 General

6.1 Inconsistencies

To the extent of inconsistency between the PBL Scheme and the PBL Constitution, the PBL Scheme overrides the PBL Constitution and binds PBL and all PBL Scheme Participants.

6.2 Further assurance

PBL will execute all deeds and other documents and do all acts and things necessary or expedient for the implementation and performance of this PBL Scheme and will, on behalf of PBL Scheme Participants, procure Crown to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps attributed to Crown under this PBL Scheme.

6.3 Costs and stamp duty

PBL will pay the costs of this PBL Scheme and any stamp duty that is payable on the transfer of the PBL Scheme Shares to Crown in accordance with this PBL Scheme.

6.4 Governing law

This PBL Scheme is governed by the laws of the State of New South Wales, Australia.

6.5 Notices

Any notice or other communication to PBL in respect of this PBL Scheme must be in legible writing and in English and:

(a) addressed as shown below:

Attention: Company Secretary

Address: Level 2, 54 Park Street, Sydney NSW 2000

Fax no: +61 2 9282 8828;

(b) must be signed by the person making the communication or by a person duly authorised by that person;

(c) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of PBL in accordance with paragraph (a); and

(d) will be regarded as received by PBL:

(i) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day; and

(ii) in any other case, on delivery at the address of PBL as provided in paragraph (a), unless that delivery is not made on a Business Day, or after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day.

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20.2 Crown Deed Poll

Crown Limited
ABN 39 125 709 953

Contents

1 Definitions and interpretation
  1.1 Definitions
  1.2 Interpretation
  1.3 Nature of Deed Poll
2 Conditions
  2.1 Conditions
  2.2 Termination
  2.3 Consequences of termination
3 Obligations to issue Crown Shares
  3.1 Obligation to issue Crown Shares
  3.2 Obligation to update Crown Share Register
  3.3 Obligation to provide cash
  3.4 Confirmation of allotment statements
4 Other obligations of Crown
  4.1 Official quotation of Crown Shares
  4.2 Share transfers
  4.3 General
5 Warranties
6 Continuing obligations
7 Notices
8 General
  8.1 Stamp duty
  8.2 Governing law and jurisdiction
  8.3 Waiver
  8.4 Variation
  8.5 Cumulative rights
  8.6 Assignment
  8.7 Further action
  8.8 GST
Execution page

Deed Poll made on 12 October 2007

Parties

1 **Crown Limited** (ABN 39 125 709 953) of 8 Whiteman Street, Southbank VIC 3006 (**Crown**)

In favour of: the persons registered on the PBL Share Register as holders of fully paid ordinary shares in Publishing and Broadcasting Limited (ABN 52 009 071 167) (**PBL**) on the PBL Scheme Record Date (**PBL Scheme Participants**).

Recitals

A PBL has proposed the PBL Scheme.

B Crown is entering into this Deed Poll for the purpose of covenanting in favour of PBL Scheme Participants to perform the steps attributed to it under the PBL Scheme.

The parties agree

1 Definitions and interpretation

1.1 Definitions

In this Deed Poll:

(a) **PBL Scheme** means the proposed scheme of arrangement between PBL and PBL Shareholders subject to any alterations or conditions made or required by the Federal Court of Australia pursuant to section 411 of the *Corporations Act* 2001 (Cth); and

(b) words and phrases used in this Deed Poll have the same meaning as given to them in the PBL Scheme.

1.2 Interpretation

In this Deed Poll, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;

(b) the singular includes the plural and vice versa;

(c) each gender includes the other gender;

(d) references to persons include references to individuals, corporations, other bodies corporate or bodies politic;

(e) references to paragraphs or clauses are to a paragraph or clause of this Deed Poll;

(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(g) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(h) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Sydney, Australia;

(k) a reference to "dollar" or "$" is to the lawful currency of the Commonwealth of Australia;

(l) a reference to any document (including this Deed Poll) is to that document as varied, novated, ratified or replaced from time to time;

(m) the interpretation of a substantive provision is not affected by any heading; and

(n) "includes" in any form is not a word of limitation.

1.3 Nature of Deed Poll

Crown acknowledges that:

(a) this Deed Poll may be relied on and enforced by any PBL Scheme Participant in accordance with its terms even though that PBL Scheme Participant is not a party to it;

(b) under the PBL Scheme, each PBL Scheme Participant irrevocably appoints PBL and any of the PBL directors as its agent and attorney, inter alia, to enforce this Deed Poll against Crown; and

(c) PBL and any of the PBL directors may enforce this Deed Poll against Crown in its own name notwithstanding that neither PBL nor any PBL director is a party to this Deed Poll.

2 Conditions

2.1 Conditions

Crown's obligations under this Deed Poll are subject to the satisfaction of each of the conditions in clause 2.1 of the PBL Scheme or, to the extent permitted by the PBL Scheme, the waiver of those conditions.

2.2 Termination

If the conditions precedent in clause 2.1 are not satisfied on or before 31 December 2007 (or such later date agreed by PBL and Crown in writing and, if required, approved by the Court), subject to clause 2.3, Crown's obligations under this Deed Poll automatically terminate.

2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies, Crown is released from its obligations to further perform this Deed Poll except those obligations under clause 8.1.

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3 Obligations to issue Crown Shares

3.1 Obligation to issue Crown Shares

Subject to clause 2 and in accordance with the provisions of the Implementation Deed and the PBL Scheme, Crown must provide the Crown Share component of the PBL Scheme Standard Consideration, the PBL Scheme Maximum Cash Consideration and the PBL Scheme Maximum Share Consideration to each PBL Scheme Participant or the Nominee (on behalf of the Ineligible Overseas Shareholders) as the case may be, in accordance with clause 3 of the PBL Scheme.

3.2 Obligation to update Crown Share Register

Crown must on the first Business Day after the PBL Scheme Record Date, procure the entry into the Crown Share Register of the name of:

(a) each PBL Scheme Participant (other than Ineligible Overseas Shareholders) in respect of the Crown Shares issued to the relevant PBL Scheme Participant pursuant to the PBL Scheme; and

(b) the Nominee in respect of those Crown Shares that would otherwise be issued to each PBL Scheme Participant who is an Ineligible Overseas Shareholder.

3.3 Obligation to provide cash

(a) Subject to clause 2 and the provisions of the PBL Scheme, Crown must provide on the Dispatch Date, the cash component of the PBL Scheme Standard Consideration, the PBL Scheme Maximum Cash Consideration and the PBL Scheme Maximum Share Consideration to each PBL Scheme Participant in accordance with clauses 3.2(b), 3.3 and 3.6(d) of the PBL Scheme.

(b) Crown must, on or prior to the PBL Scheme Implementation Date, deposit into a trust account in the name of PBL at the risk of Crown the Total Cash Consideration, such sum (except the interest thereon which will be for the account of Crown) to be held by PBL on trust for the PBL Scheme Participants and to be drawn on solely for the purpose of allowing Crown to fulfil its obligations under the PBL Scheme, including without limitation its obligations under clause 3.3(a).

3.4 Confirmation of allotment statements

(a) In accordance with clause 3.10 of the PBL Scheme, by no later than the Dispatch Date, Crown must, in accordance with the Listing Rules, dispatch or procure the dispatch to each PBL Scheme Participant (other than Ineligible Overseas Shareholders) or to the Nominee (as the case may be) by prepaid post to their Registered Address, confirmation of allotment statements for Crown Shares issued to them under the PBL Scheme,

(b) In the case of PBL Scheme Participants that are joint holders of PBL Shares, such confirmation of allotment statements must be forwarded to the holder whose name appears first in the PBL Share Register on the PBL Scheme Record Date.

4 Other obligations of Crown

4.1 Official quotation of Crown Shares

Crown must, within 5 Business Days of the date of the PBL Scheme Booklet, apply for admission to the official list of ASX and for the quotation of Crown Shares on the stock market conducted by ASX (initially on a deferred settlement basis and at all times ex entitlement to participate in the Demerger Scheme), in each case conditional upon the Court approving the PBL Scheme pursuant to section 411(4)(b) of the Corporations Act.

4.2 Share transfers

Crown must execute the share transfer forms (or a master share transfer form) referred to in clause 3.1 of the PBL Scheme and must deliver such forms to PBL for registration on the PBL Scheme Implementation Date.

4.3 General

Subject to clause 2, Crown covenants in favour of the PBL Scheme Participants to perform:

(a) all other steps attributed to it under, and otherwise to comply with, the PBL Scheme as if named as a party to the PBL Scheme; and

(b) all steps required of it under, and to otherwise comply with, the Implementation Deed (insofar as it relates to the PBL Scheme).

5 Warranties

Crown represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and

(d) this Deed Poll is valid and binding on it.

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6 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Crown has fully performed its obligations under this Deed Poll; or

(b) the earlier termination of this Deed Poll under clause 2.

7 Notices

Any notice or other communication to Crown in respect of this Deed Poll must be in legible writing and in English and:

(a) addressed as shown below:

Crown Limited

8 Whiteman Street, Southbank VIC 3006

Attention: The Company Secretary

Facsimile: +61 2 9282 8828

(b) must be signed by the person making the communication or by a person duly authorised by that person;

(c) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of Crown in accordance with clause 8(a); and

(d) will be regarded as received by Crown:

(i) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day; and

(ii) in any other case, on delivery at the address of Crown as provided in clause 8(a), unless that delivery is not made on a Business Day, or after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day.

8 General

8.1 Stamp duty

Crown acknowledges that any stamp duty and any related fines or penalties which are payable on or in respect of this Deed Poll will be paid as provided for in clause 18.4 of the Implementation Deed.

8.2 Governing law and jurisdiction

(a) This Deed Poll is governed by the laws of the State of New South Wales, Australia.

(b) Crown irrevocably submits to the non exclusive jurisdiction of the courts of New South Wales, Australia.

8.3 Waiver

(a) Waiver of any right arising from a breach of this Deed Poll or of any right, power, authority, discretion or remedy arising upon default under this Deed Poll must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this Deed Poll; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) A party is not entitled to rely on a delay in the exercise or non exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.

(d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

(e) This clause may not itself be waived except in writing, and only where the conditions in Section 8.4 have been satisfied.

8.4 Variation

A provision of this Deed Poll may not be varied unless:

(a) before the PBL Scheme Second Court Date, the variation is agreed to in writing by PBL; or

(b) on or after the PBL Scheme Second Court Date, the variation is agreed to in writing by PBL and is approved by the Court,

in which event Crown will enter into a further deed poll in favour of the PBL Scheme Participants giving effect to the amendment.

8.5 Cumulative rights

The rights, powers and remedies of Crown and the PBL Scheme Participants under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this Deed Poll.

8.6 Assignment
The rights and obligations of Crown and the rights of each PBL Scheme Participant under this Deed Poll are personal and must not be assigned or otherwise dealt with at law or in equity.

8.7 Further action
Crown will promptly do all things and execute all further documents necessary to give effect to this Deed Poll.

8.8 GST
Crown must pay to the PBL Scheme Participants an amount equal to any GST for which the PBL Scheme Participants are liable on any supply by the PBL Scheme Participants under or in connection with this Deed Poll, without deduction or set off of any other amount.

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Section 21
Appendices

21

21. Appendices

21.1 Accounting policies

The following summary of accounting policies details the accounting policies applied in Sections 10.6, 11.6 and 12.5.

The financial information in Sections 10.6, 11.6 and 12.5 has been prepared on a pro forma basis because Crown and CMH have not previously prepared financial information.

Basis of consolidation

The Pro Forma Financial Information in:

- Section 10.6 comprises Crown Limited and all the entities that it will control upon completion of the Demerger Scheme;
- Section 11.6 comprises Consolidated Media Holdings Limited and all entities that it will control upon completion of the Demerger Scheme; and
- Section 12.5 comprises Crown Limited and all entities that it will control at the completion of the PBL Scheme (but before the completion of the Demerger Scheme).

Except for the results of PBL Media, information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control. Although PBL Media was controlled from 7 February 2007 until 6 June 2007, its results have been included in the financial sections by applying the equity method of accounting in Sections 11.6 and 12.5. This policy has been adopted to reflect the future treatment of this investment on a consistent basis from its inception.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In accordance with AASB 3, Business Combinations, Crown Limited's acquisition of PBL was considered a reverse acquisition; consequently, there was no change to the carrying values of the net assets of PBL in the acquisition by Crown Limited.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Pro Forma Income Statement.

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Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Pro Forma Balance Sheets.

Cash flows are included in the Pro Forma Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Foreign currency translation

Both the functional and presentation currency of Crown and CMH and their Australian subsidiaries is Australian dollars. Each foreign entity in the Crown Group determines their own functional currency and items included in the financial statements of each foreign entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the Pro Forma Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Crown at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Pro Forma Income Statement.

Cash and cash equivalents

Cash and short term deposits in the Pro Forma Balance Sheets comprise cash at bank and in hand, and short term deposits.

Cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the full amount may not be collected. Bad debts are written off when identified.

Receivables from associates and other related parties are carried at amortised cost. Interest is recognised with the effective interest rate.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Crown Group inventories include food, beverages and general stores and are costed on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investments in associates

Crown's and CMH's investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which Crown or CMH has significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of the associates are used by Crown or CMH to apply the equity method. The reporting dates of the associates are identical to Crown and CMH, and all use consistent accounting policies.

The investments in the associates are carried in the Pro Forma Balance Sheets at cost plus post-acquisition changes in Crown's and CMH's share of net assets of the associates, less any impairment in value. The Pro Forma Income Statements reflect Crown's or CMH's share of the results of operations of the associates.

All transactions between associates and Crown or CMH are eliminated according to the percentage of ownership held.

Where there has been a change recognised directly in the associates' equity, Crown and CMH recognise their share directly in their equity.

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Pro Forma Income Statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when Crown or CMH has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

Investments that are expected to be sold are reclassified to held for sale. These assets are held at the lower of cost and recoverable amount.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold buildings – 40 to 75 years;
- leasehold improvements – lease term; and
- plant and equipment – 2 to 15 years.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Pro Forma Income Statements in the period the item is derecognised.

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Intangible assets

Licences

Licences and mastheads are carried at cost.

No amortisation is provided against these assets as the directors consider that the life of the licences and mastheads are indefinite life intangible assets.

The casino licence premiums are carried at cost of acquisition. The Crown Melbourne licence is being amortised on a straight-line basis over the remaining life of the licence from the time PBL acquired Crown Melbourne, being 34 years. The Burswood licence is perpetual and, as such, no amortisation is charged.

The directors regularly assess the carrying value of licences so as to ensure they are not carried at a value greater than their recoverable amount.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Development costs

Development costs incurred on an individual project are carried forward when future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development cost, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any costs carried forward are amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Other intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Pro Forma Income Statement.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Pro Forma Income Statement when the net asset is derecognised.

Recoverable amount of assets

At each reporting date, Crown and CMH each assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, Crown and CMH makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Trade and other payables

Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed to Crown and CMH at reporting date. Crown and CMH operate in a number of diverse markets, and accordingly the terms of trade vary by business.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Pro Forma Income Statement when the liabilities are derecognised and as well as through the amortisation process.

Provisions

Provisions are recognised when there is a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other events, it is probable that a future sacrifice of economic benefit will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related on-costs. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee.

The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

Equity settled transactions

Crown and CMH provide benefits to senior executives in the form of share-based payments, whereby executives render services in exchange for shares or rights over shares.

The plan in place to provide these benefits is the Executive Share Plan ("ESP").

The cost of these equity-settled transactions with executives is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using the Monte Carlo model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of PBL.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant executives become fully entitled to the award ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting dates reflects:

- the extent to which the vesting period has expired; and
- the directors' best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Pro Forma Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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Leases

Finance leases, which transfer to Crown and CMH substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense in the Pro Forma Income Statements on a straight-line basis over the lease term.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when Crown or CMH no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivative financial instruments

Crown or CMH uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example, when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Impairment of financial assets

Crown and CMH assess at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

Crown and CMH first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the current market rate of return for a similar financial asset.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Pro Forma Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Contributed equity

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of the consideration received by the company, less transaction costs.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Control of the right to be compensated for the services and the stage of completion can be reliably measured.

Casino revenues are the net of gaming wins and losses.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

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21.2 Scheme Consideration Alternatives – calculation and worked examples

Calculation of PBL Scheme Entitlement

The following explanation contained in this Appendix 21.2 and the worked examples contained in this Appendix 21.2 illustrate how PBL will determine the split of Crown Shares and cash to be provided under the PBL Scheme Consideration Alternatives.

The total PBL Scheme Consideration that Crown will provide to acquire all PBL Scheme Shares under the PBL Scheme is:

(a) $2,065,580,775 (**Cash Limit**), which is equivalent to $3.00 each for 688,526,925 PBL Shares being the number of PBL Shares on issue at the date of this Booklet (or $2,069,030,775, which is equivalent to $3.00 each for 689,676,925 PBL Shares, if resolution 6 in the notice of PBL Annual General Meeting (issue of PBL Shares to Mr Craigie) is passed); and

(b) a fixed number of Crown Shares (**Crown Share Limit**), being the number that is equivalent to the total number of PBL Scheme Shares. As at the date of this Booklet, there are 688,526,925 PBL Shares on issue. This number will also be the number of PBL Scheme Shares unless resolution 6 in the notice of PBL Annual General Meeting (issue of PBL Shares to Mr Craigie) is passed, in which event the number of PBL Scheme Shares will increase by 1,150,000 PBL Shares.

The Cash Limit and Crown Share Limit are fixed and will not change as a result of Elections.

After all Elections are processed, the precise mix of cash and Crown Shares that will be paid/issued to a PBL Scheme Participant who elects to receive either of the PBL Scheme Consideration Alternatives will be determined as follows:

Step 1: The Cash Limit and the Crown Share Limit will both be reduced to satisfy Crown's obligations under the PBL Scheme to provide the PBL Scheme Standard Consideration in respect of PBL Scheme Shares held by PBL Scheme Participants who elect, or are deemed to elect, to receive the PBL Scheme Standard Consideration in respect of their PBL Scheme Shares. The remaining amount of cash in the Cash Limit following implementation of this Step 1 is the **Lower Cash Limit Amount**. The remaining number of Crown Shares in the Crown Share Limit following implementation of this Step 1 is the **Lower Number of Crown Shares**.

Step 2: The Lower Cash Limit Amount and the Lower Number of Crown Shares will be distributed to satisfy Crown's obligations under the PBL Scheme to provide the PBL Scheme Consideration Alternatives to PBL Scheme Participants who validly elected to receive such consideration in respect of their PBL Scheme Shares.

In order to determine how the Lower Cash Limit Amount and Lower Number of Crown Shares will be distributed in these circumstances, PBL will undertake the following steps:

First, PBL needs to determine the value to be attributed to PBL Scheme Shares (**PBL Scheme Share Value**) and this value (which is to be determined to the nearest one cent) will be the amount for which a total cash payment will apply. The PBL Scheme Share Value is the VWAP for PBL Shares during the five Trading Days immediately prior to and including the PBL Scheme Effective Date. The VWAP calculation will take place over a period when the PBL Shares trade on ASX ex the entitlement to the PBL 2007 Final Dividend.

(c) PBL will determine the Standard Scheme Consideration Ratio (**SSCR**). The SSCR will be determined in accordance with the following formula:

$$\frac{A - \$3.00}{\$3.00}$$

where: "**A**" means the PBL Scheme Share Value.

(d) PBL will determine the elected scheme consideration ratio (**ESCR**). The ESCR will be determined in accordance with the following formula:

$$\frac{\textbf{MSC}}{\textbf{MCC}}$$

where: **MSC** is the total number of PBL Shares that are the subject of valid Elections to receive the PBL Scheme Maximum Share Consideration; and

MCC is the total number of PBL Shares that are the subject of valid Elections to receive the PBL Scheme Maximum Cash Consideration.

If either the MSC or the MCC is zero, all PBL Shareholders will receive one Crown Share and $3.00 for each PBL Scheme Share held (equivalent to the PBL Scheme Standard Consideration).

(e) If the ESCR is less than the SSCR, then:

(i) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Share Consideration** will receive only Crown Shares for each PBL Scheme Share that they hold; with the number of Crown Shares for each PBL Scheme Share being determined as follows:

$$\frac{A}{A - \$3.00}$$

where: "**A**" means the PBL Scheme Share Value.

Fractional interests resulting from the application of this formula will be dealt with in the manner set out in Section 5.3.

(ii) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Cash Consideration** will receive a cash amount and a number of Crown Shares for their PBL Scheme Shares.

The cash amount for each PBL Scheme Share will be determined as follows:

$$\frac{\textbf{Lower Cash Limit Amount}}{\textbf{MCC}}$$

The number of Crown Shares will be determined as follows:

$$\frac{A - B}{A - \$3.00}$$

where: "**A**" means the PBL Scheme Share Value;

"**B**" means the cash amount for each PBL Scheme Share determined in accordance with the immediately preceding formula.

Fractional interests resulting from the application of this formula will be dealt with in the manner set out in Section 5.3.

(f) If the ESCR is more than the SSCR, then:

(i) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Cash Consideration** will receive only a cash amount for each PBL Scheme Share that they hold, with the cash amount for each PBL Scheme Share being equal to the PBL Scheme Share Value. Fractional interests will be dealt with in the manner set out in Section 5.3;

(ii) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Share Consideration** will receive a cash amount and a number of Crown Shares for their PBL Scheme Shares.

The number of Crown Shares will be determined as follows:

$$\frac{\textbf{Lower Number of Crown Shares}}{\textbf{MSC}}$$

The cash amount for each PBL Scheme Share will be determined as follows:

A – C (A – $3.00)

where: "**A**" means the PBL Scheme Share Value; and

"**C**" means the number of Crown Shares determined in accordance with the immediately preceding formula.

Fractional interests resulting from the application of this formula will be dealt with in the manner set out in Section 5.3.

(g) If the ESCR is equal to the SSCR, then:

(i) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Cash Consideration** will receive only a cash amount for each PBL Scheme Share that they hold, with the cash amount for each PBL Scheme Share being equal to the PBL Scheme Share Value. Fractional interests will be dealt with in the manner set out in Section 5.3; and

(ii) All PBL Shareholders who made a valid Election to receive the **PBL Scheme Maximum Share Consideration** will receive only Crown Shares for each PBL Scheme Share that they hold, with the number of Crown Shares for each PBL Scheme Share being determined as follows:

$$\frac{A}{A - \$3.00}$$

where: "**A**" means the PBL Scheme Share Value.

Fractional interests resulting from the application of this formula will be dealt with in the manner set out in Section 5.3.

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Worked examples

To assist in explaining the cash amount and number of Crown Shares received for each PBL Scheme Share, the table of examples and explanations below assume the following for illustrative purposes only:

- A PBL Scheme Share Value of $19.50
- 688,526,925 PBL Scheme Shares

The above assumptions imply the following:

- A Cash Limit of $2,065,580,775 (i.e. $3.00 x 688,526,925)
- A Crown Share Limit of 688,526,925
- An SSCR of 5.5 (i.e ($19.50 – $3.00)/$3.00)

The table of examples below varies the proportion of PBL Scheme Shares elected under the three choices and shows the resultant cash amount and number of Crown Shares received for each PBL Scheme Share:

Worked examples

	Example 1	Example 2	Example 3
% of PBL Scheme Shares elected under each option			
PBL Scheme Standard Consideration	60%	60%	61%
PBL Scheme Maximum Cash Consideration	10%	5%	6%
PBL Scheme Maximum Share Consideration	30%	35%	33%
	100%	100%	100%
PBL Scheme Shares elected under each option (m)			
PBL Scheme Standard Consideration	413.1	413.1	420.0
MCC	68.9	34.4	41.3
MSC	206.6	241.0	227.2
	688.5	688.5	688.5
Lower Cash Limit Amount ($m)	826.2	826.2	805.6
Lower Number of Crown Shares (m)	275.4	275.4	268.5
ESCR	3.00	7.00	5.50
Cash amount for each PBL Scheme Share ($/share)			
PBL Scheme Standard Consideration	3.00	3.00	3.00
PBL Scheme Maximum Cash Consideration	12.00	19.50	19.50
PBL Scheme Maximum Share Consideration	0.00	0.64	0.00
Crown Shares for each PBL Scheme Share			
PBL Scheme Standard Consideration	1.0000	1.0000	1.0000
PBL Scheme Maximum Cash Consideration	0.4545	0.0000	0.0000
PBL Scheme Maximum Share Consideration	1.1818	1.1429	1.1818

Note:

1 Table is produced for illustrative purposes only and numbers have been rounded where deemed appropriate

Example 1 explanation

For illustrative purposes only, Example 1 assumes that 60% of PBL Scheme Shares are elected or deemed to have been elected as PBL Scheme Standard Consideration, 10% are elected as PBL Scheme Maximum Cash Consideration and 30% are elected as PBL Scheme Maximum Share Consideration.

Step 1

Cash Limit and Crown Share Limit are both reduced to satisfy Crown's obligations to provide the PBL Scheme Standard Consideration

- Lower Cash Limit Amount = $826.2 million (i.e. 2,065,580,775 – ($3.00 x 413.1 million)
- Lower Number of Crown Shares = 275.4 million (i.e. 688,526,925 – 413.1 million).

Step 2

- PBL Scheme Share Value is assumed to be $19.50 (for illustrative purposes only)
- SSCR = 5.5 (i.e. ($19.50 – $3.00)/$3.00)
- ESCR = 3.0 (i.e. 206.6 million/68.9 million or 30%/10%)
- As the ESCR is less than the SSCR, then PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Share Consideration will receive 1.1818 Crown Shares for each PBL Scheme Share (i.e. 19.50/(19.50 – 3.00)) and no cash amount
- As the ESCR is less than the SSCR, then PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Cash Consideration will receive
  - (i) cash amount of $12.00 for each PBL Scheme Share (i.e. $826.2 million/68.9 million); and
  - (ii) 0.4545 Crown Shares for each PBL Scheme Share (i.e. ($19.50 – $12.00)/($19.50 – $3.00)).

Example 2 explanation

For illustrative purposes only, Example 2 assumes that 60% of PBL Scheme Shares are elected or deemed to have been elected as PBL Scheme Standard Consideration, 5% are elected as PBL Scheme Maximum Cash Consideration and 35% are elected as PBL Scheme Maximum Share Consideration.

Step 1

Cash Limit and Crown Share Limit are both reduced to satisfy Crown's obligations to provide the PBL Scheme Standard Consideration, giving a Lower Cash Limit Amount of $826.2 million and a Lower Number of Crown Shares of 275.4 million.

Step 2

- PBL Scheme Share Value is assumed to be $19.50 (for illustrative purposes only)
- SSCR = 5.5 (i.e. ($19.50 – $3.00)/$3.00)
- ESCR = 7.0 (i.e. 241.0 million/34.4 million or 35%/5%)
- As the ESCR is more than the SSCR, then PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Cash Consideration will receive $19.50 cash for each PBL Scheme Share (i.e. the PBL Scheme Share Value) and no Crown Shares
- As the ESCR is more than the SSCR, then PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Share Consideration will receive
  - (i) 1.1429 Crown Shares for each PBL Scheme Share (i.e. 275.4 million/241.0 million); and
  - (ii) cash amount of $0.64 for each PBL Scheme Share (i.e. $19.50 – (1.1429 x ($19.50 – $3.00))).

Example 3 explanation

For illustrative purposes only, Example 3 assumes that 61% of PBL Scheme Shares are elected or deemed to have been elected as PBL Scheme Standard Consideration, 6% are elected as PBL Scheme Maximum Cash Consideration and 33% are elected as PBL Scheme Maximum Share Consideration.

Step 1

Cash Limit and Crown Share Limit are both reduced to satisfy Crown's obligations to provide the PBL Scheme Standard Consideration:

- Lower Cash Limit Amount = $805.6 million (i.e. $2,065,580,775 – ($3.00 x 420.0 million))
- Lower Number of Crown Shares = 268.5 million (i.e. 688,526,925 – 420.0 million).

Step 2

- PBL Scheme Share Value is assumed to be $19.50 (for illustrative purposes only)
- SSCR = 5.5 (i.e. ($19.50 – $3.00)/$3.00)
- ESCR = 5.5 (i.e. 227.2 million/41.3 million or 33%/6%)
- As the ESCR is equal to the SSCR, then PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Cash Consideration will receive $19.50 cash for each PBL Scheme Share (i.e. the PBL Scheme Share Value) and no Crown Shares, PBL Shareholders who made a valid Election to receive the PBL Scheme Maximum Share Consideration will receive 1.1818 Crown Shares for each PBL Scheme Share (i.e. $19.50/($19.50 – $3.00)) and no cash amount.

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Corporate directory

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Publishing and Broadcasting Limited
ABN 52 009 071 167

Registered Office
Level 2, 54 Park Street
Sydney NSW 2000

Telephone +61 (2) 9282 8000
Facsimile +61 (2) 9282 8828

Website www.pbl.com.au

Legal Adviser
Gilbert + Tobin
Level 37, 2 Park Street
Sydney NSW 2000

Taxation Adviser
Ernst & Young
680 George Street
Sydney NSW 2000

Independent Accountant
Ernst & Young
680 George Street
Sydney NSW 2000

Financial Adviser
UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Independent Expert
KPMG Corporate Finance (Aust) Pty Ltd
10 Shelley Street
Sydney NSW 2000

PBL/Crown Share Registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone 1300 85 05 05 (within Australia)
+61 (3) 9415 4000 (international)

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KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901
10 Shelley Street
Sydney NSW 2000

P O Box H67
Australia Square 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 8021
DX: 1056 Sydney
www.kpmg.com.au

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The Directors
Publishing and Broadcasting Limited
Level 2, 54 Park St
Sydney NSW 2000

16 October 2007

Dear Sirs/Madam

Independent expert report and Financial services guide

1 Introduction

On 8 May 2007, Publishing and Broadcasting Limited (PBL or the Company) announced its intention to split its businesses into two publicly listed companies: Crown Limited (Crown), a company with operations and investments in the gaming industry and Consolidated Media Holdings Limited (CMH), a holding company for media related investments. The split is to be facilitated by way of two schemes of arrangement and an internal reorganisation (the Proposed Restructure), of which one scheme will require approval by PBL shareholders.

PBL is an Australian based media and gaming company listed on the Official List of Australian Stock Exchange Limited (ASX). As at 11 October 2007, PBL had a market capitalisation of $14.2 billion[1]. Under the Proposed Restructure:

- Crown will acquire all of the shares in PBL for $3.00 per share plus one Crown share as standard consideration (PBL Scheme).

- Crown will undertake an internal reorganisation, establishing CMH as the holding company for the media related investments currently held by PBL (Reorganisation). CMH will then be demerged from Crown and PBL shareholders will receive one CMH share for each Crown share issued under the PBL Scheme (Demerger Scheme). Application will be made to the ASX for Crown to be separately listed.

- Post the Proposed Restructure, Crown will hold a portfolio of gaming assets, including, the Crown and Burswood casinos, a 41.4 percent interest in Melco PBL Entertainment (Macau) Limited, as well as interests in Betfair Australia, Aspinalls, Fontainebleau and Crown Las Vegas. CMH will hold a portfolio of media related investments, including FOXTEL (25 percent), Premier Media Group (PMG) (50 percent), SEEK (27 percent) and PBL Media (25 percent).

[1] Unless explicitly stated, all financial amounts set out in this report are denominated in Australian dollars ($).

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The two schemes that will facilitate the Proposed Restructure are not independent. Completion of the PBL Scheme requires the approval of PBL's shareholders and the satisfaction of various conditions precedent. Completion of the Demerger Scheme requires approval of the initial Crown shareholders, who comprise various lawyers from Gilbert + Tobin and executives of PBL, as well as the satisfaction of various conditions precedent. However, although the initial Crown shareholders are required to approve the Demerger Scheme, they have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote by PBL shareholders to approve resolution number five (the Demerger Scheme Advisory Resolution) at the PBL Annual General Meeting.

The board of PBL has requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG) to provide an independent expert report (IER) indicating whether in our opinion, the PBL Scheme and the Proposed Restructure are in the best interests of PBL shareholders. The PBL Scheme will be implemented as the initial step of the Proposed Restructure and would not have been put to PBL shareholders unless it was part of the Proposed Restructure. In addition, PBL shareholders are entitled to vote on the Demerger Scheme Advisory Resolution, which allows them to direct the vote of the initial Crown shareholders on the Demerger Scheme. Accordingly, it is unlikely that the PBL Scheme only will be implemented and therefore in order to opine on whether the PBL Scheme is in the best interests of PBL shareholders, we have reviewed the impact of the Proposed Restructure as a whole.

However, as the PBL Scheme is independent of the Demerger Scheme, we acknowledge it is possible that the PBL Scheme may be implemented without the Proposed Restructure being fully completed. Therefore, in forming our opinion on the Proposed Restructure, we have considered the implications of the PBL Scheme being approved and the Demerger Scheme being rejected, allowing us to extend our opinion on the Proposed Restructure to consider the PBL Scheme alone.

Details of the Proposed Restructure are set out more fully in Section 3 of this report and in depth in Section 4 of the Scheme Booklet to which this report is attached.

The Scheme Booklet is to accompany the notice of meeting to be sent to shareholders eligible to vote at the special meeting of shareholders to be held on 23 November 2007 in relation to the PBL Scheme (Scheme Meeting). There will be a PBL Annual General Meeting held immediately after the Scheme meeting to vote on, amongst other things, the Demerger Scheme Advisory Resolution.

2 Summary of opinion

2.1 The Proposed Restructure is in the best interests of PBL shareholders

In our opinion, the Proposed Restructure is in the best interests of PBL shareholders.

Historically, PBL has been one of Australia's most prominent media businesses. However, through the acquisition of Crown in 1999 and Burswood in early 2004, gaming became an increasingly significant part of the total PBL business. As it became evident there was little benefit in operating the two diverse businesses within a single company, the market considered PBL to be a natural candidate for a demerger.

However, rather than undertake significant structural change, PBL continued its investment in various international gaming opportunities. And in October 2006, PBL announced to the market that it was selling

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50 percent of its investment in its traditional media assets, which were to be restructured as PBL Media. The sale of the initial 50 percent of PBL Media and the subsequent announcement of the sale of a further 25 percent, resulted in PBL becoming the gaming orientated business it is today; with the only remaining link to its media origins being a select number of non-controlling investments in 'new media' assets and 25 percent of PBL Media.

The initial PBL Media transaction sent a clear message that PBL was redefining itself as a gaming business. However, PBL management believes that some participants in the market still view PBL as a diversified media and entertainment company and this perspective has limited the market's ability to assess the value of the gaming business and the remaining 'new media' related investments. Effectively, the sale of PBL Media resulted in PBL operating predominantly as a gaming business, but key investors domestically and internationally have not been recognising it as such due to the continuing ownership of the 'new media' investments. Further, PBL management felt that the opportunities that are inherent in the 'new media' investments are not transparent to the market, resulting in their growth potential not being fully recognised.

Therefore, in order to position PBL to best achieve its new strategy and be valued appropriately by the market, PBL has elected to undertake the demerger process that the market had previously anticipated. In doing so, the Proposed Restructure will result in PBL shareholders holding an investment in a 'pure play' gaming business and a separate investment in a 'new media' business.

After reviewing the recent changes in the PBL businesses, and assessing its current operating structure, it is clear there are sufficient potential benefits to PBL shareholders for the Proposed Restructure to be considered an appropriate next step in PBL's development.

The principal matters that KPMG has taken into consideration in forming its opinion that the Proposed Restructure is in the best interests of PBL shareholders are summarised below and discussed in more detail in the remainder of this report.

Strategic focus

As a consequence of the Proposed Restructure, each demerged business will have a dedicated board and management team, which over time is expected to result in a greater focus on the respective core businesses. This focus is considered to be an important issue for PBL given the contrasting strategies likely to be adopted for Crown and CMH. In this regard, it is noted that:

- Crown intends to position itself as a leading international gaming company, achieving growth via acquisitions or developments in high growth markets and thus, it will have high capital requirements.
- In contrast, CMH's growth is largely expected to be achieved through organic growth in its current 'new media' investments and thus, it is likely to have low capital requirements.

While it is arguable that PBL can currently implement these strategic objectives within its current structure, the demerger into 'pure play' companies allows a more transparent view of the companies' strategy, making it clearer for investors to assess the strategy and risks of each company. This means the board and management team of each company will have a greater mandate to implement their strategy

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and can thus pursue their goals more aggressively than would be possible if operating within a diversified business.

Shareholder flexibility

Post the Proposed Restructure, investors will have the flexibility to invest in a 'pure play' gaming business or a 'new media' investment company. Given the contrasting strategies proposed for Crown and CMH, it is likely that the varying risk/return profile of each entity will attract a different set of investors. Crown's gaming businesses, particularly its international developments, have a higher level of risk attached, as investors are currently investing in potential and not actual cash flows at this time. In contrast, CMH's media related investments have a more stable income generating profile and whilst it has strong growth expectations, it is likely to have a different growth profile to that of Crown.

As a result of the Proposed Restructure, a greater level of transparency in the demerged entities will allow investors to better assess the strategy and risks of each entity. In doing so, investors will have the flexibility to match their investment in Crown and/or CMH to their personal risk/return profile. Similarly, PBL shareholders will be able to adjust their holdings in Crown and CMH, or if they consider PBL's current diversified media and gaming business to be a satisfactory fit for their risk/return profile, they can continue to hold shares in both Crown and CMH.

Financial flexibility

A demerger can allow companies to re-allocate their capital in accordance with their strategic goals. Further, by aligning the interests of management, a demerger also limits the possibility of any internal struggles for access to capital between segments of a diversified firm. In this regard, the Proposed Restructure will allow Crown and CMH to independently manage their funding requirements to best achieve their operational, financial and strategic goals.

Although PBL's current financing structure is not considered to have restricted the recent development of the business, it is possible that the future development of the gaming and media businesses may be impacted by their different earnings profiles and capital requirements.

Trading liquidity maintained

PBL is currently included in the ASX 50 index and is one of the more heavily traded shares on the ASX. The Proposed Restructure will result in the following:

- Crown is likely to be included in the ASX 50 index and will be the only listed gaming company on the ASX with an international portfolio of assets. It will also be one of the few companies globally that holds assets in a number of the key international gaming locations.

- CMH is likely to be included in the ASX 200 index and is one of only a few 'new media' companies listed on the ASX.

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Therefore, although the trading interest in Crown is expected to generate stronger trading volumes than for CMH, the respective features of both Crown and CMH should attract sufficient investor interest to provide the level of liquidity required for the efficient pricing of the shares in the future.

Takeover potential

There are a number of reasons why a demerged Crown and CMH may be more attractive to potential bidders, including their smaller size and the more focused nature of their businesses. However, it is unlikely that Crown and CMH will be viewed as a takeover target unless support is obtained from Mr James Packer, whose company Consolidated Press Holdings Limited (CPH), will continue to hold a 38 percent interest in both companies. CPH has advised PBL that if the Proposed Restructure is implemented, it will be supportive of both Crown and CMH and has no present intention to dispose of its interest in either entity.

Cost savings

As separately listed companies, Crown and CMH will incur increased costs as a result of the need to maintain separate boards of directors, share registries, information technology and reporting systems, and corporate and administrative functions. In addition, Crown will incur other costs associated with its initial listing, including listing fees, shareholder communications, and legal and regulatory compliance costs.

However, PBL has indicated that the combined head office costs of Crown and CMH will be significantly lower than the existing costs of PBL, primarily due to a reduction in management costs at CMH. Based on the preliminary analysis undertaken by PBL, corporate costs going forward will be $33 million and $8 million for Crown and CMH respectively. This reflects a significant reduction to the $93 million that was reported in 2007.

However, it is noted that a number of these cost savings should be capable of being realised regardless of whether the Proposed Restructure occurs. Nonetheless, the Proposed Restructure provides an opportunity to implement these cost saving initiatives as part of the broader changes required under the Proposed Restructure. Without this opportunity, these cost saving initiatives may have been more difficult to implement in isolation.

Better alignment of management incentives with performance

The implementation of the Proposed Restructure will allow the respective boards of Crown and CMH to introduce new employee incentive plans, which are more directly aligned to the financial performance of the businesses on a stand-alone basis. By aligning management incentives in this way, business performance should be maximised to the benefit of shareholders generally.

Market re-rating

One of the prime drivers of a demerger is the potential for value enhancement. The creation of two separately listed entities is likely to result in a greater level of transparency and understanding of the operations of each business, which will, in turn, increase the likelihood of a more efficient value assessment being made by the market. We consider any market re-rating as a result of a demerger process to typically occur over a medium term investment horizon, say one to two years.

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Based on our assessment of the operations of both Crown and CMH, we consider it more likely that a re-rating will occur in Crown rather than CMH. However, at this time we are unable to quantify with any certainty the extent or timing of any re-rating, due to the lack of consistency in the trading multiples of the companies likely to be considered as peers to Crown and CMH and the developmental stage of significant parts of Crown, CMH and a number of the comparable companies.

Ultimately, the traded price of Crown and CMH, and the quantum of any re-rating, will be influenced by a range of factors, including:

- The extent of any increase in the transparency of each business.
- The extent to which the market will discount the value of Crown or CMH as a result of the non-controlling nature of a number of their investments.
- The ability of Crown and CMH to 'win' the trust of analysts, institutional and retail investors by demonstrating on a stand alone basis an ability to achieve the strategy set out to the market.
- The extent to which the 'pure play' companies can attract and maintain a new investor base.
- The performance of the broader gaming industry for Crown and the media industry for CMH, in particular the subscription television and online media sectors.
- The market conditions of global equity markets.
- Economic conditions prevalent at the time.

Potential impact on debt ratings and financing costs

Crown is not expected to have a material change in its borrowing capacity as a result of the Proposed Restructure, although it will be a smaller entity and thus be more susceptible to the volatile cash flows that can be generated by its development activity.

Although CMH will have capacity to raise debt, it is expected that it will have more difficulty doing so, given its size and the nature of its activities. However, PBL has indicated that if CMH did require debt, it may be possible to borrow at the investment level, as opposed to borrowing directly within CMH.

Loss of diversification

If the Proposed Restructure is successful, both CMH and Crown will be smaller on a stand-alone basis than PBL and individually will have reduced earnings diversification. Shareholders may experience greater earnings volatility by being more directly exposed to the risks of the respective industries in which Crown and CMH will operate. This will also be impacted by decisions they make as to whether to continue with an equal weighting in Crown and CMH. However, PBL shareholders will be able to achieve diversification against these risks by holding shares in a broad portfolio of companies.

Reduced index weighting

As previously noted, the Proposed Restructure will lead to both Crown and CMH individually having lower share market capitalisations and consequently, lower index weightings, than the current market capitalisation and index weighting of PBL. As a result, Crown is expected to be included in the ASX 50

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and CMH is expected to be included in the ASX 200. This lower presence in the sharemarket indices may result in a lower level of institutional interest in each of the demerged entities, particularly CMH.

If a company has a reduced index weighing and thus a lower level of demand from institutional investors, there is a risk the reduced demand for the company's shares will result in the company not being fully priced. This is a particular risk for CMH, given its smaller size and the nature of its investments, and therefore a discount to the value of the underlying investments may be applied in the trading price of CMH's shares.

Loss of scope

After a demerger process, it is possible for the newly separated companies to lose some of the efficiencies that come with operating one large company, such as lower costs in shared services and administration, and the benefits of a management team with diverse business experience.

Whilst the Proposed Restructure is expected to generate a reduction in costs, it will also result in the separation of assets and the streamlining of management. As such, there is a risk that Crown and CMH may lose some of the broad commercial 'know-how' that was previously available due to the 'cross pollination' of ideas across the middle and senior management teams of the various business units.

One-off transaction costs

PBL has estimated that the costs of implementing the Proposed Restructure are likely to be in the order of $33 million. These costs are related to debt restructuring costs, advisers fees and financing costs. It is noted most of these transaction costs are likely to be incurred, or will be committed, prior to the date that PBL shareholders will vote on the PBL Scheme. A further $39 million will be incurred in relation to redundancy costs associated with the reorganisation of PBL head office employees. It is likely these costs will be incurred regardless of whether the PBL Scheme goes ahead.

Transition risk

It is possible that once the Proposed Restructure is implemented, PBL shareholders will adjust their portfolio holdings in both Crown and CMH. Accordingly, until the shareholder bases of both companies are rebalanced, a risk exists that short-term volatility in the share price of both Crown and CMH will result in the combined value of Crown and CMH being lower than the current market capitalisation of PBL. Such short-term volatility is not unusual after a demerger, as discussed in Section 5 of this report.

Taxation implications for current PBL shareholders

Section 13 of the Scheme Booklet sets out the taxation implications of the Proposed Restructure for PBL shareholders in Australia and overseas. PBL has sought legal and tax advice in respect of the Proposal and the advice received is summarised in Section 8.3 of this report.

PBL has also sought a Class Ruling from the Australian Tax Office (ATO) in relation to the Australian taxation implications of the PBL Scheme and Demerger Scheme. Whilst at the date of this report, the Class Ruling has not been issued, PBL has received an indication from the ATO that a Class Ruling will

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be issued to confirm the taxation treatment of the PBL Scheme and capital payment as set out in the taxation advice received by PBL.

However, the ATO has indicated that demerger roll-over relief will not be available for the Demerger Scheme. As a result, it is possible that some PBL shareholders may incur a taxable capital gain on implementation of the Demerger Scheme. However, in considering PBL shareholders as a whole, we do not consider the likely nature of any taxation consequences that may be incurred to be sufficient to impact our opinion of the Proposed Restructure or the PBL Scheme. In particular, we note that:

- Any capital gain incurred by a PBL shareholder will effectively be the bringing forward of a capital gain that would have otherwise been incurred on any subsequent disposal of their Crown shares.
- As PBL shareholders can choose to receive a capital payment of $3 per share under the PBL Scheme, funds can be available to meet any taxation obligations resulting from the Demerger Scheme.

Implications if the PBL Scheme is not approved

In the event that the Proposed Restructure is not implemented, PBL will continue to operate in its current form and be listed on the ASX. As a consequence:

- PBL shareholders will continue to own shares in a diversified PBL. PBL shareholders will not receive shares in Crown nor CMH, and they will not receive a cash payment.
- The advantages, disadvantages and risks of the Proposed Restructure, as summarised above, will not occur, other than with respect to the one-off costs incurred prior to the implementation of the Proposed Restructure of approximately $33 million.
- Any cost reductions related to the sell down of PBL's interest in PBL Media are still likely to occur, although the process by which they are achieved will be different. As the management costs have been reviewed in view of the Proposed Restructure as a whole, these cost reductions have not been separately calculated.
- The PBL board may revisit options previously considered to unlock value for PBL's shareholders.

Implications if the Demerger Scheme is not approved

As the PBL Scheme is not conditional on the Demerger Scheme being approved, there is a risk that the PBL Scheme will be approved and the Demerger Scheme will not be approved. In the event that the Demerger Scheme is not implemented, there will be little change to the position of PBL shareholders, with the new Crown entity essentially replacing the existing PBL entity. However, the payment of approximately $2.1 billion cash consideration to PBL shareholders will be completed. The primary disadvantage of this scenario is that PBL shareholders will have paid $33 million in transaction costs solely in relation to payment of the cash consideration and the establishment of a new holding company.

Nonetheless, for the following reasons, KPMG believes the likelihood of the Demerger Scheme not being approved, is remote:

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- The initial Crown shareholders have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote of the PBL shareholders on the Demerger Scheme Advisory Resolution.
- The right to vote on the PBL Scheme and the Demerger Scheme Advisory Resolution, effectively enables PBL shareholders to vote in relation to the Proposed Restructure as a whole.

On that basis, we consider it remote that the Demerger Scheme will not be approved if the PBL Scheme is approved. However, if the Demerger Scheme was not approved, the major disadvantage would be the effective cost of the payment of the cash consideration and the loss of the benefits associated with the Proposed Restructure. We do not consider these factors to be sufficiently detrimental to impact on our opinion in relation to the Proposed Restructure. As such, our opinion in relation to the PBL Scheme is that it is also in the best interests of PBL shareholders.

2.2 General advice

In forming our opinion, we have considered the interests of PBL shareholders as a whole, including ineligible overseas shareholders. This advice therefore, does not consider the financial situation, objectives or needs of individual PBL shareholders. It is neither practical nor possible to assess the implications of the Proposed Restructure or the PBL Scheme on individual shareholders as we do not know their specific financial circumstances.

The decision of PBL shareholders as to whether or not to vote in favour of the PBL Scheme and the Demerger Scheme Advisory Resolution is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. In particular, the taxation consequences may vary widely depending on individual circumstances. Individual PBL shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual shareholder's decision to approve the PBL Scheme and the Demerger Scheme Advisory Resolution may be influenced by his or her particular circumstances, we recommend that individual shareholders consult their financial adviser.

2.3 Other

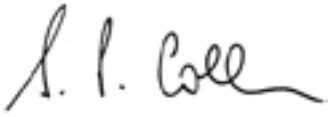
Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report.

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The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully





Ian Jedlin
Executive Director

Sean P Collins
Executive Director

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Contents

1 Introduction 1
2 Summary of opinion 2
2.1 The Proposed Restructure is in the best interests of PBL shareholders 2
2.2 General advice 9
2.3 Other 9
Financial services guide 12
3 The PBL Scheme and the Proposed Restructure 14
4 Basis of assessment 15
4.1 Technical requirements 15
4.2 Factors considered in determining our opinion 16
4.3 Sources of information 17
5 Background on demergers 18
5.1 Introduction 18
5.2 Rationale 18
5.3 Benefits of demergers 20
5.4 Disadvantages of demergers 21
5.5 Market evidence 21
5.6 Recent Australian evidence 22
6 Profile of PBL 25
6.1 Background 25
6.2 Operations 26
6.3 Gaming 27
6.4 New media investments 31
6.5 PBL Media 34
6.6 Non core investments 36
6.7 Financial performance 37
6.8 Financial position 38
6.9 Historical cash flow performance 40
6.10 Capital structure 42
6.11 Share market performance 43
7 Impact of the Proposed Restructure 47
7.1 Impact on structure and ownership 47
7.2 Crown 47
7.3 CMH 47
7.4 Historical relationship between Crown and CMH 47
7.5 Financial implications of the Proposed Restructure 47
8 Evaluation of the Proposed Restructure 47
8.1 Benefits 47
8.2 Disadvantages 47
8.3 Tax implications for current PBL shareholders 47
8.4 Implications if the Proposed Restructure is not approved 47
8.5 Conclusion in relation to the Proposed Restructure 47
Appendix 1 – Qualifications and declarations 47
Appendix 2 – Sources of information 47
Appendix 3 – Comparable company analysis 47
Appendix 4 – Synopsis of comparable companies 47

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Financial services guide

Dated 16 October 2007

KPMG Corporate Finance

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**FSG**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

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Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its executive directors, directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (**FICS**). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly at: Financial Industry Complaints Service Limited, PO Box 579, Collins Street, West Melbourne VIC 8007 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9621 2291

Contact details
You may contact us at 10 Shelley Street, Sydney, NSW 2000 or by telephone (02) 9335 7000.

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3 The PBL Scheme and the Proposed Restructure

On 8 May 2007, PBL announced its intention to split its businesses into two publicly listed companies: Crown, a company with operations and investments in the gaming industry and CMH, a holding company with media related investments. The Proposed Restructure is to be facilitated by way of two schemes of arrangement and an internal reorganisation.

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- Both Crown and CMH will be operated separately, each with its own board of directors. Mr James Packer will become the Executive Chairman of Crown and the Deputy Chairman of CMH. Mr John Alexander will become the Executive Chairman of CMH and Deputy Chairman of Crown. Mr Rowen Craigie will become the Chief Executive Officer of Crown, which will be based in the existing Crown Melbourne offices.
- Under the PBL Scheme, PBL shareholders will be able to elect to receive a greater proportion of the consideration in cash or in Crown shares. The final consideration mix for those shareholders electing to receive more cash or shares will depend on the elections of all shareholders, as the total share and cash consideration will be fixed. Notwithstanding the election made, in total, PBL shareholders will hold the same number of shares in Crown and in CMH, after the Schemes are fully implemented.
- Ineligible overseas shareholders will not be issued Crown shares under the PBL Scheme, however, they will still be able to make an election to receive a greater proportion of consideration in cash or in Crown shares. Any Crown shares issued will then be sold on market and the consideration received will be paid to the ineligible overseas shareholders. The entitlement of ineligible overseas shareholders under the PBL Scheme is explained in further detail in Section 5.6 of the Scheme Booklet.
- The initial Crown shareholders have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote of PBL shareholders on the Demerger Scheme Advisory Resolution, which will occur at the PBL Annual General Meeting.
- The right to vote on the PBL Scheme and the Demerger Scheme Advisory Resolution, effectively enables PBL shareholders to vote in relation to the Proposed Restructure as a whole.

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It is noted the Proposed Restructure is subject to the satisfaction of a number of conditions. Some of these conditions, particularly in regard to the Demerger Scheme, are internal to PBL and, as such, we expect them to be met. However, we note the following conditions are subject to the approval of third parties:

- Shareholder approval of the PBL Scheme and the name change resolution.
- Court approval of the PBL Scheme.
- Regulatory approval of both schemes, including, but not limited to, any consents or approvals required from the Australian Securities and Investments Commission (ASIC), ASX and regulators of the gaming businesses.
- ASX approval of Crown to the Official List of the ASX.
- Relevant third party consents or waivers being received, including under PBL's existing financial arrangements.

4 Basis of assessment

This report has been prepared by KPMG for inclusion in the Scheme Booklet to accompany the Notice of Meeting to be sent to PBL shareholders in relation to a meeting to be held on 23 November 2007. The purpose of this meeting is to seek shareholder approval for the PBL Scheme.

4.1 Technical requirements

An independent expert report prepared for the purpose of a scheme of arrangement between a company and its shareholders should be prepared in accordance with Section 411 of the Corporations Act 2001 (the Act) and the guidance provided by ASIC.

Section 411(3) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a creditor or member as to whether or not to agree with the relevant proposal.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with ASIC must, where the parties to the reconstruction have common directors, include a report prepared by an expert stating whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and setting out the expert's reason(s) for forming that opinion. In this regard, the directors of PBL has requested KPMG prepare a report for distribution in the Scheme Booklet to assist PBL shareholders to evaluate whether PBL Scheme and the Proposed Restructure overall, is in the best interests of shareholders.

Policy Statement 75 "Independent Expert Reports to Shareholders", issued by ASIC, indicates the principles and matters which it expects a person preparing an expert report for inclusion in an explanatory statement to consider in determining whether the scheme of arrangement is "in the best interests of the members". With respect to determining the meaning of "in the best interests" paragraph 6 of Policy Statement 75 states:

"Fair and reasonable" should be taken as a reference to "in the best interests of the members".

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Whilst this does not indicate that ASIC considers "fair and reasonable" to have the same meaning as "in the best interests of members", we consider that an analysis undertaken under the concepts of "fair" and "reasonable", as expressed in Policy Statement 75, is consistent with determining whether a proposal is "in the best interests of members".

As to the concepts of "fair" and "reasonable", Policy Statement 75 requires a separation so that both concepts must be addressed and concluded upon separately in the expert's report. Policy Statement 75 indicates that the Offer should be considered "fair" if the value of the consideration is equal to or greater than the value of the securities that are the subject of the Offer. The Offer should be considered "reasonable" if it is "fair".

In the case where an expert forms the opinion that the Offer is not "fair", the expert may still form the opinion that the proposed transaction is "reasonable" because of other relevant factors.

In the present circumstances, we are of the view that, given the effect of the Proposed Restructure, a valuation of both Crown and CMH is not required as:

- The net result of the Proposed Restructure is that in total, the relative ownership interests of shareholders in both Crown and CMH will be equal to their existing ownership interest in PBL immediately prior to the implementation of the Proposed Restructure[2].
- The purpose of the split of PBL into Crown and CMH is to create shareholder value. As is discussed in Section 5 of this report, the creation of shareholder value following a demerger is uncertain, but may occur over a medium term horizon, say one to two years. As such, we do not feel it is appropriate to compare the value of the companies today as it may not be a true reflection of the value that may be generated by the demerger.

Therefore, in considering whether the PBL Scheme and the Proposed Restructure are in the best interests of PBL shareholders, we have considered the reasonableness of the Proposed Restructure having regard to the advantages and disadvantages that will emerge for PBL shareholders as a result of the Proposed Restructure.

4.2 Factors considered in determining our opinion

In forming our opinion, we have considered the following issues:

- the financial implications of the Proposed Restructure on the operations of both Crown and CMH
- the effect on earnings and dividends attributable to existing shareholders
- the proposed management and board structures of both Crown and CMH
- the potential share price performance of both Crown and CMH following the Proposed Restructure
- the transitional arrangements between Crown and CMH following the implementation of the Proposed Restructure
- the potential taxation consequences for existing PBL shareholders

[2] Other than with respect to ineligible overseas shareholders, who will be cashed out after the demerger date.

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- other benefits or disadvantages of the Proposed Restructure
- the implications for PBL shareholders if the PBL Scheme is not implemented
- the implications for PBL shareholders if the Demerger Scheme is not implemented.

4.3 Sources of information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report.

We note that an important part of the information base used in forming an opinion of the kind detailed above, is comprised of the opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The statements and opinions expressed in this report are made in good faith and have been based on information available as at the date of this report. On completion of our review, as outlined in the paragraph above, we believe the information to be reliable, accurate and prepared by PBL on a reasonable basis. We have relied upon the information set out in Appendix 2 and have no reason to believe that any material factors have been withheld from us. We have not performed anything in the nature of an audit or financial due diligence on the information provided for this opinion. No warranty of accuracy or reliability is given by KPMG or its affiliated companies and their respective offices and employees in relation to this information.

Whilst we may have considered pro-forma and prospective financial information in preparing this report, PBL remains responsible for all aspects of the financial information and the achievement of any forecasts is not warranted or guaranteed by KPMG. Prospective financial results are by their nature uncertain and are dependent on a number of future events that may impact on the forecasts being achieved and consequently cannot be guaranteed. Actual results may vary significantly from the forecasts considered by us. Any variations from forecasts results may affect our opinion.

Our opinions are based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

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5 Background on demergers

5.1 Introduction

A 'pure' demerger is a form of restructure in which existing shareholders retain 100 percent ownership of a newly separated entity (the 'demerged entity') that was formerly part of the larger consolidated entity (the 'parent entity'). Under a pure demerger, the underlying economic interest of the shareholders does not change.

There are a number of variants of a demerger, which generally result in some alteration to the ownership structure of both entities. These include:

- An equity carve out, where the parent entity or its shareholders retain an interest in a newly formed entity with the balance of equity held by newly introduced shareholders.
- A divestiture or spin off, where 100 percent of the demerged entity is sold.

The primary difference between an equity carve out, spin off or divestiture and a pure demerger, is that the latter is the only transaction that does not result in a change in the underlying economic interest of the company. Although the rationale behind the various forms of demergers is similar, as the Proposed Restructure is a 'pure' demerger, we have focused our analysis on demergers where there is no change in the total underlying economic interest of the shareholders.

5.2 Rationale

The rationale for a multi-divisional firm, or 'conglomerate', is that it has an internal capital market where managers, who are assumed to be better informed than external investors, can efficiently allocate resources across businesses. In addition to the more efficient use of resources, internal diversification may lower a company's overall risk, allowing a better return on the capital employed in the business.

Conglomerates emerged when the capital markets were not as deep or broad as they are today. As capital markets have evolved and investors have become more 'sophisticated', there has been conjecture that investors are able to replicate the benefits provided by a conglomerate through a series of 'pure play' investments. As such, conglomerates may be 'marked down' so that a sum of the parts valuation exceeds the trading price of a listed entity, particularly in circumstances where there are little or no synergies to be realised across operating divisions. If such a discount exists, value for shareholders may be increased by demerging conglomerates, allowing investors to manage risk by holding portfolios consistent with their investment goals, increasing ownership spreads and allowing for the pricing of a potential takeover premium on the individual parts of the business.

From a company's perspective, the aim of restructuring through a demerger is to create shareholder value. According to Thomas Kirchmaier's study into the effects of European demergers[3], the opportunity for value creation in a demerger can be categorised into five different types:

- Dismantling of conglomerates. The 'dismantling of conglomerates' rationale is based on the idea of removing inefficient organisational structures and hence the elimination of negative synergies.

[3] 'The performance effects of European demergers' Thomas Kirchmaier, London School of Economics and Political Science, May 2003

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- Organisational improvement. This rationale is based on the idea of improving the strategic focus, including information flow, and capital structure of demerged entities.
- Capital market improvement. This suggests demerged entities may have improved access to the capital market or attract a new set of investors, thereby eliminating barriers to growth from a capital market perspective.
- Corporate governance improvements. This suggests shareholder value can be created through improvements in the role and function of the head office, as well as improvements in the structuring of managerial incentives and more effective market based governance mechanisms due to increased transparency.
- Debt holder expropriation. This suggests there can be a value redistribution from debt holders to shareholders through a reduction of the quality of collateral provided. (However this rationale may be less prevalent today, as companies seek to maintain good relationships with debt holders for any subsequent debt capital raisings[4]).

[4] 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005

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5.3 Benefits of demergers

Where a demerger is successful in creating value, general consensus indicates it may be because of one or more of the following reasons.

Table 1: Benefits of a demerger

Benefit	Driver
Increased investor interest	Greater analyst coverage and increased transparency of the operating performance of the demerged entity
New investor base	Increase in new investors in a more specific industry or market, placing the power of diversification in the hands of the investor
Corporate focus/ management accountability	Opportunity to increase corporate focus and management accountability
Corporate governance	Opportunity to improve corporate governance practices
Strategic flexibility	Opportunity to raise capital to pursue growth initiatives, such as strategic acquisitions
Transparency of risk profile	Reallocation of assets and liabilities means companies may be left with a different risk profile that better reflects its strategic goals. This can also lead to an improved capital structure
Market re-rating	Opportunity to remove 'conglomerate discount' via a market re-rating of the demerging entities' share prices more in line with their peers. Also may reflect greater transparency of the demerged entities' operations as noted above
Corporate control	A demerged or parent entity may have a more industry specific focus and thus may be more attractive to bidders. As a result, shareholders can benefit from a premium to share price that is often paid for company control and may also be paid for potential synergies

Source: "Breaking up is hard to do", The McKinsey Quarterly, Number 1, 1999 and "Doing the spin out", The McKinsey Quarterly, Number 1, 2000 and 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005

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5.4 *Disadvantages of demergers*

Where a demerger is unsuccessful, general consensus suggests it may be because of one or more of the following reasons.

Table 2: Disadvantages of a demerger

Disadvantage	Driver
Share price re-rating	Demerged entity may struggle to produce a share price re-rating because the market has already fairly priced the assets within the current company structure
Additional costs	Demerger may impose added complexity and costs on the parent company, where the demerged company relies on shared resources
Reduced index weighting	Demerger may reduce the index weighting of the demerging entities, which in turn affects share liquidity and investor interest
Loss of synergies	Whether through the loss of cross selling opportunities or staff, or a higher risk rating as a smaller company, the demerged entities may lose some of the benefits of operating as a larger group
Loss of diversification	A non-diversified company may be more exposed to adverse market conditions as well as industry specific risks
Exposure of immature businesses	Demerger may expose immature and unsustainable businesses to the market, which lack the necessary commerciality or flexibility to survive outside a parent company's structure

Source: "Breaking up is hard to do", The McKinsey Quarterly, Number 1, 1999 and "Doing the spin out", The McKinsey Quarterly, Number 1, 2000 and 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005

5.5 *Market evidence*

It is important to note the potential results of a demerger will not occur instantaneously. Consequently, changes in shareholder value need to be measured over time to determine how effective a demerger has been in creating shareholder value.

There have been a number of empirical studies carried out, primarily in the United States, with regard to the effectiveness of demergers in creating shareholder value. The studies tend to look at the impact of a demerger on share price at the announcement date and for a period of time post the completion of the demerger. The key findings of these studies are summarised below[5]:

- The announcement effect of a demerger has a positive effect on share price in the majority of cases.
- The majority of companies outperformed the market since the demerger. However, it is important to note:
  - not all demergers created shareholder value

[5] 'Breaking up is good to do' The McKinsey Quarterly, 1 January 1999, 'Doing the spin-out' The McKinsey Quarterly, 1 January 2000, 'The performance effects of European demergers' Thomas Kirchmaier, London School of Economics and Political Science, May 2003 and 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005

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- the value created by the demerger was not evenly split between the demerged entity and the parent entity, with the demerged entity often outperforming the parent entity
- other factors, such as company size, may also affect the outcome with smaller demergers often outperforming larger demergers.

Therefore, while the studies show a majority of demergers created shareholder value, there was no conclusive evidence as to what characteristics created a successful demerger and thus no way of concluding whether a particular demerger will be effective in creating shareholder value.

Furthermore, it should be noted that it is not possible to make any absolute conclusions as to the benefit of demergers because it is difficult to assess what would have happened to the company's share price had the demerger not occurred.

5.6 Recent Australian evidence

Since 2000, a number of demergers have been implemented by ASX listed companies. These transactions are listed in the table below.

Table 3: Recent demergers in Australia

Date	Parent Company	Demerged business unit	% of business demerged	Offer[1]
May-07	Toll Holdings Limited	Asciano Limited	100%	1:1
Nov-06	Tower Limited	Tower Australia Group Limited	100%	0.65:1
Nov-05	Mayne Group Limited	Mayne Pharma Limited	100%	1:1
Oct-03	AMP Limited	HHG plc	85%*	1:1
Mar-03	CSR Limited	Rinker Group Limited	100%	1:1
Nov-02	WMC Limited	Alumina Limited (Alumina)	100%	1:1
Jul-02	BHP Billiton Limited	BHP Steel Limited	94%*	1:5
Dec-01	New Zealand Oil and Gas Limited	Pan Pacific Petroleum NL	91%*	1:1
Oct-01	MPH Limited	AV Jennings Homes Limited	96%*	0.8:1
Oct-00	BHP Limited	OneSteel Limited	100%	1:4
Apr-00	Amcor Limited	Paperlinx Limited	82%*	1:3
Feb-00	Boral Limited	Origin Energy Limited	100%	1:1

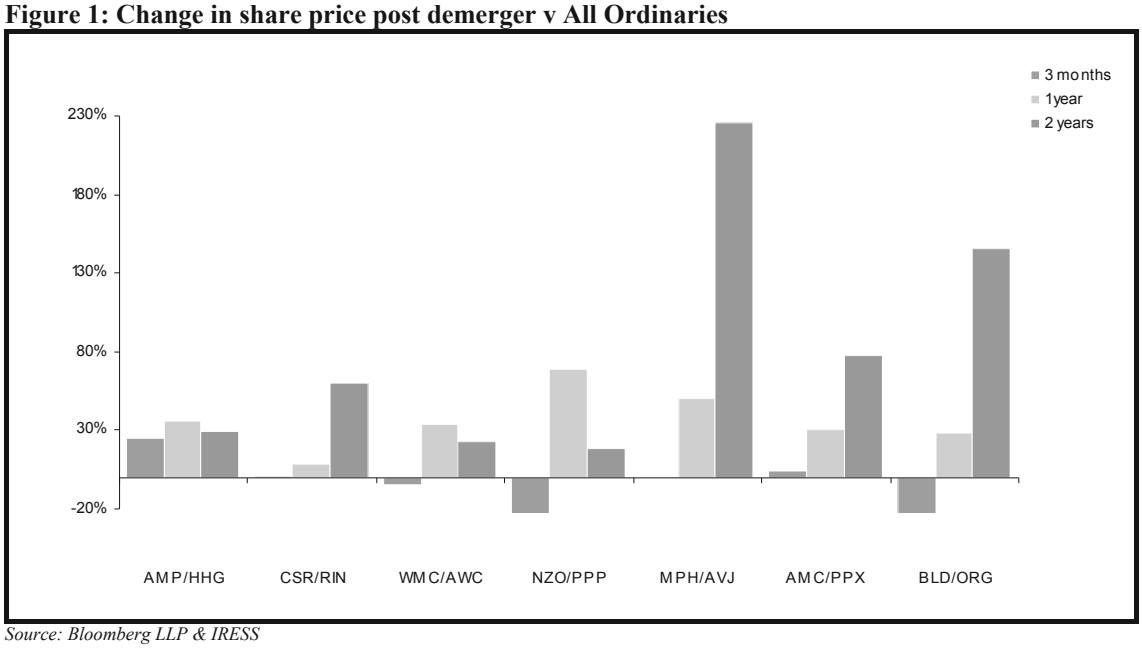
Source: Bloomberg LLP & ASX
** remaining interest is held by the parent*
[1]Offer refers to the number of shares received in the demerged entity for every share held in the parent company

While most of the above transactions involve companies in differing industries to PBL, the rationale behind the demergers was to split the company into more focused operational entities in order to create shareholder value. As this mirrors PBL's rationale, we have analysed the success of the demergers listed above.

The figure below summarises the relative share price performance, in percentage terms, of the hypothetical combined share price of the parent entity and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX, in comparison to the performance of the All Ordinaries Index (All Ordinaries) over the same time period.

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Figure 1: Change in share price post demerger v All Ordinaries



Source: Bloomberg LLP & IRESS

With respect to the above figure, it is noted:

- Although there have been mixed results as to the performance of the parent and demerged entity immediately following the demerger, the outcome of the transactions after two years is typically positive.
- The Toll and Tower demergers are not represented in the figure above as they only took place in May 2007 and November 2006 respectively, and therefore we are of the view that the combined share price performance of the demerged entities is not meaningful at this time.
- Similarly, the Mayne Group demerger is not represented in the figure above as subsequent to the demerger in November 2005, Mayne Pharma was acquired by Hospira Inc on 6 February 2007, limiting the relevance of the analysis.
- The performance of the two BHP related transactions are difficult to assess due to the relative size of BHP Billiton to both OneSteel and BHP Steel, as well as the short time period between the completion of the demerger transactions and the merging and dual listing of BHP Billiton in June 2001. As a result, these transactions are not represented in the figure above.
- Almost half of the demergers did not outperform the All Ordinaries in the first three months of the demerger. However, all of the demergers have outperformed the All Ordinaries over the two year period.
- Although not depicted in the figure above, in the majority of the demergers, the demerged entity outperformed the parent entity across the various time periods.
- The theoretical combined share price performance of the following entities suggests that these demerger transactions may have unlocked shareholder value:
  - AMP/HHG
  - CSR/Rinker

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  - Amcor/Paperlinx
  - Boral/Origin Energy.

- Whilst the New Zealand Oil/Pan Pacific Petroleum transaction has had differing results over the three time periods, it has still out-performed the All Ordinaries for a period of one and two years.
- Whilst the MPH/AV Jennings demerger is represented in the figure above, MPH is listed on the Singapore stock exchange and therefore its performance relative to the All Ordinaries may not be an appropriate measure of its performance post the demerger.

The analysis above supports the view that the shares of the parent and demerged entity have typically outperformed the broader market over the medium term. However, as noted previously, due to the nature of the transactions and the uncertainty over what the performance of the parent entity would have been if the demerger had not been completed, it is difficult to argue conclusively that demergers create shareholder value. Rather, the success or otherwise of any demerger will always depend on the specific circumstances of each transaction.

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6 Profile of PBL

6.1 Background

PBL is one of Australia's largest diversified media and entertainment groups. PBL was listed on the ASX in 1994 and its market capitalisation as at 11 October 2007 of $14.2 billion placed it among the top 25 companies listed on the ASX.

PBL originated in 1933 as Australian Consolidated Press (ACP), a magazine publishing house. In 1956, the company purchased its first broadcasting licence and in 1960, the Company acquired GTV-9 in Melbourne, giving Australia its first TV network, the "Nine Network". The Nine Network was sold in 1987 and its new owners subsequently floated the company on the ASX. However, PBL repurchased an expanded Nine Network several years later and when the Nine Network and ACP were merged in 1994, Publishing and Broadcasting Limited was formed.

PBL continued to grow its media assets with the acquisition of a 25 percent interest in FOXTEL in November 1998. As part of that acquisition PBL received an option to purchase a 50 percent interest in PMG, which produces FOX SPORTS, and it exercised that option in October 1999.

Also in 1999, PBL merged with Crown Ltd, the operator of the Crown Entertainment Complex in Melbourne (Crown Melbourne), providing the Company with its first gaming business. In 2004, there was significant expansion of the gaming business as Burswood International Resort Casino was purchased and in 2005, PBL established a joint venture with a major Hong Kong listed company, Melco International Development (Melco), to pursue new gaming ventures in Macau. In 2006, the joint venture, Melco PBL Entertainment (Macau) Limited (MPEL) listed its American Depository Shares on the National Association of Securities Dealers and Automated Quotations (NASDAQ) and in May 2007, MPEL's first Macau casino opened.

PBL has continued to be acquisitive with expansion into online media and gaming, as well as other entertainment investments. Notable recent announcements have been:

- On 4 August 2003, PBL announced the acquisition of 25 percent of SEEK Limited (SEEK) for $33 million. SEEK is an online employment business. On 19 April 2005, SEEK listed on the ASX at $2.10 per share, giving it a market capitalisation on listing of $588 million.
- On 22 July 2004, PBL announced it had signed a joint venture with Betfair UK, which operates the world's leading betting exchange service, to develop the Betfair business in Australia and New Zealand.
- On 18 October 2006, PBL announced that it had entered into binding agreements to implement a recapitalisation and sale of 50 percent economic interest of certain of its media interests, including ACP Magazines, the Nine Network, its 50 percent interest in ninemsn and its shareholdings in myhome, carsales and SKY NEWS. These media businesses were transferred to a new company, PBL Media, in which PBL and Red Earth Holdings B.V. each held a 50 percent economic interest. Red Earth Holdings B.V. is a special purpose vehicle incorporated in the Netherlands, owned and advised by CVC Asia Pacific and CVC Capital Partners (collectively Red Earth). The transaction was completed on 7 February 2007 and PBL received net cash proceeds of $4.6 billion. On 1 June 2007, PBL announced it had sold a further 25 percent of PBL Media to Red Earth, as well as

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ownership of Ticketek and Acer Arena to PBL Media. This has seen a shift in weighting from PBL's traditional media assets, television and magazines, to PBL's 'new media' assets, subscription television and online media.

- In December 2006, PBL completed its acquisition of a 50 percent interest in Aspinalls casino business in the United Kingdom.
- On 4 April 2007, PBL announced that a joint venture established between itself and Macquarie Bank Limited (MBL) had entered into an agreement to make an offer for Gateway Casinos Inc and Star of Fortune gaming management (BC) Corp (together Gateway Casinos), one of the largest casino operators in western Canada. The estimated value of the transaction, which is yet to be completed, is C$1.4 billion.
- On 31 May 2007, PBL paid US$22.5 million for a 37.5 percent equity interest in LVTI LLC (LVTI), a joint venture with IDM Properties and York Capital Management, to develop, construct and operate Crown Las Vegas. It is intended that Crown will manage and operate Crown Las Vegas.
- On 6 June 2007, PBL acquired 19.6 percent of Fontainebleau Equity Holdings, LLC, which owns Fontainebleau Resorts, for US$250 million. In addition, PBL acquired US$25 million of deferred interest debt in Fontainebleau Resorts.

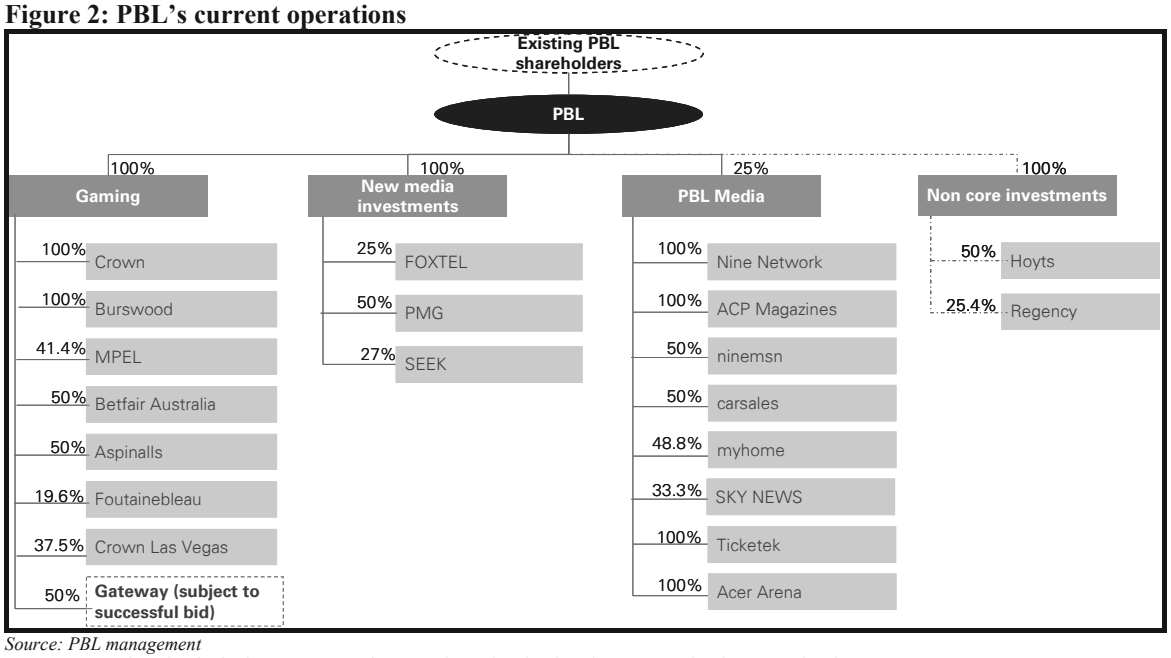
6.2 Operations

PBL's business is broadly split into gaming, new media investments, PBL Media and non core investments. A number of the businesses within these segments are directly owned by PBL, whilst others are owned through a joint venture arrangement or through a direct minority interest which has been equity accounted by PBL.

PBL's current operating structure is detailed in the figure below. The dashed lines represent the businesses that are expected to be sold over the next few months.

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Figure 2: PBL's current operations



Source: PBL management
Note: Assumes the sale of a further 25 percent of PBL Media and Ticketek and Acer Arena has been completed

6.3 Gaming

PBL has interests in gaming and entertainment complexes in Australia, Macau, the United Kingdom and North America. Currently, only the Australian casinos contribute to earnings as the non-Australian casinos are primarily in a development phase.

Australia

In Australia, PBL owns 100 percent of Crown Melbourne in Melbourne, Victoria and the Burswood Entertainment Complex[6] in Perth, Western Australia (Burswood).

Crown Melbourne is a leading Australian entertainment venue. It features Crown casino, one of the largest gaming centres in the southern hemisphere, two hotels, a range of restaurants, Australia's largest ballroom, a concert venue, 13 cinemas and an extensive collection of international designer boutiques and retail stores. Crown Melbourne attracts more than 16 million visitors each year.

PBL will spend an additional $220 million over the next five years on the refurbishment of Crown Towers and the main gaming floor. In addition, planning is underway for a third hotel at Crown Melbourne with a total investment of approximately $340 million, to be located at the western end of the gaming floor. The third hotel is scheduled to open in 2010.

Burswood is one of Australia's most diverse entertainment experiences. It features Burswood casino, two hotels, a world class convention centre, a theatre, an indoor stadium, recreation facilities including restaurants, bars, nightclubs, day spa and retail outlets. The two hotels include The InterContinental Perth

[6] Full ownership of Burswood excludes IHG's 35 percent interest in The InterContinental Perth Burswood Resort Hotel and the Holiday Inn Burswood

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Burswood Resort Hotel and the Holiday Inn Burswood, which are 65 percent owned by PBL and 35 percent owned by IHG (Victoria Park) Pty LTD (IHG), a subsidiary of the Six Continents Group.

PBL will spend an additional $116 million over the next four years on the refurbishment of Burswood's main gaming floor and hotel facilities.

The table below details the performance of PBL's gaming segment for the 12 months to 30 June 2005, 2006 and 2007.

Table 4: PBL's gaming segment historical financial performance

Period ended 30 June	2005	2006	2007
$m			
Revenue	1,519	1,712	1,891
Expenses	(1,063)	(1,188)	(1,310)
Adjusted EBITDA*	**457**	**524**	**581**
EBITDA margin	*30.05%*	*30.58%*	*30.72%*

Source: PBL Annual Report 30 June 2006 and 2007
Note: The table above shows the Adjusted EBITDA which reflects the theoretical win rate of 1.35 percent in all time periods

The gaming segment experienced strong Adjusted EBITDA growth of 14.7 percent in the 12 months to 30 June 2006 and a further 10.9 percent growth to 30 June 2007, due to strong growth in the 'high end' business at both Crown Melbourne and Burswood, including increased VIP programme volumes at both complexes.

Betfair Australia

PBL's Betfair Australia investment is a joint venture with Betfair UK, the world's leading betting exchange. Betfair Australia has two directors, with each joint venture partner having an equal number of board members. PBL equity accounts for its investment in Betfair Australia.

Betfair Australia is a betting exchange for customers in Australia and New Zealand. A betting exchange operates like a stock exchange for bets. A person who has a view about the chances of a particular outcome in a horse race or sporting event effectively bets against another person who has a directly opposing view. The betting exchange acts as the counterparty and earns revenue by charging a commission on net winning positions on a particular market.

In February 2006, Betfair Australia obtained a betting exchange licence after the Tasmanian Government passed legislation to allow licensing of betting exchanges in Tasmania. This meant Betfair Australia could set up its operations in Tasmania and its services could be accessible Australia wide via the internet. Unlike a traditional bookmaker or totalisator, its services are exclusively provided via the internet and telephone.

Betfair Australia is continuing to build critical mass and for the 12 months to 30 June 2007, PBL's share of the after tax losses was $2 million. PBL's expectation is Betfair Australia will be profitable at a profit before tax level by 2010.

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Non-Australian gaming investments

Macau

In 2005, PBL established a joint venture, MPEL with Melco, to pursue new gaming ventures in Macau. Both PBL and Melco hold a 41.4 percent interest in MPEL, with the remaining 17.2 percent being publicly traded on the NASDAQ. MPEL has ten directors with three representatives from PBL, three from Melco and four independent directors.

PBL, through MPEL, has developed Crown Macau and is currently developing a further two casino/hotel properties in Macau. Macau is a Special Administrative Region of China located on the southeast coast and has a growing reputation for gaming, not only in Asia, but also internationally. Macau is the only legalised market for casino gaming in China and is one of only a few in Asia, with gaming revenues of US$7.0 billion in 2006 and US$8.7 billion in 2007.

MPEL is currently developing the following entertainment complexes:

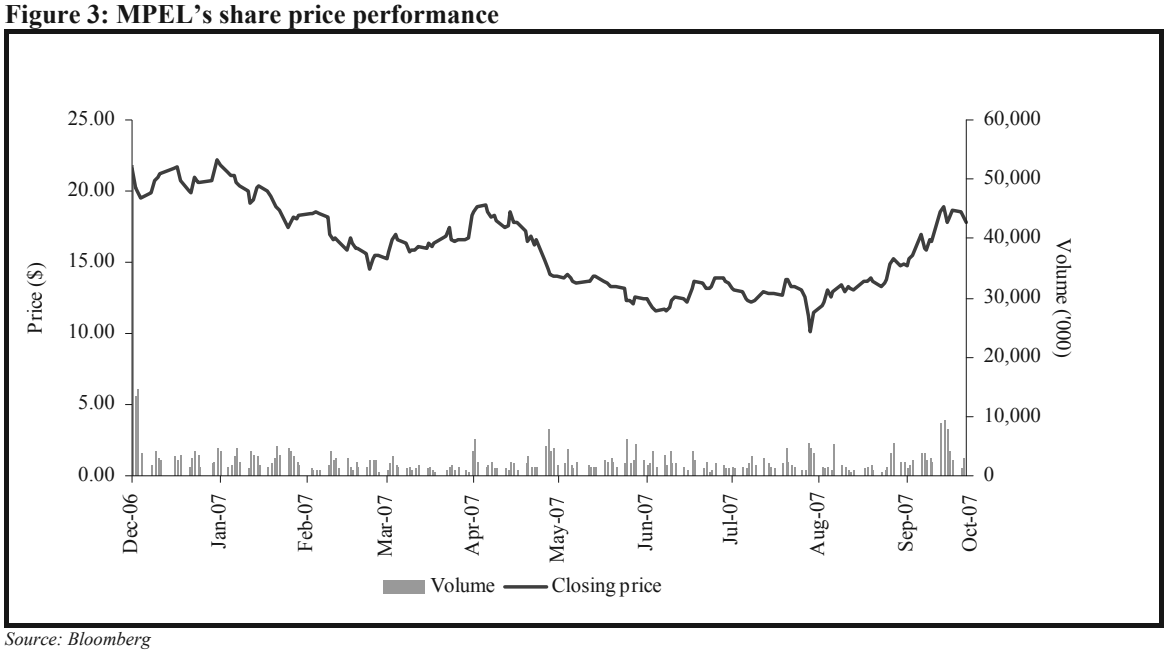
- Crown Macau, which is located on the northern side of Taipa Island, is a luxurious premium casino/hotel catering primarily to the high-end gaming market. It is the first extension of the Crown brand into Asia. Crown Macau opened in May 2007.
- City of Dreams, which will be located on the Cotai Strip, an area that has been master planned by the Macau Government and modelled on the Las Vegas strip. The initial phase of the City of Dreams is due to open by March 2009.
- Plans are in progress to develop a third site, located on the shoreline of the Macau peninsula, ideally positioned for people making day trips to Macau.

In December 2006, MPEL successfully listed 17.2 percent of its issued capital on NASDAQ, raising approximately US$1.3 billion of equity. As a result of the listing and related increase in MPEL's book equity, PBL has recognised an uplift in the carrying value of its investment of approximately $488 million.

The table below details the trading performance of MPEL shares since listing on 19 December 2006 until 10 October 2007. During that period, the share price has decreased by 17.5 percent for a variety of reasons including increased competition in Macau as more global gaming companies commence developments in the region, the status of MPEL's developments means earnings are yet to be generated and the recent announcement of increased development costs.

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Figure 3: MPEL's share price performance



Source: Bloomberg

United Kingdom

PBL holds a 50 percent interest in the Aspinalls casino business in the United Kingdom. Aspinalls' business currently consists of a long established London casino, two recently opened casinos in Newcastle, England and Swansea, Wales and a further two casinos being developed in Northampton and Bournemouth, England. Management are pursuing a number of possibilities to develop casinos in various regional cities in the United Kingdom. PBL completed its purchase of 50 percent of Aspinalls in December 2006. Following the recent announcement in the United Kingdom regarding new casino licences, Aspinalls is developing a targeted strategy for bidding for new licences.

North America

Gateway Casinos is one of the largest casino operators in western Canada. The company operates seven casinos in British Columbia and two casinos in Alberta and employs over 3,000 people. In 2006, Gateway Casinos reported total revenues of C$133 million and EBITDA of C$50.8 million, reflecting a margin of 38.1 percent.

In April 2007, PBL announced that a joint venture established between itself and Macquarie Bank Limited (Macquarie) had entered into an agreement to make an offer for Gateway Casinos. The estimated value of the transaction, which is yet to be completed, is C$1.4 billion. It is expected that New World Gaming Partners Holdings British Columbia Limited, the ultimate holding company for Gateway Casinos, will have up to eight directors, with PBL and Macquarie entitled to appoint up to four directors each. The PBL representatives will include Mr James Packer, Mr Rowen Craigie and Mr Robert Turner.

On 17 April 2007, PBL acquired 19.6 percent of Fontainebleau Equity Holdings, LLC, which owns Fontainebleau Resorts, for US$250 million. In addition, PBL acquired US$25 million of deferred interest debt in Fontainebleau Resorts. This transaction completed on 6 June 2007. PBL currently accounts for Fontainebleau Resorts as an investment.

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Fontainebleau is the developer of a major new casino on the Las Vegas strip and the owner of the Fontainebleau Resort in Miami Beach, which is currently closed for a major renovation. Fontainebleau announced on 7 June 2007, it had finalised a US$4 billion financing package that is expected to fully fund the Las Vegas construction and the Miami renovation. Fontainebleau Las Vegas is expected to cost approximately US$2.9 billion and is expected to open in late 2009.

In May 2007, PBL paid US$22.5 million for a 37.5 percent equity interest in LVTI to develop, construct and operate Crown Las Vegas. It is intended that Crown will manage and operate Crown Las Vegas. Crown Las Vegas will be a new casino and hotel resort on the Las Vegas Strip. Details of the design and development of the new casino are still being finalised. PBL will seek external financing commitments as appropriate and intends to establish a financing structure broadly in line with recent Las Vegas developments. The site for Crown Las Vegas is adjacent to the Fontainebleau site.

PBL intends to enter into an agreement with Fontainebleau Equity Holdings, LLC under which Fontainebleau Equity Holdings LLC (or one of its wholly owned subsidiaries) will have an option to acquire 50 percent of PBL's interest in LVTI. The terms and conditions of this proposed agreement are in the process of being negotiated.

Industry drivers

With regard to the casino industry, the key industry drivers include:

- Economic growth. This can be affected by such factors as expectations on interest rates, inflation, unemployment and consumer confidence.
- Both the size of the local population and their disposable income level. Local population generally represents a significant proportion of total visitors, but they are generally small stake players.
- Similarly, higher levels of tourism can lead to an increase in the number of visitors to casinos.
- Gaming and entertainment options. The availability of new and alternative gaming and entertainment options drive demand. For example, on-line casino sites are becoming more popular as they can theoretically offer lower costs and higher returns to premium players[7].
- The gaming industry is heavily regulated which can make the acquisition of gaming licences difficult.

6.4 New media investments

PBL's involvement in the subscription television industry in Australia is through a 25 percent interest in FOXTEL and a 50 percent interest in PMG. PBL has two representatives on the board of FOXTEL, namely John Alexander and Chris Anderson and PBL has three representatives on the board of PMG, namely John Alexander, Chris Anderson and Martin Dalgleish. Both FOXTEL and PMG are equity accounted by PBL.

FOXTEL and Austar United Communications Limited (Austar) are the two market leaders in subscription television, with FOXTEL being the clear leader in metropolitan centres. FOXTEL can offer over 130 channels to approximately 70 percent of Australian homes. It currently has approximately 1.3 million

[7] 'Casinos in Australia' IBISWorld Industry Report, 4 January 2007

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subscriber homes throughout Australia. FOXTEL also 'wholesales' its services to Singtel Optus Pty Limited (Optus). FOXTEL is regularly the top rating network in Sydney, securing 25 percent of the total viewing audience. In subscription television homes, subscribers spend on average 60 percent of their viewing time watching FOXTEL. Furthermore, FOXTEL's churn rate of below 12 percent is one of the lowest subscription television churn rates worldwide.

Further, FOXTEL has a 60 precent interest in UKTV with BBC Worldwide and Fremantle Media. FOXTEL is also involved in two production joint ventures: Main Event Television Pty Ltd with Optus and XYZNetworks Pty Ltd with Austar.

FOXTEL's programming includes news and documentaries, sport, movies, general entertainment, lifestyle and children's programming. FOXTEL's channels are owned by over 50 companies, 20 of which are Australian based. Complementing its subscription television involvement, PMG is a leading producer of subscription television channels. PMG owns and operates FOX SPORTS and its related channels, Fuel TV and How To Channel. FOX SPORTS delivers the most extensive sporting content available on Australian television, covering almost all major sporting activities.

PMG channels are available to subscribers of all of the major subscription television services in Australia. PMG and FOXTEL have a number of agreements that enable FOXTEL and Optus subscribers to access the PMG channels. PMG also has agreements with Austar that enable Austar to carry FOX SPORTS channels until mid-2014 and the How To and Fuel TV channels until 2011. In addition, PMG distributes its services to over 2,200 licensed premises in the FOXTEL distribution area.

PMG has recently acquired Australia's leading general sports portal, www.foxsports.com.au , from News Limited and PMG will now cross-promote both its broadcast and broadband offerings.

The contribution of FOXTEL and PMG to PBL's net profit for the 12 months to 30 June 2005, 2006 and 2007 grew strongly over the periods, as shown in the table below.

Table 5: Subscription television segment historical financial performance

Period ended 30 June	2005	2006	2007
$m			
NPAT	(7)	37	47

Source: PBL Annual Report 30 June 2006 and 2007

FOXTEL recently adopted a guideline of refinancing its debt to maintain a debt to EBITDA ratio of approximately three times and to distribute its free cash flow including amounts raised from refinancing debt to shareholders. A distribution to PBL under this policy of approximately $50 million will be received prior to the PBL Scheme Meeting. The cash will remain with CMH if the Proposed Restructure is approved and implemented. This guideline is subject to annual review.

PMG has historically distributed its free cash flow to shareholders. PBL will receive an interim distribution of approximately $10 million from PMG in October 2007. The cash will remain with CMH if the Proposed Restructure is approved and implemented.

SEEK

PBL has a 27 percent interest in SEEK, which is equity accounted. SEEK is listed on the ASX and is a media company that operates in the online industry. As at 11 October 2007, its market capitalisation was

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$2.4 billion, which values PBL's investment at $661 million. SEEK has eight board members, of which two members are representatives of PBL, namely Mr James Packer and Mr Chris Anderson.

PBL equity accounts for its investment in SEEK, receiving cash distributions in the form of fully franked dividends. SEEK has publicly stated its policy is to maintain a dividend payout ratio of 70 percent of earnings after tax.

SEEK's core business operates exclusively in the Australian and New Zealand online employment classifieds sector. SEEK also operates an online training and development business in Australia and New Zealand, a niche operation in the UK targeting Australian and New Zealand jobseekers and a business and franchise classified site which brings together franchisors and business brokers with potential franchisees and business purchasers in Australia.

The contribution of SEEK to PBL's net profit for the 12 months to 30 June 2005, 2006 and 2007 grew strongly over the period as shown in the table below.

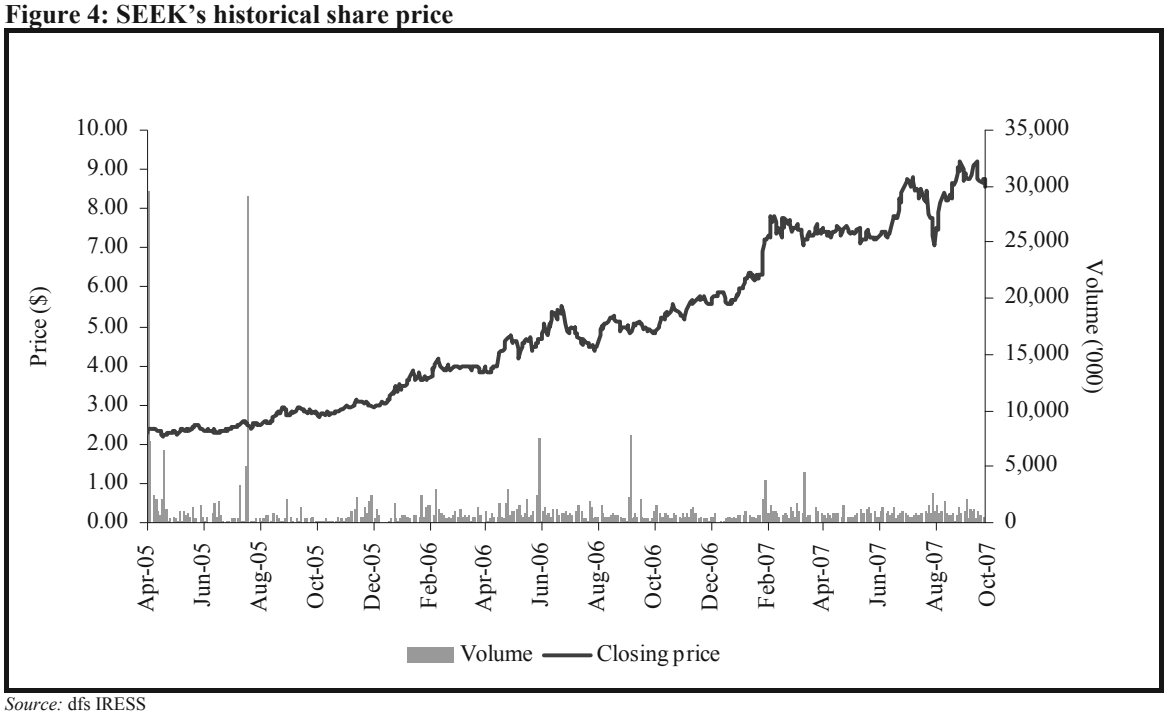
Table 6: SEEK's historical financial performance

Period ended 30 June $m	2005	2006	2007
NPAT	5	9	15

Source: PBL Annual Report 30 June 2006 and 2007

As SEEK is listed on the stock exchange, the value of PBL's investment can be seen through the trading performance of SEEK shares. The table below details the SEEK share price from first listing on 19 April 2005 to 11 October 2007, reflecting an increase in the share price of 272 percent over the period.

Figure 4: SEEK's historical share price



Source: dfs IRESS

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6.5 PBL Media

PBL holds a 25 percent interest in PBL Media. PBL Media is a media company with magazine, television, online businesses and other media investments, primarily located in Australia.

PBL Media has nine directors with four representatives from PBL, two PBL Media executives and three representatives from Red Earth, although Red Earth has the right to appoint another director to the Board and bring the total number of directors to ten. The PBL representatives are Mr James Packer, Mr John Alexander, Mr Chris Anderson and Mr Martin Dalgleish. Following the sell down of the further 25 percent of PBL Media, the number of PBL board representatives is expected to be reduced to two representatives with Mr James Packer and Mr John Alexander continuing as directors of PBL Media.

Magazines

PBL Media owns ACP Magazines, Australia's leading magazine publisher, producing a wide array of consumer and classified titles. ACP Magazines has diversified into nine other countries, principally in New Zealand, Asia and the United Kingdom. It produces some 60 magazines in Australia , which sell approximately 109 million individual copies each year. It also has a stable of more than 70 international magazines. Integral to ACP Magazine's ongoing success is vibrant, information-packed reader websites for many of its popular titles.

The magazine segment experienced strong EBITDA growth of 6.9 percent for the 12 months to 30 June 2006, but in the 12 months to 30 June 2007, negative growth of 5.1 percent was experienced, due to lower levels of advertising and circulation and the disposal of assets. It is also noted that costs and EBITDA in the 12 month period ending 30 June 2007 both benefited from a non recurring gain of $6.5 million on the sale of Exhibitions and Trade Fairs (ETF) and Trade me Free.

Television

PBL Media's television segment primarily involves the ownership of the Nine Network. It also has a 33.3 percent interest in the Australian News Channel, which is equity accounted.

The Nine Network has long been Australia's top-rating commercial television network. It owns broadcasting licences in the capital cities of Sydney, Melbourne, Brisbane and Darwin. In addition, to its primary broadcasting licences, the Nine Network has affiliates in Adelaide and Perth and in major regional areas with WIN, under a cost and revenue sharing arrangements. On 9 May 2007, PBL Media acquired NBN Enterprises Limited Pty Limited (NBN) and its subsidiaries, its affiliate broadcaster in regional New South Wales and Queensland.

A weaker advertising market on the east coast has recently restricted growth in the television segment. In the 2006 financial year, the television segment experienced negative EBITDA growth of 23.4 percent and in the 2007 financial year, the segment experienced negative EBITDA growth of 4.0 percent. However, cost reductions in the 2007 financial year led to a significantly improved EBITDA margin.

The Australian News Channel owns and operates Sky News, Australia and New Zealand's leading multi-platform 24-hour news supplier. Sky News Australia was established in 1996 as a three-way joint venture between PBL, the Seven Network and British Sky Broadcasting (BSkyB). Sky News Australia is Australia's first and only locally produced television news channel and delivers content across all digital media platforms, including 3G mobile, podcasts, interactive television, SMS and online.

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PBL Media Online

PBL Media has several online investments, including a 50 percent interest in ninemsn, a 50 percent interest in carsales and a 48.8 percent interest in myhome. All of these investments are equity accounted.

Ninemsn, a joint venture between PBL Media and Microsoft, was established in 1997 to capture advertising and e-commerce opportunities. It has since developed into a leader in online media.

carsales is an auto website, and has expanded to include a wide range of sales sites, including sites for motorbikes, animals and an ihub website. ihub is the leading online specialist equipment marketplace in Australasia for road building, construction, trucks & transport equipment, earthmoving, mine & quarry machinery, farm implements and material handling.

myhome is a partnership between PBL Media, Microsoft and participants of the Australian real estate industry. It is designed to make the experience of renting, buying or selling real estate as easy and straightforward as possible and enables users to make informed real estate decisions, with new ways of presenting and consolidating search findings.

PBL Media investments

On 1 June 2007, PBL announced the sale of Ticketek and Sydney Superdome Pty Limited, which holds the lease for and manages the Acer Arena, to PBL Media. The transaction completed in July 2007.

Ticketek is a leader in the provision of ticketing services to the Australian and New Zealand entertainment industries. Ticketek provides its services from 130 call centres and 140 box offices and agencies throughout Australia, as well as providing an online ticketing service. Ticketek is currently developing a number of strategic alliances, such as a partnership with Visa and is expanding its range of services.

In late 2004, PBL acquired the lease for the Sydney Superdome (now Acer Arena) and in 2005 PBL contracted the management and operation rights to Ogden IFC. Acer Arena is one of Australia's most popular performance spaces for international and national events. It also provides facilities for conferences, seminars, exhibitions, dinners and presentations. Situated in the Olympic park complex at Homebush Bay, 14 kilometres from Sydney's central business district, the venue is sponsored by Acer, a global electronic products company under a five-year sponsorship agreement signed in May 2006.

Industry drivers

With regard to the Australian media industry, the key industry drivers include:

- Advertising revenue. Both traditional media segments and 'new media' segments derive a significant portion of their revenue from advertising. Whilst some segments can subsidise their revenue through such charges as subscriptions and cover prices, they also earn a large portion of revenue from advertising. It is important to note advertising revenue is strongly affected by economic conditions.
- Disposable income. The industry is also affected by changes to real household disposable income at both the supply and demand sides. For example, a fall in real disposable income can lead to a fall in demand for magazines. At the same time, demand for other retail items may also fall, and as a result advertising expenditure is reduced.

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- Trends. This can be driven by household activities and interests, as well as size and age distribution of the population. Advertisers tend to focus on age groups which are higher spenders, and/or which are highly influenced by fashion trends in their spending patterns.

Competition in the Australia media industry is being driven by:

- Identifying a target audience and being more attuned to this selected target market's tastes.
- Government regulation of media. For example, government restrictions on commercial TV operators and time allocated for advertisements limits the level of advertising that free-to-air TV can offer, boosting demand for other mediums such as magazines.
- Competition from substitute means of disseminating information and offering advertising (e.g. direct mail, TV, radio, newspapers, cinema, signs, and the Internet).
- Scale and scope. Some television and magazine operators believe there are synergies in having cross ownership links, which may include offering advertisers with a TV-magazine package (or a newspaper-magazine package) aimed at targeting markets and spinning-off magazine titles from TV programmes. News Ltd is expected to cross-sell its magazines through its newspaper interests. This is further impacted by cross media and foreign ownership and control regulations being de-regulated to a certain extent under the new media laws passed in October 2006 and which commenced in April 2007.

6.6 Non core investments

PBL has further investments in the entertainment industry, in the form of a 50 percent interest in Hoyts Group and a 25 percent interest in Regency. However, in May 2007, PBL announced its intention to monetise its interests in both of these businesses.

Hoyts

The Hoyts Group's principal activities are cinema exhibition, through the ownership of cinemas in Australia and New Zealand, cinema advertising, through Val Morgan & Co (Val Morgan), and film distribution, through the Hoyts Distribution business. Hoyts is jointly owned by PBL and West Australian Newspapers Holdings Limited (WAN).

On 23 September 2007, PBL and WAN entered into an agreement to sell their respective interests in Hoyts to funds advised by Pacific Equity Partners. The sale is conditional only on approvals from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand and is expected to complete by the end of November 2007. PBL expects to receive proceeds of approximately $150 million from the sale.

Regency

PBL has a 25 percent interest in Hollywood movie and television production companies Regency Enterprises and New Regency Productions. Regency has produced many high profile films over the years including JFK, LA Confidential, Fight Club and Mr and Mrs Smith. Regency's television focus is on producing drama and comedy for network television programming.

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6.7 *Financial performance*

PBL's consolidated income statements for the two years ended 30 June 2006 and 2007 are set out in the table below.

Table 7: PBL's historical financial performance

Period ended 30 June $m	2006	2007
Revenues	1,727	1,910
Other income	5	0
Share of profits of associate and joint venture entities	41	26
Total revenue	**1,774**	**1,936**
Cost of sales	(71)	(88)
Gaming activities	(1,118)	(1,223)
Other activities	(64)	(146)
Total expenses	**(1,253)**	**(1,456)**
EBITDA	**521**	**480**
Depreciation and amortisation	(122)	(127)
Finance costs	(122)	(43)
EBIT	**277**	**310**
Income tax (expense)/benefit	(32)	(19)
Profit from continuing operations after income tax	**245**	**291**
Profit from discounted operations after income tax	377	1,689
Profit for the period	**622**	**1,980**
Profit attributable to minority interests	12	23
Net profit attributable to members of the parent	**610**	**1,957**
Weighted average ordinary shares on issue (000)	*674,518*	*684,666*
Basic EPS (cents)	*90.44*	*285.87*
DPS (cents)	*59*	*55*
EBITDA margin	*29.4%*	*24.8%*
EBIT margin	*15.6%*	*16.0%*

Source: PBL Annual Report 30 June 2006 and 2007
*Note: * Depreciation and amortisation has been subtracted from expenses on a pro rata basis*
n/a – not available

In relation to the table above, it is noted:

- The financial accounts above were prepared in accordance with Australian International Financial Reporting Standards (AIFRS). The 30 June 2006 accounts were the first accounts to be prepared under AIFRS.

- Discontinued operations includes the consolidation of the television and magazine assets sold to PBL Media for the eleven months through to May 2007.

- Other income refers to profit on disposal of non-current assets, which includes the sale of property and equipment.

- Share of profits from joint ventures refers to PBL's share of the NPAT of associated entities. These associates include MPEL, Sky Cable Pty Ltd (FOXTEL), PMG, SEEK Ltd, Betfair Australia Pty Ltd,

as well as the following discontinuing operations: Hoyts Group, ACP NatMags joint venture, carsales Ltd, ninemsn Pty Ltd, d and Australian News Channel Pty Ltd. The lower share of profits from joint ventures relates to PBL's share of the start-up losses from its investment in MPEL which were $47 million in 2007, compared to a loss of $2.5 million in 2006.

- EBIT margin has improved as a result of an increase in interest income and decreases in finance leases and costs relating to the debt facilities.
- PBL's average actual tax paid over the period from 2005 to 2007 is 17 percent, which is below the Australian corporate tax rate of 30 percent. This is due to a number of reasons, including changes in tax laws, tax losses carried forward and the unwinding of certain transactions.

6.8 Financial position

PBL's consolidated balance sheets as at 30 June 2006 and 2007 are detailed in the table below.

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Table 8: PBL's historical financial position

As at 30 June	2006	2007
$m		
Cash and cash equivalents	1,185	2,228
Receivables	394	105
Programme rights	97	-
Other	77	470
Total current assets	**1,753**	**2,803**
Equity accounted investments	1,026	915
Property, plant and equipment	1,910	1,831
Licences and mastheads	2,423	674
Other intangibles	617	210
Available for sale financial assets	238	398
Deferred tax assets	221	184
Other	163	164
Total non current assets	**6,598**	**4,377**
Total assets	**8,351**	**7,180**
Payables	685	235
Interest bearing liabilities	828	20
Income tax payable	60	23
Other	156	216
Total current liabilities	**1,728**	**494**
Interest bearing liabilities	2,095	309
Deferred income tax	505	477
Other	152	34
Total non current liabilities	**2,752**	**820**
Total liabilities	**4,480**	**1,314**
Net assets	**3,871**	**5,865**
Issued capital	2,360	2,455
Reserves	9	350
Retained earnings	1,499	3,060
Minority interests	3	-
Total equity	**3,871**	**5,865**

Source: PBL Annual Report 30 June 2006 and 2007

In relation to the table above, it is noted:

- Cash and cash equivalents have increased as at 30 June 2007 due to the sale of a 50 percent interest in PBL Media, completed on 7 February 2007. As a result of this transaction, PBL received $4.6 billion of cash, which it used to settle $1.9 billion of debt, with the remaining funds increasing the level of cash held to approximately $2.2 billion.
- Programme rights refers to the exclusive rights to broadcast television programs and is related to the amount paid for these rights. This amount has reduced to nil as at 30 June 2007 due to the PBL Media sale.
- Other current assets includes assets held for sale, inventories, prepayments and other assets. Assets held for sale include Hoyts and Regency.

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- Equity accounted investments:
  - increased as at 30 June 2006 due to the addition of carsales Ltd and Betfair Australasia Pty Ltd and an increase in value of all other investments, in particular MPEL
  - decreased as at 30 June 2007 due to the reclassification of Hoyts and Regency as assets held for sale. The decrease was limited by the addition of Aspinalls, as well as an increase in value of the other associated entities, in particular SEEK and MPEL after the listing of 17.2 percent of its issued capital on NASDAQ.
- Licences and mastheads fell significantly as at 30 June 2007 as the television licences and magazine mastheads were sold in the PBL Media transaction. The balance represents casino licences.
- Other intangible assets includes goodwill and casino management agreement.
- Available for sale financial assets consists of investments in ordinary shares that are both listed and unlisted. The value of the unlisted shares is based on valuation techniques that PBL management believes are reasonable and most appropriate.
- Other non current assets includes receivables and prepaid casino tax.
- Interest bearing liabilities have decreased as at 30 June 2007 as a result of the repayment of debt which was sourced from the PBL Media transaction.
- Other non current liabilities includes payables, provisions and as at 30 June 2007, liabilities directly associated with the assets classified as held for sale.
- Reserves increased due to the uplift in the equity value of MPEL following its listing on NASDAQ, as noted earlier, with $342 million credited to reserves and $146 million to deferred tax liability.

In regard to post-balance date events, on 1 June 2007, PBL announced it had sold a further 25 percent of PBL Media to Red Earth, as well as ownership of Ticketek and Acer Arena to PBL Media for a total consideration of $725 million. The sale of Ticketek and Acer Arena was completed on 16 July 2007. Settlement of the sale of a further 25 percent of PBL Media to Red Earth was completed on 10 September 2007. Furthermore, on 23 September 2007, PBL and WAN entered into an agreement to sell their respective interests in Hoyts to funds advised by Pacific Equity Partners. The sale is conditional only on approvals from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand and is expected to complete by the end of November 2007. PBL expects to receive proceeds of approximately $150 million from the sale.

6.9 Historical cash flow performance

PBL's consolidated cash flow statements for the years ended 30 June 2006 and 2007 are detailed in the table below.

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Table 9: PBL's historical cash flow performance

Period ended 30 June $m	2006	2007
Receipts from customers	3,774	3,869
Payments to suppliers and employees	(2,788)	(2,818)
Dividends received	58	30
Interest received	72	118
Borrowing costs	(192)	(258)
Income tax paid	(177)	(216)
Net cash flows from operating activities	**746**	**725**
Purchase of property, plant and equipment	(142)	(240)
Payment for purchase of equity investments	(242)	(617)
Payment for acquisition of controlled entities	(2)	(309)
Net proceeds from sale of equity investments	15	13
Net proceeds from sale of controlled entities	-	898
Other	10	(104)
Net cash flows used in investing activities	**(361)**	**(360)**
Proceeds from borrowings	150	3,686
Repayment of borrowings	(204)	(2,603)
Payment of dividends	(370)	(399)
Other	(9)	(7)
Net cash flows from financing activities	**(433)**	**677**
Net increase/ (decrease) in cash held	(48)	1,043
Cash at the beginning of the financial year	1,233	1,185
Cash at the end of the financial year	**1,185**	**2,228**

Source: PBL Annual Report 30 June 2006 and 2007

In relation to the table above, it is noted:

- Net cash flows from operating activities were relatively stable between June 2005 and June 2006, but have marginally reduced in the 2007 financial year, primarily due an increase in payments to suppliers, lower levels of dividends received and the higher level of income tax paid.
- Net cash flows used in investing activities reflects:
  - in the 2006 financial year, the equity investments in MPEL ($216 million) and Betfair Australia ($23 million)
  - in the 2007 financial year, the purchase of property, plant and equipment for Crown Melbourne and Burswood, the investments in Aspinalls ($12 million), SEEK ($35 million) and MPEL ($177 million) as well as a $127 million loan made to MPEL that was part of a re-classification of equity as debt. It also includes cash flows from the PBL Media transaction.

  Net cash flows from financing activities reflects in the 2007 financial year, the restructuring of existing debt arrangements, including establishing a long term debt facility that has since been repaid as a result of the initial PBL Media transaction and the repayment of existing debt financed from the cash balance.

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- Dividend payments have been consistent over the periods at 59 and 55 cents per share for 2006 and 2007 respectively.

6.10 *Capital structure*

As at 9 October 2007, PBL's issued capital comprises 681,004,425 ordinary shares, which are listed on the ASX. PBL also operates an employee share plan (ESP), through which 9,580,000 shares have been issued. Currently, there are 2,057,500 vested ESP shares, which have been included as ordinary listed shares and 7,522,500 non-vested ESP shares.

Share capital

PBL's top 10 shareholders, as at 25 September 2007, are set out in the table below.

Table 10: Major shareholders as at 25 September 2007

Shareholder	Total number of securities held	% of contributed equity
Consolidated Press Holdings Investments	261,310,394	38.41%
Perpetual Trustees	38,635,619	5.68%
Stillwell Financial	38,473,843	5.65%
Och Ziff Capital Management	20,245,078	2.98%
452 Capital	14,777,685	2.17%
JP Morgan Chase & Co	12,620,952	1.85%
Commonwealth Bank	11,811,211	1.74%
Private Stakeholders (Australia)	11,285,855	1.66%
Credit Suisse Group	10,284,588	1.51%
Capital Group	9,750,914	1.43%
Total shares held by top ten shareholders	**429,196,139**	**63.08%**
Other shareholders	251,185,786	36.92%
Total shares on issue	**680,381,925**	**100.00%**

Source: PBL share register

The following table provides a breakdown of the relevant interests held by substantial shareholders as at last notice.

Table 11: Substantial shareholders as at 25 September 2007

Shareholder	Total number of securities held	% of contributed equity
Consolidated Press Holdings Investments	261,310,394	38.41%
Perpetual Trustees	38,635,619	5.68%
Stillwell Financial	38,473,843	5.65%
Total	**338,419,856**	**49.74%**

Source: PBL share register

The spread of security holders as at 19 September 2007 is set out below.

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Table 12: Spread of shareholders as at 19 September 2007

Size of holding	Number of security holders	% of securities on issue
1 to 1,000	51,189	3.47%
1,001 to 5,000	20,905	6.52%
5,001 to 10,000	1,626	1.70%
10,001 to 100,000	809	2.96%
100,001 and over	151	85.35%
Total	**74,680**	**100.00%**

Source: PBL share register

In relation to the table above, it is noted that approximately 1.3 percent of shareholders by number hold 88.9 percent of the issued capital of PBL.

Directors interest

As at 25 September, the directors of PBL held the following securities (directly or indirectly).

Table 13: Directors' relevant interests at 25 September 2007

Name	Position	Number of shares	% of issued shares	ESP shares
Mr James Packer	Executive Chairman	261,500,000	38.43%	-
Mr John Alexander	CEO and Managing Director, PBL	1,812,500	0.27%	1,300,000
Mr Chris Anderson	Executive Deputy Chairman, PBL	315,194	0.05%	300,000
Mr Chris Corrigan	Independent, Non-executive director	-	0.00%	-
Mr Rowen Craigie	CEO, PBL Gaming	850,000	0.12%	850,000
Mrs Rowena Danziger	Independent, Non-executive director	22,876	0.00%	-
Mr Geoffrey Dixon	Independent, Non-executive director	-	0.00%	-
Mr Ashok Jacob	Non-independent, Non-executive director	-	0.00%	-
Mr Michael Jonhnston	Non-independent, Non-executive director	-	0.00%	-
Mr David Lowy	Independent, Non-executive director	117,253	0.02%	-
Mr Christopher Mackay	Independent, Non-executive director	100	0.00%	-
Mr Richard Turner	Independent, Non-executive director	27,000	0.00%	-
Total		**264,644,923**	**38.90%**	**2,450,000**

Source: PBL Management

Employee share plan

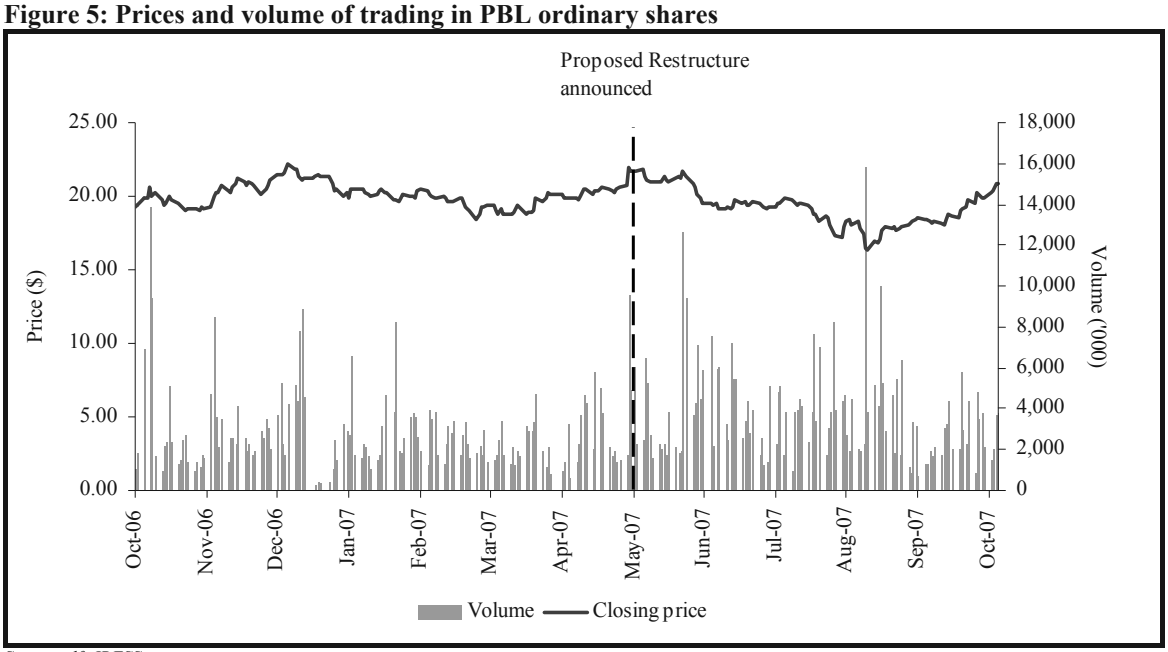
There are 70 employees who participate in the ESP and in aggregate, they hold 9,580,000 shares. Furthermore, there are approximately $166 million in outstanding loans, payable to PBL in respect of the ESP shares. The ESP shares are subject to time vesting conditions and some are also subject to performance hurdles, both of which have not been satisfied.

6.11 Share market performance

Recent security market trading

PBL's history and volume of trading for the 12 month period from 12 October 2006 to 11 October 2007 is set out below.

Figure 5: Prices and volume of trading in PBL ordinary shares



Source: dfs IRESS

Announcements made since 12 October 2006 that may have influenced trading in PBL shares are noted in the table below.

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Table 14: PBL ASX announcements

Date	Announcement/publication
17 October 2006	A trading halt was called
18 October 2006	PBL announced a $5.5 billion recapitalisation and establishment of PBL Media
13 November 2006	Global Television, in which PBL is a substantial shareholder, receives a takeover offer from a private equity firm, Catalyst Media Services
19 December 2006	MPEL announces pricing of its IPO on the NASDAQ
10 January 2007	Underwriters exercise over-allotment option for MPEL
23 February 2007	Release of 31 December 2006 half year accounts
8 May 2007	Announcement of Proposed Restructure
28 May 2007	Announcement that PBL is in discussions to sell a further 25 percent of PBL Media
31 May 2007	Announcement of joint venture with IDM Properties and York Capital Management
1 June 2007	Sales of a further 25 percent interest in PBL Media
6 June 2007	Conversion of notes into 50% equity interest in PBL Media
13 June 2007	Completion of sale of Swan TV to WIN Corporation
31 July 2007	Announcement that PBL Melco joint venture to issue exchangeable bonds
2 August 2007	Announcement that PBL shareholder meeting in regard to Proposed Scheme will be delayed
16 August 2007	PBL/MBL to acquire 66.2 percent of Immobilien Scout
22 August 2007	Announcement of full year, normalised profit
5 September 2007	Announcement of FIRB confirming no objection to CVCs further 25% in PBL Media
6 September 2007	Renewal of SEEK and ninemsn partnership with the signing of an exclusive three year agreement
10 September 2007	PBL receives proceeds of sale of further 25% of PBL Media
18 September 2007	PBL/MBL acquisition of Immobilient Scout not to be completed as Deutsche Telekom exercises pre-emptive right
20 September 2007	Announcement of extension of Gateway Casinos bid to 24 October 2007
24 September 2007	Sale of interest in Hoyts Cinemas to Pacific Equity Partners
28 September 2007	Release of 30 June 2007 annual and financial report
1 October 2007	Announcement of Crown Melbourne's development of a third hotel

Source: DatAnalysis

Share trading after the announcement of Proposed Restructure

The Offer was announced before trading commenced on 8 May 2007. The immediate result was an increase in the PBL share price, from its close at $20.73 on 7 May 2007, to $21.99 at the close of trading on 8 May 2007, an increase of 6.1 percent.

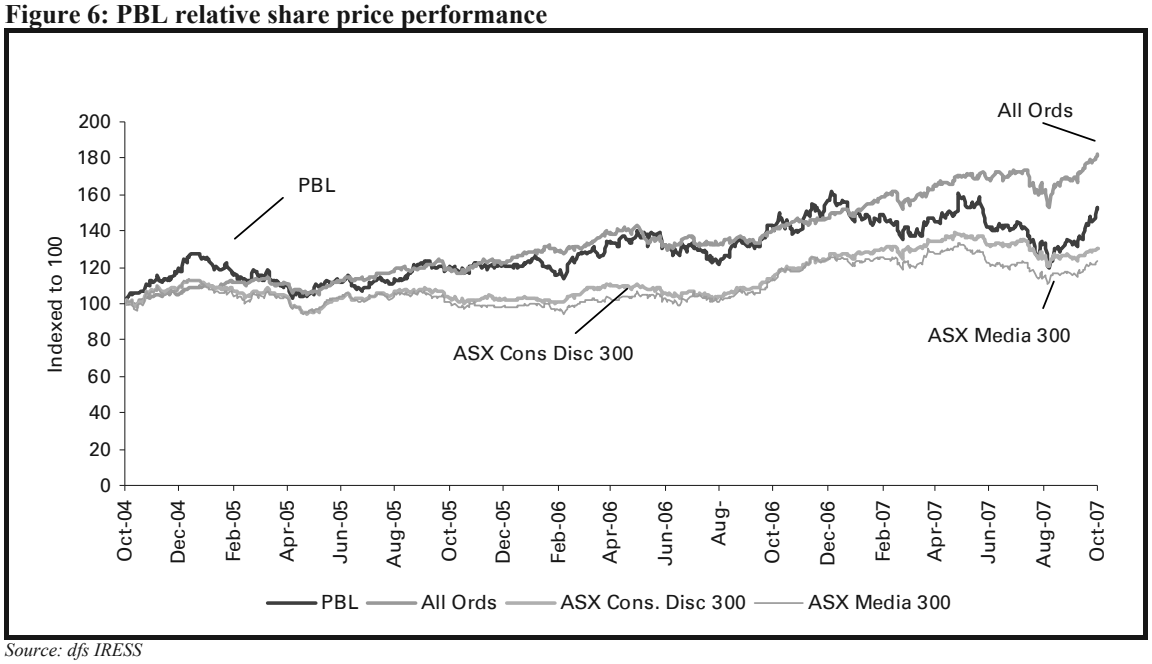
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Subsequently, the PBL share price has declined, with a closing price of $20.80 on 11 October 2007. However, as there have been a number of announcements made since 8 May 2007, including the sale of a further 25 percent interest in PBL Media to Red Earth, the recent decline may not reflect the market's assessment of the Proposed Restructure.

Relative share price performance

The figure below details the trading performance of PBL shares for the three year period between 11 October 2004 and 11 October 2007, relative to the All Ordinaries Index, the ASX Media 300 Index and the ASX Consumer Discretionary 300 Index.

Figure 6: PBL relative share price performance



Source: dfs IRESS

In relation to the figure above, it is noted:

- PBL accounts for approximately 25 percent of the ASX 300 Media Index and approximately 12 percent of the ASX 300 Consumer Discretionary Index and 1 percent of the All Ordinaries Index.
- Over the period 11 October 2004 to 11 October 2007 both PBL and the All Ordinaries Index have outperformed the ASX Media 300 Index and the ASX Consumer Discretionary 300 Index. The All Ordinaries Index increased 82.5 percent, the ASX Media 300 Index increased 23.4 percent, the ASX Consumer Discretionary 300 Index increased 30.6 percent and PBL's share price increased by 51.8 percent over the period.
- Over a more short term period, being 1 January 2007 to 11 October 2007, the All Ordinaries Index has increased by 20.1 percent, the ASX Media 300 Index has decreased by 1.3 percent, the ASX Consumer Discretionary 300 Index increased by 2.7 percent, whilst PBL's share price has underperformed all of the indices, decreasing by 2.6 percent.
- On 8 May 2007, the PBL share price was at its 12 month high of $22.50, before falling to its 12 month low of $16.18 on 16 August 2007.

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Liquidity analysis

An analysis of the volume of trading in PBL's shares for the 12 months to 11 October 2007, is set out in the table below.

Table 15: PBL VWAP and liquidity analysis

Period	Price (high)	Price (low)	VWAP	Cumulative volume ('000)	% of issued capital
1 week	21.13	19.66	20.52	13,081	1.9
1 month	21.13	17.70	19.35	63,624	9.3
3 months	21.13	16.18	18.39	235,401	34.6
6 months	22.50	16.18	19.37	520,851	76.5
12 months	22.50	16.18	19.69	819,221	120.3

Source: dfs IRESS

In relation to the table above, it is noted:

- The one week VWAP to 11October 2007 was $20.52, with a traded high of $21.13 and a low of $19.66
- The three month VWAP to 11 October 2007 was $18.39, with a traded high of $21.13 and a low of $16.18.
- In the 12 month period to 11 October 2007, 120.3 percent of the issued shares of PBL has been traded or approximately 819 million shares.

We consider the percentage of shares traded within the last 12 months is sufficient to assess PBL as a liquid stock. In assessing the liquidity in the trading of PBL shares, it is noted that a large portion of PBL's shares are held by a few substantial shareholders who have not actively traded over the past 12 months.

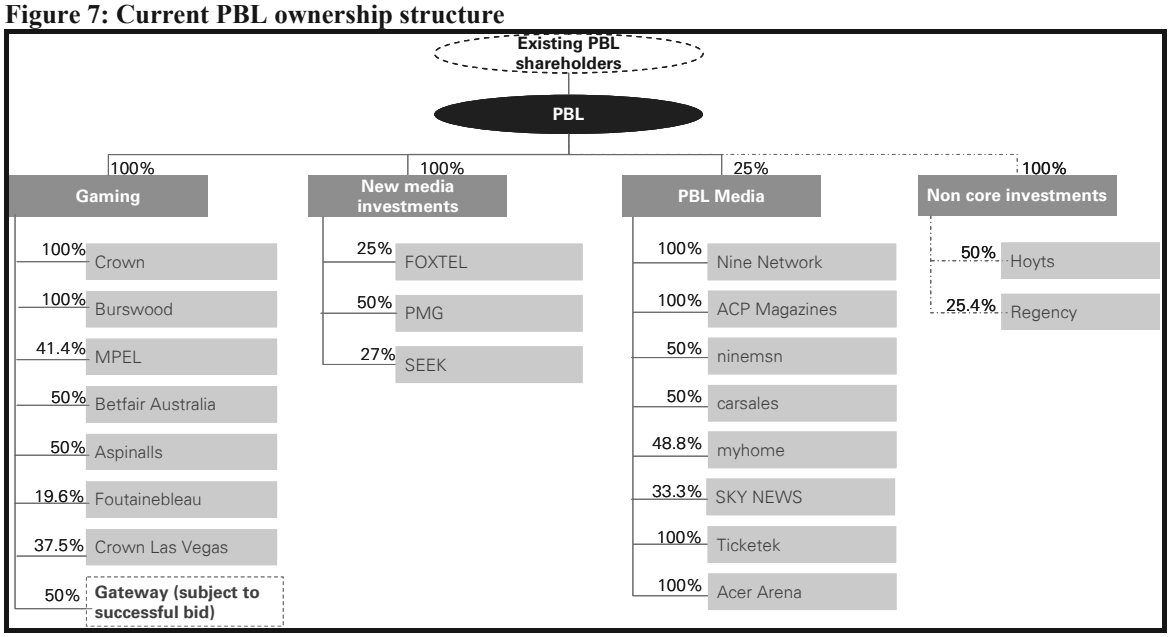
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7 Impact of the Proposed Restructure

7.1 Impact on structure and ownership

The current ownership structure of PBL, based on transactions announced at the date of this report, is shown in the figure below.

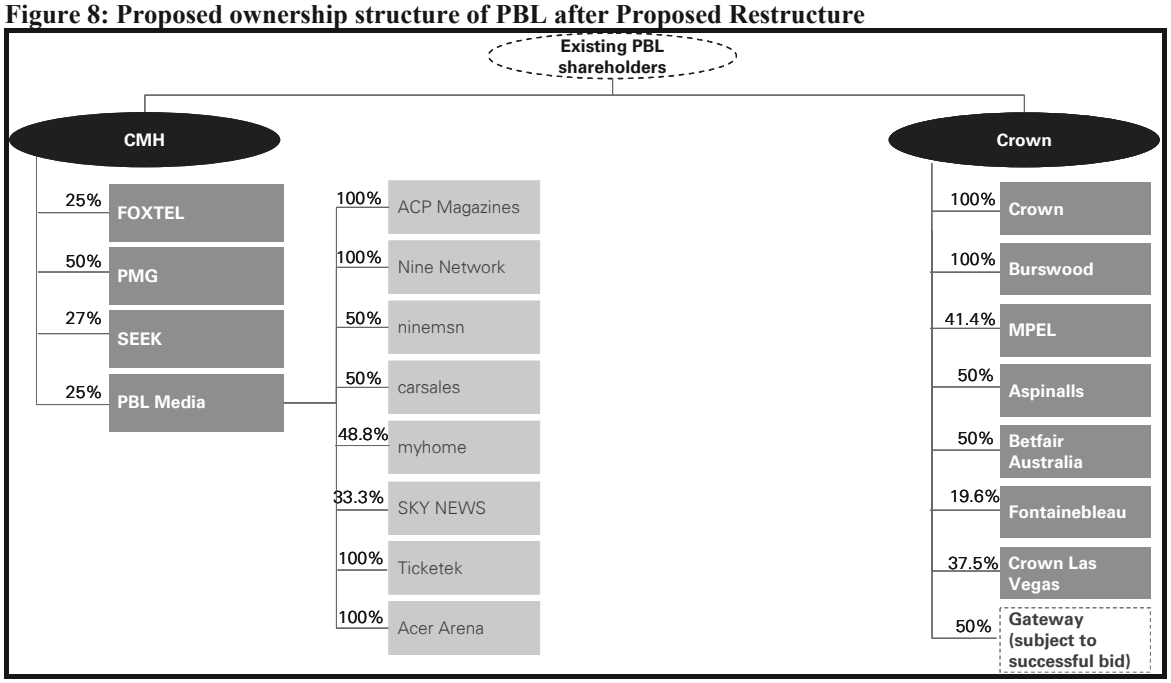
Figure 7: Current PBL ownership structure



Source: PBL management

The effect of the Proposed Restructure on the ownership structure on PBL is shown in the figure below.

Figure 8: Proposed ownership structure of PBL after Proposed Restructure



Source: PBL management

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It is noted the previous figure does not represent PBL post the implementation of the PBL Scheme, but the entire Proposed Restructure. Following the implementation of the PBL Scheme, Crown will wholly own PBL and PBL, subject to the passing of a name change resolution, will be renamed CMH. Therefore, following the implementation of the PBL Scheme, Crown will essentially be the same as PBL today, with the primary difference being the approximate $2.1 billion of debt being used to finance the payments to PBL shareholders under the PBL Scheme.

Following the implementation of the Proposed Restructure, both CMH and Crown will have approximately 680 million shares on issue[8]. Under the PBL Scheme, PBL shareholders will be able to elect to receive a greater proportion of the consideration in cash or in Crown shares. The final consideration mix for those shareholders electing to receive more cash or shares will depend on the elections of all shareholders, as the total share and cash consideration will be fixed. Notwithstanding the election made, in total, PBL shareholders will hold the same number of shares in Crown and in CMH, after the Schemes are fully implemented. We note the position of individual shareholders will depend on their election of consideration with regard to the PBL Scheme.

The members of the current PBL board will be the initial members of both the Crown and the CMH boards after the Proposed Restructure is implemented. However, both entities will have commercial dealings at arm's length. Sections 8 and 10 and 9 and 11 of the Scheme Booklet provide an extensive profile of the operations of CMH and Crown after the demerger on a stand alone basis. As such, we have not attempted to describe in detail the operations of the respective entities in this report.

7.2 Crown

Crown will have operations and hold investments in a diversified portfolio of gaming assets, including:

- Crown Melbourne and Burswood[9] (100 percent)
- MPEL (41.4 percent)
- Aspinalls (50 percent)
- Betfair Australia (50 percent)
- Fontainebleau (19.6 percent)
- Crown Las Vegas (37.5 percent)
- Gateway Casinos (50 percent subject to the completion of the current offer).

It is expected that Crown will be a top 50 ASX listed company. Crown's strategy going forward will involve the pursuit of high growth gaming opportunities available in the domestic and international market, with the objective of establishing itself as a leading global gaming and entertainment provider.

[8] This number will increase by 1,150,000 if resolution number six (Issue of shares to Mr Craigie) is passed at the PBL General Meeting

[9] Full ownership of Burswood excludes IHG's 35 percent interest in The InterContinental Perth Burswood Resort Hotel and the Holiday Inn Burswood

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Key to the successful achievement of Crown's objective is:

- Maintaining Crown's international brand and providing facilities and services to the highest international standards.
- Developing new strategic relationships and maintaining strong relationships with joint venture partners and regulatory bodies.
- Attracting, developing and retaining staff.

Crown management and staff

The Crown business within PBL operated largely as a self contained business unit. As such, significant additional costs and infrastructure are not required for it to operate as an independent listed entity.

The key members of the Crown management team will be as follows:

- Mr Rowen Craigie, CEO
- A newly appointed CFO
- Mr David Courtney, CEO of Crown Melbourne
- Mr Barry Felstead, CEO of Burswood
- Mr Michael Neilson, General Counsel and Company Secretary
- Mr Robert Turner, Executive Vice President International Business Development.

Crown financials

The table below shows the unaudited pro-forma income statement for Crown for the year ending 30 June 2006 and 2007.

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Table 16: Crown's pro-forma financial performance

Period ending 30 June $m	2006	2007
Total revenue	1,726	1,909
Expenses	(1,183)	(1,296)
Corporate costs	(33)	(33)
EBITDA	**510**	**580**
Depreciation and amortisation	(120)	(120)
EBIT	**390**	**460**
Share of net profit/(loss) of associated entities		
Betfair	(2)	(2)
MPEL	(2)	(47)
Aspinalls	-	(2)
Total share of net profit/(loss) from associated entities	(4)	(51)
Net profit before finance costs and income tax	**386**	**409**
Income tax	(76)	(67)
NPAT from continuing operations	**310**	**342**
Net profit/(loss) from discontinuing operations	12	(45)
NPAT	**322**	**297**

Source: PBL Management

The adjustments to the pro-forma accounts include:

- Corporate costs for both 2006 and 2007 have been based on the future plans for management structure detailed in Section 10.3 of the Scheme Booklet.
- It is noted the historical tax expense is not necessarily indicative of the future tax. The implementation of the Proposed Restructure will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. Whilst the impact of the resetting is not yet known, it is expected that for some assets the tax carrying value will be reduced and for other assets, the tax carrying value will be increased. The tax expense has been included at an effective tax rate of 25 percent.
- Interest income and expense relating to the Australian gaming businesses has not been included in the pro-forma income statements because the historical capital structure does not reflect the future capital structure of Crown.
- The pro-forma loss from discontinuing operations in 2007 relates to the write down of the Hoyts investment from $197 million to $143 million.

In regard to the performance of the Crown business, while revenue increased by 10.6 percent in the 2007 financial year, expenses also increased. Nonetheless, net profit from continuing operations increased by 10.3 percent with the write down of Hoyts contributing to the 7.8 percent reduction in NPAT for 2007.

Crown's unaudited pro-forma balance sheet for 30 June 2007 is detailed in the table below.

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Table 17: Crown's pro-forma financial position

As at	30 June
$m	2007
Cash	2,668
Trade and other receivables	105
Inventory	10
Prepayments	13
Assets classifed as held for sale	344
Total current assets	**3,140**
Receivables	90
Property, plant and equipment	1,775
Investments in associates	1,181
Other investments	398
Intangible assets -casino licence	674
Intangible assets - casino management agreement	183
Intangible assets - goodwill	27
Deferred tax asset	184
Prepaid casino tax	74
Total non current assets	**4,586**
Total assets	**7,726**
Trade and other payables	235
Provisions	81
Interest bearing liabilities	20
Income tax payable	23
Total current liabilities	**359**
Deferred tax liability	445
Interest bearing liabilities	2,345
Provisions	33
Total non current liabilities	**2,823**
Total liabilities	**3,182**
Net assets	**4,544**

Source: PBL Management

In relation to the table above, it is noted:

- The following pro-forma adjustments have been made:
  - an adjustment to record the debt raised to finance the cash consideration to be paid as part of the PBL Scheme ($2.1 billion) and the actual payment of that consideration
  - cash has been reduced by $170 million to reflect the PBL final dividend to be payable on 15 October 2007
  - transaction costs of $58 million have been paid subsequent to 30 June 2007 relating to the cost associated with the PBL Scheme. These costs include redundancies, advisors fees and cost of debt repayment.
- As a result of the Proposed Restructure, Crown is expected to hold a cash balance of $2,668 million.

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- Hoyts has been written down from $197 million to $143 million and reclassified as an asset held for sale. New Regency has also been reclassified as an asset held for sale.
- Equity accounted investments has been adjusted for $303 million plus $30 million of deferred interest debt in relation to the consideration paid for the 19.6 percent interest in Fontainebleau Resorts LLC and US$22.5 million paid for a 37.5 percent interest in the Crown Las Vegas joint venture.
- $2.4 billion of debt was repaid between 7 February 2007 and 30 June 2007.
- There has been no pro-forma adjustment made for Crown's commitment to contribute $210 million of equity and loans to the joint venture with Macquarie Bank to acquire Gateway Casinos, as the completion date of this transaction is not yet known.

Implementation costs

The Proposed Restructure will result in the following costs for Crown:

- $33 million for advisors fees, restructuring costs, financing costs and fees associated with ASX listing of Crown and other costs.
- $39 million associated with PBL head office redundancies.

7.3 CMH

CMH will hold a portfolio of investments in various media related assets, including:

- FOXTEL (25 percent) and PMG (50 percent)
- SEEK (27 percent)
- PBL Media (25 percent).

It is expected that CMH's market capitalisation will be sufficient for inclusion in the top 200 ASX listed companies.

CMH's strategy going forward is to actively participate in setting the strategy of companies in which they have an interest through board representation. CMH is primarily focused on 'new media' investments, with substantial profit from associates in CMH being derived from 'new media' investments and, as such, CMH views organic growth as the main driver of the business. Furthermore, CMH is prepared to contribute extra capital to its current investments in order to support their growth strategies. CMH is also positioned to take advantage of consolidation in the media industry, where a business is a strategic fit with existing businesses.

CMH management and staff

Given the nature of the CMH business, it is not expected that a large corporate structure will be required in the future. Therefore, at the time the Proposed Restructure is implemented, CMH will have two senior executives, being Mr John Alexander and Mr Martin Dalgleish and a limited number of employees. Mr Chris Anderson will be a non-executive director when the Proposed Restructure is implemented.

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CMH financials

The table below shows the unaudited pro-forma income statement of CMH for the years ending 30 June 2006 and 2007.

Table 18: CMH's pro-forma financial performance

Period ending 30 June $m	2006	2007
Total revenue	5	6
Expenses	(4)	(5)
Corporate costs	(8)	(8)
EBITDA	**(7)**	**(7)**
Depreciation and amortisation	(2)	(2)
EBIT	**(9)**	**(9)**
Share of net profit/(loss) of associates		
FOXTEL	1	17
Premier Media Group	36	46
Seek	9	14
PBL Media	0	5
Total share of profit/(loss) from associates	46	82
Net profit before finance costs and income tax	**37**	**73**
Income tax	(10)	(15)
NPAT from continuing operations	**27**	**58**
Net profit/(loss) from discontinuing operations	-	4
NPAT	**27**	**62**

Source: PBL Management

The adjustments to the pro-forma accounts include:

- Corporate costs for both 2006 and 2007 have been based on the future plans for management structure detailed in Section 11.3 of the Scheme Booklet.
- The net profit/(loss) from discontinuing operations refers to the 50 percent of PBL Media that was sold on 7 February 2007. PBL however retained control of PBL Media until 6 June 2007 such that PBL accounted for 50 percent share of PBL Media's results from 6 June to 30 June 2007. In order to show the result of PBL Media from 7 February to 30 June 2007, the Directors have equity accounted for the full period which has been reflected in the above income statement.
- The income statement for 2006 and 2007 does not include any profit attributable to Ticketek or Acer Arena as these businesses were owned by PBL and sold to PBL Media in a transaction completed on 16 July 2007.
- Direct interest income and expenses have not been included in the pro-forma income statement because the historical capital structure does not reflect the future capital structure of CMH.
- It is noted the historical tax expense is not necessarily indicative of the future tax. The implementation of the Proposed Restructure will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. Whilst the impact of the resetting is not yet known, it is expected that for some assets the tax carrying value will be reduced and for other assets, the tax carrying value will be increased. An effective tax rate of 30 percent has been used.

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CMH's pro-forma balance sheet for 30 June 2007 is detailed in the table below.

Table 19: CMH's pro-forma financial position

As at $m	30 June 2007
Cash and cash equivalents	90
Total current assets	**90**
Investments in associates	(56)
Property, plant and equipment	56
Total assets	**90**
Deferred tax liability	33
Net assets	**57**

Source: PBL Management

In relation to the table above, it is noted:

- As a result of the implementation of the Proposed Restructure, CMH is expected to hold $90 million in cash.
- CMH's investments in associates balance is detailed in the table below:

Table 20: CMH's investments in associates balance

Associate	Ownership %	Carrying value in Pro forma balance sheet $m	Share of associates net assets $m
FOXTEL	25%	89	213
PMG	50%	108	104
Seek	27%	91	29
PBL Media	25%	(344)	513
Total		**(56)**	**859**

Source: PBL Management

- On 7 February 2007, PBL formed PBL Media and sold 50 percent of PBL Media to Red Earth. As a result of this transaction, PBL received proceeds of $4.6 billion and PBL deconsolidated the PBL Media businesses and recognised an investment in associate with a carrying value of $(344) million.
- PBL has since sold a further 25 percent of PBL Media for $526 million in a transaction on 10 September 2007. This affects the carrying value of PBL's investments in PBL Media.
- PBL will receive distributions from investments in FOXTEL of $50 million and PMG of $10 million in October 2007.
- PBL sold its Ticketek and Acer Arena business to PBL Media for $210 million and as part of this sale, approximately $38 million of cash will be retained by Ticketek, resulting in a net increase to PBL's cash of $172 million. This transaction was completed on 16 July 2007.

Implementation costs

The Proposed Restructure will result in CMH contributing 25 percent towards any transaction costs remaining to be paid after the PBL Scheme effective date, being the date the PBL Scheme is approved by the courts and lodged with ASIC.

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7.4 Historical relationship between Crown and CMH

Whilst efforts were made to draw synergies from the various operating units within PBL, Crown and the businesses that will form part of CMH, have maintained limited business relationships in the past. Furthermore, where a business relationship did exist, it was typically entered into on arm's length terms. Therefore, PBL management believe that any relationship between Crown and the other business units, neither added to nor detracted materially from the performance of the respective businesses.

7.5 Financial implications of the Proposed Restructure

Impact on EPS

It is noted that based on the pro-forma earnings of Crown and CMH and the estimated 680 million shares each business will have on issue, the EPS of Crown and CMH for the year ending 30 June 2007 will be approximately 50 cents and 9 cents respectively.

Further, it should be recognised that the EPS reflects the various pro-forma adjustments, including any one-off costs associated with the Proposed Restructure and additional annual overhead costs associated with maintaining a publicly listed entity.

In considering the impact of the Proposed Restructure on EPS, it is the additional costs that are most relevant. In this respect, it is noted that Crown will incur all the transaction costs, amounting to approximately 10.6 cents per share[10] for Crown.

Impact on NTA per share

The impact of the Proposed Restructure on net tangible assets (NTA) per share is quantified below. The NTA calculation is based on the estimated 680 million ordinary shares that Crown, CMH and PBL will have on issue.

Table 21: Impact of the Proposed Restructure on NTA

	PBL actual	Crown pro-forma	CMH pro-forma
NTA as at 30 June 2007 ($m)	4,980	3,660	57
NTA per share as at 30 June 2007 ($)	7.31	5.38	0.08

Source: PBL management

Impact on dividends

The dividend policies of Crown and CMH following the implementation of the Proposed Restructure will be at the discretion of the board of each entity. Sections 10.8 and 11.8 of the Scheme Booklet outline the following indicative dividend policies for Crown and CMH:

- For Crown, 100 percent of normalised net profit after tax paid in the form of dividends franked to the greatest extent possible. The interim dividend paid for the year ended 30 June 2008 will reflect the trading performance of the Gaming Businesses from 1 July 2007 until the PBL Scheme Effective Date and Crown's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

[10] Additional costs are estimated to total $72 million. Total number of shares on issue are estimated to be 680 million

- For CMH, the intention is to distribute cash from operating activities after financing costs franked to the greatest extent possible, subject to retaining cash reserves for short term liabilities and investment opportunities. The interim dividend paid for the year ended 30 June 2008 will reflect the trading performance of the Media Businesses from 1 July 2007 until the PBL Scheme Effective Date and CMH's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

Existing PBL shareholders should note that despite the intended dividend policies of both Crown and CMH, ultimately each companies' dividend policy will be determined by its board and will be a function of, amongst other things:

- the general business environment
- operating results of each entity
- ongoing and future capital requirements, including strategic growth opportunities
- capital management initiatives
- taxation considerations (such as the level of franking credits).

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8 Evaluation of the Proposed Restructure

The principal matters that KPMG has taken into consideration in forming its opinion as to whether the Proposed Restructure is in the best interests of PBL shareholders are discussed in detail below. Our opinion is based upon our judgement of the potential benefits and disadvantages of the Proposed Restructure, as well as the implications for PBL shareholders if the Proposed Restructure does not proceed. Due to the nature of the transaction, it is not possible to quantify specific benefits or disadvantages, and therefore our assessment is necessarily subjective in nature.

8.1 Benefits

Strategic focus

As a consequence of the Proposed Restructure, each demerged business will have a dedicated board and management team, which over time, is expected to result in a greater focus on the respective core businesses. This increased focus will allow each entity to pursue and implement development strategies pertinent to each group. This focus is considered to be an important issue for PBL given the contrasting strategies likely to be adopted for Crown and CMH. In this regard, it is noted that:

- Crown intends to position itself as a leading international gaming company, achieving growth via acquisitions or developments in high growth markets. Its capital requirements in executing this strategy will be high, hence post the Proposed Restructure, Crown will hold $2.7 billion in cash, allowing it to quickly respond to opportunities in target markets.
- In contrast, CMH's growth is largely expected to be achieved through organic growth in its current 'new media' investments whilst it will consider sensible low risk acquisition opportunities, it is likely to have low capital requirements. Post the Proposed Restructure, it will have a cash balance of $90 million.

While it is arguable that PBL can currently implement these strategic objectives within its current structure, the demerger into 'pure play' companies allows a more transparent view of the companies' strategy, making it clearer for investors to assess the strategy and risks of each company. This means the board and management team of each company will have a greater mandate to implement their strategy and can thus pursue their goals more aggressively than would be possible if operating within a diversified business.

Whilst changes at the senior management and board levels will not be immediately apparent, recent changes in the media business will have reduced the obligations of certain key personnel, allowing greater time commitment to the current businesses. In this regard, Mr James Packer and Mr John Alexander will continue to have senior executive roles at both Crown and CMH, with Mr Alexander responsible for the day-to-day operations of CMH in the absence of a dedicated CEO. At Crown, a dedicated CFO will be added to the management team, joining the existing CEO and senior management team. Future changes to the board of Crown and CMH may further enhance the benefits gained through the increased strategic focus of the demerged entities.

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Shareholder flexibility

Immediately following the implementation of the Proposed Restructure, current shareholders of PBL will in total, have the same ownership interest in the demerged entities as they currently do in PBL[11]. Historically, investors in PBL have seen a change in the risk of their investment as gaming has become an increasingly significant part of the business. More recently, as PBL has established an international portfolio of gaming investments, investors seeking exposure to the gaming business have also had to invest in PBL's media businesses. Post the Proposed Restructure, investors will have the flexibility to invest in a 'pure play' gaming business or a 'new media' investment company.

Given the contrasting strategies proposed for Crown and CMH, it is likely that the varying risk/return profile of each entity will attract a different set of investors. Crown's gaming businesses, particularly its international developments, have a higher level of risk attached, as investors are currently investing in potential and not actual cash flows at this time. In contrast, CMH's media related investments have a more stable income generating profile and whilst it has strong growth expectations, it is likely to have a different growth profile to that of Crown.

As a result of the Proposed Restructure, a greater level of transparency in the demerged entities will allow investors to better assess the strategy and risks of each entity. In doing so, investors will have the flexibility to match their investment in Crown and/or CMH to their personal risk/return profile. Similarly, PBL shareholders will be able to adjust their holdings in Crown and CMH, or if they consider PBL's current diversified media and gaming business to be a satisfactory fit for their risk/return profile, they can continue to hold shares in both Crown and CMH.

PBL's largest shareholder, Consolidated Press Holdings Limited, has indicated its intention to elect to receive the standard allocation of shares and thus will maintain its current percentage interest in both Crown and CMH.

Financial flexibility

A demerger can allow companies to re-allocate their capital in accordance with their strategic goals. Further, by aligning the interests of management, a demerger also limits the possibility of any internal struggles for access to capital between segments of a diversified firm. In this regard, the Proposed Restructure will allow Crown and CMH to independently manage their funding requirements to best achieve their operational, financial and strategic goals.

Although PBL's current financing structure is not considered to have restricted the recent development of the business, it is possible that the future development of the gaming and media businesses may be impacted by their different earnings profiles and capital requirements. In this regard it is noted:

- Crown is likely to require significant capital to pursue its growth strategy. Together with the nature of its investments, its cash balance of $2.7 billion post the Proposed Restructure and its low level of initial gearing, Crown will be placed in a strong position to access the capital markets as required in the future.

[11] With the exception of ineligible overseas shareholders

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- In contrast, as CMH is a holding company, it is likely to have more difficulty in obtaining finance from debt markets. However, CMH's strategy does not involve aggressively pursuing acquisition options and therefore immediate access to the capital markets is unlikely to be required. Further, post the Proposed Restructure, CMH will have a cash balance of $90 million and no gearing, which will allow it capacity to finance opportunities that may arise in the short term.

Accordingly, the Proposed Restructure will allow both Crown and CMH to independently manage their capital requirements and provide Crown with a greater level of flexibility in funding its future growth opportunities.

Trading liquidity maintained

PBL is currently included in the ASX 50 index and is one of the more heavily traded shares on the ASX. The Proposed Restructure will result in PBL shareholders holding shares in two smaller entities. In this regard, post the Proposed Restructure:

- Crown is likely to be included in the ASX 50 index and will be the only listed gaming company on the ASX with an international portfolio of assets. It will also be one of the few companies globally that holds assets in a number of the key international gaming locations. As such, Crown should attract strong domestic and international investor interest at both the retail and institutional level.

- CMH is likely to be included in the ASX 200 index and is one of only a few 'new media' companies listed on the ASX. CMH also provides investors the chance to invest in a private equity play by virtue of the remaining 25 percent interest in PBL Media. However, CMH is unlikely to attract the same level of investor interest as Crown and international and institutional investor interest may be limited.

Therefore, although the trading interest in Crown is expected to generate stronger traded volumes than for CMH, the respective features of both Crown and CMH should attract sufficient investor interest to provide the level of liquidity required for the efficient pricing of the shares in the future.

Takeover potential

As a key outcome of the demerger process is the creation of a more focused business, recently demerged entities are often identified as potential takeover targets. Takeovers or similar transactions are typically seen to create value for shareholders as the bidder is often required to pay a premium to the current traded share price to gain control of the target. Therefore, a company identified as a viable takeover target will often be more fully priced than a company that is not.

There are a number of reasons why a demerged Crown and CMH may be more attractive to potential bidders, including their smaller size and the more focused nature of their businesses. However, it is unlikely that Crown and CMH will be viewed as a takeover target unless support is obtained from Mr James Packer, whose company CPH, will continue to hold a 38 percent interest in both companies. CPH has advised PBL that if the Proposed Restructure is implemented, it will be supportive of both Crown and CMH and has no present intention to dispose of its interest in either entity.

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Cost savings

The Proposed Restructure will result in the creation of two publicly listed entities, each with their own management structure. Sections 10.4 and 11.4 of the Scheme Booklet outlines the composition and relative experience of the Crown and CMH boards and senior management teams.

As separately listed companies, Crown and CMH will incur increased costs as a result of the need to maintain separate boards of directors, share registries, information technology and reporting systems, and corporate and administrative functions. In addition, Crown will incur other costs associated with its initial listing, including listing fees, shareholder communications, and legal and regulatory compliance costs.

However, PBL has indicated that the combined head office costs of Crown and CMH will be significantly lower than the existing costs of PBL. This is due to:

- The nature of CMH's operations, which as a holding company for media related investments, means a smaller management team is required for the business.

- A decrease in market capitalisation of the two separate companies, which will result in a cost reduction as the remuneration of the senior executive team will be rebased to reflect the reduced size and scope of responsibility.

- The above reductions are partially offset by the increase in the size of the Crown management team, with a dedicated CFO and additional legal support being added.

Based on the preliminary analysis undertaken by PBL, corporate costs going forward will be $33 million and $8 million for Crown and CMH respectively. This reflects a significant reduction to the $93 million that was reported in 2007.

However, it is noted that a number of these cost savings, particularly those in relation to the nature of CMH's ongoing business, should be capable of being realised regardless of whether the Proposed Restructure occurs. Nonetheless, the Proposed Restructure provides an opportunity to implement these cost saving initiatives as part of the broader changes required under the Proposed Restructure. Without this opportunity, these cost saving initiatives may have been more difficult to implement in isolation.

Better alignment of management incentives with performance

PBL currently has various share and option incentive plans for group employees and executives. However, the shares and options issued in PBL under the current incentive plans include businesses in which management may not be involved and therefore have less or no direct control over.

The implementation of the Proposed Restructure will allow the respective boards of Crown and CMH to introduce new employee incentive plans, which are more directly aligned to the financial performance of the businesses on a stand-alone basis. By aligning management incentives in this way, business performance should be maximised to the benefit of shareholders generally.

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Market re-rating

One of the prime drivers of a demerger is the potential for value enhancement. The creation of two separately listed entities is likely to result in a greater level of transparency and understanding of the operations of each business, which will, in turn, increase the likelihood of a more efficient value assessment being made by the market.

We consider any market re-rating as a result of a demerger process to typically occur over a medium term investment horizon, say one to two years. In the short term, there is likely to be an increase in share price volatility in both Crown and CMH as portfolio weightings are stabilised and the market becomes familiar with the operations and performance of each entity on a stand alone basis. Therefore, in considering the likelihood of Crown and CMH achieving a market re-rating, we have reviewed and compared the following with a view to assessing their medium term impacts for Crown and CMH:

- The earnings and operating characteristics of Crown and CMH compared to their respective peers, which amongst other things, include:
  - their historic operating profitability and EBITDA margins
  - the size and nature of each respective business
  - their historic growth levels
  - the ownership structure of the company.
- The historical and forecast EBITDA and PE multiple range on which Crown's and CMH's peers have traded.

Crown

We have included below a summary of the Crown comparable company EBITDA and PE multiples. Further information on the comparable companies, including multiples and key performance indicators are included in Appendix 3.

Table 22: Crown comparable company EBITDA multiples

	EBITDA multiple (x)			
	2004	**2005**	**2006**	**2007 Forecast**
PBL	*10.6*	*14.9*	*13.5*	*20.3**
Australian & New Zealand mean	12.2	11.9	14.1	17.6*
Australian & New Zealand median	12.2	12.0	10.4	13.2*
Hong Kong mean and median	n/a	26.4	11.3	20.0
US mean	23.9	23.0	24.7	21.0
US median	25.3	17.8	17.4	14.6
Total mean (excluding outliers)	17.2	13.4	15.0	14.3
Total median (excluding outliers)	13.8	12.8	15.6	14.1

Source: Bloomberg LLP and relevant company annual reports
*Note: *PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. Tabcorp and Tattersall's have also released their 2007 financial results and thus these multiples are also based on actual, not expected results*

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Table 23: Crown comparable company PE multiples

	PE multiple (x)			
	2004	**2005**	**2006**	**2007 Forecast**
PBL	*16.8*	*22.1*	*19.8*	*29.3**
Australian & New Zealand mean	20.9	20.6	27.0	21.1*
Australian & New Zealand median	20.9	20.9	24.2	18.6*
Hong Kong mean and median	n/a	9.3	31.8	34.4
US mean	44.6	35.0	35.8	39.8
US median	44.1	31.8	37.5	42.8
Total mean (excluding outliers)	**22.8**	**25.1**	**26.7**	**26.0**
Total median (excluding outliers)	**22.5**	**23.5**	**25.0**	**24.5**

Source: Bloomberg LLP and relevant company annual reports
*Note: *PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. Tabcorp and Tattersall's have also released their 2007 financial results and thus these multiples are also based on actual, not expected results*

Detailed discussion of the Crown comparable companies is included in Appendix 4. In summary, the following observations are noted:

- The comparable gaming companies trade at a historical average EBITDA multiple for 2006, excluding outliers, of 15.0 times and a historical average PE multiple for 2006, excluding outliers, of 26.7 times. The forecast average EBITDA multiple, excluding outliers, is 14.3 times and the forecast average PE multiple, excluding outliers, is 26.0 times. The Australian and New Zealand companies have an average historical EBITDA multiple for 2006 of 14.1 times and an average historical PE multiple for 2006 of 27.0 times.

- Tabcorp Holdings Limited (Tabcorp) is considered to be the most comparable Australian company. It operates Star City entertainment complex in Sydney and Conrad Jupiters in Gold Coast, as well as gaming machine and Keno operations in licensed clubs and hotels. Its casino and gaming operations contributed 41.5 percent and 31.2 percent of earnings before interest and tax (EBIT) respectively in the 2007 financial year. Tabcorp is smaller and less geographically diverse than Crown and it operates a wagering business, which contributed 28.1 percent of EBIT in the 2007 financial year. Whilst the wagering business is a gaming activity, the growth in this area is not considered to be as high as that for casino and gaming operations.

- The Hong Kong companies are comparable to the gaming development section of Crown. Melco, Crown's JV partner for MPEL, first entered the gaming industry in 2004 when it acquired the Mocha Slot Group, which provides gaming machine clubs in various locations in Macau. As previously noted, Melco has one casino and is developing a further two casinos in Macau through its joint venture with Crown. Melco also operates restaurants, an investment banking division and a gaming IT infrastructure business. Due to the developing stage of the company's casino division, it is yet to reach a maintainable earnings position and consequently its earnings multiples are very high. Similarly, Galaxy Entertainment Group (Galaxy) was a construction business operating in Hong Kong until it received a gaming licence in Macau in 2002. Galaxy opened its first casino in Macau in 2004 and has since opened a further three casinos. It has further sites under development. Again, due to the development stage of the company, Galaxy is also yet to reach a maintainable earnings position and thus its earnings multiples are not meaningful.

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- MPEL listed in December 2006 and its price has subsequently fallen below its listing price as a result of increased competition in Macau as more global gaming companies commence developments in the region, the status of MPEL's developments and the recent announcement of an increase in development costs. As the developments progress and the timing of revenue generation is more certain, MPEL is expected to be re-rated by the market. No key performance indicators or multiples for MPEL are currently available.

- The United States companies are considered to be the most comparable to Crown, as they primarily operate gaming complexes similar to the Crown Melbourne and Burswood, and have made investments in various international gaming locations. The United States companies have an average historical EBITDA multiple for 2006, excluding Las Vegas Sands Corp (Sands) of 16.6 times and an average historical PE multiple for 2006, excluding Sands, of 35.8 times. The average forecast EBITDA multiple, excluding Sands, is 15.2 times and the average forecast PE multiple, excluding Sands, is 39.8 times.

- Sands is an international developer and operator of entertainment complexes in the United States and Asia. Sands has two casinos in Las Vegas and is currently developing a third. It also has a casino in Macau, a second is due to open in the next few months and plans have been submitted for six more casino resorts. Furthermore, Sands is currently development a luxury resort in Singapore. Sands is significantly larger than Crown with net revenues of US$2.2 billion in the 2006 financial year and wholly owns all of its operations. Its high trading multiples are as a result of the significant number of properties under development.

- Wynn Resorts Limited (Wynn) is a developer, owner and operator of entertainment complexes in the United States and Macau, including Wynn Las Vegas and Wynn Macau. Wynn Macau has been operating since September 2006 and is currently undergoing further construction to include additional gaming space and another hotel tower. Wynn is similar in size to Crown, with net revenues of US$1.4 billion for the 2006 financial year.

CMH

We have included below a summary of the CMH comparable company EBITDA and PE multiples. Further information on the comparable companies, including multiples and key performance indicators are included in Appendix 3.

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Table 24: CMH comparable company EBITDA multiples

	EBITDA multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*10.6*	*14.9*	*13.5*	*20.3**
Australian mean	10.3	9.9	17.6	14.2*
Australian median	10.9	10.6	12.4	12.5*
UK mean	9.8	10.8	10.9	11.2*
UK median	9.8	10.8	10.9	11.2*
US Media mean	14.2	13.4	11.5	10.1
US Media median	15.8	12.9	12.3	10.3
US Cable mean	16.9	10.3	9.6	8.0
US Cable median	15.0	10.1	10.0	8.1
Total mean	**12.2**	**10.7**	**14.3**	**12.0**
Total median	**11.8**	**10.6**	**12.2**	**11.0**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media.*
EMAP(UK) and Southern Cross Broadcasting(Aus) have also released their 2007 financial results and thus these multiples are based on actual, not expected results

Table 25: CMH comparable company PE multiples

	PE multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*16.8*	*22.1*	*19.8*	*29.3**
Australian mean	18.1	23.8	32.3	25.4
Australian median	17.7	18.2	25.0	21.7
UK mean	42.1	20.3	17.3	19.6
UK median	42.1	20.3	17.3	19.6
US Media mean	27.9	22.4	19.9	21.0
US Media median	25.9	23.0	22.1	19.1
US Cable mean	57.1	52.4	28.7	25.0
US Cable median	61.0	70.3	31.1	23.6
Total mean	**30.3**	**28.2**	**27.7**	**23.9**
Total median	**22.6**	**21.3**	**22.1**	**21.7**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media.*
EMAP(UK) and Southern Cross Broadcasting(Aus) have also released their 2007 financial results and thus these multiples are based on actual, not expected results

Detailed discussion of the CMH comparable companies is included in Appendix 4. In summary, the following observations are noted:

- The comparable media companies trade at a historical average EBITDA multiple for 2006 of 14.3 times and a historical average PE multiple for 2006 of 27.7 times. The forecast average EBITDA is 12.0 times and the forecast average PE multiple is 23.9 times. The Australian companies, excluding SEEK, have a historical average EBITDA multiple for 2006 of 13.2 times and a historical average PE multiple for 2006 of 27.7 times. Despite the range in size and diversity of operations of the media companies, the trading multiples of the companies are broadly consistent across Australia, United Kingdom and United States.

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- CMH's operations will primarily involve Australian media related investments and, as such, the comparable analysis focuses on Australian based companies. The Australian companies primarily operate television networks, magazines and newspaper publishing and radio networks. Therefore, CMH's focus on 'new media' investments means there are fewer direct comparables for the business.
- One of CMH's investments is a 25 percent interest in PBL Media. PBL Media is most comparable to Seven Network, which owns and operates the Seven Network television stations and also has interests in Pacific Publications and Murdoch Magazines, both magazine publishers, the Telstra Dome entertainment facility and a joint venture with Yahoo!, an Australian internet business.
- Other CMH investments include FOXTEL and PMG. Telstra Corporation Limited (Telstra) owns 50 percent of FOXTEL and News Corp Limited (News Corp) owns the remaining 25 percent of FOXTEL and 50 percent of PMG. However, both Telstra and News Corp are significantly larger and more diversified than CMH and, as such, their investments in FOXTEL and PMG would not influence earnings nor pricing to the extent required for these companies to be considered comparable.
- United States cable companies have been included as comparable companies to FOXTEL and PMG. It should be noted that these companies are significantly larger than CMH and primarily operate in the United States, which has a more mature cable television market than Australia. The multiples of the United States cable companies are not significantly different to the other media companies, however, the PE multiples are slightly higher due to the higher historical growth rates of these entities.
- SEEK, in which CMH holds a 27 percent interest, is itself separately listed on the ASX. SEEK has achieved 53 percent growth in revenue and 129.8 percent growth in dividends since listing in April 2005. SEEK will be a significant contributor to CMH's future performance.
- Both the United States media and the United Kingdom companies hold diversified operations across traditional media segments. These companies tend to have broader operations and are consistently larger and more geographically diverse than CMH.

Quantum of re-rating

The actual trading price of Crown and CMH shares immediately post the Proposed Restructure will be dependent on the market's view of the contribution of each entity to the underlying price of PBL leading up to the Proposed Restructure. Subsequent to the Proposed Restructure, trading in Crown and CMH shares will reflect the market's assessment of their businesses against their peers, providing the opportunity for a re-rating.

As at 11 October 2007, the one month VWAP of PBL is $19.35 and since the announcement of the Proposed Restructure, the VWAP of PBL is $19.28. For the purposes of our analysis, we have used a price of $19.25 per PBL share. We have subtracted $3.00 for the cash return to PBL shareholders and have allocated a share price of $16.25 between Crown and CMH, as shown in the table below. We acknowledge the allocation is subjective, but do not consider it to be unreasonable for the purposes of our analysis.

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Table 26: Pre-announcement price allocation

Company	Scenario 1 $ per share	Scenario 2 $ per share
Cash	3.00	3.00
Crown	12.50	13.00
CMH	3.75	3.25
Total	**19.25**	**19.25**

Source: KPMG analysis

The multiples implied by the share allocation are shown in the table below.

Table 27: Implied trading multiples

	Crown		CMH	
Company	Low	High	Low	High
30 June 2007 EBITDA multiple	14.1	14.7	n/m	n/m
30 June 2007 PE multiple	24.9	25.8	37.5	43.2

Source: KPMG analysis

The implied multiples for both Crown and CMH are considered to be high in absolute terms. There are a number of reasons for this, the primary reason being that both Crown and CMH are not yet generating their expected level of maintainable earnings. In this regard, it is noted:

- Crown's international investments tend to be in a development stage and as such are currently generating negative earnings. The companies considered most comparable to Crown are also pursuing a significant volume of new developments. As such, the range of trading multiples for these companies is broad, with forecast PE multiples for the United States gaming companies ranging from 22.6 times to 50.9 times. Therefore, the implied EBITDA and PE multiples for Crown are not in excess of the range of multiples applied to the United States gaming companies.

- CMH's focus on 'new media' implies some of its investments are operating in markets that are not yet mature. FOXTEL, for example, has only recently starting generating positive earnings and SEEK is still within its early high growth phase. Therefore, we expect CMH will be priced by the market with reference to the following factors in the short to medium term:

  - the trading performance of SEEK, in which CMH holds a 27 percent interest. In this regard, the implied multiples of CMH are similar to the trading multiples of SEEK

  - the market perception of the performance of PBL Media, the progress of any restructuring and the timing of any exit strategy implemented by the majority shareholder

  - the underlying performance of the FOXTEL and PMG businesses and the development of its earnings growth profile.

Therefore, whilst the implied trading multiples for Crown and CMH are high in absolute terms, we consider that they are not inconsistent with the comparable companies and as such, there may be an opportunity for a market re-rating to occur. Based on our assessment of the operations of both Crown and CMH, we consider it more likely that a re-rating will occur in Crown rather than CMH. However, at this time we are unable to quantify with any certainty the extent or timing of any re-rating, due to the lack of

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consistency in the trading multiples of the comparable companies and the developmental stage of significant parts of Crown, CMH and of the certain comparable companies.

Ultimately, the traded price of Crown and CMH, and the quantum of any re-rating, will be influenced by a range of factors, including:

- The extent of any increase in the transparency of each business.
- The extent to which the market will discount the value of Crown or CMH as a result of the non-controlling nature of a number of their investments.
- The ability of Crown and CMH to 'win' the trust of analysts, institutional and retail investors by demonstrating on a stand alone basis an ability to achieve the strategy set out to the market.
- The extent to which the 'pure play' companies can attract and maintain a new investor base.
- The performance of the broader gaming industry for Crown and the media industry for CMH, in particular the subscription television and online media sectors.
- The market conditions of global equity markets.
- Economic conditions prevalent at the time.

8.2 Disadvantages

Potential impact on debt ratings and financing costs

Under the terms of the Proposed Restructure, CMH is not expected to have any debt and Crown is expected to have a borrowing level of $2.4 billion. At this time, PBL has not sought indicative credit ratings for Crown, although PBL believes any increase in interest costs are unlikely to be material, nor place onerous stress on the financial position of either company.

Crown is not expected to have a material change in its borrowing capacity as a result of the Proposed Restructure, although it will be a smaller entity and thus be more susceptible to the volatile cash flows that can be generated by its development activity. Although CMH will have capacity to raise debt, it is expected that it will have more difficulty doing so, given its size and the nature of its activities. However, PBL has indicated that if CMH did require debt, it may be possible to borrow at the investment level as opposed to borrowing directly within CMH.

Loss of diversification

If the Proposed Restructure is successful, both CMH and Crown will be smaller on a stand-alone basis than PBL and individually will have reduced earnings diversification. Shareholders may experience greater earnings volatility by being more directly exposed to the risks of the respective industries in which Crown and CMH will operate. This will also be impacted by decisions they make as to whether to continue with an equal weighting in Crown and CMH. However, PBL shareholders will be able to achieve diversification against these risks by holding shares in a broad portfolio of companies.

Reduced index weighting

As previously noted, the Proposed Restructure will lead to both Crown and CMH individually having lower share market capitalisations and consequently, lower index weightings, than the current market

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capitalisation and index weighting of PBL. As a result, Crown is expected to be included in the ASX 50 and CMH is expected to be included in the ASX 200. This lower presence in the sharemarket indices may result in a lower level of institutional interest in each of the demerged entities, particularly CMH.

A company that has a significant index weighting will tend to create a level of institutional demand that results in a high level of liquidity in the company's shares and therefore the shares are likely to be more efficiently priced. If a company has a reduced index weighing and thus a lower level of demand from institutional investors, there is a risk the reduced demand for the company's shares will result in the company not being fully priced. This is a particular risk for CMH, given its smaller size and the nature of its investments, and therefore a discount to the value of the underlying investments may be applied in the trading price of CMH's shares.

Loss of scope

After a demerger process, it is possible for the newly separated companies to lose some of the efficiencies that come with operating one large company, such as lower costs in shared services and administration, and the benefits of a management team with diverse business experience.

Whilst the Proposed Restructure is expected to generate a reduction in costs, it will also result in the separation of assets and the streamlining of management. As such, there is a risk that Crown and CMH may lose some of the broad commercial 'know-how' that was previously available due to the 'cross pollination' of ideas across the middle and senior management teams of the various business units.

One-off transaction costs

PBL has estimated that the costs of implementing the Proposed Restructure are likely to be in the order of $33 million. These costs are related to debt restructuring costs, advisers fees and financing costs. It is noted most of these transaction costs are likely to be incurred, or will be committed, prior to the date that PBL shareholders will vote on the PBL Scheme. A further $39 million will be incurred in relation to redundancy costs associated with the reorganisation of PBL head office employees. It is likely these costs will be incurred regardless of whether the PBL Scheme goes ahead.

Transition risk

It is possible that once the Proposed Restructure is implemented, PBL shareholders will adjust their portfolio holdings in both Crown and CMH. Accordingly, until the shareholder bases of both companies are rebalanced, a risk exists that short-term volatility in the share price of both Crown and CMH will result in the combined value of Crown and CMH being lower than the current market capitalisation of PBL. Such short-term volatility is not unusual after a demerger, as discussed in Section 5 of this report.

8.3 Tax implications for current PBL shareholders

Section 13 of the Scheme Booklet sets out the taxation implications of the Proposed Restructure for PBL shareholders in Australia and overseas. PBL has sought legal and tax advice in respect of the Proposal. In summary, the advice received in relation to Australian shareholders is as follows:

- PBL shareholders who are residents of Australia for taxation purposes and hold their shares as capital assets, can choose to obtain CGT roll-over relief.

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- Upon implementation of the PBL Scheme, where a shareholder chooses roll-over, any capital gain or loss arising from the disposal of PBL shares will be disregarded to the extent the shareholder receives scrip consideration. Any capital gain or loss that is referrable to the cash consideration will not be disregarded. The cost base in the PBL shares should be transferred to the Crown shares. However, this cost base will need to be adjusted to the extent the shareholder receives cash consideration. Where a shareholder does not choose roll-over, a capital gain or loss will arise from the disposal of PBL shares. In this case, the cost base of the Crown shares should be equal to the market value of the PBL shares given to obtain the Crown shares.
- Upon implementation of the Demerger Scheme, PBL shareholders are deemed to have received a capital return as a consequence of the distribution of the CMH shares. As a result, the cost base in the Crown shares is reduced by the amount of the capital return, which may result in a capital gain. A capital loss will not arise as a result of the capital return. Further, the cost base in the Crown shares should be apportioned on a reasonable basis between CMH and Crown shares.
- No part of the capital return under the Demerger Scheme will be a demerger dividend.

PBL has also lodged an application with the ATO for a Class Ruling to confirm the Australian taxation implications of the PBL Scheme and Demerger Scheme. Whilst at the date of this report, the Class Ruling has not been issued, PBL has received an indication from the ATO that a Class Ruling will be issued to confirm the taxation treatment of the PBL Scheme and capital return as set out above.

However, the ATO has indicated that demerger roll-over relief will not be available for the Demerger Scheme. As a result, it is possible that some PBL shareholders that have an adjusted cost base for their Crown shares lower than the market value determined for the CMH shares (which will be based on the traded price of CMH shares on the first day of trading after the implementation of the Demerger Scheme), may be deemed to have incurred a capital gain on implementation of the Demerger Scheme. As the cost base of Crown Shares will differ amongst PBL shareholders and the market value of CMH shares will not be known until the Demerger Scheme is implemented, we are unable to assess with any certainty the absolute implications for PBL shareholders of not being entitled to demerger roll-over relief on the Demerger Scheme. However, we do note the following:

- Any capital gain incurred by a PBL shareholder will effectively be the bringing forward of a capital gain that would have otherwise been incurred on any subsequent disposal of their Crown shares.
- As PBL shareholders can choose to receive a capital payment of $3 per share under the PBL Scheme, funds can be available to meet any taxation obligations resulting from the Demerger Scheme.

As such, we do not consider the likely nature of any taxation consequences that may be incurred to be sufficient to impact our opinion of the Proposed Restructure or the PBL Scheme. However, as the taxation implications of the Proposed Restructure will vary depending on the individual circumstances of the shareholder, we recommend that shareholders consider the taxation information set out in the Scheme Booklet and seek their own independent professional advice.

With regards to the tax implications of the Proposed Restructure on PBL shareholders, we note that the roll-over relief under the CGT rules will not be available to:

- PBL shareholders who do not hold shares on capital account (for example, the shares are held as trading stock or revenue assets).

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- Foreign residents who hold their PBL shares on capital account and do not hold their PBL shares through an Australian branch or permanent establishment.

Further, we note that foreign resident shareholders should not be subject to CGT to the extent a capital gain arises from the disposal of PBL shares under the PBL Scheme or from the return of capital under the Demerger Scheme.

8.4 *Implications if the Proposed Restructure is not approved*

In the event that the Proposed Restructure is not implemented, PBL will continue to operate in its current form and be listed on the ASX. As a consequence:

- PBL shareholders will continue to own shares in a diversified PBL. PBL shareholders will not receive shares in Crown nor CMH, and they will not receive a cash payment.
- The advantages, disadvantages and risks of the Proposed Restructure, as summarised above, will not occur, other than with respect to the one-off costs incurred prior to the implementation of the Proposed Restructure of approximately $33 million.
- The further reduction in PBL's interests in PBL Media will occur regardless of whether the Proposed Transaction occurs and as such, the application of a discount to PBL for holding non-controlling interests in media assets may still occur.
- Similarly, any cost reductions related to the sell down of PBL's interest in PBL Media are still likely to occur, although the process by which they are achieved will be different. As the management costs have been reviewed in view of the Proposed Restructure as a whole, these cost reductions have not been separately calculated.
- The PBL board may revisit options previously considered to unlock value for PBL's shareholders.

8.5 *Conclusion in relation to the Proposed Restructure*

In our opinion, the Proposed Restructure is in the best interests of PBL shareholders.

Historically, PBL has been one of Australia's most prominent media businesses. However, through the acquisition of Crown in 1999 and Burswood in early 2004, gaming became an increasingly significant part of the total PBL business. As it became evident there was little benefit in operating the two diverse businesses within a single company, the market considered PBL to be a natural candidate for a demerger.

However, rather than undertake significant structural change, PBL continued its investment in various international gaming opportunities. And in October 2006, PBL announced to the market that it was selling 50 percent of its investment in its traditional media assets, which were to be restructured as PBL Media. The sale of the initial 50 percent of PBL Media and the subsequent announcement of the sale of a further 25 percent, resulted in PBL becoming the gaming orientated business it is today; with the only remaining link to its media origins being a select number of non-controlling investments in 'new media' assets and 25 percent of PBL Media.

The initial PBL Media transaction sent a clear message that PBL was redefining itself as a gaming business. However, PBL management believes that aspects of the market still views PBL as a diversified media and entertainment company and this perspective has limited the market's ability to assess the value

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of the gaming business and the remaining 'new media' related investments. Effectively, the sale of PBL Media resulted in PBL operating predominantly as a gaming business, but key investors domestically and internationally have not been recognising it as such due to the continuing ownership of the 'new media' investments. Further, PBL management felt that the opportunities that are inherent in the 'new media' investments are not transparent to the market, resulting in their growth potential not being fully recognised.

Therefore, in order to position PBL to best achieve its new strategy and be valued appropriately by the market, PBL has elected to undertake the demerger process that the market had previously anticipated. In doing so, the Proposed Restructure will result in PBL shareholders holding an investment in a 'pure play' gaming business and a separate investment in a predominantly 'new media' business.

After reviewing the recent changes in the PBL businesses, and assessing its current operating structure, it is clear there are sufficient potential benefits to PBL shareholders for the Proposed Restructure to be considered an appropriate next step in PBL's development.

Based on our review of the potential benefits and disadvantages of the Proposed Restructure to PBL shareholders as discussed above, we are of the view that the potential benefits to PBL shareholders outweigh the potential disadvantages of the Proposed Restructure. In particular, we note:

- Given the changes in PBL in recent years there are little synergies between the businesses. Accordingly, benefits that previously may have existed are no longer apparent. The separation will provide greater transparency and clarity as to the business operations and performance of Crown and CMH than the existing structure.

- Both Crown and CMH will have a greater level of strategic focus, allowing for better execution of the strategy adopted for each business and a greater level of transparency for the market.

- Shareholders will have the opportunity to adjust the weighting of their holding in Crown or CMH to match their risk/return profile. In addition, a 'pure play' Crown and CMH should be better placed to attract a new investor base.

- Both Crown and CMH will have a greater level of independence in managing their funding requirements. Although CMH will have less flexibility in their ability to access the debt markets given the nature of its business.

- Both entities will be smaller in size than the existing PBL and although Crown is expected to be included in the ASX 50 and both entities will have sufficient trading liquidity to ensure they are efficiently priced, institutional interest in CMH is likely to be reduced.

- Due to the reduced size and streamlined staffing requirements, the combined head office costs of Crown and CMH should be lower than existing PBL costs. However, the driver for a significant portion of this cost reduction is the PBL Media transaction rather than the Proposed Restructure itself.

- An opportunity exists for the 'pure play' entities to be re-rated from the existing trading multiples of PBL to the trading multiples of their peers. However, the developmental nature of Crown, CMH and certain of the comparable companies, as well as insufficient consistency in the trading multiples of

the comparable companies, means the level of any market re-rating is not possible to quantify at this time. Further, we note that a market re-rating is more likely to occur in Crown rather than CMH.

Implications if the Demerger Scheme is not approved

As the PBL Scheme is not conditional on the Demerger Scheme being approved, there is a risk that the PBL Scheme will be approved and the Demerger Scheme will not be approved. In the event that the Demerger Scheme is not implemented, there will be little change to the position of PBL shareholders, with the new Crown entity essentially replacing the existing PBL entity. However, the payment of approximately $2.1 billion cash consideration to PBL shareholders will be completed. The primary disadvantage of this scenario is that PBL shareholders will have paid $33 million in transaction costs solely in relation to payment of the cash consideration and the establishment of a new holding company.

Nonetheless, for the following reasons, KPMG believes the likelihood of the Demerger Scheme not being approved, is remote:

- The initial Crown shareholders have entered into an agreement to vote on the Demerger Scheme in accordance with the outcome of the vote of the PBL shareholders on the Demerger Scheme Advisory Resolution.
- The right to vote on the PBL Scheme and the Demerger Scheme Advisory Resolution, effectively enables PBL shareholders to vote in relation to the Proposed Restructure as a whole.

On that basis, we consider it remote that the Demerger Scheme will not be approved if the PBL Scheme is approved. However, if the Demerger Scheme was not approved, the major disadvantage would be the effective cost of the payment of the cash consideration and the loss of the benefits associated with the Proposed Restructure. We do not consider these factors to be sufficiently detrimental to impact on our opinion in relation to the Proposed Restructure. As such, our opinion in relation to the PBL Scheme is that it is also in the best interests of PBL shareholders.

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Appendix 1 – Qualifications and declarations

Qualifications

KPMG is the holder of an Australian Financial Services Licence, No 246901, under the Corporations Act 2001 and is controlled by the KPMG partnership.

The individuals responsible for the preparation of this report are Ian Jedlin and Sean Collins.

Ian Jedlin is a partner in the KPMG Partnership and an Executive Director in KPMG. Ian is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australasia (previously the Securities Institute of Australia). Ian holds a Master of Commerce from the University of NSW and has had in excess of 17 years experience in the preparation of independent reports on the valuation of shares and businesses.

Sean Collins is an Executive Director of KPMG, an associate of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce degree from the University of Queensland. He is a Fellow of the Securities and Investments Institute, UK and has extensive experience in the preparation of independent reports on the valuation of shares and businesses.

Declarations

The statements contained in the report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, KPMG provided draft copies of this report to management from PBL for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG.

Interests

KPMG is entitled to receive a fee of $370,000, excluding GST, for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in PBL. However, no individual involved in the preparation of this report, or review thereof, holds a direct interest in the securities of the PBL.

With the exception of these matters, neither KPMG or the KPMG Partnership will receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

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Consent

KPMG consents to the issue of this report by PBL in conjunction with PBL's Scheme Booklet.

Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of KPMG to the form and context in which it appears.

Responsibility

KPMG has prepared this report on the basis of information available as at the date of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of PBL for the purposes of this report. We have considered and relied upon information provided by certain directors and senior management of PBL, which after due enquiry, we believe to be reliable, complete and not misleading. We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

We note that any forecasts and projections as supplied to us are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG cannot provide any assurance that the estimates will be representative of the results, which will actually be achieved during the forecast period.

Indemnity

PBL has indemnified KPMG, the KPMG Partnership and its affiliated entities and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by KPMG and occasioned by reliance by KPMG on information provided by PBL or its representatives which is subsequently found to be false or misleading or not complete.

Complete information is deemed to be information which at the time of completing this report should have been available to KPMG and would have reasonably been expected to have been made available to KPMG to enable us to form our opinion.

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Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

PBL

- Draft Scheme Booklet dated 20 September 2007
- Draft Implementation Deed for PBL and Crown Limited, dated 17 June 2007
- Annual reports for the years ended 30 June 2005, 2006 and 2007
- Half yearly reports for the periods ending 31 December 2005 and 2006
- Pro forma accounts for 31 December 2006 and 30 June 2007
- Project Arterial, Board materials extract, April 2007
- Major announcements
- PBL website

General

- Bloomberg LLP
- IRESS Market Technology
- DatAnalysis
- IBISWorld
- Various articles from The McKinsey Quarterly
- Various publications from UBS investment research
- Various articles from Harvard Business Review
- Various broker reports
- Various comparable company financial reports
- Newspaper and media reports pertaining to the media and gaming industries

In addition, we have had discussions with PBL management, including:

- John Alexander, PBL CEO
- Geoff Kleemann, PBL CFO
- Rowen Craigie, Crown CEO
- Michael Neilson, Crown General Counsel
- Robert Turner, Crown Vice President International Business Development.

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Appendix 3 – Comparable company analysis

Crown comparable company analysis

Detailed below is a selection of trading multiples of the comparable companies which we have considered in the casino/gaming industry for the purposes of assessing a possible re-rating for Crown. The market capitalisation has been based on the respective share prices as at 3 September 2007, and they do not include a premium for control.

Table 28: Key performance indicators

Company	Market cap ($Am)	5 year revenue growth	5 year EBITDA growth	5 year dividend growth	5 year EPS growth
*PBL**	*$12,246*	*43%*	*71%*	*24%*	*26%*
Australian & New Zealand companies					
Tabcorp Holdings Limited	$8,163	97%	43%	8%	7%
Tattersall's Limited	$5,378	n/m	n/m	77%*	19%*
Skycity Entertainment Group	$1,732	71%	48%	7%	7%
Australia & New Zealand mean		**84%**	**46%**	**31%**	**11%**
Australia & New Zealand median		**84%**	**46%**	**8%**	**7%**
Hong Kong companies					
Galaxy Entertainment Group	$3,907	261%*	n/m	n/a	2%
Melco International Development	$2,294	722%	n/m	n/m	72%
Hong Kong mean		**492%**	**n/m**	**n/a**	**37%**
Hong Kong median		**492%**	**n/m**	**n/a**	**37%**
US companies					
Las Vegas Sands Corp	$43,021	259%*	236%*	n/a	n/m
MGM Mirage	$29,033	79%	99%	n/a	23%
Harrah's Entertainment Inc	$19,528	161%	117%	9%*	8%
Wynn Resorts	$16,536	n/m	n/m	n/a	45%
Station Casinos Inc	$6,115	60%	126%	12%*	30%
US mean		**140%**	**145%**	**11%**	**26%**
US median		**120%**	**122%**	**11%**	**26%**
Total mean (excluding outliers)		**77%**	**87%**	**9%**	**14%**
Total median (excluding outliers)		**75%**	**89%**	**9%**	**8%**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL calculations have been taken from 2001 to 2006 prior to the sale of PBL Media for a more meaningful growth comparison*
Tattersall's has only been listed since July 2005 and therefore the 5 year growth rates are not available and the dividend growth rate is only for one year and EPS growth is for two years
Galaxy Entertainment Group results are only from 2005 onwards as prior the company was only involved in construction. The revenue growth is for one year, however the EPS growth is for five years
Station Casino and Harrah's dividend growth are only for three years
Las Vegas Sands Corp only listed in December 2004 but the revenue and EBITDA growth is for four years
Wynn Resorts was making a loss until 2006 due to it being in a development phase, therefore revenue and EBITDA growth are not meaningful
n/a – not available, n/m – not meaningful

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Table 29: EBITDA multiples

	EBITDA multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*10.6*	*14.9*	*13.5*	*20.3**
Australian & New Zealand companies				
Tabcorp Holdings Limited	13.8	12.0	10.4	13.2*
Tattersall's Limited	n/a	12.8	25.2	33.1*
Sky City Entertainment Group	10.6	10.8	6.8	6.5
Australia & New Zealand mean	**12.2**	**11.9**	**14.1**	**17.6**
Australia & New Zealand median	**12.2**	**12.0**	**10.4**	**13.2**
Hong Kong companies				
Galaxy Entertainment Group	n/a	8.3	n/m	20.0
Melco International Development	n/m	44.6	11.3	n/m
Hong Kong mean and median	**n/a**	**26.4**	**11.3**	**20.0**
US companies				
Las Vegas Sands Corp	26.4	42.2	57.0	44.5
MGM Mirage	11.2	14.0	17.9	14.6
Harrah's Entertainment Inc	24.1	20.1	14.3	10.2
Wynn Resorts	n/a	n/m	16.9	21.8
Station Casinos Inc	33.9	15.6	17.4	14.1
US mean	**23.9**	**23.0**	**24.7**	**21.0**
US median	**25.3**	**17.8**	**17.4**	**14.6**
Total mean (excluding outliers)	**17.2**	**13.4**	**15.0**	**14.3**
Total median (excluding outliers)	**13.8**	**12.8**	**15.6**	**14.1**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. Tabcorp and Tattersall's have released their 2007 financial results and thus these multiples are based on actual, not expected results*
n/a – not available, n/m – not meaningful

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Table 30: PE multiples

	PE multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*16.8*	*22.1*	*19.8*	*29.3**
Australian & New Zealand companies				
Tabcorp Holdings Limited	25.0	20.9	15.0	18.2*
Tattersall's Limited	n/a	21.9	41.7	18.6*
Sky City Entertainment Group	16.9	19.0	24.2	26.4
Australia & New Zealand mean	**20.9**	**20.6**	**27.0**	**18.4**
Australia & New Zealand median	**20.9**	**20.9**	**24.2**	**18.4**
Hong Kong companies				
Galaxy Entertainment Group	n/m	9.3	n/m	n/m
Melco International Development	n/a	n/m	31.8	34.4
US companies				
Las Vegas Sands Corp	59.0	51.4	n/m	n/m
MGM Mirage	29.3	25.2	37.5	35.8
Harrah's Entertainment Inc	20.1	34.6	25.0	22.6
Wynn Resorts	n/a	n/a	n/m	50.9
Station Casinos Inc	70.2	28.9	44.9	49.8
US mean	**44.6**	**35.0**	**35.8**	**39.8**
US median	**44.1**	**31.8**	**37.5**	**42.8**
Total mean (excluding outliers)	**22.8**	**25.1**	**26.7**	**26.0**
Total median (excluding outliers)	**22.5**	**23.5**	**25.0**	**24.5**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. Tabcorp and Tattersall's have released their 2007 financial results and thus these multiples are based on actual, not expected results*
n/a – not available, n/m – not meaningful

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CMH comparable company analysis

Detailed below is a selection of trading multiples of the comparable companies which we have considered in the media industry for the purposes of assessing a possible re-rating for the CMH. The market capitalisation has been based on the respective share prices as at 3 September 2007 and they do not include a premium for control.

Table 31: Key performance indicators

Company	Market cap ($Am)	5 year revenue growth	5 year EBITDA growth	5 year dividend growth	5 year EPS growth
PBL	*$12,246*	*43%*	*71%*	*24%*	*26%*
US Media Companies					
Time Warner Inc	$86,501	16%	133%	11%*	n/m
News Corp	$78,766	89%	213%	12%	20%*
Washington Post	$8,844	62%	16%	8%	19%
US Media mean		**56%**	**121%**	**21%**	**20%**
US Media median		**62%**	**133%**	**13%**	**20%**
US Cable Companies					
Comcast Corp	$94,623	154%	109%	n/a	23%
DirecTV Group	$33,719	105%	879%	n/a	33%
Echostar Communications	$23,027	878%	600%	n/a	37%
US Cable mean		**379%**	**529%**	**n/a**	**31%**
US Cable median		**154%**	**600%**	**n/a**	**33%**
UK Companies					
Pearson Plc	$14,947	(2%)	110%	6%	32%
EMAP Plc	$4,793	(14%)	1%	6%	10%
UK mean		**n/m**	**55%**	**6%**	**21%**
UK median		**n/m**	**55%**	**6%**	**21%**
Australian Companies					
Fairfax Media Limited	$6,806	45%	74%	13%	16%
West Australian Newspapers	$3,275	21%	39%	15%	7%
APN News and Media Limited	$2,748	122%	190%	15%	13%
Seven Network Limited	$2,667	9%	60%	6%	20%
SEEK Limited	$2,377	n/a	n/a	n/a	n/a
Ten Network Holdings Limited	$2,425	34%	67%	(2%)	15%
Southern Cross Broadcasting	$1,261	66%	69%	4%	12%
Austereo Group Limited	$771	176%	180%	3%	9%
Prime Television Limited	$472	12%	67%	10%	26%
Australian mean		**60%**	**96%**	**23%**	**22%**
Australian median		**45%**	**69%**	**10%**	**15%**
Total mean (excluding outliers)		**53%**	**72%**	**10%**	**21%**
Total median (excluding outliers)		**49%**	**68%**	**9%**	**20%**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. Time Warner only has one year dividend growth and News Corp EPS growth is for four years only due to the lack of available data*
n/a – not available, n/m – not meaningful

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Table 32: EBITDA multiples

	EBITDA multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*10.6*	*14.9*	*13.5*	*20.3**
US Media Companies				
Time Warner Inc	15.8	17.1	12.3	8.3
News Corp	16.9	12.9	12.5	11.6
Washington Post	9.9	10.3	9.7	10.3
US Media mean	**14.2**	**13.4**	**11.5**	**10.1**
US Media median	**15.8**	**12.9**	**12.3**	**10.3**
US Cable Companies				
Comcast Corp	12.0	10.1	10.3	9.0
DirecTV Group	23.6	15.2	8.5	7.0
Echostar Communications	15.0	5.7	10.0	8.1
US Cable mean	**16.9**	**10.3**	**9.6**	**8.0**
US Cable median	**15.0**	**10.1**	**10.0**	**8.1**
UK Companies				
Pearson Plc	9.2	9.4	8.4	10.4
EMAP Plc	10.4	12.2	13.4	12.0*
UK mean	**9.8**	**10.8**	**10.9**	**11.2**
UK median	**9.8**	**10.8**	**10.9**	**11.2**
Australian Companies				
Fairfax Media Limited	12.3	10.1	16.6	14.4
West Australian Newspapers	12.4	12.5	21.8	18.2
APN News and Media Limited	11.5	15.6	12.2	10.5
Seven Network Limited	9.7	8.7	7.8	11.0
Seek Limited	n/a	5.8	52.0	29.1
Ten Network Holdings Limited	6.5	5.4	12.1	12.6
Southern Cross Broadcasting	10.2	10.6	10.4	12.8*
Austereo Group Limited	9.4	11.1	12.4	11.2
Prime Television Limited	14.3	11.2	10.3	8.5
Australian mean	**10.3**	**9.9**	**17.6**	**14.2**
Australian median	**10.9**	**10.6**	**12.4**	**12.5**
Total mean	**12.2**	**10.7**	**14.3**	**12.0**
Total median	**11.8**	**10.6**	**12.2**	**11.0**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. EMAP and Southern Cross Broadcasting have also released their 2007 financial results and thus these multiples are based on actual, not expected results*
n/a – not available

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Table 33: PE multiples

	PE multiple (x)			
Company	**2004**	**2005**	**2006**	**2007 Forecast**
PBL	*16.8*	*22.1*	*19.8*	*29.3**
US Media Companies				
Time Warner Inc	25.7	19.1	14.7	19.1
News Corp	32.2	25.3	23.0	18.8
Washington Post	25.9	23.0	22.1	25.2
US Media mean	**27.9**	**22.4**	**19.9**	**21.0**
US Media median	**25.9**	**23.0**	**22.1**	**19.1**
US Cable Companies				
Comcast Corp	77.7	70.3	35.6	32.7
DirecTV Group	32.7	78.1	19.5	18.8
Echostar Communications	61.0	8.7	31.1	23.6
US Cable mean	**57.1**	**52.4**	**28.7**	**25.0**
US Cable median	**61.0**	**70.3**	**31.1**	**23.6**
UK Companies				
Pearson Plc	62.8	21.3	13.4	17.4
EMAP Plc	21.3	19.3	21.2	21.8*
UK mean	**42.1**	**20.3**	**17.3**	**19.6**
UK median	**42.1**	**20.3**	**17.3**	**19.6**
Australian Companies				
Fairfax Media Limited	16.6	16.2	29.9	27.2
West Australian Newspapers	20.0	18.2	47.3	26.2
APN News and Media Limited	19.0	48.7	18.7	17.6
Seven Network Limited	15.9	25.0	25.0	15.9
SEEK Limited	n/a	40.5	69.6	43.0
Ten Network Holdings Limited	18.2	11.1	46.7	46.4
Southern Cross Broadcasting	17.2	21.4	18.6	21.7*
Austereo Group Limited	14.3	16.8	18.5	16.8
Prime Television Limited	23.9	15.8	16.3	14.1
Australian mean	**18.1**	**23.8**	**32.3**	**25.4**
Australian median	**17.7**	**18.2**	**25.0**	**21.7**
Total mean	**30.3**	**28.2**	**27.7**	**23.9**
Total median	**22.6**	**21.3**	**22.1**	**21.7**

Source: Bloomberg LLP and relevant company annual reports
*Note: * PBL multiple is based on 2007 actual results as well as the sale of 50% of PBL Media. EMAP and Southern Cross Broadcasting have also released their 2007 financial results and thus these multiples are based on actual, not expected results*
n/a – not available

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Appendix 4 – Synopsis of comparable companies

Comparable companies - Gaming

Company: Tabcorp Holdings Limited

Geographical presence: Australia & China

Business Description: Tabcorp is an Australian based diversified entertainment company with business segments in wagering, casinos, gaming, and media. Tabcorp operates four hotels and casino complexes, including Star City, Conrad Jupiters (Gold Coast), Conrad Treasury (Brisbane) and Jupiters Townsville. In addition, Tabcorp conducts wagering activities in a network of agencies, hotels and clubs, owns and operates electronic gaming machines in licensed hotels and clubs and has a media division that incorporates specialist radio and television operations focused on the racing industry and other sporting activities. Casino operations are its second largest business segment contributing 33.4 percent of total operating income in 2007.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2002 to 2007)
Revenue	PE – 18.2		97%
EBITDA	13.2	20%	43%

Similarities: Tabcorp, like Crown, owns and operates casinos as its largest business segment and is listed in Australia.

Differences: Tabcorp is not as geographically diversified as Crown, and has other business areas, such as wagering, that contribute over 50 percent of income. Crown does not operate any gaming machines in licensed clubs or pubs.

Company: Tattersall's Ltd

Geographical presence: Australia, United Kingdom

Business Description: Tattersall's is a gaming, wagering and lotteries company. Tattersall's has a licence to operate 13,750 gaming machines and monitors 130,000 gaming machines in Victoria, has approximately 1,150 wagering outlets, four telephone betting centres, 920 lottery outlets and a 10.5 percent interest in a UK gaming company which owns and operates gaming machines in the UK. Tattersall's listed in July 2005.

Tattersall's shares fell approximately 12.5 percent in the last six weeks after the Melbourne-based company posted annual earnings below analyst expectations. Coupled with this was an outbreak of equine influenza that cancelled horse races threatening revenues from betting shops.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2002 to 2007)
Revenue	PE – 18.6		
EBITDA	33.1	7%	

Similarities: Tattersall's and Crown are both Australian companies within the gaming industry, and are a similar size in terms of market cap.

Differences: Tattersall's does not have any casino operations and its business operations are predominantly focused in Australia, with a small interest in the UK. Crown does not operate any lotteries.

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Comparable companies - Gaming

Company: Skycity Entertainment Group

Geographical presence: Australia & New Zealand

Business Description: Skycity Entertainment Group operates gaming and entertainment complexes. Its main entertainment complex is the Skycity entertainment complex in Auckland, New Zealand. It also owns and operates a range of smaller casinos in Australia and New Zealand. In addition, it also operates Skycity food and cinema complexes and Skycity Leisure, the New Zealand cinema business.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 24.2		71%
EBITDA	6.8	39%	48%

Similarities: Both Skycity and Crown own and operate casinos and are both listed in Australia. Sky City's casino operations contribute to over 90 percent of revenue.

Differences: Skycity is geographically less diverse than Crown with operations focused only in Australia and New Zealand. It is also smaller in size than Crown.

Company: Galaxy Entertainment Group

Geographical presence: Asia

Business Description: Galaxy was a construction business operating in Hong Kong until 2002, when it received a gaming licence in Macau. In 2004, it opened its first casino in Macau and since 2004 it has opened 3 more casinos in Macau and is planning further developments by 2008 in Macau and Cotai to open in 2008. Due to the nature of Galaxy's operations prior to 2004, we have only provided Galaxy's results from 2005 onwards.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue			261%
EBITDA		3%	

Similarities: Like Crown, Galaxy's business operations are in the development, ownership and operation of casinos. Both Crown and Galaxy have casino operations in Macau.

Differences: Galaxy's casino operations are not as mature as Crown's, nor as geographically diversified. Galaxy is also smaller in size in terms of market cap.

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Comparable companies - Gaming

Company: Melco International Development

Geographical presence: Asia

Business Description: Melco, Crown's JV partner for MPEL, first entered the gaming industry in 2004 when it acquired the Mocha Slot Group, which provides gaming machine clubs in various locations in Macau. As previously noted, Melco has one casino and is developing a further two casinos in Macau through its joint venture with Crown. Melco also operates restaurants, an investment banking division and a gaming IT infrastructure business.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 31.8		
EBITDA	11.3	160%	

Similarities: Melco is Crown's joint venture partner in Macau and as such the earnings generated by Melco's casino operations will be consistent with Crown's Macau operations.

Differences: Melco has various business operations other than casinos. In 2006 the leisure, gaming and entertainment division did not make a profit, with property and other investments contributing the most to operating income. In addition, Melco is not as geographically diversified as Crown.

Company: Las Vegas Sands Corp

Geographical presence: USA and Asia

Business Description: Sands is an international developer of entertainment complexes in the US and Macau. Sands owns and operates The Venetian Resort Hotel Casino and the Sands Expo and Convention Centre in Las Vegas and The Sands Macau in Macau. In addition, Sands is currently constructing two additional integrated resorts one in Las Vegas and one in Macau. Sands also has other development projects in China and Singapore. Sands only listed in December 2004, however the revenue and EBITDA growth information is available for four years.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue			259%
EBITDA	57.0	31%	236%

Similarities: Sands' major business segment is the operation and ownership of casinos. In addition, like Crown, it is currently developing casino operations in Macau.

Differences: Sands is significantly larger in terms of market cap, than Crown. Sands also fully owns and operates all of its entertainment complexes.

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Comparable companies - Gaming

Company: MGM Mirage

Geographical presence: USA and Macau

Business Description: MGM Mirage is a hotel and gaming company that owns and operates 23 casino resorts and has a 50 percent investment in a further three casino resorts all located throughout the US. In addition, MGM has a 50 percent investment in a hotel in Las Vegas and a 50 percent interest in MGM Grand Paradise which is constructing a casino resort in Macau. MGM Mirage also has further developments under construction in Nevada, Michigan and Macau.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 37.5		79%
EBITDA	17.9	28%	99%

Similarities: Like Crown, MGM Mirage's business operations are predominantly the ownership and operation of resort casinos and it is geographically diversified with operations in Macau as well as the US.

Differences: MGM Mirage is significantly larger than Crown. Whilst MGM is predominantly involved in the operation of casinos, it also has operations in hotels that are not linked to casino resorts.

Company: Harrah's Entertainment Inc

Geographical presence: USA, United Kingdom & Spain

Business Description: Harrah's owns or manages, approximately 48 casinos primarily in the US and UK. The casinos operate under the Harrah's, Caesars, Rio, Showboat and Horseshoe brand names. During 2006, Harrah's signed an agreement to develop a joint venture casino and hotel in Spain, of which they own 60 precent. As at 31 December 2006, revenue from casino operations comprised over 93 percent of Harrah's total revenue.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE - 25.0		161%
EBITDA	14.3	20%	117%

Similarities: Like Crown, Harrah's is principally involved in the operation of casinos on a global scale.

Differences: Whilst Harrah's does operate globally, it is in different markets to Crown and is significantly larger than Crown in terms of market cap. Furthermore, it does not have any development operations.

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Comparable companies - Gaming

Company: Wynn Resorts

Geographical presence: USA and Macau

Business Description: Wynn is a developer, owner and operator of casino resorts, including Wynn Las Vegas and Wynn Macau. Wynn Las Vegas is a luxury hotel and casino resort and entertainment complex on the Las Vegas Strip. Wynn Macau has been operating since September 2006 and has a concession to operate one or more casino gaming properties in Macau. Currently Wynn Macau is undergoing further construction to include additional gaming space and another hotel tower.

Wynn was in a development phase until 2005 when Wynn Las Vegas opened. It did not generate a profit until 2006 and as such the financial information is not complete.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue			
EBITDA	16.9	63%	

Similarities: Like Crown, Wynn's business operations are in the development, ownership and operation of casinos resorts and it is geographically diversified with operations in Macau as well as the US

Differences: Wynn is larger than Crown in terms of market cap. Wynn has been in development stage until 2005 and is yet to produce maintainable earnings as a casino operator.

Company: Station Casinos Inc

Geographical presence: USA

Business Description: Station is a provider of gaming and entertainment in Las Vegas. The company operates gaming and entertainment complexes, including nine major gaming and entertainment complexes (one of which is 50 percent owned) and seven smaller casinos (two of which are 50 percent owned). In addition Station Casinos manages one casino that it does not own. Station trades under the following brands: Red Rock Casino Resort and Spa, Palace Station Hotel and Casino, Santa Fe Station Hotel and Casino and Wildfire Casino.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 44.9		60%
EBITDA	17.4	36%	126%

Similarities: Station, like Crown, is involved in the operation of casinos, with revenue from casinos contributing to 93.1 percent of revenue in 2006, with the remaining revenue being from the management of the other casino. In addition, Crown and Station Casinos are similar in size in terms of market cap.

Differences: Whilst both Crown and Station Casinos have the same business operations, Crown is more geographically diversified than Station, whose operations are only in the US.

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Comparable companies - Media

Company: Time Warner Inc

Geographical presence: Global

Business Description: Time Warner's operations include magazine publishing, cable TV and networks, AOL and filmed entertainment. AOL is a global web services company which includes online network or web brands, online advertising network and instant messaging network, and internet access subscription. The filmed entertainment segment of Time Warner produces and distributed theatrical motion picture, television shows, animations and other programming, as well as licensing the rights the Time Warners feature films, television programming and characters.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 14.7		16%
EBITDA	12.3	20%	133%

Similarities: Both CMH and Time Warner are in engaged in similar business operations, particularly magazine publishing and the provision of cable TV.

Differences: Time Warner is significantly larger and more geographically diversified than CMH. Its operations are also more diversified with AOL and film production. Time Warner is also an operating company.

Company: News Corp Limited

Geographical presence: USA, Europe, UK, Australia, Asia and the Pacific

Business Description: News Corp has a large number of business segments, including television, cable network programming, direct broadcast satellite television, and newspaper and magazine publishing, filmed entertainment and book publishing. It operates on a global basis.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 23.0		89%
EBITDA	12.5	22%	213%

Similarities: CMH and News Corp both operate in the publishing and television business segments of the media industry within Australia and the UK. NewsCorp also has investments in FOXTEL and PMG.

Differences: News Corp is more geographically and operationally diversified than CMH, and it is significantly larger than CMH in terms of market cap. New Corp is also an operating company.

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Comparable companies - Media

Company: The Washington Post Company

Geographical presence: USA

Business Description: The Washington Post is a diversified media and education company with operations in newspaper and magazine publishing, television broadcasting, cable television systems, electronic information services and educational and career services. The company owns The Washington Post and a range of other newspapers and magazines, Cable ONE, a provider of digital cable TV, internet service and cable modem service, and Kaplan Inc, a provider of educational and career services. In addition, Washington Post has an online publishing subsidiary that provides online publications.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE -22.1		62%
EBITDA	9.7	19%	16%

Similarities: Both CMH and Washington Post are involved in publishing, television broadcasting and cable television.

Differences: Washington Post is larger than CMH in terms of market cap and is focused predominantly in the United States. Moreover, it has an involvement in the education industry. Washington Post is also an operating company.

Company: Comcast Corp

Geographical presence: USA

Business Description: Comcast is a provider of cable, entertainment and communications products and services. Comcast is principally involved in the development, management and operation of broadband cable networks and in the delivery of programming content. Comcast's products include interactive video services, online, IP-enabled Digital Voice, business services and interactive media. The operations of Comcast are reported in two segments: Cable and Programming. In 2006, cable contributed to 94 percent of total revenue.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 35.6		154%
EBITDA	10.3	42%	109%

Similarities: Comcast is comparable to the FOXTEL and PMG business segment of CMH, as both are cable network providers

Differences: Comcast is significantly larger than CMH and is only similar to the subscription television segment of CMH. Comcast is also an operating company.

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Comparable companies - Media

Company: The DirecTV Group

Geographical presence: USA and Latin America

Business Description: DirecTV delivers satellite-based services, predominantly digital television entertainment to customers in the US, under two business segments, DirecTV US and DirecTV Latin America. DirectTV US is a provider of direct-to-home, digital television services and multi-channel video programming distribution throughout the US. DirecTV Latin America is also a provider of direct-to-home digital television services throughout Latin America. In 2006 DirecTV US contributed to 93 percent of total revenue.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 19.5		105%
EBITDA	8.5	23%	879%

Similarities: DirecTV is comparable to the subscription television segment of CMH.

Differences: DirecTV is larger and more globally diversified than CMH as it provides services in the US and Latin America. It is also not comparable to CMH's PBL Media and SEEK business segments. DirecTV is also an operating company

Company: EchoStar Communications

Geographical presence: USA

Business Description: EchoStar operates two primary interrelated business units being the DISH Network, which is a provider of satellite delivered digital television throughout the US, and EchoStar Technologies Corporation, which designs and develops direct broadcast satellite receivers, antennae and other digital equipment for the DISH Network. Services include video, audio and data channels, interactive television channels, digital video recording, high definition television, international programming, professional installation and customer service.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 31.1		878%
EBITDA	10.0	24%	600%

Similarities: EchoStar is comparable to the subscription television segment of CMH.

Differences: EchoStar is larger than CMH and only offers its services in the US. Moreover, its business segments differ to CMH in that it has a technology business unit and does not provide any traditional media services such as magazine publishing. EchoStar is also an operating company.

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Comparable companies - Media

Company: Pearson Plc

Geographical presence: Global

Business Description: Pearson is an international media company with businesses in education, business information and consumer publishing. The businesses are grouped under Pearson Education, the Financial Times Group and the Penguin Group. Pearson Education is involved in educational publishing, the Financial Times Group provides a range of business information and multimedia services and the Penguin Group is a consumer publishing business.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5yr growth (2001 to 2006)
Revenue	PE – 13.4		
EBITDA	8.4	21%	110%

Similarities: Both CMH and Pearson have consumer publishing businesses.

Differences: Whilst Pearson is involved in publishing, it is more focused on the publication of education textbooks, and international business and financial news, with revenue from school and higher education (both part of Pearson Education) contributing 34 percent and 20 percent consecutively to revenue in 2006. It is also significantly larger than CMH and is an operating company.

Company: EMAP Plc

Geographical presence: UK, USA, Australia, France, Ireland, United Arab Emirates

Business Description: EMAP is a media company with business operations in a number of segments including consumer media, which includes magazines and TV, radio broadcasting, business to business communications, and advertising. Consumer magazines within the UK is the largest business segment, contributing 37 percent of revenue in 2007.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2002 to 2007)
Revenue	PE – 21.8		
EBITDA	12.0	24%	1%

Similarities: Both CMH and EMAP have operations in magazine publishing and television.

Differences: Whilst EMAP is geographically diverse, the business segment that contributes the most to revenue, consumer magazines, is located in the UK. In addition, the second largest contributor to revenue is the business-to-business communications which is not comparable to the operations of CMH. It also does not have any subscription television operations and it is an operating company.

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Comparable companies - Media

Company: Fairfax Media Limited

Geographical presence: Australia and New Zealand

Business Description: Fairfax is a newspaper and magazine publishing group operating in Australia and New Zealand. Fairfax also has online businesses including Fairfax Digital in Australia and Trade Me in New Zealand, as well as having nine radio licenses in Australia and agricultural publications in New Zealand and the US, and interests in two other media related companies.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE - 29.9		45%
EBITDA	16.6	26%	74%

Similarities: Fairfax, like CMH is involved in magazine publishing within Australia and New Zealand.

Differences: Fairfax's operations are primarily focused on publishing with no exposure to television, subscription television nor online media. Fairfax is also an operating company and is larger than CMH.

Company: West Australian Newspapers Limited

Geographical presence: Australia

Business Description: WAN's operations include the printing and publishing of The West Australian Daily Newspaper, 22 regional newspapers across the states, commercial printing and radio communications. In addition, WAN holds a 50 percent interest in the Hoyts Group and a 49.9 percent interest in Community Newspaper group. The printing and publishing division contributed 88.8 percent of total operating income in 2006

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 47.3		21%
EBITDA	21.8	43%	39%

Similarities: WAN operates traditional media assets within Australia. Although it primarily publishes newspapers, it is still affected by similar industry drivers as CMH's PBL Media investment.

Differences: WAN is an operating company that is larger than CMH. Moreover, its operations are not as diverse as CMH.

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Comparable companies - Media

Company: APN News and Media Limited

Geographical presence: Australia and New Zealand

Business Description: APN has operations in publishing, radio broadcasting and outdoor advertising and is listed on both the Australian and New Zealand stock exchanges. APN also holds a 50 percent interest in the Australian Radio Network. Publishing is the main business area for APN and the main focus in this area is newspaper publishing. In 2006 publishing contributed to 64.3 percent of total operating income

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 18.7		122%
EBITDA	12.2	23%	190%

Similarities: Like CMH, APN is involved in publishing, which is APN's major business segment. Both companies have operations in Australia and New Zealand

Differences: APN is an operating company that is focused on newspaper publishing and is also involved in radio broadcasting and advertising. It is larger than CMH and has no operations in free-to-air television or subscription television.

Company: Seven Network Limited

Geographical presence: Australia

Business Description: Seven has business operations in free-to-air television broadcasting, magazines, online technologies, investments and stadiums, with television and magazines contributing to 96.3 percent of operating income in 2006. Seven also has a partnership with Yahoo! Inc which brings together the Australian internet business, Yahoo! Australia and New Zealand, and Seven's online assets and television and magazine content.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 25.0		9%
EBITDA	7.8	31%	60%

Similarities: CMH and Seven both operate television network stations, magazine publishing businesses and investment in stadiums. In addition, both companies operate in Australia and are listed on the ASX.

Differences: Seven is an operating company and is not involved in subscription television, nor online employment services.

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Comparable companies - Media

Company: SEEK Limited

Geographical presence: Australia, New Zealand and UK

Business Description: SEEK operates as an online employment classifieds predominantly in Australia and New Zealand, with a niche operation in the UK targeting Australian and New Zealand jobseekers. SEEK also operates an online training and development business in Australia and New Zealand. Australian online employment operations contribute to approximately 90 percent of total revenue.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 69.6		
EBITDA	52.0	41%	

Similarities: CMH has a 27 percent interest in SEEK

Differences: CMH also holds investments in other media operations.

Company: Ten Network Holdings Limited

Geographical presence: Australia and New Zealand

Business Description: Ten is the holding company of The Ten Group, which wholly owns and operates the Ten Network television stations throughout Australia and has an interest in its two regional broadcasting affiliates, being Southern Cross Broadcasting and Telecasters Australia. In addition, Ten owns Eye Corp, an out-of-home media advertising company, however this only contributed 9.2 percent to operating income in 2006.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 46.7		34%
EBITDA	12.1	28%	67%

Similarities: Ten operates free-to-air television stations within Australia.

Differences: Ten is an operating company and its operations are not as diversified as CMH with no exposure to subscription television nor online employment services. It is also smaller than CMH.

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Comparable companies - Media

Company: Southern Cross Broadcasting

Geographical presence: Australia and UK

Business Description: Southern Cross has business operations in television, radio, Southern Star Group, media sales, and other businesses. All of Southern Cross' operations are based in Australia with the exception of Southern Star Group (the television production and distribution division) which is located in both Australia and the UK. Television is Southern Cross' main business activity and contributed to 46 percent of revenue in 2007.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2002 to 2007)
Revenue	PE – 21.7		66%
EBITDA	12.5	19%	69%

Similarities: Southern Cross and CMH are both involved in television broadcasting in Australia

Differences: Southern Cross is an operating company that is involved in television broadcasting through affiliations with Channel Nine and the Ten Network. Southern Cross does not have any publishing, subscription television or online employment service business segments.

Company: Austereo Group Limited

Geographical presence: Australia and some international presence

Business Description: Austereo Group Limited (Austereo) is predominantly a commercial radio broadcaster that operates radio stations in all capital cities of Australia. Austereo also has diversified radio operations in some international territories and operations in interactive digital media through network websites as well as advertising.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 18.5		176%
EBITDA	12.4	33%	180%

Similarities: Both Austereo and CMH operate within the media industry in Australia.

Differences: Austereo is an operating company and is primarily focused on radio broadcasting. It is also smaller than CMH.

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Comparable companies - Media

Company: Prime Television Limited

Geographical presence: Australia

Business Description: Prime's business is predominantly focused on free-to-air television broadcasting in Australia. Prime also has operations in radio however television broadcasting in Australian contributed to 94.0 percent of EBIT in 2006. In February 2006, Prime sold its New Zealand business to Sky Network Television.

Growth and Margins:

Key Financials	Multiple	EBITDA Margin	5 yr growth (2001 to 2006)
Revenue	PE – 16.3		12%
EBITDA	10.3	30%	67%

Similarities: Both CMH and Prime operate television stations within Australia.

Differences: Prime is an operating company and is primarily focused on free-to-air television broadcasting. It is also smaller than CMH.

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Demerger Scheme Booklet

The Demerger Scheme is to be effected by a scheme of arrangement between Crown Limited and its shareholders and a reduction of capital.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, INVESTMENT OR OTHER PROFESSIONAL ADVISER.

Section 1 – Key Dates

Section 2 - Important information

Section 3 - Key Questions and Answers

Section 4 - Overview

Section 5 - Directors' recommendations

Section 6 - Mechanics and Approvals

Section 7 - Gaming Businesses

Section 8 - Media Businesses

Section 9 - Crown (if the Recommended Proposal is implemented)

Section 10 - CMH (if the Recommended Proposal is implemented)

Section 11 - Crown (if PBL Scheme only is implemented)

Section 12 – Tax Letter and Independent Accountant's Report

Section 12.1 – Tax Letter

Section 12.2 – Independent Accountant's Report on Pro Forma Financial Information

Section 13 - Additional Information

Section 14 - Glossary

Section 15 - Notices of Meeting

Section 16 - Corporate directory

Section 17 – Demerger Scheme of Arrangement

Section 18 – Accounting policies

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Section 1 – Key dates

Key dates

Event	Date
Demerger Scheme Meeting and Crown General Meeting	Friday 23 November 2007
PBL Meetings	Friday 23 November 2007
Court approval of Schemes – Demerger Scheme Second Court Date	Wednesday 28 November 2007
Demerger Scheme Effective Date	Friday 30 November 2007
Deferred settlement trading of CMH Shares[1] and Crown Shares ex-entitlement commences	Monday 3 December 2007
Demerger Scheme Record Date	Monday 10 December 2007
Dispatch of confirmation of allotment statements	Friday 14 December 2007
Commencement of normal trading in Crown and CMH Shares	Monday 17 December 2007

Shareholder Actions

Event	Date
Proxy form due date (3.00pm)	Wednesday 21 November 2007

The dates and times in this indicative timetable may change depending on a number of factors, some of which are outside the control of Crown (e.g. the timing of Court approval of the Schemes). In addition, Crown has the right to vary any or all of the times and dates in the timetable without notifying Crown Shareholders.

[1] Deferred settlement trading of the CMH Shares will commence only if the PBL Scheme and the Demerger Scheme are approved

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Section 2 – Important information

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Section 2 – Important information

2.1 General

Crown Shareholders should become familiar with the contents of this Demerger Scheme Booklet in its entirety.

2.2 Date of Demerger Scheme Booklet

This Demerger Scheme Booklet is dated 17 October 2007.

2.3 Purpose of Demerger Scheme Booklet

This Demerger Scheme Booklet contains information about the Demerger Scheme and the Recommended Proposal as a whole and the resolutions to be considered at the Crown Meetings that have been convened to be held on Friday 23 November 2007 commencing at 3.00pm at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria.

The purpose of this Demerger Scheme Booklet is to explain the terms of the Demerger Scheme and the manner in which the Demerger Scheme will be considered and implemented (if approved). This Demerger Scheme Booklet provides all information that is prescribed or otherwise material to the decision of Crown Shareholders when considering whether or not to approve the resolutions at the Crown Meetings. This Demerger Scheme Booklet includes the Explanatory Statement required by Part 5.1 of the Corporations Act in relation to the Demerger Scheme.

Throughout this Demerger Scheme Booklet, there are references to **PBL** and **CMH**. The references to CMH are references to PBL after the Name Change Resolution is passed at the PBL Annual General Meeting.

Throughout this Demerger Scheme Booklet, references to Crown are references to Crown Limited both assuming the Recommended Proposal is approved and implemented and also, as the context requires or makes clear, Crown on the basis that only the PBL Scheme, and not the Demerger Scheme, is approved and implemented, in which case Crown is also referred to as 'Crown (post PBL Scheme only).

This Demerger Scheme Booklet is not a disclosure document lodged under Chapter 6D of the Corporations Act.

2.4 ASIC

A copy of this Demerger Scheme Booklet has been registered by ASIC for the purposes of section 412(6) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Demerger Scheme Booklet.

2.5 ASX

On or about the date of dispatch of this Demerger Scheme Booklet, Crown will apply for admission to the official list of ASX and for official quotation of all Crown Shares, conditional on the PBL Scheme proceeding.

A copy of this Demerger Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Demerger Scheme Booklet. The fact that ASX may admit Crown to the official list of ASX should not be taken in any way as an indication of the merits of an investment in Crown.

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2.6 Other Written Information

This Demerger Scheme Booklet:

(1) refers to the PBL Scheme Booklet including the detailed summary of the Independent Expert's Report that has been prepared by the Independent Expert contained in the PBL Scheme Booklet;

(2) refers to and provides a summary in section 13.12(a) of the Implementation Deed dated 12 October 2007 between PBL and Crown;

(3) refers to and provides a summary in section 13.12 of the PBL Deed Poll and the Crown Initial Shareholders' Deed Poll.

A complete copy of the PBL Scheme Booklet and the Independent Expert's Report will be made available on the PBL website (www.pbl.com.au) and on the ASX website (www.asx.com.au) as an announcement by PBL.

Further, any Crown Shareholder who requests a copy of any of the documents referred to in Section 2.6(1) will be sent a copy free of charge. Requests can be made to Louise Arthur of PBL on +61 2 9282 8238 at any time before the Demerger Scheme Effective Date.

2.7 Crown Shareholders resident outside Australia

This Demerger Scheme Booklet does not constitute an offer to issue or sell or the solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. Specifically this Demerger Scheme Booklet does not constitute an offer or invitation for the subscription, sale or purchase of securities in any jurisdiction other than Australia, its external territories or New Zealand and shall not form the basis of any such contract.

Without limitation, this Demerger Scheme Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the US Securities Act of 1933, as amended (**Securities Act**). The securities referred to in this Demerger Scheme Booklet have not been and will not be registered under the Securities Act or under the securities laws of any jurisdiction of the United States, and therefore may not be offered or sold in the United States of America without registration or an applicable exemption from the registration requirements of the Securities Act.

Crown Shareholders who are resident for tax purposes outside Australia (including those who hold, or will hold, their Crown Shares through a permanent establishment in Australia), should seek specific taxation advice in relation to the Australian and overseas tax consequences of the Demerger Scheme.

2.8 Seek independent advice

This is an important document and should be read in its entirety. This document does not take into account the investment objectives, financial situation and particular needs of any Crown Shareholder or any other person. This Demerger Scheme Booklet does not constitute financial product advice and should not be relied upon as the sole basis for any investment decision in relation to the Demerger Scheme or Crown Shares or CMH Shares. Before making any investment decision in relation to the Demerger Scheme or Crown Shares or CMH Shares you should consider, with or without the assistance of a securities adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt as to how to deal with this document, please consult your investment or other professional adviser immediately.

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2.9 Pro forma financial information and forward looking statements disclaimers

This Demerger Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Demerger Scheme Booklet reflect the current expectations of Crown or PBL (as relevant) concerning future results and events and generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'is confident', 'estimate', 'potential', or other similar words or phrases. Similarly, statements that describe the objectives, plans, goals or expectations of Crown or PBL are or may be forward looking statements.

The Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information and the statements contained in this Demerger Scheme Booklet about the impact that the Recommended Proposal and the Demerger Scheme may have on the results of Crown's and CMH's operations and the advantages or disadvantages and risks expected to result from the Recommended Proposal and the Demerger Scheme are also forward looking statements.

The operations and financial performance of Crown and CMH are subject to various risks that are summarised in this Demerger Scheme Booklet and which may be beyond the control of Crown or CMH and their respective Directors. As a result, the actual results of operations and earnings following the Demerger Implementation Date, as well as the actual advantages or disadvantages and risks of the Recommended Proposal or the Demerger Scheme, may differ significantly from those that are expected in respect of timing, amount or nature and may never be achieved.

These forward looking statements, including the Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information, involve known and unknown risks, uncertainties and other factors that may cause Crown and CMH's actual results, performance or achievements following the Demerger Implementation Date to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward looking statements. You should review carefully all of the information in this Demerger Scheme Booklet.

The risk factors described in this Demerger Scheme Booklet could affect future results of Crown or CMH following the Demerger Implementation Date, causing these results to differ materially from those expressed, implied or projected in any forward looking statements including the Crown Pro Forma Financial Information, CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any forward looking statement. Other unknown or unpredictable factors also could have material adverse effects on future results of Crown and CMH following the Demerger Implementation Date. The forward looking statements included in this Demerger Scheme Booklet are made only as of the date of this Demerger Scheme Booklet. Crown and CMH cannot assure you that projected or implied results or events will be achieved.

All subsequent written and oral forward looking statements attributable to Crown or CMH or any person acting on their behalf are qualified by this cautionary statement.

2.10 Defined terms

Capitalised terms and certain abbreviations used in this Demerger Scheme Booklet are defined in the Glossary in Section 14 or within certain Sections of this Demerger Scheme Booklet. Capitalised terms used in the Demerger Scheme are defined in the Demerger

Scheme. Capitalised terms used in the Independent Accountant's Report are defined in the Independent Accountant's Report.

2.11 Responsibility for information

In this Demerger Scheme Booklet:

(a) Ernst & Young

(i) has prepared the Independent Accountant's Report contained in Section 12.2, in relation to the Crown Pro Forma Financial Information and CMH Pro Forma Financial Information and the Crown (post PBL Scheme only) Pro Forma Financial Information, and takes responsibility for that report; and

(ii) has prepared the taxation letter contained in contained in Section 12 and takes responsibility for that letter.

PBL and Crown have agreed in the Demerger Deed that any liability incurred by either of them in relation to this Demerger Scheme Booklet, or the PBL Scheme Booklet, is to be apportioned in the manner that is referred to in the summary of the Demerger Deed included in Section 13.12(b).

2.12 Rounding

Any discrepancies between totals in tables and sums of components in tables contained in this Demerger Scheme Booklet and between those figures and figures referred to in other parts of this Demerger Scheme Booklet are due to rounding.

2.13 Privacy

PBL, Crown and CMH and their respective share registries may collect personal information in the process of implementing the Demerger Scheme and the Recommended Proposal. Such collection may be consented to by Crown Shareholders under the Demerger Scheme, required or authorised under the Corporations Act or may otherwise be required for the purposes of conducting the Crown Meetings and implementing the Demerger Scheme and the Recommended Proposal. The personal information may include the names, addresses, other contact details and details of the shareholdings of shareholders, and the names of individuals appointed by shareholders as proxies, corporate representatives or attorneys at the Crown Meetings.

Shareholders who are individuals and other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected about them. Such individuals should contact the Crown Share Registry on 1300 850 505 (within Australia only) in the first instance if they wish to request access to that personal information.

Personal information may be disclosed to the share registries of Crown and CMH, to securities brokers and to print and mail service providers.

The main consequence of not collecting the personal information outlined above would be that Crown and CMH may be hindered in, or prevented from, conducting the Crown Meetings and implementing the Demerger Scheme and the Recommended Proposal.

Crown Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Crown Meetings should inform that individual of the matters outlined above.

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Under the Demerger Scheme, Demerger Scheme Participants consent to the disclosure to CMH of all binding instructions or notifications between a Demerger Scheme Participant and Crown relating to Crown Shares or a Demerger Scheme Participant's status as a Crown Shareholder (including, without limitation, any instructions relating to communications from Crown, whether dividends are to be paid by cheque or into a specified bank account, and direct credit instructions and bank account details) unless they provide a written notification to Crown that they do not consent to such disclosures. From the Demerger Scheme Record Date such instructions or notifications will, to the extent permitted by law, be deemed, by reason of the Demerger Scheme, to be similarly binding instructions or notifications to, and accepted by CMH in respect of Demerger Shares that are to be transferred to Demerger Scheme Participants until those instructions or notifications are revoked or amended in writing addressed to CMH (at its registered address from time to time) or the CMH Share Registry.

Under the PBL Scheme, PBL Scheme Participants' tax file numbers will be disclosed to Crown and by Crown to CMH and their respective share registries on behalf of PBL Scheme Participants in respect of the PBL Scheme Participants' tax affairs. A PBL Scheme Participant may indicate on the proxy form attached to the PBL Scheme Booklet (or otherwise in writing) if they do not consent to the disclosure of their tax file number to Crown and CMH (and their respective share registries).

Given that a PBL Scheme Participant will also be a Demerger Scheme Participant, PBL Shareholders may also indicate on the proxy form which accompanies the PBL Scheme Booklet (or otherwise in writing) if they do not consent to the disclosure by Crown to CMH of their tax file numbers.

2.14 Supplementary Information

Refer to Section 13.24 for information about the steps Crown will take if information about the Recommended Proposal or the Demerger Scheme needs to be updated.

2.15 Times and dates

Unless otherwise stated, all times referred to in this Demerger Scheme Booklet are times in Sydney, Australia. Dates are indicative only. Crown reserves the right to vary any or all of the times and dates set out without notifying Crown Shareholders of these changes. All dates following the date of the Crown Meetings are subject to ASIC and Court approval.

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Section 3 – Key questions and answers

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Section 3 – Key questions and answers

3.1 What is the Recommended Proposal?

The Recommended Proposal is an initiative by the PBL Directors who are also the Crown Directors to separate the Media Businesses and the Gaming Businesses into two separately listed companies. The Recommended Proposal consists of:

- the PBL Scheme; and
- the Demerger Scheme (in accordance with which the Demerger will occur) and Reorganisation. Although the Demerger Scheme will not be implemented unless the PBL Scheme is approved, the PBL Scheme is not conditional or dependent on the Demerger Scheme being approved.

3.2 What is the Demerger Scheme?

Under the Demerger Scheme, Demerger Scheme Participants will have a CMH Share transferred to them for every Crown Share they own at the Demerger Scheme Record Date. The consideration for the transfer of the CMH Share is the Capital Reduction Amount, which will be automatically applied as consideration for the transfer of CMH Shares under the Demerger Scheme.

3.3 What is the PBL Scheme?

Under the PBL Scheme, PBL Scheme Participants will transfer their PBL Scheme Shares to Crown for the PBL Scheme Consideration as described in the PBL Scheme Booklet.

3.4 Who will participate in the Demerger Scheme?

The Crown Shareholders as at the date of the Crown Meetings will not participate in the Demerger Scheme.

Under the PBL Scheme, the PBL Scheme Participants (which will include the Nominee in respect of the Ineligible Overseas Shareholders) will receive the PBL Scheme Consideration which may include Crown Shares.

The Crown Shares forming part of the PBL Scheme Consideration will be issued to the relevant PBL Scheme Participants who become entitled to be issued with Crown Shares under the PBL Scheme, on the PBL Scheme Implementation Date, which will occur prior to the Demerger Scheme Record Date.

It is a requirement of the Demerger Scheme that, conditional on the Demerger Scheme being approved, the Crown Initial Shares will be bought back and cancelled. This will occur following the PBL Scheme Implementation Date but prior to the Demerger Scheme Record Date.

Accordingly the Demerger Scheme Participants will be the PBL Shareholders to whom Crown Shares are issued under the PBL Scheme. They will receive a transfer of one CMH Share for every Crown Share issued to them under the PBL Scheme. The Nominee, to whom Crown Shares are issued under the PBL Scheme on behalf of the Ineligible Overseas Shareholders, will also be a Demerger Scheme Participant and will receive the transfer, under the Demerger Scheme, of one CMH Share for every Crown Share issued to the Nominee under the PBL Scheme.

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3.5 How do the Crown Directors recommend I vote on the Demerger Scheme?

Only the Crown Initial Shareholders will be able to vote on the Demerger Scheme resolution given that only the Crown Initial Shares will be on issue on the date the Demerger Scheme Meeting is held.

Further, each Crown Initial Shareholder has entered into a Crown Initial Shareholders' Deed Poll.

In view of these matters the Crown Directors unanimously recommend that Crown Initial Shareholders vote on the resolution to approve the Demerger Scheme in accordance with their obligations under the Crown Initial Shareholder's Deed Poll.

3.6 What vote is required by Crown Shareholders?

Two meetings of Crown Shareholders have been convened to be held on the same day.

The first meeting is the Demerger Scheme Meeting which has been convened by order of the Federal Court of Australia to be held at 3.00pm on Friday 23 November 2007 at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria. A resolution to approve the Demerger Scheme will be considered by Crown Shareholders at this meeting.

The second meeting, which the Crown Directors have convened, is the Crown General Meeting. This meeting will follow the conclusion or adjournment of the Demerger Scheme Meeting on the same date and at the same location, and two resolutions will be considered at this meeting.

Crown Shareholders are entitled to vote at each of the Crown Meetings and instructions on how to vote are set out below. More details are included in the notices of the Crown Meetings included in Section 15.

If you are registered on the Crown Share Register at 3.00pm on Wednesday 21 November 2007 you may vote at the Demerger Scheme Meeting and the Crown General Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative.

How do I vote in person?

If you are entitled to vote at the Crown Meetings and wish to do so in person, you can attend the Crown Meetings.

If you are attending as attorney or corporate representative, you should also bring along to the Crown Meetings the original or a certified copy of the power of attorney or your appointment as corporate representative, as the case may be, unless you have previously provided the power of attorney or appointment (as the case may be) to Crown or to the Crown Share Registry.

How do I vote by proxy?

Two proxy forms are included with this Demerger Scheme Booklet. The blue proxy form is for the Demerger Scheme Meeting and the green proxy form is for the Crown General Meeting.

If you are unable to attend the Crown Meetings in person, you are encouraged to appoint a proxy, complete the proxy forms in accordance with the instructions on those forms and return the proxy forms to Crown as follows:

- mail to the Crown Share Registry (using the envelope included with this Demerger Scheme Booklet) at Computershare Investor Services Pty Limited, Reply Paid 2115, Melbourne VIC 3060;

- hand deliver to the Crown Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067;

- fax to the Crown Company Secretary on +61 3 9292 7295; or

- mail to Crown's registered office at 8 Whiteman Street, Southbank, Victoria, 3006 (attention Crown Company Secretary),

so that the proxy forms are received by no later than 3.00pm on Wednesday 21 November 2007.

If an attorney signs the proxy forms on your behalf, the authority under which the proxy forms were signed (or a certified copy) must be received by the Crown Share Registry at the same time as the proxy form (unless you have already provided the authority, or a certified copy to Crown). If you complete and return proxy forms, you may still attend the Crown Meetings in person, revoke the proxy and vote at the meetings.

What voting majority is required?

For the Demerger Scheme to be approved, votes in favour of the resolution to approve the Demerger Scheme must be cast at the Demerger Scheme Meeting by:

- a majority in number (more than 50%) of Crown Shareholders present and voting at that meeting (in person, by proxy, by attorney or, in the case of a corporate shareholder, by corporate representative); and

- at least 75% of the total number of Crown Shares which are voted on the Demerger Scheme resolution.

Voting on the resolution to approve the Demerger Scheme will be by poll.

The voting majority to approve the Capital Reduction Resolution is a simple majority (at least 50% of the votes cast on that resolution being in favour of that resolution).

The voting majority to approve the Crown Financial Assistance Resolution is a special majority (being at least 75% of the votes cast on that resolution being in favour of that resolution with no votes being cast in favour of the resolution by Crown or its associates).

3.7 Who is entitled to vote to approve the PBL Scheme?

The PBL Scheme will be voted on by the PBL Shareholders, not by the Crown Shareholders.

3.8 What is the Independent Expert's opinion?

A summary of the Independent Expert's Report, which has been prepared by the Independent Expert, is contained in section 16 of the PBL Scheme Booklet.

The Independent Expert has not considered the Demerger Scheme on its own. However, the Independent Expert has considered the Recommended Proposal, which includes the Demerger Scheme, and has concluded that the Recommended Proposal is in the best interests of PBL Shareholders. As noted above, the PBL Scheme Participants will be the Demerger Scheme Participants.

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A complete copy of the Independent Expert's Report is available on the PBL website (www.pbl.com.au) and on the ASX website (www.asx.com.au) as an announcement by PBL. A copy will be sent (free of charge) to any Crown Shareholder who requests a copy before the Demerger Scheme Effective Date. Requests may be made to Louise Arthur of PBL on + 61 2 9282 8238.

3.9 Is the Demerger Scheme subject to any conditions?

As discussed above, the Demerger Scheme is subject to the PBL Scheme being approved. It is also subject to the conditions that are referred to in Section 6.4(d)(3), including that the PBL Shareholders approve the Reduction of Capital Resolution.

If the PBL Scheme is not approved by the PBL Shareholders and the Court, or if the conditions of the Demerger Scheme are not satisfied (or as applicable waived), then the Demerger Scheme will not proceed and the Recommended Proposal will not be implemented.

3.10 When will the Crown Shares and CMH Shares begin trading on ASX?

The ASX has agreed, subject to conditions that are expected to be satisfied, that the Crown Shares and (provided the Demerger Scheme is approved, the CMH Shares) will commence trading on a deferred settlement basis (and in the case of the Crown Shares, without any entitlement to participate in the Demerger Scheme) from the Business Day after the PBL Scheme Effective Date which, based on the Indicative Timetable at the front of this Demerger Scheme Booklet is anticipated to be on Monday 3 December 2007.

3.11 When will Demerger Scheme Participants receive confirmation of allotment statements?

If the Demerger Scheme becomes Effective, it is expected that confirmation of allotment statements for CMH Shares that are demerged under the Demerger Scheme will be dispatched by not later than 10 Business Days after the Demerger Scheme Effective Date.

Confirmation of allotment statements will be sent by prepaid post to the Demerger Scheme Participants' addresses in the Crown Share Register.

3.12 Is there a number to call if I have any questions?

If you have any questions about the Demerger Scheme or the Recommended Proposal please call Louise Arthur of PBL on +61 2 9282 8238.

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Section 4 – Overview

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Section 4 - Overview

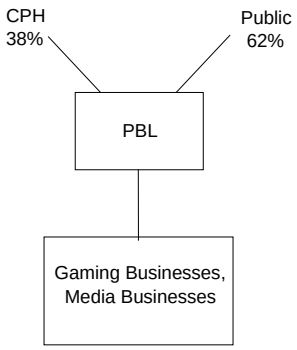
4.1 The Recommended Proposal

The Recommended Proposal is an initiative recommended by the PBL Directors to separate the Media Businesses and the Gaming Businesses into two separately listed public companies. The Recommended Proposal consists of:

- the PBL Scheme; and
- the Reorganisation and the Demerger which are implemented as a result of the Demerger Scheme.

4.2 PBL Scheme

A simplified corporate structure of PBL, its existing material businesses and shareholders (showing approximate shareholdings) is set out below:



Under the PBL Scheme:

- Crown will acquire all PBL Scheme Shares;
- Crown will provide, by way of consideration for the acquisition of all PBL Scheme Shares, the PBL Scheme Consideration, which is a number of Crown Shares that is equivalent to the aggregate number of PBL Scheme Shares and the Total Cash Consideration;
- the PBL Scheme Standard Consideration comprises one Crown Share and $3.00 in cash being offered for each PBL Scheme Share;
- PBL Shareholders may, however, elect not to receive the PBL Scheme Standard Consideration but may elect to receive more cash and fewer Crown Shares for their PBL Scheme Shares (the **PBL Scheme Maximum Cash Consideration**) or more Crown Shares and less cash for their PBL Scheme Shares (the **PBL Scheme Maximum Share Consideration**). This election mechanism is intended to provide PBL Shareholders with an opportunity to rebalance the mix of their portfolio between shares and cash;
- CPH has stated that it will accept the PBL Scheme Standard Consideration for the PBL Scheme Shares that it holds;
- Ineligible Overseas Shareholders cannot be issued Crown Shares under the PBL Scheme. They may, however, make an Election. Ineligible Overseas Shareholders will receive only cash for their PBL Scheme Shares in the manner explained in the PBL Scheme Booklet; and

- PBL Shareholders are not required to contribute any cash as a result of the implementation of the PBL Scheme.

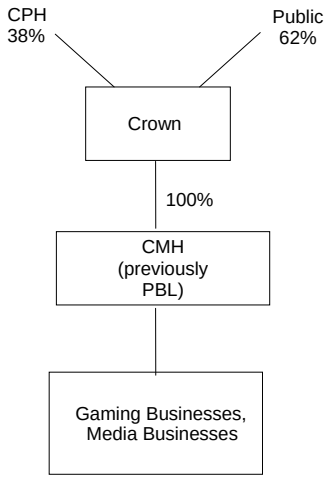
Crown after PBL Scheme alone is implemented

After the PBL Scheme is implemented, Crown will wholly own PBL (which, subject to the passing of the Name Change Resolution, will be called CMH) and the assets of Crown will be:

- the Gaming Businesses. Section 7 provides information about the Gaming Businesses; and

- the Media Businesses. Section 8 provides information about the Media Businesses.

A simplified corporate structure (showing approximate shareholdings) after the PBL Scheme is implemented is set out below:



If the PBL Scheme is approved but the Demerger Scheme is not approved, then Crown will be the new head ASX listed entity of the current PBL Group and the PBL Scheme Participants will have exchanged their PBL Scheme Shares for the PBL Scheme Consideration. Section 11 provides information as it will apply to Crown in these circumstances.

4.3 Reorganisation and Demerger Scheme

Another part of the Recommended Proposal is the demerger of CMH from Crown under the Demerger Scheme. PBL will be renamed CMH if the Name Change Resolution is passed.

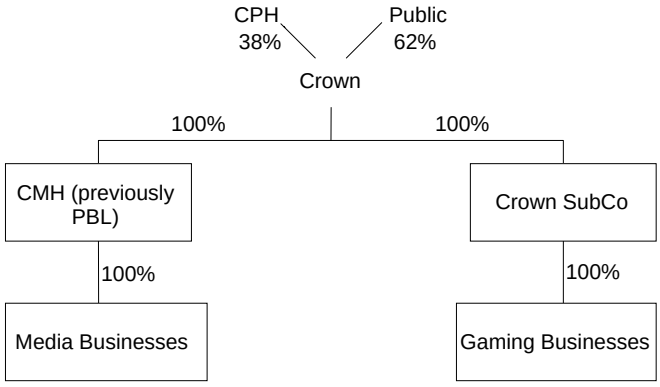
The Demerger Scheme is a scheme of arrangement under section 411 of the Corporations Act between Crown and its shareholders. PBL Shareholders will not vote on the Demerger Scheme; rather the Crown Initial Shareholders, being the existing eight shareholders of Crown, will vote on the Demerger Scheme. The Crown Initial Shareholders have agreed that they will exercise their vote on the resolution to approve the Demerger Scheme and the Capital Reduction Resolution in accordance with the outcome of the PBL Shareholders' vote on the Demerger Scheme Advisory Resolution. As a consequence, the PBL Shareholders will in substance determine whether the Demerger Scheme is to be approved.

Also it is a condition of the Demerger Scheme that the PBL Scheme is approved and that the PBL Shareholders approve the Reduction of Capital Resolution.

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Before the Demerger is implemented, there will be a reorganisation of the Subsidiaries of Crown to ensure that the Media Businesses are owned by CMH and the Gaming Businesses are owned by a new sub-group of Crown, which will be separate from CMH. This reorganisation is referred to as the Reorganisation.

After the Reorganisation, the simplified corporate structure of Crown (showing approximate shareholdings) will be as follows:



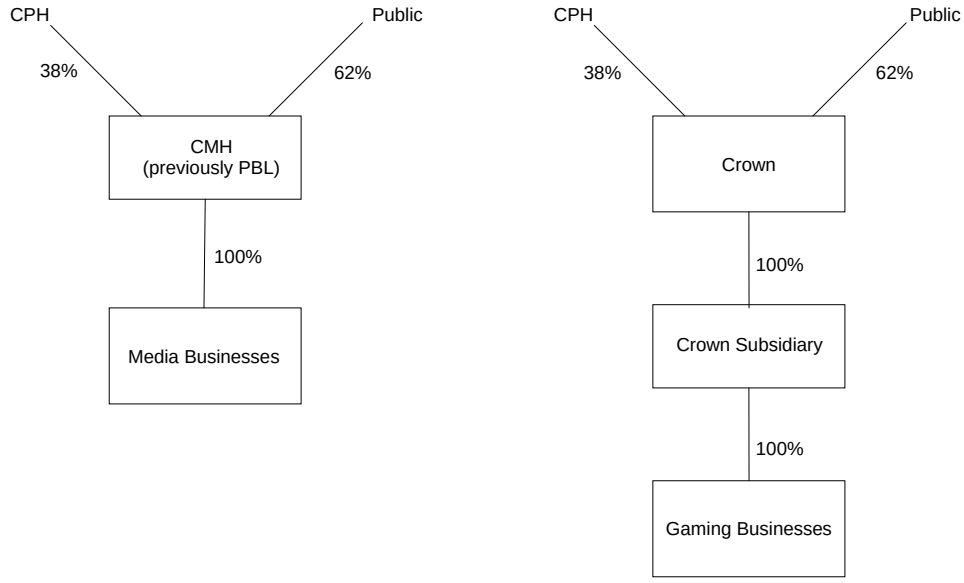
Following the Reorganisation being implemented the Demerger will take place under the Demerger Scheme.

Under the Demerger each PBL Scheme Participant to whom Crown Shares are issued under the PBL Scheme will receive a transfer of one CMH Share for every Crown Share issued to that PBL Scheme Participant under the PBL Scheme. The Nominee, to whom Crown Shares are issued under the PBL Scheme on behalf of the Ineligible Overseas Shareholders, will also receive, under the Demerger Scheme, one CMH Share for every Crown Share issued to the Nominee under the PBL Scheme. The holders of the Crown Initial Shares will not participate in the Demerger as these shares will be bought back by Crown and cancelled before the entitlements to participate in the Demerger Scheme are determined.

The Demerger Scheme Participants are not required to contribute any cash as a result of the implementation of the Demerger Scheme.

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After the Demerger is implemented, the simplified corporate structure of CMH and Crown (showing approximate shareholdings) will be as follows:



As a result of implementing the Demerger, the Media Businesses (information about which is contained in Section 8) will be held by CMH, a listed public company and the Gaming Businesses (information about which is contained in Section 7) will be held by Crown, which will also be a listed public company.

Pro forma financial statements for Crown after the Demerger Scheme is implemented are set out in Section 9.6. Pro forma financial statements for CMH after the Demerger Scheme is implemented are set out in Section 10.6.

4.4 Separated entities at a glance if the Recommended Proposal is implemented

(a) Crown

Crown will be an international casino and gaming company, with businesses and investments in key international markets. The markets that Crown will be involved in include:

- Australia;
- Macau;
- United Kingdom;
- United States; and
- Canada[1].

The Crown management team has experience in developing and operating casino resorts and entertainment complexes, catering to both high end and mass market clientele, as well as in providing other leisure services and facilities. Crown will have the financial flexibility to continue to pursue global gaming opportunities.

[1] Subject to successful completion of the Gateway Offer. Further details are set out in Section 7.4.5.

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Crown's key businesses and investments are summarised below. Further detail on the Gaming Businesses can be found in Section 7.

Crown's Australian Gaming Businesses

	Interest	Description
Melbourne	100%	Melbourne's premier entertainment venue and one of the largest integrated entertainment facilities in the Southern Hemisphere comprising Crown Casino, Crown Towers Hotel and Crown Promenade Hotel.
	100%[1]	Perth's premier entertainment venue, comprising a casino and two hotels, the InterContinental Perth Burswood and the Holiday Inn Burswood.

Note:

[1] Full ownership of Burswood excludes an unrelated third party's 35% interest in The InterContinental Burswood Resort Hotel and the Holiday Inn Burswood.

Crown's investments

	Interest	Description
	41.4%	Developer, owner and operator of Macau casino gaming and entertainment resort facilities, with one casino in operation, two projects under development and the Mocha Clubs chain of six outlets featuring approximately 1,000 gaming machines.
	50.0%	Premium gaming and casino business based in the United Kingdom, comprising of three operating casinos. A further two new casinos are currently being developed in Northampton, England (in a joint venture with Kerzner UK Limited) and Bournemouth, England. The company is well positioned to participate in any opportunities arising from deregulation of the UK Gaming Industry.
	19.6%	Developer of a major new casino / resort property on the Las Vegas Strip and owner of the Fontainebleau Miami Beach.
Las Vegas	37.5%	A planned new casino resort development on the Las Vegas Strip. It is intended that Crown will enter into a management agreement to operate the casino.
	50.0%[1]	One of the largest casino operators in Western Canada, with nine casinos.
	50.0%	Australia and New Zealand online betting exchange.

Note:

[1] Ownership of the Gateway Casinos Income Fund, Gateway Casinos Inc. and all of the outstanding shares of Star of Fortune Gaming Management (B.C.) Corp is subject to the Gateway Offer being successfully completed. See Section 7.4.5 for further details.

Discontinuing Businesses

	Interest	Description
HOYTS	50%	Hoyts is currently jointly owned by PBL and West Australian Newspapers Holdings Limited (**WAN**), with operations that comprise cinema exhibition, advertising and film distribution. PBL and WAN have agreed to sell Hoyts to funds advised by Pacific Equity Partners. Net proceeds to PBL are anticipated to be approximately $150 million (see Section 7.5.1 for more information)
 New Regency	25.4%	New Regency is a Hollywood movie and television production company, which owns a substantial film and television library for syndication

Crown features

- diversified portfolio of gaming businesses and investments in key international markets;
- unique Australian presence through exclusive casino operations in Victoria and Western Australia;
- strong partnerships with gaming operators in Australia and globally;
- strong and growing earnings with a pipeline of international development opportunities;
- high cash flow generation and financial flexibility with approximately $2.67 billion cash;
- experienced management team, led by Rowen Craigie; and
- high quality Board.

Further detailed information concerning Crown if the Recommended Proposal is implemented can be found in Section 9.

(b) CMH

CMH will be one of Australia's leading diversified media companies, with a majority of its earnings being generated from new media investments. CMH will have exposure to a number of media sectors, including:

- subscription television;
- online classifieds and display;
- magazine publishing;
- free to air (**FTA**) TV broadcasting; and
- ticketing.

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The CMH portfolio is well positioned for organic growth with significant exposure to subscription television and leading online brands. CMH's key investments are summarised below. Further detail on the Media Businesses can be found in Section 8.

CMH's investments

	Interest	Description
FOXTEL	25.0%	Australian subscription television operator, operating primarily in metropolitan areas.
PREMIER MEDIA GROUP	50.0%	Producer of subscription television channels including the FOX SPORTS channels, the HOW TO channel and FUEL TV.
seek	27%	ASX listed SEEK Limited is the leader in the online employment market in Australia and New Zealand.
pblMedia	25.0%	Diversified portfolio of media businesses and investments, predominantly in Australia and New Zealand comprised of the following businesses:
acp magazines		An international magazine publisher and distributor. PBL Media's interest – 100%.
9		One of three commercial FTA TV networks in Australia, holding licences to operate commercial FTA TV stations in Sydney, Melbourne, Brisbane and Darwin. Also owns NBN Television. PBL Media's interest – 100%.
carsales.com.au		Australian automotive website allowing users to lease, buy or trade automobiles. PBL Media's interest – 50%.
ninemsn		Provider of news, information and communications services to online consumers. PBL Media's interest – 50%.
TICKETEK		Ticketing partner for the sports and entertainment industries in Australia and New Zealand. PBL Media's interest – 100%.
acer arena		Entertainment and event venue located at Sydney Olympic Park. PBL Media's interest – 100%.
SKY NEWS		Australia's first and only subscription television news channel. PBL Media's interest - 33.3%.
myhome.com.au		An online property site for buying, selling or renting throughout Australia. PBL Media's interest – 48.75%.

CMH features

- diversified portfolio of media investments;
- exposure to high growth subscription TV through FOXTEL and Premier Media Group;
- strong online investment portfolio, with a direct investment in SEEK and, through PBL Media, investments in ninemsn, myhome and carsales;
- portfolio positioned for earnings and cash-flow growth, through strong presence in new media;
- board representation within investments; and
- high quality Board.

Further detailed information concerning CMH if the Recommended Proposal is implemented can be found in Section 10.

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Section 5 – Directors' recommendation

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Section 5 – Directors' recommendation

5.1 Directors' recommendation on the Demerger Scheme and the Capital Reduction

The Crown Directors as at the date of this Demerger Scheme Booklet are set out in Section 13.1. Each Crown Director is also a director of PBL as at the date of this Demerger Scheme Booklet.

Each of the Crown Directors considers himself or herself justified in making a recommendation in relation to the Demerger Scheme, the Capital Reduction Resolution and the Crown Financial Assistance Resolution.

In making the recommendation each Crown director is cognisant of the fact that Crown was established to implement the Recommended Proposal insofar as it relates to the Reorganisation, the Demerger and the Demerger Scheme, so that the benefits of participating in the Recommended Proposal could accrue to shareholders of Crown who will be the PBL Scheme Participants.

The Crown Directors have also taken into account the fact that each of the holders of the Crown Initial Shares, who will be requested to consider and approve the Demerger Scheme, the Capital Reduction Resolution and the Crown Financial Assistance Resolution, has entered into a Crown Initial Shareholders' Deed Poll under which they have agreed to exercise their vote to vote in favour of:

(a) the Demerger Scheme and the Capital Reduction Resolution, provided the PBL Shareholders vote in favour of the Demerger Scheme Advisory Resolution; and

(b) the Crown Financial Assistance Resolution, provided the PBL Shareholders vote in favour of the Financial Assistance Resolution.

The Crown Directors therefore unanimously recommend that Crown Shareholders exercise their vote either in favour of or against the Demerger Scheme, the Capital Reduction Resolution and the Crown Financial Assistance Resolution in accordance with their obligations under the Crown Initial Shareholders' Deed Poll which they have executed.

5.2 Independent Expert's Opinion

The PBL Directors appointed the Independent Expert, to review both the PBL Scheme and the Recommended Proposal and to determine whether, in its opinion:

- the PBL Scheme (even if the Demerger Scheme is not implemented); and
- the Recommended Proposal,

are respectively in the best interests of PBL Shareholders. A summary of the report which has been prepared by the Independent Expert is set out in section 16 of the PBL Scheme Booklet.

A full copy of the Independent Expert's Report is available online on PBL's website (www.pbl.com.au) and it has also been posted to and is available for inspection on the ASX website (www.asx.com.au).

The Independent Expert has concluded, inter alia, that the Recommended Proposal is in the best interests of PBL Shareholders.

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Section 6 – Mechanics and approvals

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Section 6 – Mechanics and approvals

6.1 Demerger Scheme Meeting and Crown General Meeting

Crown Shareholders will be asked to approve the Demerger Scheme at the Demerger Scheme Meeting which will be held on Friday 23 November 2007 at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria commencing at 3:00 pm.

For the Demerger Scheme to proceed, the Crown Shareholders must vote in favour of the Crown Scheme by the majority that is referred to in Section 3.5. Voting at the Demerger Scheme Meeting will be by poll.

In addition, a Crown General Meeting will be held after the Demerger Scheme Meeting has concluded or has been adjourned on Friday 23 November 2007. Crown Shareholders will be asked to approve the Capital Reduction Resolution and the Crown Financial Assistance Resolution at that meeting. Details of those resolutions are set out in this Section.

All Crown Shareholders are encouraged to attend both of the Crown Meetings on Friday 23 November 2007. You are requested to bring along the enclosed proxy forms if you are attending in person as these will assist in the registration process.

If you cannot attend the Crown Meetings in person, you are encouraged to appoint a proxy to vote on your behalf at the meetings.

Section 3.5 and the proxy forms themselves contain details about:

- completing the proxy forms; and
- returning the proxy forms to the Crown Share Registry (a reply paid envelope is enclosed which may be used in Australia) or the Crown registered office.

Remember, there are two proxy forms that need to be completed:

- the blue proxy form for the Demerger Scheme Meeting; and
- the green proxy form for the Crown General Meeting.

To be valid, completed proxy forms must be received by the Crown Share Registry or the Crown registered office by no later than 3:00 pm on Wednesday 21 November 2007.

6.2 Incorporation and activities of Crown

Crown was registered as a public company with the name ”Arterial Limited” on 31 May 2007. On 8 June 2007, its members resolved to change its name to “Crown Limited”. This name change took place on 15 June 2007.

Crown was incorporated for the purposes of undertaking the Recommended Proposal, including:

- offering to acquire the PBL Scheme Shares in accordance with the PBL Scheme;
- seeking admission to the official list of the ASX subject to the PBL Scheme being approved; and
- proposing the Demerger Scheme and taking all necessary steps associated with the Demerger.

Prior to the implementation of the PBL Scheme, the Crown Initial Shareholders will comprise various lawyers of Gilbert + Tobin and executives of PBL Group. Their shares will be bought back and cancelled by Crown if the PBL Scheme is approved, prior to the time for determining entitlements to participate in the Demerger Scheme.

Crown and PBL have entered into the Implementation Deed and the Demerger Deed. Those deeds impose obligations on PBL and Crown:

- to propose and implement the Recommended Proposal, including the PBL Scheme, the Reorganisation and the Demerger Scheme; and

- in respect of matters, including liabilities, that may arise after the Demerger has been implemented.

A summary of the Implementation Deed and Demerger Deed is included in Section 13.12.

6.3 ASX listing of Crown

Within five Business Days of the date of this Demerger Scheme Booklet, Crown will apply for admission to the official list of ASX and for official quotation of all Crown Shares on ASX. That application will be conditional upon the PBL Scheme becoming effective.

It is anticipated that Crown Shares will commence trading on ASX on a deferred settlement basis on the Business Day after the PBL Scheme Effective Date. Crown will issue a confirmation of allotment statement to each PBL Scheme Participant and the Nominee (on behalf of the Ineligible Overseas Shareholders) on or before the Dispatch Date. Each confirmation of allotment statement will state the number of Crown Shares issued to each PBL Scheme Participant or the Nominee (as the case may be).

ASX has provided several waivers in connection with Crown's application for admission to the official list of the ASX. These are discussed in detail in Section 13.22 of this Demerger Scheme Booklet.

6.4 Demerger Scheme

(a) Background and Timing Issues

Apart from the PBL Scheme being approved and implemented, in order for the Recommended Proposal to proceed it is necessary that the Demerger Scheme is approved and the Reorganisation agreed and implemented.

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The Reorganisation and the Demerger Scheme will be undertaken by Crown generally in parallel with the PBL Scheme. This is a requirement of the Implementation Deed (refer to section 13.12 for more details). Accordingly:

Demerger Scheme Meeting	Provided the Court makes an order under section 411 of the Corporations Act, it is expected that the Demerger Scheme Meeting will take place on the same day as the PBL Meetings after the conclusion of the PBL Meetings so that the result of the Demerger Scheme Advisory Resolution and the Financial Assistance Resolution are available to the Crown Shareholders before they vote on the Demerger Scheme, the Capital Reduction Resolution and the Crown Financial Assistance Resolution.
Demerger Scheme Second Court Hearing	It is proposed that the date for the Court to approve the Demerger Scheme if it is approved by Crown Shareholders will, subject to the PBL Scheme being approved by PBL Shareholders at the PBL Scheme Meeting, be the same date as the PBL Scheme Second Court Date.
Demerger Scheme Effective Date	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by the PBL Shareholders and the Crown Shareholders and by the Court, it is proposed that the Demerger Scheme Effective Date will be the same date as the PBL Scheme Effective Date.
Demerger Scheme Record Date and Reorganisation	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by PBL Shareholders and Crown Shareholders and by the Court, it is proposed that: • on the next Business Day after the PBL Scheme Record Date: – Crown will become entitled to have the PBL Scheme Shares transferred to Crown under the PBL Scheme; – the PBL Scheme Participants will be entered onto the Crown Share Register; – after which, the Crown Initial Shares will be bought back and cancelled by Crown as detailed below; and

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- after the steps referred to above have been fully implemented, the Crown Share Register will close for the purposes of determining who are the Demerger Scheme Participants; that is the Crown Shareholders to whom CMH Shares will be transferred under the Demerger Scheme. The Demerger Scheme Participants will be constituted only by the PBL Scheme Participants (and the Nominee in respect of Ineligible Overseas Shareholders) to whom Crown Shares are issued in accordance with the PBL Scheme as they will be the only persons who will be registered as Crown Shareholders on the Crown Share Register when it closes, and

- the Reorganisation will take place on the second Business Day after the PBL Scheme Record Date.

Entitlement to Demerger Shares	The Demerger Scheme Participants will be entitled to have the Demerger Shares transferred to them, in accordance with the Demerger Scheme, on the third Business Day following the PBL Scheme Record Date, on which date their names will be entered on the CMH Share Register.
Dispatch of confirmation of allotment statements	Subject to both the PBL Scheme and the Demerger Scheme being approved respectively by the PBL Shareholders and the Crown Shareholders and by the Court, it is proposed that confirmation of allotment statements for Crown Shares, that are issued under the PBL Scheme, and CMH Shares, that are transferred under the Demerger Scheme, will be dispatched by the fifth Business Day after the PBL Scheme Record Date.

(b) Reorganisation

The Reorganisation, which is intended to be implemented at the time set out in Section 6.4(a) (see Demerger Scheme Record Date and Reorganisation), will involve Crown and PBL agreeing to transfer, and transferring, the following two wholly owned subsidiaries of PBL to Crown: Crown Entertainment Group Holdings Pty Ltd and Publishing and Broadcasting (Finance) Ltd.

The reason for the Reorganisation is to ensure that these subsidiaries, which conduct the Gaming Businesses, are wholly owned and directly held by Crown, not by CMH, before the Demerger is implemented.

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(c) Buyback and cancellation of Crown Initial Shares

By no later than five Business Days after the date of this Demerger Scheme Booklet, Crown will lodge with ASIC, for the purposes of sections 257D and 257E of the Corporations Act, documentation in relation to its intention to buy back the Crown Initial Shares.

Crown will propose to buy back the Crown Initial Shares for the amount subscribed for those shares on the incorporation of Crown, namely $1.00 cash for each Crown Initial Share. The buy back will be conditional on the PBL Scheme being approved and, for the purposes of section 411(10) of the Corporations Act, taking effect.

It will be a term of the buy back agreement that the timing for implementing the buy back and cancellation of the Crown Initial Shares will be as set out in Section 6.4(a).

It is a condition precedent of the Demerger Scheme that the holders of the Crown Initial Shares:

- approve the proposed buy back resolution that is to be considered at a general meeting of Crown Shareholders; and
- enter into the buy back agreement before the date of the Demerger Scheme Meeting.

Crown will convene a general meeting of Crown Shareholders to approve the proposed buy back and thereafter Crown and the Crown Initial Shareholders will enter into the buy back agreement before the date of the Demerger Scheme Meeting.

(d) Demerger and the Demerger Scheme

(1) Terms of the Demerger Scheme

The Demerger Scheme involves two key elements: the Capital Reduction and the Demerger Scheme between Crown and the Crown Shareholders.

(2) Consideration under the Demerger Scheme

Under the Demerger Scheme, Demerger Scheme Participants will become entitled to have transferred to them one CMH Share for every Crown Share held as at the Demerger Scheme Record Date. Under the Demerger Scheme, Demerger Scheme Participants agree to become members of CMH and accept the CMH Shares, subject to the terms of the CMH Constitution.

The Demerger Scheme Participants will be only the PBL Scheme Participants (except the Ineligible Overseas Shareholders) and the Nominee in respect of the Ineligible Overseas Shareholders, to whom Crown Shares are issued under the PBL Scheme. Under the PBL Scheme, the PBL Scheme Participants acknowledge that, if the Demerger Scheme is approved, they, as Demerger Scheme Participants, will become members of CMH and accept the CMH Shares, subject to the terms of the CMH Constitution.

Demerger Scheme Participants who are entitled to have CMH Shares transferred to them under the Demerger Scheme are not required to pay any money for those CMH Shares because the Capital Reduction Amount will be applied by way of consideration for the transfer of the CMH Shares.

Demerger Scheme Participants will not have the option of taking any entitlement to the Capital Reduction Amount in cash.

The CMH Shares to which Demerger Scheme Participants are entitled under the Demerger Scheme (including those transferred to the Nominee) represent all of the CMH Shares on issue.

(3) Conditions of the Demerger Scheme

The Demerger Scheme is subject to the following conditions precedent:

(i) the approval of the PBL Scheme by the requisite majority of PBL Shareholders and the Court;

(ii) the approval of the Reduction of Capital Resolution by the PBL Shareholders at the PBL Annual General Meeting;

(iii) the approval of the Capital Reduction Resolution by the requisite majority of Crown Shareholders (being the Crown Initial Shareholders);

(iv) the unanimous approval of the buyback of the Crown Initial Shares by the Crown Shareholders (being the Crown Initial Shareholders) as required by the Corporations Act and Crown and the Crown Initial Shareholders entering into a buy back agreement before the date of the Demerger Scheme Meeting; and

(v) the approval of the Demerger Scheme by the requisite majority of Crown Shareholders (being the Crown Initial Shareholders) and the Court.

None of these conditions, with the exception of the condition in paragraph (ii), may be waived. PBL and Crown are entitled to agree to waive the requirement for the Reduction of Capital Resolution to be passed.

(4) Capital Reduction Resolution

Crown has proposed the Capital Reduction Resolution to permit Crown to reduce its capital by the Capital Reduction Amount.

The Capital Reduction Amount will be the fair value of the CMH Shares which will be determined by reference to the market price of CMH Shares as traded on the ASX (whether on an ordinary settlement or deferred settlement basis) on the first trading day after the Demerger Scheme Effective Date.

At the time the Capital Reduction Resolution is implemented it is estimated that Crown's share capital account will be well in excess of the fair value of the CMH Shares as it will also include the fair value of the Gaming Businesses.

The Capital Reduction is conditional on the Crown Initial Shareholders approving the Demerger Scheme and on the implementation of the Demerger.

This means that the Capital Reduction will not occur unless the Demerger Scheme and the Capital Reduction are approved by Crown Shareholders and the Demerger Scheme becomes effective.

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The Capital Reduction should give rise to a CGT event for Crown Shareholders. However, any taxable capital gain made by a Crown Shareholder should be disregarded if the Crown Shareholder is entitled to choose Demerger relief and does so. The ATO has confirmed that it will issue a Class Ruling advising amongst other things that, in the opinion of the ATO, demerger relief will not be available for the Demerger Scheme. A further explanation of the Australian taxation implications of the Capital Reduction for Australian tax resident Crown Shareholders who participate in the Demerger Scheme and who hold their Crown Shares on capital account for tax purposes is set out in Section 12.

The Capital Reduction Resolution is being put to Crown Shareholders for the purposes of section 256B of the Corporations Act.

The Capital Reduction is to be effected by appropriating the Capital Reduction Amount for the benefit of Demerger Scheme Participants (who will be determined in the manner set out in Section 6.4(a) and will be applied in accordance with the Demerger Scheme.

The impact, financial and otherwise, on Crown and Crown Shareholders if the Capital Reduction Resolution is passed, together with other factors that are material to the making of the decision by Crown Shareholders whether to approve the Capital Reduction Resolution are as described in this Demerger Scheme Booklet.

The directors of Crown believe that, taking into account all relevant matters, the Capital Reduction will not materially prejudice Crown's ability to pay its creditors.

(e) Crown General Meeting

The Demerger Scheme Meeting has been convened by the Court to be held on Friday 23 November 2007 at 3.00pm at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria.

Immediately following the conclusion or adjournment of the Demerger Scheme Meeting, a separate general meeting of Crown Shareholders has been convened on the same date and at the same location to consider the Capital Reduction Resolution and the Crown Financial Assistance Resolution.

At the date of these meetings, the Crown Initial Shareholders will be the only Crown Shareholders' and therefore the only persons entitled to vote on the Capital Reduction Resolution and the resolution to approve the Demerger Scheme.

As noted in Section 13.12, each Crown Initial Shareholder has entered into a Crown Initial Shareholders' Deed Poll under which it has agreed to vote on the Demerger Scheme approval resolution and the Capital Reduction Resolution in accordance with the outcome of the PBL Shareholders' vote on the Demerger Scheme Advisory Resolution and to vote on the Crown Financial Assistance Resolution in accordance with the outcome of the PBL Shareholders' vote on the Financial Assistance Resolution.

Information about the Capital Reduction Resolution is set out above.

Information about the Crown Financial Assistance Resolution, which is resolution 2 in the notice of Crown General Meeting, follows.

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Resolution 2 Crown Financial Assistance Resolution

Resolution 2 seeks the approval of Crown Shareholders, pursuant to section 260B(2) of the Corporations Act, for financial assistance which is to be provided by companies which will be Subsidiaries of Crown in connection with the acquisition by Crown of the PBL Scheme Shares under the PBL Scheme.

To enable Crown to satisfy its obligation to provide the cash component of the PBL Scheme Consideration under the PBL Scheme, Crown Group Finance Limited has entered into the Facility (and related ISDA documentation) and the Consideration Facility, that are described below, and in further detail in section 7.3 of the PBL Scheme Booklet.

If the PBL Scheme becomes effective, Crown will become obliged to pay $2,065,580,775 in cash consideration to PBL Scheme Participants, being $3.00 for each PBL Share on issue at the date of this Booklet. This amount will increase by $3.45 million in the event that resolution 6 in the notice of PBL Annual General Meeting (issue of ESP Shares to Mr Craigie) is approved.

Crown will have the capacity to fund the cash component of the PBL Scheme Consideration using debt finance described below.

Crown Group Finance Limited, Australia and New Zealand Banking Group (as financier and **Agent**), Commonwealth Bank, Westpac, Deutsche Bank, Credit Suisse, BNP Paribas, Royal Bank of Scotland, Barclays Bank, Citibank, Bank of America, Toronto Dominion and ABN AMRO (together with the Agent, **Banks**), entered into documentation on 2 August 2007 for the Banks to provide Crown Group Finance Limited with a syndicated note subscription and letter of credit facility (**Facility**) under which sufficient funding will be provided by the Banks to allow the Total Cash Consideration to be paid by Crown in accordance with its obligations under the PBL Scheme.

The total amount available under the Facility is $2,150 million.

The funds will be provided under the Facility on an unsecured basis, available for three years (from the date of execution of the facilities documentation), and will be the subject of various representations, financial and negative undertakings and events of default usual for this type of financing.

As at the date of this Demerger Scheme Booklet neither PBL nor Crown is aware of any circumstance that would lead to any event of default or which would give rise to the Banks having the right to refuse to participate in a drawing under the Facility or to terminate the Facility.

The drawdown of funds under the Facility is subject to the following conditions precedent:

- definitive facilities documentation having been executed and delivered (together with customary legal opinions, evidence of authority, corporate documents and officer's incumbency certificates) to the Agent;
- payment of the establishment fee to the Banks in respect of the Facility on or before the date of drawdown;
- completion of "know your customer checks" reasonably required by the Banks;

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- there being no actual or potential event of default, compulsory acquisition of material assets, breach of undertaking or misrepresentation under the facilities documentation;
- PBL Shareholders approving the PBL Scheme;
- each condition set out in clause 2.1 of the PBL Scheme being satisfied or, where applicable, waived;
- the Court approving the PBL Scheme;
- either implementation of the Demerger Scheme or, if only the PBL Scheme is implemented, PBL guaranteeing the obligations of Crown Group Finance Limited to the Banks under the Facility, on terms to be approved by the Banks and PBL, being typical terms for a guarantee of a facility such as the Facility;
- certain subsidiaries of PBL and Crown, together with Crown, guaranteeing the obligations of Crown Group Finance Limited to the Banks under the Facility, on terms to be approved by the Banks and those companies, being typical terms for a guarantee of a facility such as the Facility;
- the Financial Assistance Resolution being passed by the requisite majority of PBL Shareholders at the PBL Annual General Meeting;
- the Crown Financial Assistance Resolution being passed by the requisite majority of Crown Shareholders at the Crown General Meeting; and
- any other certificate, approval and evidence in relation to the Facility as the Agent may reasonably request.

Crown Group Finance Limited has entered into a binding agreement with Crown (**Consideration Facility**) under which Crown Group Finance Limited has agreed to make available to Crown the amount available to be drawn under the Facility so as to enable Crown to satisfy its obligations to pay the cash component of the PBL Scheme Consideration, in the event that the PBL Scheme is approved. The only condition precedent to drawdown under the Consideration Facility is that the conditions precedent to drawdown under the Facility have been satisfied or, as applicable, waived.

As noted above, the Banks require the obligations of Crown Group Finance Limited under the Facility and related ISDA documentation to be guaranteed by members of the Crown group that account for at least 75% of the consolidated EBITDA of Crown and its subsidiaries. In order to satisfy this requirement, the initial guarantors will be:

(a) Crown;

(b) if the PBL Scheme is implemented but the Demerger Scheme is not implemented, PBL;

(c) Crown Entertainment Group Holdings Pty Limited, Crown Melbourne Limited, Publishing and Broadcasting (Finance) Ltd and Burswood Nominees Limited as trustee of Burswood Property Trust (together the **PBL Subsidiaries**).

Each of the PBL Subsidiaries is a Subsidiary of PBL at the date of this Demerger Scheme Booklet.

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The provision of the guarantees in the manner referred to above by PBL and the PBL Subsidiaries will, amongst other things, assist Crown to acquire the PBL Scheme Shares under the PBL Scheme. This is because it is a pre-condition to drawdown under the Facility that the guarantees are provided and, for that purpose, that the Financial Assistance Resolution and the Crown Financial Assistance Resolution are duly passed.

Section 260A and 260B of the Corporations Act

In addition to certain other exceptions, section 260A and section 260B of the Corporations Act allow PBL and the PBL Subsidiaries (which will be subsidiaries of Crown) to financially assist Crown to acquire shares in PBL if the financial assistance is approved by:

(a) a special resolution passed by the shareholders of PBL and each PBL Subsidiary (being either the shareholders of PBL, PBL or a wholly owned subsidiary of PBL); and

(b) a special resolution passed by the shareholders of the ultimate holding company of PBL and each PBL Subsidiary and the shareholders of each listed holding company of PBL and each PBL subsidiary, in each case, as at the time immediately after Crown acquires the PBL Shares under the PBL Scheme.

Being, a special resolution, the Crown Financial Assistance Resolution requires at least 75% of the votes that are cast on the resolution to be in favour of the resolution, with no votes being cast in favour of the resolution by Crown or its associates.

Immediately after Crown acquires the PBL Scheme Shares under the PBL Scheme, each PBL Subsidiary will be a subsidiary of two listed public companies (ie PBL and Crown) and PBL will be a subsidiary of a listed company (ie Crown). As a result, drawdown under the Facility and the PBL Scheme itself is subject to a condition that both the PBL Shareholders and the Crown Shareholders approve the PBL and PBL Subsidiaries providing the financial assistance for the purposes of Section 260B of the Corporations Act, although PBL will only give any such financial assistance if only the PBL Scheme is implemented.

Resolution 2 seeks approval from the Crown Shareholders to allow PBL and the PBL Subsidiaries to provide the guarantees that are referred to above in connection with, or for the purposes of, the Facility (and any related ISDA documentation) or any replacement of the Facility (and any related ISDA documentation) under a subsequent refinancing and any other financial assistance given by any subsidiary of PBL or Crown that may be said to assist the acquisition of shares pursuant to the PBL Scheme or the Reorganisation including the entry into the Shortfall Deed referred to below.

The PBL Subsidiaries (and, if required, PBL) will only provide the Banks with guarantees if the PBL Scheme is approved by PBL Shareholders and by the Court.

The PBL Shareholders will also be asked to approve PBL and the PBL Subsidiaries providing the financial assistance by passing the Financial Assistance Resolution at the PBL Annual General Meeting.

Crown Shareholders should note that the Crown Initial Shareholders (who will be the only Crown Shareholders at the date of the Crown General Meeting) have agreed in the Crown Initial Shareholders' Deed Poll that they will vote in favour of the Crown Financial Assistance Resolution if the PBL Shareholders approve, by

the requisite majority, the Financial Assistance Resolution at the PBL Annual General Meeting.

Impact on Crown's financial position

The Crown Directors believe there are reasonable grounds to believe that the provision of the financial assistance by the PBL Subsidiaries in the manner described will not materially prejudice the ability of any PBL Subsidiary to pay its creditors. The reasons for this belief include:

(a) Crown, Crown Group Finance Limited and each PBL Subsidiary (each a **Relevant Company**) will on or before the PBL Scheme Effective Date enter into a Group Cash Shortfall Deed (**Shortfall Deed**). The Shortfall Deed will be expressed to be subject to the occurrence of the PBL Scheme Effective Date. The Shortfall Deed is designed to ensure the continued solvency of each Relevant Company by giving each Relevant Company the right to obtain any cash shortfall from the other Relevant Companies. If only the PBL Scheme is implemented, PBL will accede to the Shortfall Deed as a Relevant Company.

If a Relevant Company (**Shortfall Company**) has, or is projected to have, on any day a cash shortfall (being the amount by which the total cash that is readily available to the Shortfall Company is less than the total amounts payable by the Shortfall Company on that day) then each other Relevant Company must pay to the Shortfall Company an amount determined by Crown Group Finance Limited to ensure that the cash shortfall is paid by the other Relevant Companies to the Shortfall Company on that day.

However, a Relevant Company will not be required to make any payment to a Shortfall Company to the extent that it would cause a cash shortfall in relation to that Relevant Company. In this circumstance, Crown Group Finance Limited will redetermine the allocation of payments by the Relevant Companies to the Shortfall Company.

Each Relevant Company must pay any amount payable to a Shortfall Company on demand from Crown Group Finance Limited by no later than 11:00am on the due date to the account, or in the manner, specified by the Shortfall Company.

Each payment by a Relevant Company to a Shortfall Company will constitute an interest free loan to the Shortfall Company, which is repayable on demand except to the extent that the repayment would cause a Cash Shortfall to the Shortfall Company.

The Shortfall Deed is fully effective until the date on which all amounts actually or contingently owing by the Relevant Companies under the Facility or any refinancing of the Facility as agreed by the Relevant Companies have been fully and finally repaid.

Immediately on a Relevant Company ceasing to have any obligations under the Facility or any guarantee that is given by a Relevant Company in respect of the Facility ceasing or a Relevant Company ceasing to be a wholly owned subsidiary of Crown after the PBL Scheme Effective Date, that Relevant Company will be released from its rights and obligations under the Shortfall Deed.

(b) If only the PBL Scheme is implemented then the financial position of Crown and the group of companies of which Crown is the head entity will, as Section 11 indicates, be strong. In particular:

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(i) the Pro Forma Balance Sheet of Crown (post PBL Scheme only) as at 31 December 2006 discloses:

- net assets of $4,602 million;
- total current assets of $3,230 million of which $2,758 million is comprised of cash and cash equivalents;
- total current liabilities of $359 million; and

(ii) the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements for the year ended 30 June 2007 discloses cash inflows from operating activities of $286 million.

(c) If the Recommended Proposal is implemented:

(i) the PBL Subsidiaries will, immediately after Crown acquires the PBL Shares under the PBL Scheme, be Subsidiaries of Crown, not PBL (which, subject to the passing of the Name Change Resolution, will be called CMH);

(ii) the financial position of Crown Group will, as Section 9 indicates, be strong. In particular:

(A) the Crown Pro Forma Balance Sheet as at 30 June 2007 discloses:

- net assets of $4,544 million;
- total current assets of $3,140 million, of which $2,668 million is comprised of cash;
- total current liabilities of $359 million, and

(B) the Crown Pro Forma Cash Flow Statements for the year ended 30 June 2007 discloses cash inflows from operating activities of $379 million.

The Crown Directors unanimously recommend that Crown Shareholders vote on the Crown Financial Assistance Resolution in accordance with their obligations under the Crown Initial Shareholders' Deed Poll.

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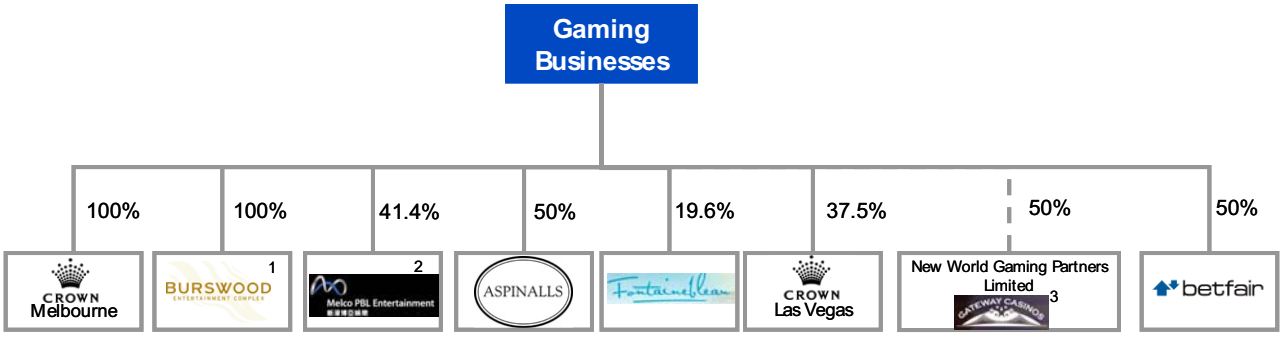
Section 7 – Gaming Businesses

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Section 7 - Gaming Businesses

7.1 Introduction

The Gaming Businesses represent a diversified portfolio of leading Australian and international gaming operations. The chart below provides an overview of the Gaming Businesses:



Notes:

1 Full ownership of Burswood excludes IHG (Victoria Park) Pty Ltd's (**IHG**) 35% interest in The InterContinental Perth Burswood Resort Hotel and the Holiday Inn Burswood

2 Excludes Melco PBL Entertainment Asia Holdings Limited, a joint venture vehicle between Melco and PBL for certain other Asian territories, which at the date of this Demerger Scheme Booklet has no investments

3 Subject to the Gateway Offer being successful. See Section 7.4.5 for further details

7.2 History of the Gaming Businesses

The history of the Gaming Businesses is outlined below in chronological order.

1999

- PBL acquired Crown Melbourne, a casino and entertainment complex, for $1.8 billion, establishing PBL's presence in the gaming industry

2004

- PBL significantly expanded its gaming business by acquiring Burswood, Perth's largest casino and entertainment complex for $876 million
- PBL entered into a joint venture with The Sporting Exchange Limited (**Betfair UK**) to operate an online betting exchange in Australia and New Zealand, being Betfair Australia

2005

- PBL entered into a 50:50 joint venture with Melco International Development Limited to create a gaming company in Asia, starting with the Mocha Clubs and Crown Macau development in Macau

2006

- PBL acquired a 50% interest in Aspinalls casino business in the UK
- Initial Public Offering of Melco PBL Entertainment (Macau) Limited (MPEL) on NASDAQ

2007

- PBL entered into a 50:50 joint venture, New World Gaming Partners Limited (**New World Gaming**), with Macquarie Bank Limited (**Macquarie**), through which a takeover offer (the **Gateway Offer**) to acquire all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star of Fortune Gaming Management Corp (together **Gateway**) was made. The Gateway Offer is incomplete at the date of this Demerger Scheme Booklet. Gateway is one of the largest casino operators in Western Canada with an enterprise value of C$1,365 million. See Section 7.4.5 for further details

- PBL acquired a 19.6% equity stake in Fontainebleau Equity Holdings LLC, the owner of Fontainebleau Resorts for US$250 million and acquired a small interest deferred debt holding in Fontainebleau Resorts for US$25 million

- Crown Macau opened in May 2007 and the first phase of The City of Dreams, MPEL's second Macau casino project, is targeted to open by the end of March 2009

- PBL paid US$22.5 million for a 37.5% equity interest in LVTI LLC (**LVTI**), a joint venture between IDM Properties and York Capital Management with an option to purchase 26.87 acres of land on the northern end of Las Vegas Boulevard for US$475 million, equating to US$17.7 million per acre. The joint venture has paid the vendor of the land US$45 million, with the balance due in 2008

7.3 Description of the Australian Gaming Businesses

7.3.1 Introduction

PBL currently operates two gaming and entertainment complexes in Australia, being Crown Melbourne located in Victoria and Burswood located in Western Australia. Both Crown and Burswood complexes comprise a casino, hotels, food, beverage and shopping facilities, and other entertainment.

In FY2007, pro forma normalised revenue generated by the Australian Gaming Businesses totalled $1.9 billion, an increase of 10.6% on FY2006. Pro forma normalised EBITDA for the same period was $580 million, an increase of 13.7% on FY2006.

7.3.2 Crown Melbourne

Business overview

Crown Melbourne is Melbourne's premier entertainment venue and one of the largest integrated entertainment facilities in the southern hemisphere. The entertainment complex includes Crown Casino, Crown Towers Hotel and Crown Promenade Hotel, restaurants, bars and shopping and other entertainment facilities.

Crown Melbourne receives approximately 16 million visitors per annum (300,000 per week) and is the most visited tourist attraction in Victoria. Crown Melbourne is Victoria's largest single site employer, with approximately 7,000 employees, approximately 5,500 of which are directly employed and the remainder employed within the complex by suppliers of services.

Over and above normal capital expenditure, PBL will spend approximately $220 million over the next five years towards a refurbishment of the property's flagship hotel, the Crown Towers, as well as refurbishment of the main gaming floor.

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In addition, planning is underway for an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel with a total investment of approximately $340 million. The third hotel at Crown is to be located at the western end of the complex and is targeted to open in 2010.

See Section 7.6.2 for an overview of the Australian gaming industry.

Gaming facilities

Crown Casino is one of the largest gaming facilities in the southern hemisphere. The gaming floor of the casino covers more than 31,000 square metres. Crown Casino features 2,500 electronic gaming machines and 350 table games, including the Crystal Club, private gaming salons, the Mahogany Room and the VIP Slots room for VIP players. The main table games played are Blackjack, Roulette, Baccarat and Poker.

Hotels

Crown Melbourne has two hotels, Crown Towers and Crown Promenade, with a total of 947 rooms including 31 luxury villas. Crown Melbourne and Burswood share sales offices located in Bangkok, Singapore, Kuala Lumpur, Hong Kong, Jakarta, Taipei and Japan, which continue to seek new business for both properties.

Crown Towers is regarded as one of the leading luxury five-star hotels in Australia. In 2005, Crown Towers was inducted into the Victorian Tourism Awards Hall of Fame after winning the premier luxury hotel category of the Victorian Tourism Awards for three consecutive years. Located on the southern banks of Melbourne's Yarra River, the landmark hotel is distinctive in design and location and superior in quality, product and levels of service. The hotel features 482 guestrooms, including 84 suites and 31 luxury villas. The guestrooms feature marble-lined bathrooms with spa bath, walk-in wardrobes, personal facsimile machines and panoramic views. The hotel also features Australia's largest state-of-the-art conferencing and banqueting facilities, a 25-metre heated indoor swimming pool, a gymnasium and two rebound championship tennis courts. The hotel features seven signature restaurants, each featuring a distinctive style of cuisine, from modern Australian to authentic Japanese.

Crown Promenade Hotel is a leading hotel in the 4½-star category in Melbourne. In less than three years since opening, Crown Promenade Hotel has achieved an annualised occupancy result of more than 90%, making it the busiest hotel of its class in Melbourne. The hotel features 465 guestrooms, including 18 studios and three suites, the purpose-built Crown Conference Centre, 280 seat Mesh restaurant and 80 seat Tonic Bar. With spacious guestrooms averaging 34-square metres, providing panoramic views of the city, Yarra River or Port Phillip Bay, the guest experience is further enhanced by quality furnishings and finishes and original artworks by local artists. Hotel guests have exclusive access to The Deck (Crown Promenade's dedicated leisure centre), comprising a heated indoor 25-metre infinity pool with a spa, a state-of-the-art fully equipped gymnasium, two outdoor sundecks and male and female sauna and steam rooms. Crown Promenade Hotel also offers the latest state-of-the-art conferencing facilities and technologies.

Other entertainment

Crown Melbourne also has a variety of other entertainment facilities, including:

- the Palladium ballroom, which seats 1,500 guests and features a laser lighting system and concert quality sound system. The Palladium is used for visual display presentations, exhibitions, product launches and social events;
- the River Rooms, conference venues that accommodate up to 270 guests and offering views of the city skyline;
- LIVE, opened in December 2006, which features a variety of live and recorded music;
- the Palms at Crown, a multi-layered auditorium that seats 800 and offers cabaret-style tables at stage front, as well as booths and tables;
- more than 40 restaurants, cafes and snack bars, offering a variety of cuisines and atmospheres. The restaurants include some of Melbourne's most cosmopolitan dining;
- flexible banquet facilities, with the capacity to be reconfigured and decorated in a number of ways;
- 20 bars and nightlife destinations;
- Village cinemas and Village Gold Class cinemas; and
- a range of luxury brand boutiques, general fashion and general merchandise stores.

7.3.3 Burswood

Business overview

PBL acquired Burswood in September 2004 and has subsequently transformed the complex into one of the best performing casinos in the region. Burswood is Western Australia's largest single site, private sector employer, providing jobs to more than 3,500 people.

The complex is also Western Australia's most successful tourist attraction with approximately 20% of revenues coming from international or interstate visitors. PBL has approved approximately $100 million over and above normal capital expenditure to be spent on the main gaming floor and hotel related projects over the next four financial years.

See Section 7.6.2 for an overview of the Australian gaming industry.

Gaming facilities

Burswood was opened in 1985. As at 30 June 2007 Burswood had 1,614 video gaming machines and 146 table games (97 tables on the main gaming floor and 49 in the Pearl Room) in operation. On 30 June 2007 Burswood was given approval to operate 1,750 video gaming machines and 170 table games. Burswood offers premium gaming facilities in the Pearl Room and six private gaming suites.

Hotels

The InterContinental Perth Burswood Hotel is owned by PBL and the Holiday Inn Burswood is owned by IHG. The InterContinental Perth Burswood Hotel and the Holiday Inn Burswood are operated by a partnership; with a distribution of profits

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65% to PBL and 35% to IHG. The hotels have a combined 704 rooms and are located close to the airport and the Perth CBD.

The InterContinental Perth Burswood Hotel is a 5-star hotel with 413 rooms, including 19 premium accommodation suites with outdoor balconies and river views. It has three executive floors, an executive club lounge and a health and fitness centre.

The Holiday Inn Burswood is a 3½-star hotel that opened in August 2005. The hotel has 291 rooms, three meeting rooms, a terrace pool and gymnasium.

Other entertainment

Burswood offers a range of fine dining, casual restaurants and bars and other entertainment and bar facilities in approximately 20 locations in the complex, including:

- the 21,000 seat Burswood Dome;
- a convention centre;
- the 2,300 seat Burswood Theatre;
- seven restaurants, six bars and a nightclub;
- a day spa; and
- an indoor and outdoor swimming pool.

7.4 Description of other Gaming Businesses

7.4.1 MPEL

Investment description

MPEL listed its American Depository Shares on the NASDAQ under the symbol "MPEL" in December 2006. Its founding shareholders, Melco and PBL, each have a 41.4% shareholding. MPEL has 10 directors, with three representatives from PBL, three representatives from Melco and four independent directors. The PBL representatives on the Board are Mr James Packer, Mr John Alexander and Mr Rowen Craigie.

PBL currently equity accounts for its investment in MPEL. PBL's share of MPEL's results for the 12 months to 30 June 2007 was a loss of $47 million principally reflecting pre-opening costs written off. MPEL reports its results in accordance with US GAAP and therefore its reported results may differ from those PBL has calculated in recording its equity share of earnings. The main difference in the accounting is in relation to the casino sub-concession. Under US GAAP, MPEL amortises the total intangible asset on a straight-line basis over the license period. Under Australian Accounting Standards, PBL effectively allocates the cost of the sub-concession to the casino projects and commences amortisation of the allocated amount only after the casino project opens. Amortisation of the total value will commence after the opening of the third casino project. MPEL's publicly stated dividend policy is to retain all earnings to finance the construction and development of projects and the operation and expansion of its business. As such, it is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 13.12 for a summary of the key terms of PBL's investment in MPEL.

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Business overview

MPEL is a developer and owner of casino gaming and entertainment resort facilities. It is focussed on the Macau market and its subsidiary, Melco PBL Gaming (Macau) Limited (**MPBL Gaming**), is one of six companies granted concessions or sub-concessions to operate casinos in Macau. MPEL's operating businesses include Crown Macau, which opened on 12 May 2007 and the Mocha Clubs. MPEL's development projects include The City of Dreams, the initial phase of which is targeted to open by the end of March 2009 and the Macau peninsula site.

See Section 7.6.3 for an overview of the Macau gaming industry.

Operating businesses

MPEL's operating businesses include Crown Macau and the Mocha Clubs.

Crown Macau is a 36-storey luxury hotel and casino resort located on the northern side of Taipa Island. The complex is primarily targeted at the high-end gaming and short visit gaming markets in Macau and represents the first extension of Australia's iconic Crown brand in Asia. Crown Macau features a multi-level casino with approximately 183,000 square feet of gaming space. The casino houses approximately 220 gaming tables and 500 gaming machines. Crown Macau's contemporary hotel offers 216 guest rooms, of which 24 are VIP suites and eight are villas, all offering spectacular panoramic views of the Macau peninsula. The complex also features a host of world class restaurants, bars, an outdoor garden podium and a luxurious day spa.

The Mocha Clubs feature approximately 1,000 gaming machines in six locations and comprise the largest non-casino based operations of electronic gaming machines in Macau. The clubs target mass market and casual gaming patrons and aim to capitalise on the significant growth opportunities associated with machine-based gaming in Macau.

Development projects

MPEL has a further two development projects, The City of Dreams and the Macau peninsula site.

The City of Dreams is being developed on a 28 acre site on the Cotai Strip and will be an integrated casino and entertainment resort primarily for mass market patrons. It is planned to feature three hotels with a total of approximately 1,600 hotel rooms, a casino with approximately 450 gaming tables and 2,500 gaming machines, a performance hall, an upscale shopping mall and a wide variety of restaurants and bars.

The initial phase of The City of Dreams project is planned to formally open to the public by the end of March 2009. The initial phase includes the casino, retail space and two hotels, the Crown Towers Cotai and Hard Rock Macau. The 1,005-room Grand Hyatt Macau twin-tower hotel and the serviced apartment hotel units are scheduled to be completed in September 2009 and December 2009 respectively.

MPEL has also entered into an agreement, subject to certain conditions, to acquire a third, 1.6 acre development site on the Macau peninsula. The company is currently considering plans to develop the site into a mixed-use casino and hotel facility targeted at day-trip gaming patrons.

MPEL announced on 6 September 2007 a US$1.75 billion Senior Facilities Agreement with a syndicate of banks to finance the construction and development

of The City of Dreams integrated casino and entertainment resort together with general working capital requirements.

The facilities are non recourse to PBL. However, PBL and Melco International Development Limited (which owns 41.4% of MPEL along with PBL) have each undertaken to provide a Letter of Credit for US$125 million which will be able to be used, if necessary, to support completion of the City of Dreams should the facilities be insufficient to fund completion.

In May 2007, MPEL announced that, through its subsidiary MPBL Gaming, it had signed a services agreement with New Cotai Entertainment (Macau) Limited to operate the casino portions of the Macau Studio City project, an integrated gaming, retail and entertainment resort that is expected to open during 2009.

7.4.2 Aspinalls

Investment description

In October 2006, PBL acquired a 50% interest in Aspinalls, a premium casino business in the UK. PBL currently has two representatives on the Board of Directors of Aspinalls. The PBL representatives on the Board are Mr John Alexander and Mr Rowen Craigie.

PBL currently equity accounts for its investment in Aspinalls. Aspinalls intends to retain all earnings to complete known developments and investigate further licence opportunities in light of the new UK regulatory environment. As such, it is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 13.12 for a summary of the key terms of PBL's investment in Aspinalls.

Business overview

Aspinalls currently owns and operates three casinos, the Aspinall's Club, Mayfair, Aspers at The Gate and Aspers at Salubrious Palace. A further two new casinos are currently being developed in Northampton, England (a joint venture with Kerzner UK Limited) and Bournemouth, England. The company is well positioned to participate in any opportunities arising from deregulation of the UK gaming industry.

See Section 7.6.4 for an overview of the UK gaming industry.

Aspinall's Club, Mayfair

Aspinall's Club is an exclusive, high roller private members casino in Mayfair, London. It has been situated in its present location in Curzon Street, Mayfair since 1992. The Club has 17 live gaming tables, an exclusive silver service dining room, three private salons, one restaurant, an outdoor dining terrace, a bar and a club room.

Exclusive corporate facilities are also available for Club members at Chelsea Football Club, Wembley Stadium, All England Lawn Tennis Club and Mill Ride Golf Club.

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Aspers at The Gate

The Aspers Casino is located in The Gate, a large entertainment complex situated in the centre of Newcastle, England which incorporates a cinema and many bars and restaurants.

Aspers Casino is targeted at the wider gaming market with facilities spread over 45,000 square feet, including over 119 slot machines, 20 table games, VIP club facilities and the largest poker room in the North East. Additional amenities include a beauty spa, an iPod lounge, a fine dining restaurant, a cafe and two bars with live entertainment.

The Gate property was awarded the UK operator of the year award in 2006 by *Retail & Leisure International* magazine.

Aspers at Salubrious Palace

This property was opened in September 2007. The casino is located in the heart of Swansea, Wales. It is a 57,000 square foot property with a capacity to hold 1,600 people. The property features a broad range of leisure and entertainment including 21 gaming tables, 20 slot machines, 40 electronic roulette, 100 seat capacity poker room, bars, restaurant and a beauty salon.

Future developments

Two new casinos are currently being developed in Northampton, England (in a joint venture with Kerzner UK Limited) and Bournemouth, England.

- Aspers in Northampton, a joint venture project with renowned gaming and entertainment property developer, Kerzner UK Limited. Aspers in Northampton is spread over 40,000 square feet at Northampton in the East Midlands and is due to open in the second quarter of 2008. Aspers will be the casino operator; and

- Aspers at the Pavilion, a 30,000 square foot project in Bournemouth on the south coast of England. It is due to open in July 2010. Construction of Aspers at the Pavilion has not yet begun.

The development projects will be funded by ongoing contributions of debt and equity over the life of their development. Currently, Aspinalls has agreed financing terms for the Northampton project.

Aspinalls is also exploring opportunities to develop casinos in various regional cities in the UK, and has three further projects in Middlesbrough, Dudley and Southend.

7.4.3 Fontainebleau Resorts

Investment description

On 6 June 2007, PBL acquired 19.6% of Fontainebleau Equity Holdings LLC, which owns Fontainebleau Resorts, for US$250 million. In addition, PBL acquired US$25 million of deferred interest debt in Fontainebleau Resorts. PBL has the right to appoint one representative to the Board of Managers of Fontainebleau Resorts (which currently has five members in total).

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PBL currently accounts for Fontainebleau Resorts as an investment. Whilst Fontainebleau Las Vegas is in its development stage, Fontainebleau Resorts is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 13.12 for a summary of the key terms of PBL's investment in Fontainebleau Resorts.

Business overview

Fontainebleau Resorts is the developer of a major new casino/resort property on the Las Vegas Strip, Fontainebleau Las Vegas, and the owner of the Fontainebleau Miami Beach, which is currently closed for a major renovation.

On 7 June 2007, Fontainebleau Resorts announced that it had finalised a financing package of more than US$4 billion that is expected to fully fund the Las Vegas construction and Miami renovation.

See Section 7.6.5 for an overview of the US gaming industry.

Fontainebleau Las Vegas

Fontainebleau Las Vegas will be a world class destination resort, comprising a casino and luxury hotel. The resort's planned features are listed below:

- a 3,889 room hotel, comprising 2,719 standard rooms, 152 suites and 1,018 luxury condominium-hotel units;
- an approximately 100,000 square foot casino with approximately 1,700 slot machines and 125 table games;
- approximately 353,000 square feet of convention centre and meeting space, including approximately 99,000 square feet of pre-function and outdoor meeting space;
- approximately 287,000 square feet of high-end retail outlets;
- an approximately 60,000 square foot spa;
- numerous signature restaurants run by distinguished chefs;
- an approximately 3,200 seat state-of-the-art theatre; and
- a large rooftop pool positioned on a 12.1 acre podium above the casino.

Fontainebleau Las Vegas is planned to stand 63 storeys tall and will be developed on a 24.4 acre site on the north end of the Las Vegas Strip where new casino resort and condominium developments, such as Encore at Wynn, Echelon, Palazzo, Turnberry Towers, Sky Las Vegas, Allure Las Vegas and Trump International Hotel and Tower, are being developed. Fontainebleau Las Vegas is expected to cost approximately US$2.9 billion and open in late 2009.

Fontainebleau Miami Beach

Fontainebleau Miami Beach is situated on a 16 acre ocean front site in Miami Beach. Fontainebleau Resorts is undertaking a complete renovation of the resort at a cost of approximately US$539 million. Key elements of the planned renovation and construction are listed below.

- construction and refurbishment of over 1,500 luxury hotel rooms, condominium-hotel rooms and suites;
- an approximately 170,000 square foot convention centre and meeting area;
- approximate 280,000 square feet of public space, including restaurants and entertainment venues;
- numerous signature restaurants, lounges and a nightclub;
- the 36-storey Fontainebleau Tower Suites with 462 units;
- the new 21-storey Fontainebleau Ocean Club with 286 units;
- expansive poolscape and cabana area; and
- a two-level approximate 40,000 square foot indoor/outdoor luxury spa.

The entire Fontainebleau Miami Beach renovation is scheduled to be completed in the second half of 2008.

7.4.4 Crown Las Vegas

Investment description

In May 2007, PBL announced that it had entered into an agreement with IDM Properties and York Capital Management to form a joint venture to develop, construct and operate Crown Las Vegas. It is intended that Crown Las Vegas will be managed and operated by Crown. PBL has a 37.5% equity interest in LVTI, the joint venture company, which has secured an option to purchase 26.9 acres of land on the north end of Las Vegas Boulevard, a site immediately next door to the Fontainebleau Las Vegas.

PBL intends to enter into an agreement with Holdings, LLC under which Fontainebleau Equity Holdings LLC (or one of its wholly owned subsidiaries) will have an option to acquire 50% of PBL's interest in LVTI. The terms and conditions of this proposed agreement are in the process of being negotiated.

PBL currently accounts for Crown Las Vegas as an investment. Crown Las Vegas is unlikely to declare or pay cash dividends to shareholders in the near term given it is in the development stage.

See Section 13.12 for a summary of the key terms of PBL's investment in Crown Las Vegas.

Business overview

Crown Las Vegas will be a new casino and hotel resort on the Las Vegas Strip. Details of the design and development of the new casino resort are still being finalised. The joint venture will seek external financing commitments as appropriate and intends to establish a financing structure broadly in line with recent Las Vegas developments.

See Section 7.6.5 for an overview of the US gaming industry.

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7.4.5 Gateway (subject to a successful bid)

Investment description

On 4 April 2007 New World Gaming, a joint venture of Macquarie and PBL, announced to the Toronto Stock Exchange that it had made a takeover offer to acquire all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star of Fortune Gaming Management Corp.

The Gateway Offer has the support of the Gateway board and the Gateway trustee. Also, the major unitholder in Gateway has indicated that it will accept the Gateway Offer.

The Gateway Offer is subject to a number of conditions, including a 66.66% acceptance threshold and all required regulatory approvals. Offer documents were dispatched to Gateway unitholders on 8 May 2007. The expiry date of the Gateway Offer has been extended to 24 October 2007 to allow all regulatory approvals to be obtained.

A number of regulatory and government approvals have been received and New World Gaming continues to pursue the regulatory approvals required from British Columbia and Alberta Gaming regulators in the normal course. New World Gaming understands that the British Columbia and Alberta Gaming regulators are in the final stages of their respective reviews and is working with the regulators to satisfy the few remaining questions and issues that are outstanding. It is anticipated, although there can be no assurance, that all required regulatory approvals will be obtained prior to the extended expiry date.

The Gateway Offer attributes an enterprise value to Gateway of C$1.365 billion. If the Gateway Offer is successful, to fund the acquisition PBL and Macquarie will each contribute C$195 million in equity and raise C$975 million in non-recourse external debt.

It is expected that New World Gaming Partners Holdings British Columbia Limited, the ultimate holding company for Gateway, will have up to eight directors, with PBL and Macquarie entitled to appoint up to four directors each. The PBL representatives on the Board will be Mr James Packer, Mr Rowen Craigie and Mr Robert Turner. The Board of Directors is expected to meet quarterly with the role of the Chairman to be rotated between a Macquarie and Crown nominated director every 12 months.

PBL expects to equity account for this investment upon successful completion of the transaction. New World Gaming is unlikely to declare or pay a cash dividend in the medium term, due to its highly geared structure.

See Section 13.12 for a summary of the key terms of PBL's investment in Gateway.

Business overview

Gateway is one of the largest casino operators in Western Canada. The company operates seven casinos in British Columbia (**BC**) and two casinos in Edmonton, Alberta. In BC, Gateway's Burnaby Casino is one of the largest casinos in the province in terms of total revenue and number of visitors, with 676 slot machines and table games.

In 2006, Gateway reported total revenue growth of 30.9% to reach C$133 million, generating EBITDA of C$50.8 million, reflecting a margin of 38.2%.

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Growth for the Gateway business is expected to come from a number of redevelopments, as well as the opening of the Starlight Casino in New Westminster, BC. Opening in early 2008 (at which point the Royal City Star Riverboat will cease operating), the property will feature 168,000 square feet of entertainment options, including a 65,000 square foot casino offering approximately 800 slot machines, table games and comprehensive food and beverage options. In addition, construction and development of a completely new 110,000 square foot facility for the Burnaby Casino has commenced and the redevelopment is expected to open in 2008. The property will feature up to 1,000 slot machines, table games, a 21,000 square foot convention centre and upgrades to the pre-existing 200 room hotel tower. These developments will complement the company's newest facility, Cascades Casino, which was opened in May 2005, and comprises 539 slot machines, table games, a dedicated poker room, a 77 room hotel, convention space for up to 1,000 people and a theatre with room for 420 patrons.

Gateway is in the process of completing a financing package which will fund the above expansion and certain other capital projects.

See Section 7.6.6 for an overview of the Canadian gaming industry.

7.4.6 Betfair Australia

Investment description

Betfair Australia is a 50:50 joint venture between Betfair UK and PBL. The business continues to build critical mass in its first full year of operations. PBL's share of after tax losses for the year ended 30 June 2007was $2 million. Betfair Australia has two directors, with each joint venture partner having an equal number of Board members.

PBL currently equity accounts for its investment in Betfair Australia. Betfair Australia is currently reinvesting all free cash flow to fund future growth and is unlikely to declare or pay cash dividends to shareholders in the near term.

See Section 13.12 for a summary of the key terms of PBL's investment in Betfair Australia.

Business overview

Betfair Australia is a betting exchange for customers resident in Australia or New Zealand. It began operation when it was licensed by the Tasmanian Government in early 2006 and commenced full operations from a purpose built data centre in Hobart in late August 2006. Betfair currently employs over 80 people in its Hobart and Melbourne offices.

A betting exchange is a wagering operator that operates an online market where individuals with opposing views on an event make fixed price bets, effectively between themselves. It operates in a manner resembling a stock market in that a player can either back (i.e. buy) or lay (i.e. sell) an outcome on a race or sporting event. Betfair UK is the world's leading betting exchange. Betfair Australia does not operate retail premises at which bets may be placed, nor does it have an on-course presence in the same way as a totalisator or traditional bookmaker; its services are exclusively provided via the internet and telephone.

Betfair Australia has information sharing agreements with the following bodies:

- Racing Services Tasmania;

- Racing Victoria Limited;
- Australian Football League;
- Cricket Australia;
- PGA Tour of Australasia;
- Tennis Australia; and
- National Rugby League.

Information sharing agreements are agreements that entitle sporting bodies to have access to Betfair Australia's betting records and customer details for the purpose of managing the integrity of their sporting events and competitions. The agreements are an essential platform to ensure the continuing integrity of the sport in question.

See Section 7.6.2 for an overview of the Australian gaming industry.

7.5 Discontinuing Businesses

On 8 May 2007, PBL announced that it will look to sensibly monetise its ownership interests in The Hoyts Group (**Hoyts**) and Hollywood movie and television production companies Regency Enterprises and New Regency Productions (**New Regency**).

7.5.1 Hoyts

As at the date of this Booklet, Hoyts is 50% owned by each of PBL and West Australian Newspapers Holdings Limited (**WAN**).

On 23 September 2007, PBL and WAN entered into an agreement to sell their respective interests in Hoyts to funds advised by Pacific Equity Partners. The sale is conditional only on approvals from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand and is expected to complete by the end of November 2007. PBL expects to receive net proceeds of approximately $150 million from the sale.

7.5.2 New Regency

Business overview

PBL has a 25.4% interest in New Regency.

New Regency owns a large film and television library. Television assets include the syndication runs *Malcolm in the Middle* and *The Bernie Mac Show*. The movie library includes *Heat*, *Man on Fire*, *Fight Club*, *Free Willy*, *L.A. Confidential*, *Entrapment* and *Mr & Mrs Smith*.

Consideration is being given to the disposal of PBL's interest in New Regency, which has a book value of $201 million.

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7.6 Overview of the Gaming Industry

7.6.1 Global gaming industry

(a) Industry overview

The gaming industry encompasses all forms of traditional betting on sports, lotteries and gaming machines, as well as gambling in casinos or bingo halls and online. According to Datamonitor's report "Global Casinos & Gaming Industry Profile, March 2007", global gaming revenue increased 5.3% to US$306.0 billion in 2006. This represents a compound annual growth rate (**CAGR**) of 6.2% for the period 2002 to 2006.

The gaming industry is highly fragmented and highly competitive. The industry operates differently in each country as a result of different regulatory frameworks and popularity of different industry segments.

(b) Market segmentation

Gaming machines were the most popular segment for the gaming industry in 2006, generating US$94.6 billion in revenue, or 30.9% of revenue. In comparison, casinos and lotteries contributed 13.2% and 13.0% to revenue respectively. The Asia Pacific region is the largest gambling region worldwide in terms of revenue, generating US$163.1 billion in revenue in 2006, corresponding to 53.3% of total revenue. The US generated US$86.6 billion in revenue and captured a 28.3% market share. Europe represented a 16.4% market share, generating the largest revenues worldwide in online gaming.

Figure 7A: Global gaming product segmentation by revenue[1]: 2006

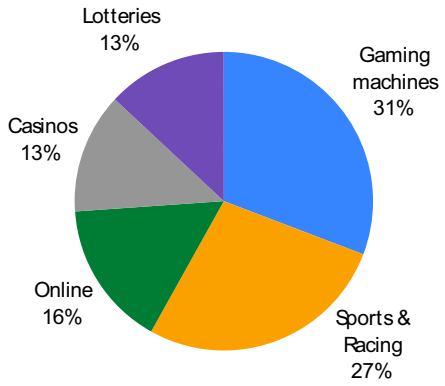
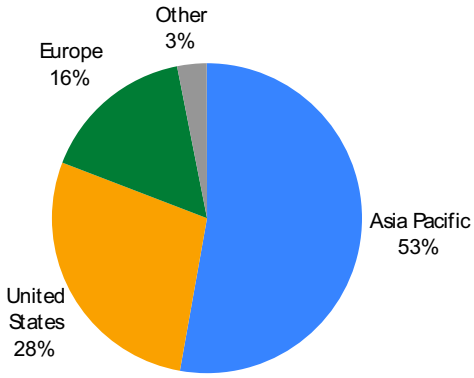


Figure 7B: Global gaming geographic segmentation by revenue[1]: 2006



Source: Datamonitor, Global Casinos & Gaming Industry Profile, March 2007

Note:

1 Revenue refers to net winnings

(c) Key drivers

The gaming industry is principally driven by factors which affect household disposable income, tourism and the regulatory environment:

Key drivers	Key determinants
Economic growth	• Interest rates • Inflation • Productivity • Unemployment • International economic conditions • Oil prices • Consumer and business confidence
Population growth	• Net migration • Natural population growth
Gaming and entertainment options	• Development of new casinos • Online gaming options • Availability and accessibility of alternative entertainment options
Regulation	• Gambling legislation

7.6.2 Australian gaming industry

(a) Industry overview

According to the Australian Gaming Council, as at the end of June 2005 there were 15,008 businesses in Australia involved in the provision of gambling services. Licences had been issued for 199,986 gaming machines in Australian pubs, taverns and bars, hospitality and sporting clubs and casinos and, on average, there were 13 gaming machines per 1,000 adults.

In the Australian Gambling Statistics 2006, the Office of Economic and Statistical Research (Queensland Government) estimated that gaming revenue in Australia was $14.6 billion in FY2005, which represents a CAGR of 4.0% over the FY2001 to FY2005 period. According to the Australian Bureau of Statistics, online gambling intakes increased at a CAGR of 11.8% over the same period from $73.1 million to $114.3 million, representing 0.7% of total gaming revenues.

The leading Australian gaming companies are listed in Figure 7C below.

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Figure 7C: Leading Australian gaming companies

Company	Australian gaming operations	Listed/ private	Market capitalisation ($bn)[1]
PBL	Crown Melbourne, Burswood	Listed	13.9
ALH Group Pty Ltd (formerly Bruandwo Pty Ltd)	EGMs	Private	na
SkyCity	SkyCity Adelaide, SkyCity Darwin	Listed	2.1[2]
TABCORP	Jupiters Townsville, Conrad Jupiters, Conrad Treasury, Star City, wagering, EGMs	Listed	8.2
Tattersall's	EGMs, lotteries, wagering	Listed	5.1

Notes:
1 Market capitalisation as at 2 October 2007
2 AUD:NZD: 1.1631

(b) Market segmentation

Gaming machines in hotels and pubs comprised the major source of gaming revenue in FY2005, representing 59.7% of revenue. As at the end of June 2005, 94.0% of Australia's 199,986 gaming machines were located in hotels and pubs. In Western Australia there are no gaming machines outside the casino.

In FY2005, New South Wales had the highest number of gaming machines per thousand adults at 19.5 machines (excluding the Australian Capital Territory) and, consistent with this, had the highest spend per capita on gaming machines at $953. Victoria and Western Australia are the two states with the lowest number of gaming machines per thousand adults at 7.7 and 1.0 machines respectively. Accordingly, Victoria's gaming machine spend per capita of $624 was below the national average of $655. Western Australia's low number of machines reflects the fact that Burswood is the only business permitted to offer electronic gaming machines in that state.

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Figure 7D: Australian gaming product segmentation by revenue[1]: FY2005

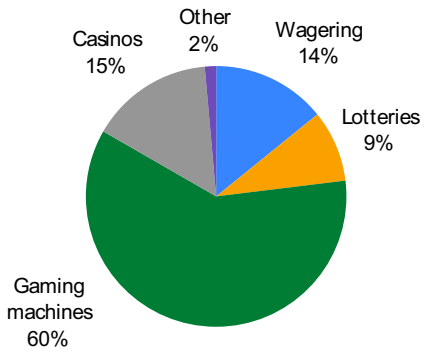
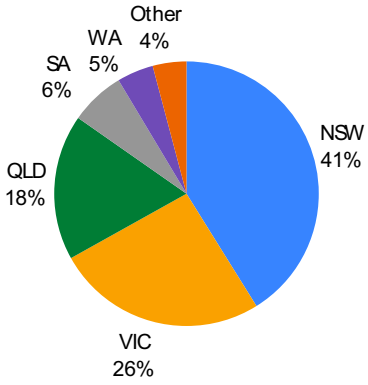


Figure 7E: Australian gaming geographic segmentation by revenue[1]: FY2005



Source: Australian Gaming Council, A Database on Australia's Gambling Industry 2006/07

Note:
1 Revenue refers to gambling expenditure

(c) Casinos

Australia has 13 casinos located in all states and territories in Australia. According to the Australian Gaming Council, as at the end of June 2005, there were 12,090 gaming machines and 1,133 table games licensed for use in casinos. URS Research for the Australian Casino Association estimates the Australian casino industry to have generated approximately $3.3 billion in revenue in FY2005. Revenue from gaming contributed $2.6 billion, representing 79.1% of total revenue. Food and beverage and accommodation contributed $387.9 million and $181.7 million, or 11.7% and 5.5%, to total revenue respectively.

URS Research found the Australian casino industry attracted approximately 46.9 million Australian and international visitors in FY2006, an increase of 1.1 million, or 2.4%, on FY2005 visitor numbers. Of the 46.9 million visitors, 82.5% of visitors were local visitors, 12.1% were from interstate and 5.3% were international visitors. From FY2003 to FY2006, the number of international visitors attracted to the Australian casino industry rose at a CAGR of 18.6% to 2.5 million. The casino industry also held over 3,300 conferences in FY2006, with 590,000 conference delegates.

Figure 7F: Snapshot of casinos in Australia

Casino	Location	Owner
Crown Melbourne	Melbourne, VIC	PBL
Burswood	Perth, WA	PBL
Canberra Casino	Canberra, ACT	Casinos Austria International
Star City	Sydney, NSW	TABCORP
Lasseters	Alice Springs, NT	Lasseters
SkyCity Darwin	Darwin, NT	SkyCity
Jupiters Townsville	Townsville, QLD	TABCORP
Conrad Jupiters	Broadbeach, QLD	TABCORP
Conrad Treasury Casino	Brisbane, QLD	TABCORP
Reef Casino	Cairns, QLD	Reef Casino Trust, Casinos Austria International and Accor

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Casino	Location	Owner
SkyCity Adelaide	Adelaide, SA	SkyCity
Country Club	Launceston, TAS	Federal Resorts
Wrest Point Casino	Hobart, TAS	Federal Resorts

(d) Regulation

Gaming regulation

The Australian gaming industry is heavily regulated, with a number of regulatory agencies overseeing gaming regulation in each state and territory. The Gaming Businesses primarily operate in Victoria through Crown Melbourne and Western Australia through Burswood.

In Victoria, the *Gambling Regulation Act* 2003 consolidated various pieces of gaming legislation and on 1 July 2004 the Victorian Commission for Gambling Regulation came into operation, succeeding The Victorian Casino and Gaming Authority. The commission regulates gambling in Victoria by ensuing compliance with gaming legislation, that gaming is being conducted honestly, advises the Minister on gambling issues, fosters responsible gambling and ensures that the objectives in the *Casino Control Act* 1991 are carried out.

In Western Australia, gaming is regulated by the Department of Racing, Gaming and Liquor and the Gaming and Wagering Commission of Western Australia.

Other regulation

In July 2007, the Victorian and New South Wales governments imposed a complete ban on smoking in enclosed public licensed premises, following similar laws already enacted in Tasmania, Queensland, Western Australia and the Australian Capital Territory. However, exemptions for VIP gaming areas have been allowed for in the New South Wales, Victorian, Queensland and Western Australian legislation, thus smoking in the international room at Burswood is still permitted and at Crown Melbourne, exemptions apply to high roller rooms, as determined by the Victorian Minister for Health. Smoking bans will come into force in South Australia from November 2007. The Northern Territory Government has announced that it will not ban smoking in pubs in the near term.

7.6.3 Macau gaming industry

(a) Industry overview

According to the DICJ, Macau generated approximately US$8.7 billion in revenue for the period 1 July 2006 to 30 June 2007. Gaming revenue in Macau has increased at a CAGR of 27.2% over the 1 January 2001 to 30 June 2007 period.

Macau benefits from its proximity to one of the world's largest pools of existing and potential gaming patrons and is the only Chinese region where gambling is legal. All of the main population centres of China, as well as Hong Kong, Taiwan, Japan, South Korea, Thailand, Malaysia, Singapore, Indonesia and the Philippines, lie within a 2,500 mile radius of Macau. According to the Economic Intelligence Unit, these countries had a total population of almost two billion people in 2005.

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Figure 7G: Macau's proximity to major Asian population centres



Population (millions)	2006
China	1.314.5
Hong Kong	6.9
Indonesia	231.8
South Korea	48.7
Malaysia	26.6
Philippines	89.5
Singapore	4.5
Taiwan	22.7
Thailand	66.0

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Visitation to Macau increased 19.8% for the 12 months to 30 June 2007 to 24.2 million visitors. Visitation and gaming revenue growth are driven by a combination of factors, including:

- economic growth in China resulting in a wealthier middle class and generating higher demand for gaming and other entertainment;
- proximity to major Asian population centres;
- liberalisation of travel restrictions in China under China's Facilitated Individual Travel Scheme;
- liberalisation of currency restrictions to permit Chinese citizens to take significantly larger amounts of foreign currency out of China when they travel;
- planned infrastructure improvements, which are expected to facilitate travel to and within Macau; and
- increasing supply of better quality casino, hotel and entertainment offerings, such as the Sands Macau, Wynn Macau, Crown Macau and the Venetian Macau.

The majority of gaming revenue in Macau is derived from high stakes patrons and as a result the average daily net win per table is significantly higher in Macau than in Las Vegas or Atlantic City. Mass market table games revenue growth increased at a CAGR of 28.3% from 1 January 2001 to 30 June 2007, ahead of VIP table game revenue growth, which increased at a 25.8% CAGR over the same period. The growth in table game revenue corresponds with a substantial increase in the number of table games in recent years, with the opening of new and better quality casinos, such as the Sands Macau (opened in 2004) and Wynn Macau (opened in 2006). From 2005 to 2006, the number of table games almost doubled from 1,388 to 2,762 table games and stood at 3,102 as at 30 June 2007.

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Revenue from gaming machines contributed approximately US$346.8 million to total revenue for the 12 months to 30 June 2007. While this is a relatively small percentage contribution, gaming machines are becoming more important to the gaming landscape in Macau. At the end of 2005, Macau had approximately 3,400 gaming machines and by the end of 2006 the number of gaming machines had grown 91.3% to approximately 6,500 and to 8,200 by 30 June 2007. Further, the revenue growth profile of gaming machines in Macau is characterised by a CAGR of 57.8% over the 1 January 2001 to 30 June 2007 period. The increasing growth in revenue from gaming machines can be partially attributed to improved product offerings in the Mocha Clubs and the Sands Macau casino.

Figure 7H: Number of gaming tables in Macau: 2002 to 2006

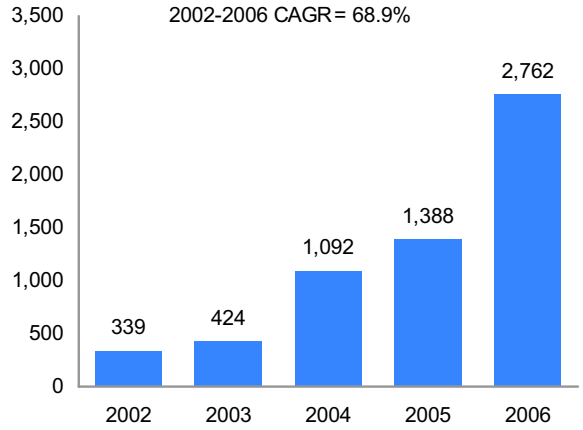
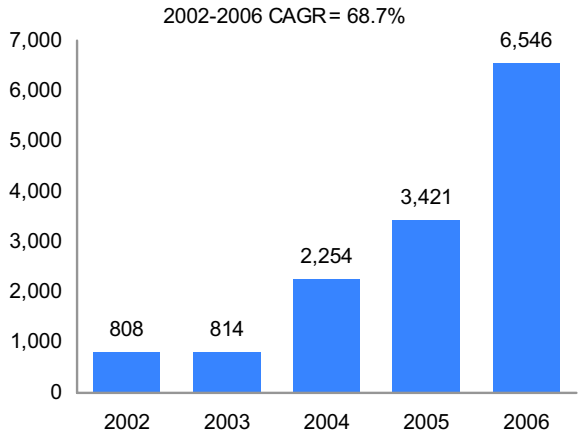


Figure 7I: Number of gaming machines in Macau: 2002 to 2006

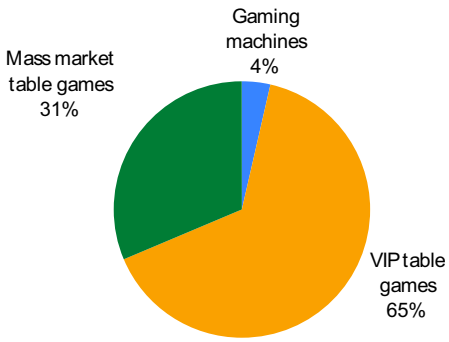


Source: DICJ

(b) Segmentation

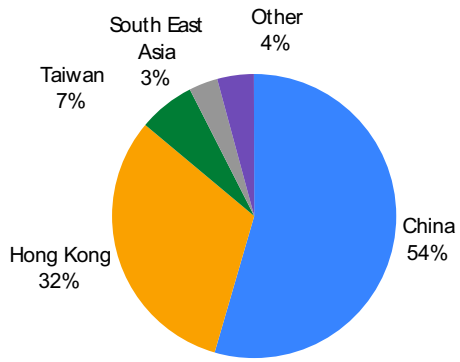
Table games are the most popular form of casino gaming in Macau, comprising approximately 96% of revenue, with VIP table games comprising 66.3% of revenue. For the twelve months to 30 June 2007, 53.9% and 31.9% of the 24.2 million visitors were from China and Hong Kong respectively.

Figure 7J: Macau gaming segmentation by revenue: 2006



Source: DICJ

Figure 7K: Macau visitation segmentation: 2006



Source: DSEC

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(c) Regulation

The ownership and operation of casino gaming facilities in Macau are subject to the general law (e.g. Civil Code and Commercial Code) and to specific gaming laws, in particular, *Law No. 16/2001*, and various regulations that govern the different aspects of gaming activities.

The laws, regulations and supervisory procedures of the Macau gaming authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavoury or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the adequate operation and exploitation of games of fortune and chance;
- the fair and honest operation and exploitation of games of fortune and chance free of criminal influence;
- the protection of the Macau Special Administrative Region (**Macau SAR**) interest in receiving the taxes resulting from the gaming operation; and
- the development of the tourism industry, social stability and economic development of the Macau SAR.

Gaming operators in Macau require a concession or sub-concession granted by the Macau Government ("Dispatch" of the Chief Executive). There is no limit to the number of casinos the holder of a concession or sub-concession can operate in Macau. Concession or sub-concession holders can negotiate with other developers and hotel operators to operate their gaming operations under leasing or service arrangements. Only six concessions and sub-concessions have been granted to casino operators in Macau, as listed in Figure 7L below:

Figure 7L: Concession/sub-concession holders in Macau

Company	Parent
Melco PBL Gaming (Macau) S.A.	MPEL [1]
Wynn Resorts (Macau) S.A.	Wynn Resorts
Venetian Macau S.A.	Las Vegas Sands Inc.
Galaxy Casino S.A.	Galaxy Entertainment Corp.
SJM	Private
MGM Paradise	Joint venture between MGM and Pansy Ho

Note:

1 Melco and PBL were founding shareholders of MPEL and PBL has a 41.4% interest in MPEL

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7.6.4 UK gaming industry

(a) Industry overview

According to Datamonitor's report "Casinos & Gaming in the UK Industry Profile, May 2007",gaming revenue increased 8.9% to £10.9 billion in 2006, which represents a CAGR of 9.6% for the 2002 to 2006 period.

The UK gaming industry is a heavily fragmented market characterised by a large number of smaller casinos and slot hall operators located in major cities. The British Amusement Catering Trade Association, the trade association for the pay-to-play leisure machines industry, indicates that there were approximately 234,000 gaming machines in the UK in 2006. The Gambling Commission found that the majority of gaming machines were located in family entertainment centres (31%) and pubs (28%) for the year ended 31 March 2007.

(b) Casinos

At 31 March 2007, the UK had 138 trading casinos, compared to 118 trading casinos six years earlier. These casinos are located in 52 areas in England, Wales and Scotland.

Figure 7M: Casinos by geographic spread in the UK

Locations	Number of casinos
England	122
Wales	4
Scotland	12

Source: The Gambling Commission, Annual Report 2006/07

According to the Gambling Commission, casino revenue increased at a CAGR of 2.6% to £704 million in FY2007 for the period FY2003 to FY2007, as the number of casinos grew from 118 to 138. Over the same period, the number of gaming machines housed in casinos has also grown from 841 to 2,227 machines, representing a CAGR of 20.0%.

The UK casino industry consists of 26 casino operators. In 2006, Harrah's acquired London Clubs International for an enterprise value of £332 million and Genting International acquired Stanley Leisure Group for an enterprise value of £707 million.

Figure 7N: Casino ownership

Company	Number of licensed casinos
Genting International	45
Rank Group	33
Gala Group	30

London Clubs International PLC	7
A&S Leisure Group	6
Aspinalls	2[1]
Blue Chip Casinos Limited	2
Clockfair Ltd	2
Singleton operators	11

Source: The Gambling Commission, Annual Report 2006/07

Note:

1 As discussed in Section 7.4.2, Aspinalls opened a third casino, Aspers at Salubrious Palace, in September 2007

For FY2007, the Gambling Commission estimated there were over 15 million visits to casinos in the UK, an increase of 8%. The significant growth was partly driven by the abolition of the 24 hour rule in FY2006, which made it easier for tourists on short visits to join a casino in FY2006 and FY2007. Over the last six years, the northern region has consistently recorded the highest casino attendances.

(c) Regulation

The UK gambling market is undergoing significant change with the introduction of the *Gambling Act* 2005. The *Gambling Act* 2005 received Royal Assent in April 2006 and is being phased in with a targeted final implementation date of September 2007.

Significant changes brought about by the *Gambling Act* 2005 include:

- online gambling will be licensed for the first time;
- from 1 October 2005, new members can commence gambling at a casino immediately once they have completed their membership application;
- the number of jackpot gaming machines allowed will be increased to 20 per venue and up to 40 automated roulette positions will be permitted in casinos. Casinos will be required to remove Section 21 gaming machines from 1 September 2007;
- restrictions on gambling advertising in the print media will be relaxed starting from September 2007;
- the *Gambling Act* 2005 has allowed for 17 additional casinos. Confirmation of the locations of the 17 new casinos, which are subject to an ongoing review process, is currently stalled; and
- existing casinos under the 1968 Act will be grandfathered into the new 2005 Act.

The *Gambling Act* 2005 also established a Gambling Commission, which is responsible for regulating casinos, bingo, gaming machines and lotteries, betting/wagering, internet and remote gambling.

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Smoking bans were introduced in Scotland in March 2006 and England on 1 July 2007.

7.6.5 US gaming industry

(a) Industry overview

According to the American Gaming Association, gaming revenue increased 6.2% to US$83.7 billion in 2005, representing a CAGR of 7.2% for the 2001 to 2005 period. Localised market growth has been led by growth in Native American gaming and State-by-State deregulation, which has supported the development of racecourse casinos.

The leading companies in the US gaming industry are Harrah's Entertainment, MGM Mirage, Wynn Resorts, Las Vegas Sands, Boyd Gaming and Station Casinos. Recently, there has been significant consolidation in the industry, including:

- Boyd's acquisition of Coast for US$1.3 billion in 2004;
- the Harrah's Entertainment acquisition of Caesars Entertainment for US$9.4 billion in 2004;
- MGM Mirage's acquisition of Mandalay Resorts for US$7.3 billion in 2005;
- Penn National's acquisition of Argosy for US$2.1 billion in 2005;
- Texas Pacific Group and Apollo Management L.P.'s pending acquisition of Harrah's Entertainment for US$27.8 billion (approved by shareholders in April 2007 and expected to be completed by the end of the year); and
- Fertitta Colony Partners LCC's pending privatisation of Station Casinos for US$5.4 billion. This is expected to complete in the fourth quarter of 2007.

Figure 7O: Leading US gaming companies

Gaming operators	Listed/ private	Market capitalisation US$bn
Las Vegas Sands	Listed	49.1
MGM Mirage	Listed	26.4
Harrah's Entertainment [1]	Listed	16.3
Wynn Resorts	Listed	18.1
Station Casinos	Listed	5.0
Boyd Gaming	Listed	3.8

Source: Bloomberg as at 1October 2007

Note:

1 Harrah's Entertainment shareholders have approved the merger with Texas Pacific Group and Apollo Management L.P. and the transaction is expected to be completed by the end of 2007

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(b) Casinos

The US has 460 commercial casinos in 11 states. According to the American Gaming Association, revenue for the commercial casino industry increased 6.8% in 2006 to US$32.4 billion, representing a 4.8% CAGR over the 2001 to 2006 period. Growth has been stimulated by improvements in product offerings and in Nevada in particular, the continued development and refurbishment of new and existing properties, as well as the development of extensive hotel and convention and retail facilities, which have driven increased visitation.

In the report "2007 State of the States: The AGA Survey of Casino Entertainment", the American Gaming Association found that US commercial casino revenue grew by 7.0% in 2006, with increases as high as 15.1% and 8.4% observed in Louisiana and Nevada respectively.

The US' top five commercial casino markets, including Nevada (Las Vegas), New Jersey (Atlantic City), Indiana (predominantly riverboats), Mississippi and Louisiana (predominantly riverboats), account for 78.8% of commercial casino gaming revenue.

Figure 7P: Top 5 US casino markets by revenue[1]

Casino market	2006 revenue US$bn
Nevada	12.6
New Jersey	5.2
Indiana	2.6
Mississippi	2.6
Louisiana	2.6

Source: American Gaming Association, 2007 State of the States: The AGA Survey of Casino Entertainment

Note:

1 Revenue refers to the amount wagered minus the winnings returned to players (i.e. before taxes, salaries and other expenses are paid)

According to the American Gaming Association, nearly one third of all adult Americans participated in casino gambling. These participants made a total of 371 million trips to a casino, which corresponds to an average of 6.6 trips per visitor in 2006. In 2005, 322 million trips to casinos were made, representing 6.1 trips per visitor. The West, which includes Las Vegas, generated the largest percentage of casino visitors in 2006, accounting for 33% of total visitors, down 2% on 2005. The Northeast region's share of casino visitors, a region that includes Atlantic City, rose from 17% to 19% in 2006 and the Southeast region's share rose from 22% to 23%, while the North Central region's share fell from 26% to 25%.

The Las Vegas Convention & Visitors Authority estimates that 38.9 million people visited Las Vegas, the largest US gaming market by revenue, in 2006. This represents a CAGR of 2.1% over the period 2001 to 2006.

(c) Market segmentation

According to the American Gaming Association, casino gaming revenue accounted for 64.3% of total US gaming revenue in 2005, generating revenue of US$54.5 billion. Commercial casinos and Native American

casinos accounted for 37.6% and 26.7% of revenue respectively. Racecourse casinos have emerged as a significant source of total revenue.

(d) Regulation

The US has a well developed and clearly defined regulatory environment. However, significant differences exist between states regarding tax rates, number of properties and licensing conditions. Online gambling is illegal in the US, precluding US-based gaming companies from operating in this high growth industry.

The US Gaming Businesses will primarily operate in Nevada. The Nevada Gaming Control Board provides regulations for the licensing and the operation of gaming. The Board also establishes rules and regulations for all tax reports that are submitted to the State by gaming licensees. The Nevada Gaming Commission was created by the *Gaming Control Act*. The Commission acts on the recommendations of the Board in licensing matters and is the final arbiter on licensing matters, holding the power to approve, restrict, limit, condition, deny, revoke or suspend any gaming license. The Commission is also responsible for adopting, amending and repealing gaming regulations in line with the State's policies and statutory purposes.

In March 2006, Nevada was the first state to permit gaming on mobile devices. New regulations allow visitors to play video poker and other gaming machine games on their mobile phones in public areas of casinos.

7.6.6 Canadian gaming industry

(a) Industry overview

According to HLT Advisory, Canadian gambling revenue grew by 4.0% for the year ended 31 March 2006, from C$14.1 billion to C$14.6 billion. This represents a CAGR of 3.7% for the period 2001 to 2006. Total gaming revenue growth has been driven by strong provincial growth in British Columbia (**BC**), (up 11.5% to C$2.3 billion as at 31 March 2006) and Alberta (up 10.1% to C$2.1 billion as at 31 March 2006).

Subject to the Gateway Offer being successful, PBL and its joint venture partner, Macquarie, will have exposure to the BC and Alberta markets. In BC, gaming machines and table games revenue increased by 21.5% to C$1.1 billion for the year ended 31 March 2006. The continuing replacement and redevelopment of older casino properties with higher quality casino and entertainment facilities and the continuing development of community gaming centres contributed to the strong performance in BC. In Alberta, gaming machines and table games revenue grew by 10.4% to C$1.0 billion for the year ended 31 March 2006. The result was supported by a positive economic environment, which saw real GDP growth of 6.8% for calendar year 2006 (the highest in Canada), as well as the lowest levels of unemployment and the highest levels of disposable income in Canada.

(b) Market segmentation

According to the British Columbia Lottery Corporation (**BCLC**), a provincial government entity, casinos accounted for 49.5% of Canadian gambling revenue for the year ended 31 March 2005. Over the same period, Ontario and Quebec accounted for 37.8% and 22.6% of the market and Alberta and BC comprised 13.8% and 11.1% respectively.

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In BC, casinos accounted for 48.0% of gambling revenues for the year ended 31 March 2006, compared to 34.4% in 2002, demonstrating that the popularity of casino gaming has increased as the quality of properties has improved with support from the BCLC. Gaming machines comprised 70.2% of casino revenue in 2006, highlighting their popularity in the Canadian market.

(c) Regulation

Gaming is typically operated exclusively under the control of the provincial and territorial governments which appoint professional management companies to conduct operations on their behalf. All provinces limit the supply of gaming venues. Upon the acquisition of Gateway, New World Gaming will primarily operate in BC and Alberta and a summary of regulations specific to each province are outlined below.

BC gaming regulations

In BC the BCLC conducts and manages gaming activities. The BCLC partners with casino operators to provide facility and day-to-day operational services. The BCLC contracts with casino operators under Casino Operational Services Agreements (**COSA**). Typically, the BCLC assumes all capital expenditures and operating expenses for the purchase, installation, maintenance and service of gaming machines and operators and provide the facilities, furniture, labour, security, marketing and administration to run the casinos. COSAs have a term of 10 years and are automatically extendible for an additional 10 years. All of the gaming equipment is owned and maintained by the BCLC. Operators are paid a portion of the gross gaming revenue as compensation for operating the casinos.

Alberta gaming regulations

In Alberta, casinos operate under Casinos Facility Licences, Casino Gaming Retailer Agreements and Video Lottery Retailer Agreements, which outline the respective responsibilities of the operators and the Alberta Gaming and Liquor Commission (**AGLC**). The licences are for a three year term, reissuable by the AGLC. Each operator owns the casino facility, but all gaming equipment is owned and maintained by the AGLC.

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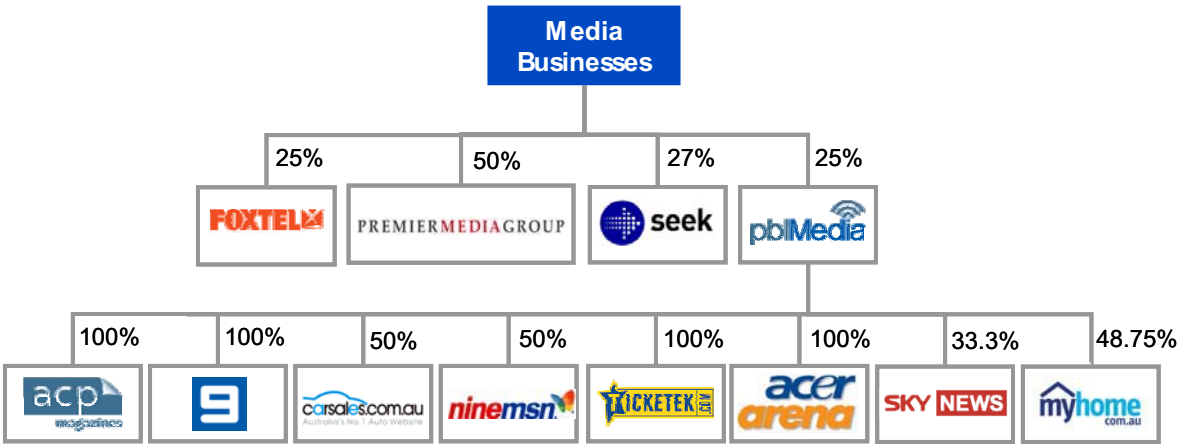
Section 8 – Media Businesses

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Section 8 - Media Businesses

8.1 Introduction

The Media Businesses represent a diversified portfolio of media investments in both traditional and new media. The chart below provides an overview of these media investments:



8.2 History of the Media Businesses

The history of the Media Businesses is outlined below in chronological order.

1933

- Australian Consolidated Press (**ACP**) was established as the holding company for Consolidated Press Holdings Limited's (**CPH**) magazine publishing operations

1956

- A Sydney broadcasting licence was acquired and TCN-9 subsequently became Australia's first TV broadcaster

1960

- Sir Frank Packer acquired GTV-9, giving Australia its first TV network, Nine Network

1987

- Nine Network was sold, but control of an expanded network that included Brisbane's QTQ-9 was repurchased several years later
- Nine Network was listed on the ASX

1992

- ACP listed on the ASX in a partial float

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1994

- Network Nine Australia and ACP merged to form PBL

1996

- Australian News Channel Pty Ltd (trading as SKY NEWS Australia (**SKY NEWS**), was established as a three-way joint venture between PBL, Seven Network and British Sky Broadcasting (**BskyB**)

1997

- ninemsn was established as a 50:50 joint venture between PBL and Microsoft Corporation (**Microsoft**)

1999

- PBL acquired a 25% stake in FOXTEL and a 50% stake in Premier Media Group Pty Limited (**PMG**)

2003

- PBL acquired a 25% stake in the online recruitment company, SEEK Limited (**SEEK**)

2005

- SEEK was publicly listed on the ASX
- PBL's wholly owned subsidiary, ACP Magazines acquired a 41% interest in carsales.com.au, the online classified business of carsales.com.au Limited, (**carsales**), in consideration of carsales' purchase of ACP Magazine's online trader classifieds

2006

- PBL acquired a further 2.17% interest in SEEK[1]
- ACP Magazines made a takeover offer for carsales for the balance of shares not already owned at a price of $1.21 per share, following the purchase of a further 3% of carsales held by Fairfax, and increased its stake to 50.6%[2]
- PBL entered into binding agreements to recapitalise certain of its media interests, including ACP Magazines, the Nine Network (including its interest in SKY NEWS), its 50% interest in Ninemsn and its shareholding in carsales. These media businesses were transferred to a new company, PBL Media, in which PBL and funds advised by CVC Capital Partners and CVC Asia Pacific each held a 50% economic interest

2007

- In February, PBL completed the recapitalisation of PBL Media. Red Earth Holdings B.V., a company ultimately owned and controlled by CVC Capital Partners and CVC Asia Pacific (**Red Earth**) converted its notes in PBL Media into

[1] PBL's interest in SEEK has been diluted to 27% through the exercise of options

[2] ACP Magazine's shareholding in carsales at the date of this Demerger Scheme Booklet is approximately 49.97%

ordinary shares and units in June 2007 and PBL and Red Earth each held a 50% equity interest in PBL Media

- PBL Media and Microsoft launched myhome
- PBL announced it had sold ticketing business Ticketek, and Sydney Superdome Pty Limited, which holds a lease for the Acer Arena, to PBL Media. The transaction completed on 16 July 2007
- PBL completed the sale of a further 25% of PBL Media to Red Earth on 10 September 2007
- ACP Magazines announced the $94 million acquisition of the Australian magazine business of leading UK publisher, EMAP plc

8.3 Description of the Media Businesses

8.3.1 FOXTEL

Investment description

Through Sky Cable Pty Ltd, an entity owned by PMG, PBL has a 25% interest in FOXTEL. News Limited's interest (through Sky Cable Pty Ltd) is also 25%. Telstra Media Pty Ltd owns the other 50% interest in FOXTEL. PBL has two representatives on the Board of Directors. The PBL representatives on the Board are Mr John Alexander and Mr Chris Anderson.

PBL currently equity accounts for its investment in FOXTEL. The FOXTEL Board of Directors recently adopted a guideline of refinancing its debt to maintain a debt to EBITDA ratio of approximately three times and to distribute its free cash flow, including amounts raised from refinancing debt, to shareholders. This guideline is subject to annual review.

A distribution to PBL under this policy of approximately $50 million will be received prior to the PBL Scheme Meeting. This cash will remain with CMH post demerger (should the PBL Scheme Resolution and Demerger Scheme Advisory Resolution be approved by PBL Shareholders). In FY2007, FOXTEL contributed $16.8 million in associate income to PBL, compared to a $1 million contribution recorded for FY2006.

See Section 13.12 for a summary of the key terms of PBL's investment in FOXTEL.

Business overview

FOXTEL is an Australian subscription television provider and offers subscription television services primarily in metropolitan areas.

FOXTEL commenced distributing services on cable in 1995, with 20 channels, and expanded to 31 channels and satellite distribution in 1999. FOXTEL launched its digital service in March 2004 and now has over 130 channels and is available to more than 70% of Australian homes, with approximately 1.4 million homes currently connected to the FOXTEL service, including subscribers of Optus who receive the FOXTEL service on a wholesale basis.

Since March 2004, FOXTEL has launched additional channels and enhanced services, including interactive news, weather, sports and games applications. In 2005, it also launched a personal digital recorder called FOXTEL iQ.

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FOXTEL directly employs over 1,900 people and a further 1,400 workers are indirectly engaged in sales and installation services nationally.For the year to 30 June 2007, FOXTEL continued to be the most watched service in Sydney, with a 25% viewing share that was greater than any of the commercial or national broadcasters. FOXTEL achieved a 59% overall viewing in subscription television homes.

FOXTEL's churn rate is below 12% which is one of the lowest churn rates of subscription television providers anywhere in the world. FOXTEL's average revenue per user has increased since the launch of digital and remains strong with over 40% of subscribers taking Platinum, the highest package option.

See Section 8.4.4 for an overview of the Australian subscription television industry.

FOXTEL Digital

FOXTEL is now 100% digital following the introduction of a digital service in 2004. Subscribers have the choice of over 130 channels including interactive news, sport, weather, interactive voting, an electronic program guide and On Demand programming.

The FOXTEL iQ allows subscribers to pause and rewind live television, record shows at the touch of a button and play them back with DVD-like functionality. The iQ can be programmed remotely via the FOXTEL website using the remote record function of the FOXTEL online television guide. Subscribers can also access content On Demand via the iQ. The FOXTEL Digital platform also gives FOXTEL the flexibility to offer innovations like FOXTEL Live to Air, which offers 24 live FOXTEL channels on Virgin Blue planes. Sixteen FOXTEL channels are also currently offered on Telstra's FOXTEL by Mobile service.

Programming

FOXTEL carries over 130 channels and its line-up includes news and documentaries, sport, movies, general entertainment, music, lifestyle and kids and family programming. These channels are owned by over 50 different companies, with over 20 of them Australian owned or Australian based.

FOXTEL owns and operates eight channels: FOX8, The History Channel, The Comedy Channel, Crime and Investigation, W, Bio, FOX Classics and FOXTEL Box Office (**FOXTEL O&O Channels**).

The FOXTEL O&O Channels have content agreements in place with major studios and producers including Twentieth Century Fox, Buena Vista International, Mark Burnett Productions, CBS, NBC Universal, Granada and BBC.

A groundbreaking long term content deal with Twentieth Century Fox Television Distribution was announced in May 2006. The deal resulted in FOXTEL sharing first-run rights to new Fox series with Network Ten from July 2007. FOXTEL will enjoy rights to the Fox series it selects, marking the first time FOXTEL will premiere Fox series on Australian television. Network Ten will then have access to these series following an exclusive window for FOXTEL.

In February 2007, the Australian Football League (**AFL**), Seven Network, Network Ten and FOXTEL announced an agreement for AFL broadcast rights across free-to-air and subscription television for 2007 to 2011. Under the agreement FOXTEL and Austar will broadcast four live games, as well as replays of every match of every round, including all finals matches.

On 3 April 2006, FOXTEL announced a contract extension for movie supply from major Hollywood studios Paramount, Sony, Twentieth Century Fox and Universal. These studios, with Liberty Media, are partners in the Premium Movie Partnership (**PMP**), which supplies the Showtime, Showtime 2 and Showtime Greats channels.

FOXTEL has a 60% interest in UKTV with BBC Worldwide and Fremantle Media. FOXTEL is also involved in two production joint ventures: Main Event Television Pty Ltd with Optus and XYZnetworks Pty Ltd with Austar.

XYZnetworks owns, operates and distributes 11 subscription television channels including Arena, Lifestyle Channel, Lifestyle FOOD Channel, Channel [V] and [V]^2, MAX, Country Music Channel, The Discovery Channel, The Weather Channel, Nickelodeon and Nick Jr.

Through FOXTEL's special access undertaking, lodged under Part XIC of the *Trade Practices Act* 1974 (Cth), independent content and channel providers are able to access the FOXTEL digital set top unit (**STU**) service. This service is a service for the distribution of programming to FOXTEL's customers via its digital STUs, including the ancillary functions and services such as the conditional access and service information services required to ensure that distribution. The undertaking was accepted by the Australian Competition and Consumer Commission (**ACCC**) on 14 March 2007. The Seven Network has commenced proceedings for judicial review of the ACCC's decision.

Advertising

FOXTEL is also a shareholder in Multi Channel Network Pty Ltd which offers advertising time on subscription television channels offered by FOXTEL and Austar.

8.3.2 PMG

Investment description

PBL owns 50% of PMG alongside its joint venture partner News Corporation. PBL currently has three representatives on the Board of Directors. The PBL representatives on the Board are Mr John Alexander, Mr Chris Anderson and Mr Martin Dalgleish.

PBL currently equity accounts for its investment in PMG. PMG has historically distributed its free cash flow to shareholders. It is anticipated that this will continue in the near term. The total distribution paid in FY2007 by PMG to PBL was $32.5 million. PBL will receive an interim distribution of approximately $10 million from PMG prior to the PBL Scheme Meeting. The cash will remain with CMH if the Recommended Proposal is approved and implemented. PMG anticipates further distributions throughout FY2008. In FY2007, PMG contributed $45.8 million in associate income to PBL, compared to $36 million in FY2006.

PMG has recently acquired Australia's leading general sports portal www.foxsports.com.au from News Limited.

PMG will now cross-promote both its broadcast and broadband offerings – with the opportunity to deliver sports content to both audiences. This alignment assists PMG in the acquisition of content across broadcast, online and mobile devices, as well as the opportunity to monetise its content assets via pay-per-play and subscription offerings over broadband and mobile.

See Section 13.12 for a summary of the key terms of PBL's investment in PMG.

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Business overview

PMG is a leading producer of subscription television channels with its most recognised brand being FOX SPORTS. FOX SPORTS delivers the most extensive sporting content available on Australian television, covering almost all sporting activities and is complemented by FOX SPORTS News. PMG also owns and operates FUEL TV and HOW TO Channel. See Section 8.4.4 for an overview of the Australian subscription television industry.

Distribution

PMG channels are available to subscribers to all of the major subscription television services in Australia. PMG and FOXTEL have entered into a series of supply agreements whereby FOXTEL and Optus subscribers access the PMG channels. The FOX SPORTS 1 and FOX SPORTS 2 agreement has no set termination date, the FOX SPORTS 3 and FOX SPORTS News agreement covers eight years to September 2014 and the HOW TO and FUEL TV channels are available to subscribers through FOXTEL under an agreement expiring in March 2011.

A distribution agreement between PMG and Austar was announced in May 2006 for Austar to carry FOX SPORTS channels until mid-2014. The deal renews distribution of the existing FOX SPORTS 1 and FOX SPORTS 2 channels and allows Austar access to the FOX SPORTS 3 and FOX SPORTS News channels. The HOW TO and FUEL TV Channels are available to subscribers through Austar under an agreement expiring in 2011.

In addition to its large distribution platforms, PMG distributes its services to over 2,200 licensed premises (i.e. pubs and clubs) in the FOXTEL distribution area directly.

Programming

FOX SPORTS programming is shown on three dedicated sports channels (FOX SPORTS 1, FOX SPORTS 2 and FOX SPORTS 3) and FOX SPORTS News. Together, these channels show over 35,000 hours of sport, sports related news and magazine programming each year. During the 12 months to June 2007, an average of over 17 hours a day of live sport was shown, much of it also exclusive to FOX SPORTS. Since the commencement of FOX SPORTS News in October 2006, an additional 10 hours of live programming per day has been broadcast.

FOX SPORTS key programs include:

- AFL – broadcast of four live games nationally each round for the 2007 to 2011 seasons;
- Cricket – a three year exclusive agreement that runs from 2006/07 to 2008/09 that covers domestic one day and Twenty20 series and individual agreements to cover international test and international one day series;
- Football – a seven year exclusive agreement, from 2006 to 2013, with Football Federation Australia that covers live broadcasts of all Australian home internationals, the Asian Cup, A-League and the AFC Champions league;
- Rugby League – a six year agreement from 2007 to 2012 for National Rugby League (**NRL**) broadcast rights on subscription television; and

- Rugby Union – an agreement to broadcast all domestic rugby union test matches live, as well as Super 14, Tri Nations and Bledisloe Cup, until 2010.

In addition, FOX SPORTS' line up includes tennis, golf, basketball, baseball, athletics, swimming and motor sport. FOX SPORTS News locally produced magazine shows include AFL Teams, AFL Winners, NRL on Fox, Inside Rugby, Extra Time, Total Football, On the Couch, Inside Cricket, The Golf Show and The Back Page.

FUEL TV is a 24-hour Australian television channel dedicated to action sports. FUEL TV covers both competitive and non-competitive action sports including skateboarding, surfing, BMX, freestyle motocross, snowboarding and wakeboarding. Programming includes top-level international sports events and competitions.

HOW TO Channel is a lifestyle content-based service. Although initially dedicated to helping viewers complete any job for themselves, focussing on the home and garden, the service now encompasses a wider spectrum of programming including property, home building and design.

8.3.3 SEEK

Investment description

PBL has a 27% interest in SEEK, which is listed on the ASX. SEEK has seven directors, with two representatives from PBL. The PBL representatives on the Board are Mr James Packer (Chairman) and Mr Chris Anderson.

PBL currently equity accounts for its investment in SEEK, receiving cash distributions in the form of fully franked dividends. SEEK has publicly stated that its policy is to maintain a dividend payout ratio of, approximately 70% of earnings after tax. The total distribution paid in FY2007 by SEEK to PBL was $8 million. In FY2007, SEEK contributed $14.7 million in associate income to PBL, compared to $8.5 million in FY2006.

Business overview

SEEK is a leader in the online employment and training market in Australia and New Zealand. The company also has offices in the United Kingdom and China. In FY2007, SEEK's revenue was up 48% to $157.0 million and EBITDA was up 64% to $80.3 million. Both SEEK and SEEK NZ allow job seekers to search for jobs in a more efficient way than traditional media sources (e.g. newspapers). For recruiters, SEEK provides access to a large audience of job candidates at significant cost savings relative to print media and with significant functionality benefits.

SEEK also operates an online training and development business in Australia and New Zealand (www.seeklearning.com.au), a niche operation in the UK targeting Australian and New Zealand jobseekers (www.seek.co.uk) and a business and franchise classified site (www.seekcommercial.com.au), which brings together franchisors and business brokers with potential franchisees and business purchasers in Australia.

SEEK currently attracts approximately 13,000 customers per month. These customers include recruitment agencies, large corporates, government departments and small and medium sized enterprises. SEEK employs approximately 350 people.

See Section 8.4.6 for an overview of the Australian online industry.

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Market position

SEEK is a market leader in terms of both job ad and job seeker numbers. SEEK attracts on average over 2.4 million individual visitors to the site each month (roughly equivalent to 23% of the Australian workforce) and over 190,000 job vacancies are listed at any one time. SEEK's site reach is more than 60% of the online job seeker market in Australia.

SEEK's exclusive media partnerships mean that visitors are driven to www.seek.com.au from over 50 partner sites. SEEK is currently the exclusive careers content provider on Australia's leading internet portal, ninemsn, and other sites such as Optusnet and AOL, which ensures that passive job seekers are also exposed to SEEK.

Career-focussed education and training programs are provided by SEEK Learning, which is a growth area of the business. The programs are available online and in classroom settings, through IT partnerships with vendors such as Mircrosoft and Cisco and distribution agreements with institutions such as Open Universities Australia.

On 3 October 2006, SEEK acquired 25% of Chinese employment website, Zhaopin. The Zhaopin investment represents SEEK's first investment in an internet employment site outside Australia and New Zealand. Founded in 1997, Zhaopin Ltd (www.zhaopin.com) is one of the leading HR service providers in China. Headquartered in Beijing, Zhaopin has branch companies in over 30 cities in China. These services include online recruiting, newspaper recruiting, headhunting, campus recruiting, HR outsourcing, corporate training and staff assessment.

Content

SEEK uses the following sub-sites to make job browsing simpler:

- SEEK executive - serving more experienced job seekers who are looking for executive positions;
- SEEK IT - meeting the unique needs of the IT industry;
- SEEK NZ - featuring jobs in New Zealand;
- SEEK UK - featuring jobs in England and Ireland with all the usual job search facilities, as well as direct links to UK recruitment consultants;
- SEEK Healthcare - meeting the unique needs of the healthcare industry;
- SEEK Volunteer - bringing volunteers and the not-for-profit organisations together free of charge; and
- SEEK Learning - assisting job seekers with career development by providing distance based education through partnerships with leading training providers.

The SEEK website also allows users to search for jobs in specific industries including accounting, engineering, government and defence and education and training. It also has a dedicated industry page where graduate and entry level jobs are posted.

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8.3.4 PBL Media

Investment description

PBL holds a 25% interest in PBL Media. The remaining 75% interest in PBL Media is owned by Red Earth Holdings B.V, a company ultimately owned and controlled by funds advised by CVC Capital Partners and CVC Asia Pacific (**Red Earth**).

PBL Media currently has seven directors, with two representatives from PBL, two PBL Media executive representatives and three representatives from Red Earth. Red Earth has the right to appoint a further three directors bringing the total to 10, however, under the conditions imposed by the Commonwealth Government on Red Earth's acquisition of a controlling stake in PBL Media, a majority of the directors of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited (as trustee for the PBL Media Holdings Trust) must be Australian citizens. Those conditions also includethat the chief executive and chief financial officers of PBL Media Holdings Pty Limtied and PBL Media Finance Holdings Pty Limited are Australian citizens, that a majority of its board meetings are held in Australia and that its headquarters remain in Australia. The PBL representatives currently on the board are Mr James Packer and Mr John Alexander.

PBL currently equity accounts for its investment in PBL Media. PBL Media is unlikely to pay a distribution to PBL in the near term, due to its highly geared structure. For the first 11 months of FY2007, ACP Magazines and Nine Network generated revenue of $794.4 million and $762.4 million and EBITDA of $248.1 million and $206.6 million respectively.

See Section 13.12 for a summary of the key terms of PBL's investment in PBL Media.

Business overview

PBL Media holds a diversified portfolio of media businesses, including ACP Magazines and Nine Network, carsales (50%), ninemsn (50%) and myhome (48.75%) and 24-hour subscription television news channel SKY NEWS (33.3%). In addition, PBL Media owns 100% of Ticketek, ticketing partner for the sports and entertainment industries, and holds the lease for the Acer Arena in Sydney.

(a) ACP Magazines

Business overview

PBL Media owns 100% of ACP Magazines, a magazine publisher and distributor with operations in Australia and internationally.

In 2001, ACP Magazines significantly expanded its operations in New Zealand with the acquisition of the Liberty Press Group, a publisher of real estate and motoring titles.

In Australia and New Zealand, ACP Magazines is the leading magazine publisher by market share of both circulation and advertising revenues, with the majority of earnings sourced in Australia. In September 2007, ACP Magazines acquired the Australian arm of the leading UK publisher EMAP plc.

ACP Magazines has since established operations in South East Asia and, more recently, the United Kingdom through a joint venture with Hearst/National Magazines. In December 2006, ACP Magazines acquired

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AG Publishing, the publishing arm of Australian Geographic that produces the *Australian Geographic* journal.

Market position

ACP Magazines has a strong and diverse range of titles with a wide demographic reach. Titles are marketed at children, women and men of varying age groups and socioeconomic bands and various specialty interest groups. ACP Magazines currently publishes over 80 magazines in Australia and more than 60 magazines offshore across all major magazine genres. According to Magazine Publishers of Australia, ACP Magazines published seven of Australia's top 15 magazines by circulation for the six months ended 31 December 2006 and is the clear leading publisher in the dominant genre of womens consumer magazines.

See Section 8.4.7 for an overview of the Australian magazine publishing industry.

(b) Nine Network

Business overview

PBL Media owns 100% of Nine Network, one of three commercial FTA TV networks in Australia. Nine Network holds licences to operate commercial FTA TV stations in the capital cities of Sydney, Melbourne, Brisbane and Darwin. On 9 May 2007, PBL Media acquired NBN Enterprises Pty Limited (**NBN**) and its subsidiaries, with NBN the affiliate broadcaster in Northern NSW and the Gold Coast.

See Section 8.4.8 for an overview of the Australian FTA TV broadcasting industry.

Regional affiliates

In addition to its broadcasts in the major capital cities, Nine Network provides programming content to affiliated stations in Adelaide and Perth and in major regional areas in Australia under cost and revenue sharing arrangements. Adelaide pays Nine Network an agreed percentage of network, programming and overhead costs and regional affiliates (including Perth) pay Nine Network a share of their gross advertising revenue. WIN, the regional affiliate, broadcasts in regional areas of NSW, Queensland, Victoria, South Australia, WA, Tasmania and the ACT.

Market position

There are only three commercial national broadcasting networks in Australia and competition from a fourth FTA TV broadcaster is unlikely in the short to medium term. Although the moratorium on commercial licences expired in December 2006, the current Federal Government has stated publicly that the issue of a fourth licence is targeted to commence in 2010 - 2012.

Programming

The Nine Network offers a broad array of programs that are primarily focused on the 25-54 year old demographic. Its programming strategy includes the following programming categories and selected key titles in those categories:

- News (National Nine News, National Nine News Sunday);

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- Current affairs (60 Minutes, A Current Affair);
- Sports (Australian Cricket, National Rugby League);
- Lifestyle and entertainment (Getaway, 1 vs. 100, Missing Persons Unit, RPA);
- Drama (McLeod's Daughters, Sea Patrol); and
- Overseas programs (CSI, Without a Trace, Cold Case).

Nine Network's key programs that attract large audiences include its news and current affairs programs (*National Nine News*, *60 Minutes* and *A Current Affair*), game shows (*1 vs. 100* and *Temptation*), local programs, sporting events and leading overseas shows.

Nine Network broadcasting licence

Nine Network holds commercial television broadcasting licences in Sydney (expires in May 2011), Melbourne (expires in February 2011), Brisbane (expires in October 2007) and Darwin (expires in June 2009). A commercial television licence remains in force for five years if it is not cancelled or suspended. The licence will be renewed every five years unless the Australian Communications and Media Authority (**ACMA**) is satisfied that the licensee is not a suitable person to hold such a licence. ACMA has the power to cancel or suspend the licence for breach of any condition at any time after providing notice and procedural fairness to the licensee.

There are several conditions applicable to commercial television broadcasting licences. These conditions relate, among other things, to program standards and content, advertising standards and restrictions and service operation. Examples of the content requirements include: 55% of all program content broadcast in a year between 6:00am and midnight must be Australian and there are also specific minimum annual sub-quotas for Australian adult and children's drama, documentary and children's programs.

Each commercial television broadcasting licensee is obligated to pay an annual licence fee to the Federal Government. The amount of the fee is calculated under the *Television Licence Fees* Act 1964 (Cth). The licence fee is calculated by reference to the licensee's annual gross earnings from broadcasting of advertisements or other matter.

(c) carsales

PBL Media has a 50% interest in carsales, an automotive website that allows users to lease, buy or trade automobiles. carsales is Australia's number one automotive website in terms of unique users, page impressions and pages viewed per visit. The carsales network delivers more than 50% of the total page impressions of the online Automotive Classified market and is more than double its nearest competitor. carsales was incorporated in June 1996 by the shareholders of Reynolds & Reynolds, the leading provider of IT services and solutions to car dealers in Australia and globally. In 2002, carsales acquired the Australian operations of Autobytel Inc., one of the largest global online automotive market places, before PBL's wholly owned subsidiary, ACP Magazines, acquired a 41% interest in carsales.com.au (the online classified business of carsales.com.au Limited) as consideration for carsales' purchase of ACP Magazines' online trader classifieds in October 2005.

See Section 8.4.6 for an overview of the Australian online industry.

(d) ninemsn

PBL Media has a 50% interest in ninemsn, which provides news, information and communications services to online consumers. Established in 1997, ninemsn is a 50:50 joint venture between PBL Media and Microsoft.

ninemsn combines leading global Microsoft technology and applications such as MSN Hotmail, MSN Messenger and MSN Spaces, with leading content from ACP Magazines and Nine Network. ninemsn is Australia's second most visited site by unique users and Australia's most visited media and entertainment website.

See Section 8.4.6 for an overview of the Australian online industry.

(e) Ticketek

On 1 June 2007, PBL announced the sale of Ticketek, ticketing partner for the sports and entertainment industries in Australia and New Zealand, together with Sydney Superdome Pty Limited, which holds a lease for the Acer Arena, to PBL Media. This transaction completed on 16 July 2007.

As Australia's leading ticket distribution company, Ticketek distributed over 12 million tickets in FY2006, through an established sales and distribution network, which includes the following channels:

- internet with capacity to handle over 12,000 simultaneous users;
- agency network with approximately 120 individual retail outlets;
- contact centre servicing an average of 150,000 calls each month; and
- box offices at most sport and entertainment venues.

Almost 40% of all tickets sold by Ticketek are sold through the internet channel.

See Section 8.4.10 for an overview of the Australian ticketing industry.

(f) Acer Arena

Acer Arena, previously known as the Sydney Superdome, is an indoor entertainment venue situated at the Olympic Park complex at Homebush Bay, Sydney.

In late 2004, PBL acquired the lease for the Sydney Superdome (now Acer Arena) and in 2005 PBL contracted the management and operation rights to Ogden IFC. On 1 June 2007, PBL announced the sale of Sydney Superdome Pty Limited, which holds the lease for the Acer Arena, to PBL Media. The transaction completed on 16 July 2007.

Acer Arena has a high profile both domestically and internationally. In 2005, the venue was ranked second in the world for box office sales behind New York's Madison Square Garden. Since the Sydney 2000 Olympic Games, the venue has widened its appeal by offering diversity and flexibility to

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promoters and hirers by allowing capacities ranging from 2,000 to 20,000 patrons.

(g) myhome

PBL Media has a 48.75% interest in myhome, with Microsoft owning an additional 48.75% of the equity, and 2.5% of the equity to be initially owned by industry participant Elders and by Bell Potter Securities.

Launched in February 2007, myhome has the platform and involvement of key real estate agents to enable Australian consumers to buy and sell property online. The marketing campaign of myhome involves cross promotion via ACP Magazines, Nine Network and ninemsn.

See Section 8.4.6 for an overview of the Australian online industry.

(h) SKY NEWS

PBL Media has a 33.3% interest in SKY NEWS, an Australian locally produced television news channel. SKY NEWS was established in 1996 as a three way joint venture between Nine Network, Seven Network and BskyB.

SKY NEWS provides a 24 hour news service, broadcasting news on the hour and headlines every 15 minutes. SKY NEWS also produces a variety of other programs, including Agenda, Health News, Sportsline and Sky Business Report. SKY NEWS is available in approximately two million homes and locations across Australia on the FOXTEL, Austar, Optus and Neighbourhood Cable subscription television network and on the Sky Pay-TV network in New Zealand.

See Section 8.4.4 for an overview of the Australian subscription television industry.

8.4 Overview of the Australian media industry

8.4.1 Industry overview

The Australian media industry is a significant contributor to the Australian economy and has historically demonstrated consistent growth. Advertising is the key source of revenue in the industry. According to PricewaterhouseCoopers (**PwC**), media advertising spend grew at a CAGR of 8.5% over the 2002 to 2006 period, totalling $10.7 billion in 2006.

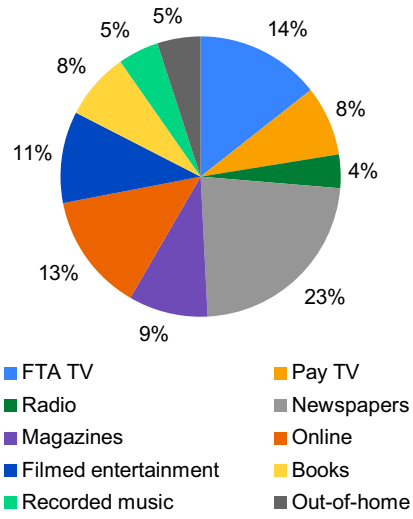
8.4.2 Market segmentation

PwC estimated the size of the Australian media industry to be $22.4 billion in 2006, comprising 11 key segments. The segments in which the Media Businesses operate span the magazine publishing, FTA TV, subscription television broadcasting and online segments. These segments represented approximately 45.5% of the overall market by media industry revenue in 2006.

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Figure 8A: Australian media industry revenue composition by segment:

Medium	Segment	Size (A$ billion)
Broadcast media[1]	FTA TV	3.2
	Pay TV	1.8
	Radio	0.9
Print media	Newspapers	5.1
	Magazines	2.1
Online[2]	Internet services[2]	3.0
Other	Filmed entertainment	2.4
	Books	1.7
	Recorded music	1.1
	Interactive games	0.5
	Out-of-home	0.6
Total[3]		**22.4**



Source: PwC, Australian Entertainment & Media Outlook: 2007-2011

Notes:

1 Pay TV includes subscriptions

2 Includes services such as online news, entertainment, communications, search and directories, and other services

3 Total industry revenue including advertising revenue and excluding classified directories

8.4.3 Key drivers

The media industry is principally driven by factors which affect the level of consumer and advertising spending and by the regulatory environment:

Key drivers	Key determinants
Economic growth	• Interest rates • Inflation • Productivity • Unemployment • International economic conditions • Oil prices
Population growth	• Net migration • Natural population growth
Regulation	• Concentration of ownership, cross-media ownership and foreign ownership

Australian media advertising spend has historically grown at a greater pace than growth in GDP. In the last 30 years, Australian advertising spend has experienced only three years of negative growth. These three years were impacted by broader economic and other factors, i.e. the economic recession in 1990 and 1991, the

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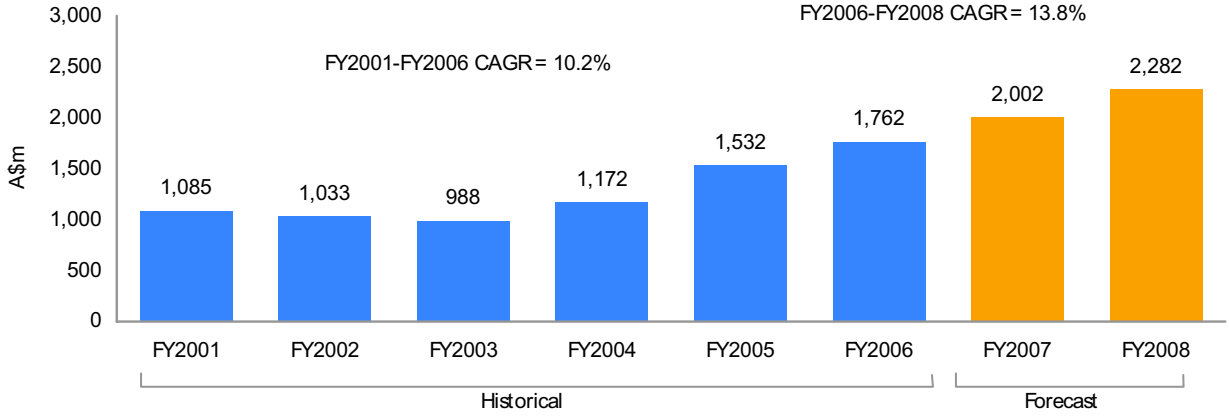
implementation of goods and services tax (**GST**), the end of the Sydney 2000 Olympic Games and the September 11 terrorist attacks in the US in 2001.

8.4.4 Subscription television

In Australia, subscription television services are currently delivered to subscribers primarily via digital cable and satellite technology. According to the Australian Film Commission, as at June 2006, the three main subscription television providers in Australia (FOXTEL, Austar and Optus) had 1.84 million subscribers (by reference to households) with the household penetration rate estimated to be 23.6% of Australian households.

BuddeComm estimates the Australian subscription television industry generated $1.5 billion in revenue in FY2005, representing a CAGR of 10.2% over the FY2001 to FY2006 period. CAGR of 13.8% is forecast for the FY2006 to FY2008 period.

Figure 8B: Australian subscription television broadcasting revenue: FY2001 to FY2008



Source: BuddeComm

IBISWorld Business Information estimates approximately 87% of subscription television industry revenue is derived from subscriptions, with the remainder from advertising and other sources.

IBISWorld Business Information predicts that by June 2011, approximately 2.3 million households will have Pay-TV, up from 1.7 million in June 2005.

(a) Content

As the Department of Communications, Information Technology and the Arts (**DCITA**) summarised in its *Review of Australian and New Zealand Content on Subscription Television Broadcasting Services* (February 2005):

> "*Generally, subscription television operators distribute programming which has been compiled into channels of programs by 'channel providers'…Channel providers obtain programming by paying licence fees, commissioning independent and in-house production or taking equity investment in programs*."

While this may be the case in relation to some channels (e.g. CNN, E! Entertainment, ESPN, RAI International, World Movies), subscription television providers also acquire programming rights to individual programs (or a bundle of

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programs from the one production house) which they then compile for their owned and operated channels.

In addition, subscription television providers can produce their own content for their channels. This is often referred to as original programming. FOX 8 shows *Australia's Next Top Model,* which is produced by Granada Productions for Foxtel and based on the American version, and *Love My Way* which are examples of popular original programming that has been broadcast only on subscription television.

In November 2002, FOXTEL and Optus entered into content sharing arrangements which, in short, allowed Optus and FOXTEL to share subscription television programming. Under the FOXTEL-Optus Content Supply Agreement, Optus has the right to carry all of FOXTEL's channels, excluding video-on-demand, FTA transmissions and interactive services. Amendments to the agreement were made in 2005 to allow Optus to provide a digital service to its subscribers. In 2002, FOXTEL and Telstra also entered into a resale agreement which allowed Telstra to resell all FOXTEL services bundled with Telstra-branded telecommunications, information and other services.

In the context of the above transactions, FOXTEL (as well as Optus, Telstra and Austar) provided enforceable undertakings to the ACCC under section 87B of the *Trade Practices Act* 1974 (Cth). As part of these undertakings, FOXTEL must offer its full subscription television service to operators who intend to invest in new infrastructure. FOXTEL must also ensure that 30% of the subscription television channels in its basic package are not affiliated with FOXTEL and FOXTEL committed to spend a minimum amount on Australian programming produced by independent producers.

Anti-siphoning regulations prevent subscription television broadcasters from acquiring the rights to sporting events on the anti-siphoning list until the FTA broadcasters (i.e. the ABC, SBS or a commercial television broadcasting licensee who serves more than 50% of the Australian population) have either purchased the rights themselves or until the event is "de-listed". The Federal Minister for Communications, Information Technology and the Arts (**Minister**) may de-list events if the FTA broadcasters elect not to acquire the rights to the event. Also, new guidelines (the "use it or lose it" guidelines) came into effect from 1 January 2007, and these explain that where listed events do not receive adequate FTA coverage, or are not acquired by FTA broadcasters, these may be considered for permanent (or partial) removal from the anti-siphoning list at the discretion of the Minister.

Commonwealth legislation provides that providers of channels that are "subscription TV drama channels" (i.e. channels that contain 50% or more drama programs), must spend 10% of the total program expenditure for the channel on "new eligible drama programs". These are new drama programs that are Australian, New Zealand or Australian/New Zealand programs, or Australian official co-productions. This obligation is imposed upon the channel provider, or the licensee if the channel provider does not comply.

(b) Industry participants

Subscription television broadcasters in Australia participate in the broader television entertainment industry which includes a broad range of media and entertainment providers, including FTA broadcasters, video and DVD stores (sales and hire), video and content-on-demand services, and IPTV (or broadband television) providers. As IP and broadband networks become an increasingly common medium of content delivery to end-users, it is possible

that there will be an even wider range of participants entering the industry in the medium to long-term future.

In addition to FOXTEL, other subscription television providers include Austar, Optus, TransACT, Neighbourhood TV, SelecTV , and Telstra (as a reseller of FOXTEL). As noted in Section 8.4.4.(a), under the FOXTEL-Optus Content Supply Agreement, FOXTEL programming is available to Optus subscribers.

Areas of operation and delivery systems for subscription television operators: June 2006

Subscription television operators	Areas of operation	Delivery systems
FOXTEL	Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, Newcastle, Central Coast (NSW), Geelong, Gold Coast (Qld) and regional WA	Cable, DTH satellite[1]
Optus TV	Sydney, Melbourne, Brisbane	Cable
Austar	Regional and rural Australia, Hobart and Darwin	DTH satellite[1], Cable (only in Darwin)
Neighbourhood Cable	Mildura, Ballarat, Geelong	Cable
TransACT	Canberra, Queanbeyan and parts of regional NSW	Cable

Source: Australian Film Commission (June 2006)

Note:

1 DTH, or direct-to-home, usually refers to satellite delivery

8.4.5 Regulation

Subscription television licensees are subject to regulation under the *Broadcasting Services Act* 1992 (Cth) (**BSA**), which imposes a number of licence conditions. These conditions include limitations relating to the broadcast of political advertisements during the lead-up to elections and a prohibition on the broadcasting of tobacco advertisements.

The Australian Subscription Television and Radio Association (**ASTRA**) is the industry body representing companies that have been allocated subscription television broadcasting licences by ACMA under Part 7 of the BSA. The majority of licensee companies and suppliers of subscription television are members of ASTRA. Licensees are required to comply with the ASTRA Codes of Practice.

As noted above, subscription television in Australia is subject to extensive sports anti-siphoning regulations, which prevents subscription television licensees from acquiring rights to certain sporting events.

8.4.6 Australian online segment

PwC estimated the Australian internet services segment generated $3.0 billion in revenue in 2006, representing a CAGR of 32.7% over the 2002 to 2006 period. Revenue is predominantly sourced from consumer fees for access to services and

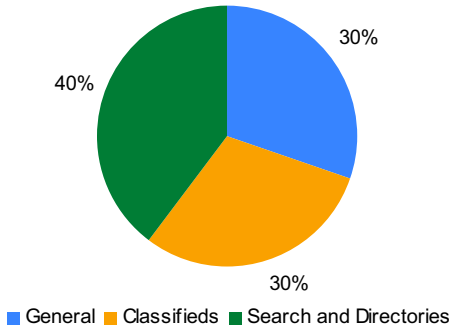
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from online advertisements (search and directories advertising, classifieds advertising and general advertising).

According to the Audit Bureau of Verification Services (**ABVS**), online advertising expenditure grew at a CAGR of 56.5% over the 2002 to 2006 period. In 2006, online advertising spend exceeded $1 billion for the first time, representing a 61.5% increase on 2005.

ABVS found that search and directories advertising and online classifieds advertising expenditure accounted for 39.9% and 29.9% of total advertising expenditure in Australia respectively in 2006. Online classifieds advertising expenditure was estimated to be approximately $300 million in 2006, representing a CAGR of 49.4% over the 2002 to 2006 period.

Figure 8C: Australian online advertising segment revenue: 2006



Source: ABVS, Online Advertising Expenditure Report, October to December 2006

(a) Key drivers

Broadband internet connections are one of the principal drivers of growth of the online segment in Australia. With traditional fixed line public switched telephone network revenues in decline, telecommunications carriers are increasingly looking towards broadband for future fixed line revenue. As such, carriers have substantially lowered the prices of their entry level broadband products since 2004.

Source: Euromonitor International and BuddeComm

8.4.7 Australian magazine publishing

According to PwC, the magazine publishing segment was the fifth largest segment of the Australian media industry in 2006, with an estimated size of $2.1 billion. It represented approximately 9.5% of the overall media industry by revenue in 2006.

Australia's magazine publishing segment is concentrated. PwC found that the top four major publishers (including ACP Magazines) accounted for approximately 79.5% of the segment by market share.

Magazine publishers derive revenue from two key sources - the sale of advertising (**advertising revenue**) and the sale of magazines by subscription or at retail outlets (**circulation revenue**). Circulation revenue represented 51% of total magazine revenue in 2006, whilst advertising revenue represented 49%.

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According to PwC, the Australian magazine advertising market has grown steadily over the last five years, with magazine publishers experiencing a CAGR of 7.4% in advertising revenue over the 2002 to 2006 period.

Magazine advertising spend has historically followed broader economic trends reasonably closely, rebounding following periods of contraction. The Commercial Economic Advisory Service of Australia (**CEASA**) indicates that the magazine market achieved 31.2% growth in 1993 after the 1991 to 1992 downturn, and 6.6% growth in 2003 following the 2001 to 2002 downturn.

8.4.8 Australian FTA TV broadcasting

According to PwC, the FTA TV broadcasting segment was the second largest segment of the Australian media industry in 2006, with estimated advertising revenue of $3.2 billion.

The metropolitan networks broadcast to Australia's five largest cities: Sydney, Melbourne, Brisbane, Perth and Adelaide. The regional networks broadcast to cities and towns outside the metropolitan networks through affiliate content agreements with the metropolitan commercial networks.

Key players

Metropolitan networks
Nine Network
Seven Network
TEN Network
Government owned/funded networks
SBS Television
ABC Television
Regional networks
WIN Television
Prime Television
Southern Cross

FTA TV broadcasting primarily derives revenue from the sale of advertising. According to PwC, FTA TV broadcasting commanded 30.0% of Australian media advertising spend in 2006. The Australian FTA TV broadcasting advertising market grew at a 5.5% over the 2002 to 2006 period. CEASA research suggests that metropolitan areas represented 84% of the FTA TV broadcasting advertising segment in 2006, with regional areas representing the remainder.

8.4.9 Media law reform

On 4 April 2007, the Federal Government's media reform package commenced, which amended the ownership regime under the BSA.

Under the amended BSA, the existing limits on foreign ownership were removed. Media (including FTA TV and radio broadcasting and newspaper publishing) remain a "sensitive segment" under the Foreign Investment Policy that operates under the *Foreign Acquisitions and Takeovers Act* 1975 (Cth), meaning that all direct media investment and all portfolio investment over 5% are required to be notified to and approved by the Treasurer. In addition, the *Trade Practices Act* 1974 (Cth) prevents acquisitions of shares or other assets where the acquisition

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would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.

Under the amended BSA, the existing prohibitions on cross-media (television broadcasting, newspaper publishing, radio broadcasting) ownership were also removed, subject to:

- there remaining no fewer than five independent players in metropolitan markets and no fewer than four in regional markets; and
- a prohibition on owning more than two out of three voices (FTA TV or radio broadcasting or newspaper publishing) in the same market.

There continue to be restrictions on owning more than one FTA TV station in the same market, or more than two radio stations in the same market and on owning FTA TV stations that serve 75% or more of the Australian population.

The amendments to the BSA also provide for the allocation of two new digital channels:

- one channel may be used for in-home "narrowcasting", datacasting or community broadcasting services and cannot be controlled by either commercial or national FTA TV broadcasters (including Nine Network) or used for commercial broadcasting services or subscription broadcasting services. ACMA's approach to the definition of "narrowcasting" services will be important in determining the scope of services delivered by this channel; and
- the other channel may be used for wider purposes, such as mobile television, but not for commercial broadcasting services or in-home subscription television broadcasting services. In addition, existing FTA TV broadcasters (including Nine Network) cannot use that channel for any in-home services.

The BSA will continue to contain regulation which restricts the ability of subscription television operators to gain exclusive access to certain programming (including major sporting and cultural events) unless those programs are available on FTA TV or FTA TV broadcasters have opted not to televise the event. This scheme will remain in place until 31 December 2010 and will be reviewed by 31 December 2009.

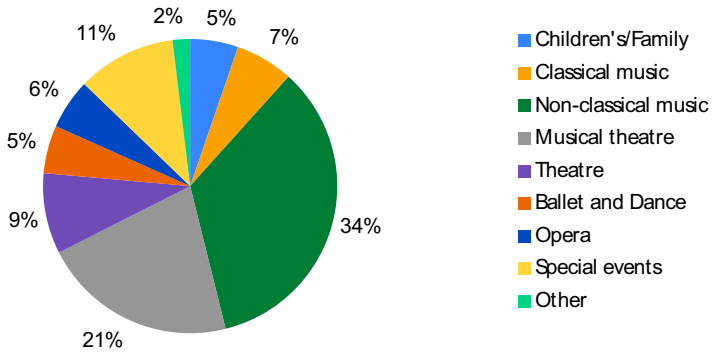
Other changes arising from the amended BSA include:

- the extension of the current analogue switch-off date to around 2010 to 2012;
- a relaxation on the restrictions relating to multi-channelling by FTA TV operators (that is the supply of multiple channels of differing content by an FTA TV operator using its licence and allocated spectrum), one high definition multi-channel is permitted from 1 January 2007 and a standard definition multi-channel from 2009. Unlimited multi-channelling will be permitted from analogue switch-off; and
- the issue of new FTA TV licences comes under the control of the Federal Government of the day rather than the regulator. The current Federal Government has stated new FTA TV licences will be unlikely to be issued until at least 2010.

8.4.10 Australian ticketing segment

According to a survey by Live Performance Australia, there were approximately 13.8 million ticket sales and approximately 15.8 million total attendances in 2005. Paid ticket sales represented 87.1% of total attendances, with the remainder being complimentary, sponsor and zero priced tickets. Gross revenue from ticket sales in 2005 was approximately $834 million, with non-classical music, musical theatre and special event categories contributing most significantly to total revenue (34.4%, 21.3% and 10.7% respectively). In comparison to 2004, ticket sales rose 10.0%, total attendances increased 17.3% and gross revenue increased 21.0% in 2005.

Figure 8D: Gross revenue segmentation: 2005



Source: Live Performance Australia, Ticket Attendance and Revenue Survey Live Entertainment Industry in Australia, 2005 Report

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Section 9 – Crown (if the Recommended Proposal is implemented)

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Section 9 - Crown (if the Recommended Proposal is implemented)

9.1 Overview of Crown if the Recommended Proposal is implemented

As outlined in Section 4 if the Recommended Proposal is implemented, Crown will hold the Gaming Businesses as described in Section 7 and will be a listed public company.

9.2 Crown's strategy

Crown will seek to grow value, particularly revenue and profitability (including through acquisition), by utilising its strong management team and casino expertise. Crown's objective will be to establish itself as a leading global gaming and entertainment provider.

To date, PBL has been provided with a number of opportunities to make acquisitions or portfolio investments in gaming assets both in Australia and overseas. Section 8 of this Booklet contains details of a number of acquisitions or portfolio investments that PBL has already made or contracted to make, sometimes in joint venture with other parties.

As at the date of this Booklet, PBL is investigating a number of opportunities to acquire or undertake a portfolio investment in gaming assets that are generally located in countries outside Australia, that have highly developed and regulated gaming industries. If any of these acquisitions or portfolio investments is undertaken they will be made by Crown if the PBL Scheme is approved.

One particular opportunity, on which due diligence has recently commenced, relates to the possible acquisition of an existing gaming business which is located outside Australia and which would be wholly owned by PBL if it proceeds. Two further, and smaller opportunities involve portfolio investments where PBL or Crown (if the PBL Scheme is approved) would acquire a small minority interest with no board representation rights or management control.

If these three opportunities were to proceed and complete then most of Crown's cash reserves would be deployed, with the most significant investment being the existing gaming business referred to above.

However, the PBL Board can give no assurance that any of the opportunities will proceed or specify the timeframe within which any such acquisition or investment would be completed. All of these opportunities remain confidential and are incomplete either because the contract negotiations have not commenced or concluded or are subject to approvals that are outside the control of PBL.

Key to maintaining Crown's international brand and reputation will be a continued focus on ensuring all gaming floors, hotels, food and beverage and retail facilities are maintained to the highest international standards. This will require that significant ongoing capital expenditure be allocated to the maintenance and improvement of key properties. In the near term, this commitment will be reflected through the planned development of a third hotel at Crown Melbourne and the refurbishment of both Crown Melbourne and Burswood's gaming floors, existing hotel rooms and food and beverage offerings. With a number of other large international development projects currently in progress, Crown will establish appropriate management resources and disciplines and seek to ensure that the properties are successfully launched.

Maintaining strong relationships with joint venture partners and with regulatory bodies is essential and of the utmost importance to Crown. As Crown grows its international gaming presence, it will aim to further strengthen existing relationships and develop new relationships with local casino and hotel operators and with regulatory bodies in various

regions around the world. In this regard, Crown will continue to seek new opportunities to invest or acquire assets, which meet internal financial and strategic criteria in existing and new markets to generate strong returns on its investments.

Attracting, developing and retaining employees will be an ongoing focus of Crown to ensure existing and new customer relationships are established and that high levels of customer service are maintained. In particular, this focus will also support further development of the VIP gaming business, as its success is largely determined by customer service levels and by the strength of the underlying client relationships.

9.3 Business strengths

The key strengths of the Crown business model include:

- **Diversified portfolio of assets in key international markets:** The wholly owned Crown Melbourne and Burswood properties in Australia are complemented by international investments in key markets such as Macau (MPEL), the United Kingdom (Aspinalls), Las Vegas (Fontainebleau Resorts and Crown Las Vegas), and Canada (Gateway)[1].

- **Unique Australian presence:**

  - Crown Melbourne is one of the largest gaming facilities in the Southern Hemisphere;

  - Crown Melbourne operates one of the largest single site international VIP gaming operations in the world and considers itself to be a leading destination for VIP patrons;

  - Crown will have approximately 35 VIP marketing and sales personnel in nine offices throughout Asia. This network is being strengthened with the opening of Crown Macau as the company's penetration in the North Asian region expands;

  - Burswood operates in the fastest growing state in terms of gross state product (**GSP**) in Australia. According to the Australian Bureau of Statistics, GSP per capita rose 3.0% in Western Australia in FY2006;

  - Burswood enjoys a unique position being the only business to offer electronic gaming and table games in Western Australia.

- **Strong partnerships:** With its investments in MPEL, Aspinalls, Fontainebleau Resorts, Gateway (subject to the Gateway Offer being successfully completed) and Betfair Australia, Crown has established strong relationships with partner investors who each have a strong track record and reputation for running successful businesses.

- **Strong and growing earnings:** Between FY2001 and FY2006, PBL's gaming businesses, which include Crown Melbourne and Burswood (since 2004), have achieved compound annual revenue growth of 8.7% and compound annual EBIT growth of 14.4%. The Directors are confident Crown's exposure to MPEL, Aspinalls, Fontainebleau Resorts and Betfair Australia offer significant growth potential.

- **Track record of expansion:** PBL has diversified its gaming interests since the acquisition of Crown Melbourne in 1999:

[1] Subject to the Gateway Offer being successful. See Section 8.4.5 for further details.

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- since PBL acquired Burswood in 2004, Burswood has achieved immediate profit growth and improved performance against an historic four year backdrop of flat revenue and EBITDA results. In addition, over $60 million has been committed to developing and establishing Burswood as an entertainment precinct and approximately $100 million has been committed to refurbishment of the main gaming floor and hotel facilities;

- PBL entered into a joint venture with Betfair UK in 2004 to operate an online betting exchange in Australia and New Zealand, being Betfair Australia;

- PBL entered into a 50/50 joint venture with Melco International Development Limited in 2005 to explore gaming opportunities in Asia. Subsequently, MPEL was created as the vehicle to develop opportunities in Macau. In September 2006, MPEL (through its subsidiary Melco PBL Gaming) acquired its own Macau Casino subconcession. In January 2007, MPEL listed on the NASDAQ, which raised US$1.32 billion. Crown Macau opened on 12 May 2007 and the first phase of The City of Dreams, MPEL's second Macau casino project, is targeted to open by the end of March 2009;

- PBL acquired a 50% interest in Aspinalls casino business in the UK in 2006;

- PBL entered into a 50/50 joint venture with Macquarie in April 2007 to acquire Gateway, one of the largest casino operators in Western Canada (subject to the Gateway Offer being successfully completed);

- PBL acquired a 19.6% equity stake in US-based Fontainebleau Equity Holdings LLC which owns Fontainebleau Resorts, as well as a small debt holding in Fontainebleau Resorts, in 2007; and

- PBL entered into a joint venture with IDM Properties and York Capital Management in 2007 to develop, construct and operate Crown Las Vegas. It is intended that Crown will manage and operate Crown Las Vegas.

- **Financial flexibility:** Cash of approximately $2.67 billion and strong cash flow generation from Crown Melbourne and Burswood will be available to fund further investments, driving Crown's continued investment in gaming businesses worldwide.

- **Experienced management team:** Details of Crown's management team are provided in Section 9.4.

- **High quality Board:** The PBL Directors at the date of this Demerger Scheme Booklet will remain directors of Crown. Further details of the PBL Directors, including their experience, are set out in Section 13.1.

9.4 Crown Board and Management

9.4.1 Crown Board

The members of the Crown Board are set out in Section 13.1 together with their experience.

At the date of this Demerger Scheme Booklet the Crown Board comprises the same director members as the PBL Board of whom six members are independent directors and six members are non-independent directors.

Independence is determined according to the following criteria, namely whether:

- the Director is a substantial shareholder of Crown or an officer of, or otherwise associated directly with, a substantial shareholder of Crown;

- within the last three years, the Director has been employed in an executive capacity by Crown or a PBL Group company, or been a director after ceasing to hold any such employment;

- within the last three years, the Director has been a principal of a material professional adviser or a material consultant to Crown or a PBL Group company, or an employee materially associated with the service provider;

- the Director is a material supplier or customer to Crown or a PBL Group company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- the Director has a material contractual relationship with Crown or a PBL Group company other than as a Director of Crown;

- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Crown.

The materiality thresholds for determining the independence of the non-executive Directors are as follows:

For Directors:

- any other relationship which accounts for more than 20% of his/her gross income; or

- if the relationship is with an entity in which the Director, or any associate, has more than a 20% economic interest (if a private entity) or 10% shareholding (if a listed entity); and

For Crown or a PBL Group company:

- in respect of fees paid in excess of $2 million per annum to advisers or consultants; or

- in respect of customers, where Crown or a PBL Group company supplies products or services in excess of $2 million per annum; or

- in respect of suppliers, where Crown or a PBL Group company purchases goods or services in excess of $2 million per annum.

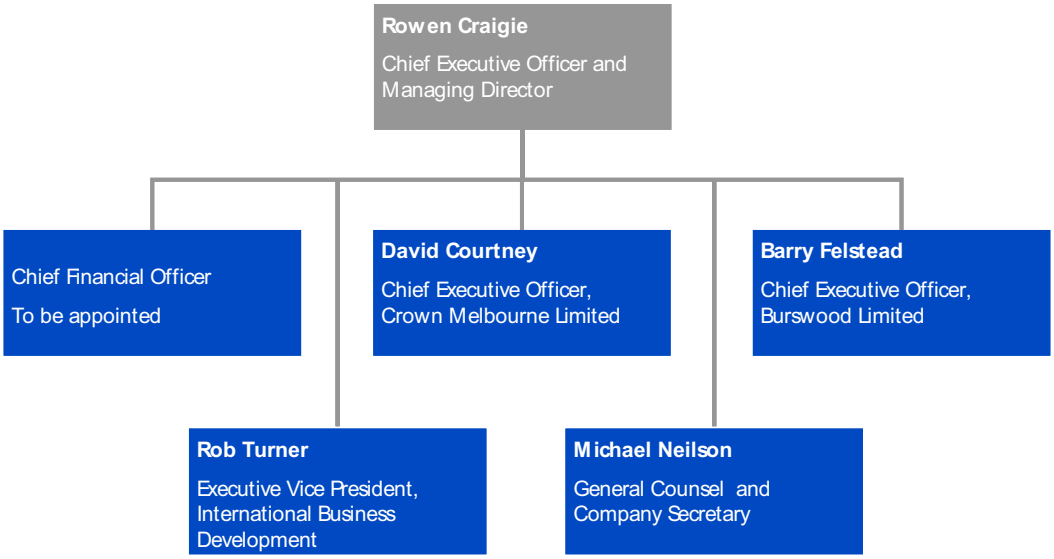
Following the implementation of the Recommended Proposal, the Crown Board may give consideration to altering its composition and potentially reducing its size.

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9.4.2 Crown Management

The Management structure of Crown will be as follows:



The name/position and biography of the most senior executives of Crown are set out below. In addition to these executives, Crown intends to appoint a Chief Financial Officer (**CFO**) with appropriate experience as CFO in a major listed public company.

Name/Position	Biography
Rowen Craigie, Chief Executive Officer	• Mr Craigie has been the head of PBL Gaming since March 2006, overseeing all of PBL's Australian and international gaming operations. He is also a Director of Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) and Aspinall Holdings (Jersey) Limited • Mr Craigie previously served as the Chief Executive Officer (**CEO**) of Crown Melbourne Limited from 2002 to March 2007 • Mr Craigie joined Crown Melbourne Limited in 1993 and was appointed as the Executive General Manager of its Gaming Machines Department in 1996, and was promoted to Chief Operating Officer in 2000 • Prior to joining Crown Melbourne Limited, Mr Craigie was the Group General Manager for Gaming at the TAB in Victoria from 1990 to 1993, and had held senior economic policy positions in Treasury and the Department of Industry in Victoria from 1984 to 1990

David Courtney, Chief Executive Officer, Crown Melbourne Limited	• Mr Courtney is CEO and Director of Crown Melbourne Limited and a Director of Burswood Limited • Mr Courtney was CEO of Burswood Limited from 2004 to 2007 and was Chief Financial Officer of Crown Melbourne Limited from 1997 to 2004 • Prior to joining Crown Melbourne Limited, Mr Courtney was a Partner at Ernst & Young
Barry Felstead, Chief Executive Officer, Burswood Limited	• Mr Felstead is the CEO of Burswood Limited • He was previously the Chief Operating Officer – Gaming at Burswood Limited from 2005 • Mr Felstead joined Crown Melbourne Limited in 1994 in the role of Casino Cage Manager. He was promoted into a number of different roles at Crown Melbourne Limited until in 2004 he was appointed to the role of Executive General Manager – Casino Operations, a position he held until his move to Burswood Limited • Prior to joining Crown Melbourne Limited, Mr Felstead was employed by Conrad Jupiters from 1985 in casino cage related roles. Prior to Conrad Jupiters, Mr Felstead worked for the Commonwealth Bank from 1979 to 1985
Michael Neilson, General Counsel and Company Secretary	• Mr Neilson has been the General Counsel for Crown Melbourne Limited since 2004 • Mr Neilson spent 10 years in a commercial legal practice in Melbourne before joining the Lend Lease Group in Sydney in 1997 as General Counsel for Lend Lease Property Management • In 1998, he was appointed General Counsel and Company Secretary of General Property Trust, a position he held until joining Crown Melbourne Limited

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Robert Turner, Executive Vice President, International Business Development	• Mr Turner has been Executive Vice President International Business Development with PBL Gaming since March 2007, with responsibility for the development of PBL Gaming's new business interests • Mr Turner joined Crown Melbourne Limited in 1994 and held a number of financial and strategic planning roles before being appointed CFO in September 2004 • Prior to joining Crown Melbourne Limited, Mr Turner was with Ernst & Young and was involved in Crown Melbourne's successful bid for the Melbourne casino licence

9.5 Corporate governance

This Section 9.5 sets out the approach that Crown will take to corporate governance following implementation of the PBL Scheme. Crown's approach will be broadly consistent with the approach taken by PBL to matters of corporate governance.

9.5.1 Board and corporate governance

Corporate governance is an important matter to Crown and to the Board of Directors. The Crown Board is ultimately responsible for the corporate governance of Crown, notwithstanding the existence of a Board-convened Audit & Corporate Governance Committee, of which one of its purposes is to review and develop corporate governance policies that are appropriate for Crown. The Board will have in place corporate governance practices that it considers to be the most appropriate for Crown. The Board also recognises that corporate governance is not a static matter, and needs reviewing regularly as Crown evolves.

(a) Composition of the Board

The Executive Chairman of the Crown Board will be Mr James Packer and the Executive Deputy Chairman will be Mr John Alexander. The members of the Crown Board are set out in Section 13.1, together with their experience.

It is intended that the independence of non-executive directors of Crown will be determined by the criteria set out in Section 9.4.1.

Non-executive directors will be subject to re-election by rotation at least every three years. All Crown Directors (with the exception of Mr Rowen Craigie) stood for election and were appointed at the Crown Annual General Meeting on 6 July 2007.

(b) Role of the Board

The Crown Board is responsible for guiding and monitoring Crown on behalf of the Crown Shareholders and directing and supervising its affairs within the framework of the Crown Constitution, the Corporations Act and the ASX Listing Rules, together with any other policies and delegations as determined by the Crown Board from time to time.

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In addition, the Crown Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Matters reserved for the Crown Board include:

- in conjunction with management, establish a vision and strategies for Crown;
- approval of the annual business plan;
- approval of specific items of capital expenditure and investments and disinvestments in excess of $50 million;
- appointing and approving the terms and conditions of appointment of the CEO and CFO;
- termination of the CEO and CFO;
- approval of remuneration policies;
- approval of the half year and full year financial statements;
- approval of the interim and final dividends to shareholders;
- approval of any significant changes to accounting policies;
- terms of reference and membership of Board committees;
- consideration of Board appointments; and
- other matters as determined from time to time by the Board.

While the Crown Board will at all times retain full responsibility for guiding and monitoring Crown, in discharging its responsibilities, it intends to make use of committees. Specialist committees are able to focus on a particular area of the Crown Board's responsibility and provide informed feedback to the Crown Board for its consideration. Details of each of the Crown committees are set out below.

(c) Board Committees

To assist in carrying out its responsibilities, the Crown Board will establish before the PBL Scheme Effective Date the following committees:

- Audit & Corporate Governance Committee;
- Finance Committee;
- Investment Committee;
- Occupational Health & Safety Committee;
- Remuneration Committee; and
- Risk Management Committee.

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Each committee will have a charter that outlines its responsibilities. Certain of these charters will be available on Crown's website at www.crownltd.com.au.

The composition roles and responsibilities of each of these committees is expected to be as set out below.

Composition of committees from the PBL Scheme Effective Date is expected to be as follows:

Committees	Members
Audit & Corporate Governance	Richard Turner (Chair)
	Michael Johnston
	Rowena Danziger
Finance	Chris Mackay (Chair)
	Michael Johnston
	Richard Turner
Investment	James Packer (Chair)
	John Alexander
	Ashok Jacob
	Rowen Craigie
Occupational Health & Safety	Rowena Danziger (Chair)
	Michael Johnston
	Rowen Craigie
Remuneration	James Packer (Chair)
	John Alexander
Risk Management	Geoff Dixon (Chair)
	Rowena Danziger
	Rowen Craigie

Charters of Committees

A summary of the Charter of each Committee is set out below:

(i) Audit & Corporate Governance Committee

The Audit & Corporate Governance Committee will comprise non-executive Crown Directors with the appropriate financial experience, of which a majority will be independent directors and the Chairman will be an independent non-executive director.

It is intended that representatives of management and the external auditor will attend meetings of the Committee at the discretion of the Committee. The Committee will also meet privately with the external auditor on general matters concerning the external audit, and other related matters, including when considering the half year and full year financial reports.

The main functions of the Audit & Corporate Governance Committee will be to:

- approve and recommend to the Crown Board the half year and full year financial reports of Crown;

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- review the independence and competence of Crown's external auditors (independently from any management of Crown);
- review the continuous disclosure obligations of Crown; and
- review and develop the corporate governance policies it considers appropriate for Crown.

Minutes of each meeting of the Committee will be provided to the Crown Board.

As part of its role in relation to financial reporting, the Audit & Corporate Governance Committee will be responsible for reviewing accounting policies, generally accepted accounting principles and Corporations Act and Listing Rules requirements.

(ii) Finance Committee

The role of this Committee will be to approve the entering into contracts and leases, facilitate borrowings for the Crown Group, appoint attorneys for document execution, guarantee the obligations of subsidiaries and other transactions involving the general business of Crown.

(iii) Investment Committee

The role of this Committee will be to review and approve new investments or the divestiture of investments for Crown, up to a value of $50 million in aggregate for any one investment.

(iv) Occupational Health & Safety Committee

The role of this Committee will be to monitor the application of the Crown Occupational Health & Safety Policy, which commits to protecting the health and safety of the people who work with Crown, and the people who visit and use Crown's facilities. This commitment will be integral to the way Crown carries on its businesses.

(v) Remuneration Committee

The role of the Remuneration Committee will be to review and recommend appropriate Directors' Fees to be paid to non-executive Directors. At the discretion of the Crown Board, the role of this Committee may be extended to the remuneration policies to be applied to executives, including any equity-based remuneration plan that may be established, subject to shareholder approval, after the PBL Scheme has been implemented.

(vi) Risk Management Committee

The role of this Committee will be to provide strategic risk management leadership, oversight and analysis to the Crown Board.

Crown proposes to implement a number of policies and procedures to ensure good corporate governance practices are in place across the organisation. These policies will include:

- a Securities Trading Policy;

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- a Continuous Disclosure Policy;
- a Communications Policy;
- a Risk Management Policy;
- a Code of Conduct for Crown Directors and for Crown employees; and
- a Remuneration Policy, further details of which appear in Section 9.5.3.

A summary of the focus of each Policy is provided below:

Securities Trading Policy

In order to preserve the reputation and integrity of Crown, it is vital that when people associated with Crown deal in Crown's securities these dealings are not only fair, but are seen to be fair. Crown will implement a Securities Trading Policy that will regulate dealings by its employees in shares and other securities issued by Crown. Specific requirements of the policy will include a requirement that Crown employees do not "short term trade" (i.e. buy and sell Crown shares and securities within a 12 month period); and the establishment of "Trading Windows", where Crown employees cannot trade from 1 December up to and including the day on which the half year results are released and from 1 June up to and including the day on which the full year results are released. The Policy will also provide that in exceptional circumstances clearance may be given for a Director or an employee to sell (but not to buy) shares, but not while a matter exists which constitutes undisclosed, price sensitive information. This Policy will operate in addition to the legal prohibitions in the Corporations Act on insider trading.

Continuous Disclosure Policy

In order to ensure compliance with the continuous disclosure obligations under the Listing Rules, Crown will implement a Continuous Disclosure Policy for Crown Group senior executives. Where a senior executive becomes aware of information that might constitute material information, the executive will be required to advise the CEO of Crown, the Crown Group General Counsel and/or Company Secretary or a member of the Audit & Corporate Governance Committee immediately for consideration and disclosure (if appropriate).

Communications Policy

Crown will aim to ensure that Crown Shareholders are informed of all major developments affecting Crown in an accessible and understandable manner. Information will be communicated to shareholders through the full financial and concise annual report, disclosures made to the ASX (available on the Crown website shortly after receiving confirmation from the ASX that the announcement has been released to the market), notices and explanatory memoranda of each annual general meeting or other meeting of shareholders (each notice of meeting will be posted on the Crown website) and through the annual general meeting.

Risk Management Policy

Crown will have in place risk management policies and procedures which seek to identify, assess, monitor and manage risk, and allow Crown to inform the market of material changes to Crown's risk profile.

Code of Conduct for Crown Directors and Crown employees

Crown will establish a Code of Conduct that outlines the standard of ethical behaviour that is expected of Crown Directors and employees at all times.

(d) Board processes

The processes of the Crown Board will be governed in accordance with the Crown Constitution, a summary of which is contained in Section 13.14.

(e) Resources available to the Board

Crown Directors will have unrestricted access to all records and information of Crown reasonably necessary for the fulfillment of their responsibilities. Crown Directors will also have access to the CEO, CFO and Company Secretary and other relevant senior management of Crown as well as employees at all levels to seek explanations and information. They will receive regular detailed reports on financial and operational aspects of Crown's business and may request elaboration or explanation of those reports at any time.

In addition, each Crown Director may seek independent professional advice at Crown's expense. Prior approval of the Chairman of Crown will be required but this may not be unreasonably withheld.

The Chairman of Crown will be responsible to see that all Crown Board members are well briefed and have access to information on all aspects of Crown's operations. Crown's Directors and senior management will be encouraged to broaden their knowledge of Crown's business and to keep abreast of developments in business more generally by attendance at relevant seminars and conferences. Crown will meet the expenses involved in such activities.

9.5.2 Directors' fees/Executive contract terms

(a) The maximum annual remuneration that may be payable to non-executive directors of Crown for directors' fees is $1 million. This amount can only be increased by ordinary resolution of the Crown Shareholders passed at a general meeting.

(b) Mr Craigie will be the Managing Director and Chief Executive Officer of Crown with effect from the PBL Scheme Effective Date. A summary of Mr Craigie's service agreement is set out in Section 13.4.

Director indemnities

The indemnification of Crown Directors by Crown under the Crown Constitution is summarised in Section 13.14.

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9.5.3 Executive and Employee Remuneration Policy

The performance of Crown will be highly dependent upon the quality of its Directors and senior executives. To prosper, Crown must attract, retain and motivate skilled Directors and senior executives of the highest calibre.

Crown's Remuneration Policy will be to ensure that executive remuneration packages properly reflect a person's duties and responsibilities, that remuneration is appropriate and competitive both internally and as against similarly sized industry peer group corporations, and that there is a direct link between remuneration and performance.

The structure and process for determining the remuneration of the Crown senior executives and non-executive Directors will be separate and distinct.

Internal processes will be established for determining the remuneration of the senior executives. These internal processes shall address the appropriate level of fixed remuneration and performance based remuneration for each executive.

Fixed base remuneration shall be determined with reference to available market data, considering the scope and any unique aspects of an executive's role and having regard to the calibre of the executive. Fixed remuneration shall typically include base salary and superannuation, and in certain cases may include other benefits such as a motor vehicle or motor vehicle allowance, car parking, mobile telephone costs and gym membership, aggregated to present the total employment cost of the executive to Crown.

Performance based remuneration shall seek to align the rewards attainable by Crown senior executives with the achievement of particular objectives and the creation of shareholder value over the short and long term. Short term incentives will be paid at the discretion of the CEO (with reference to the Executive Chairman as appropriate) upon senior executives obtaining their key performance objectives for the relevant financial year. A long term incentive plan may be developed by the Company with reference to the existing PBL Gaming Division long term incentive, as well as with reference to available market data.

The Remuneration Committee will be responsible for determining the appropriate remuneration for the non-executive directors. Non-executive directors shall not receive performance based fees and will not participate in any Crown long term incentive plan. Executive Chairman Mr James Packer and Executive Deputy Chairman Mr John Alexander will be members of this Committee.

9.5.4 Employee and Executive Equity Plans

The Crown Board may determine, with the approval of shareholders (where required), to implement an Employee or Executive Equity Plan in the future.

9.6 Crown financial information

9.6.1 Introduction

This Section 9.6 contains information concerning the pro forma financial performance, cash flows and financial position of Crown if the Recommended Proposal is implemented. The following financial information has been prepared by the PBL and Crown Directors and in aggregate is referred to as the Crown Pro Forma Financial Information:

- Summary pro forma income statements for Crown for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**Crown Pro Forma Income Statements**);

- Reconciliation of the PBL statutory reported net profit after tax from continuing operations to the Crown pro forma results for FY2006 and FY2007 (**Crown Pro Forma Profit Reconciliation**);

- Summary pro forma cash flow statements for Crown for FY2006 and FY2007 (**Crown Pro Forma Cash Flow Statements**); and

- Pro forma balance sheet for Crown as at 30 June 2007 (**Crown Pro Forma Balance Sheet**).

9.6.2 Basis of preparation and presentation

The Crown Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;

- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 12;

- the significant accounting policies applied in the preparation of the Crown Pro Forma Financial Information in Section 18; and

- Section 4 which sets out an overview of the Recommended Proposal.

The Crown Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS;

- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and

- reviewed by Ernst & Young as set out in the Independent Accountant's Report in Section 12.

9.6.3 Crown Pro Forma Financial Information

The Crown and PBL Directors have prepared the Crown Pro Forma Income Statements, Crown Pro Forma Profit Reconciliation, Crown Pro Forma Cash Flow Statements and Crown Pro Forma Balance Sheet to provide an overview of the financial position and financial performance of the Gaming Businesses.

The Crown Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Gaming Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007 and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Gaming Businesses are included in the Crown Pro Forma Income Statements, and the Crown Pro Forma Cash Flow Statements for the period that they were owned by PBL during the periods.

Additional pro forma assumptions have been made to reflect the expected corporate costs of Crown after the Demerger Scheme has been implemented in the Crown Pro Forma Income Statements and the Crown Pro Forma Cash Flow Statements.

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Pro forma assumptions have also been made in the Crown Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership interests in certain investments subsequent to 30 June 2007, and the impact of the Recommended Proposal.

The Crown Pro Forma Profit Reconciliation has been prepared to provide information in relation to how the demerged results of PBL have been reflected in CMH and Crown.

Detailed pro forma assumptions in relation to the preparation of the Crown Pro Forma Income Statements are included in Section 9.6.4. Detailed pro forma assumptions in relation to the preparation of the Crown Pro Forma Balance Sheet are included in Section 9.6.8.

9.6.4 Crown Pro Forma Income Statements

9.6.4(a) Summary of Crown Pro Forma Income Statements[1]

Pro forma period $million	**1H2006**	**2H2006**	**FY2006**	**1H2007**	**2H2007**	**FY2007**
Revenue	**890**	**836**	**1,726**	**911**	**998**	**1,909**
Expenses	(588)	(595)	(1,183)	(631)	(665)	(1,296)
Corporate costs	(17)	(16)	(33)	(17)	(16)	(33)
EBITDA[2]	**285**	**225**	**510**	**263**	**317**	**580**
Depreciation and amortisation	(60)	(60)	(120)	(58)	(62)	(120)
EBIT	**225**	**165**	**390**	**205**	**255**	**460**
Share of net profit/(loss) of associates						
- MPEL (41.4%)	1	(3)	(2)	(11)	(36)	(47)
- Aspinalls (50%)	-	-	-	(2)	0	(2)
- Betfair Australia (50%)	-	(2)	(2)	(2)	0	(2)
Total share of net profit/(loss) from associates	**1**	**(5)**	**(4)**	**(15)**	**(36)**	**(51)**
Net profit before finance costs and income tax	**226**	**160**	**386**	**190**	**219**	**409**
Income tax expense	(30)	(46)	(76)	(24)	(43)	(67)
Net profit before finance costs from continuing operations	**196**	**114**	**310**	**166**	**176**	**342**
Net profit/(loss) from discontinuing operations (net of tax)	6	6	12	7	(52)	(45)
Pro forma net profit before finance costs	**202**	**120**	**322**	**173**	**124**	**297**

Notes:

1 The Crown Pro Forma Income Statements are unaudited

2 EBITDA is based on gaming results measured in accordance with Australian Accounting Standards (refer to 9.6.8 (a) for variance from theoretical gaming results)

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9.6.4(b) Adjustments to Crown Pro Forma Income Statements

The following pro forma adjustments were made to prepare the Crown Pro Forma Income Statements:

- corporate costs of $33 million per annum have been included in Crown based on estimated overhead costs expected to be incurred by Crown in the future under the operating and management structure described in Section 9.3. These corporate costs include a reclassification of costs previously included as gaming segment expenses and in unallocated expenses in PBL's financial statements; and

- direct net finance costs have not been included in the Crown Pro Forma Income Statements because the capital structure does not reflect the future capital structure of Crown.

9.6.4*(c) Other disclosure notes*

Profit/(loss) from associates

Profit and losses from associates have been included from the time of acquisition by PBL. MPEL has been included since 1 July 2005. Betfair Australia has been included since 7 February 2006. Aspinalls has been included since 26 October 2006.

Taxation

Pro forma period $million	**1H2006**	**2H2006**	**FY2006**	**1H2007**	**2H2007**	**FY2007**
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before financing costs and income tax from continuing operations	226	160	386	190	219	409
Profit before financing costs and income tax from discontinuing operations	10	8	18	8	(54)	(46)
Profit before financing costs and income tax	**236**	**168**	**404**	**198**	**165**	**363**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	71	50	121	59	50	109
Tax effect of:						
Distributions received	1	2	3	1	2	3
Non deductible depreciation and amortisation	2	2	4	1	1	2
Share of associates' net losses	(2)	(1)	(3)	2	7	9
Tax losses previously not recognised now brought to account	-	-	-	(36)	(34)	(70)
Other items – net	(3)	(2)	(5)	(1)	(1)	(2)
Write down of investments	-	-	-	-	20	20
Deferred income tax on temporary differences	(3)	(2)	(5)	(3)	(6)	(9)
Adjustments for current income tax of prior periods	(32)	(1)	(33)	2	2	4
Income tax expense	**34**	**48**	**82**	**25**	**41**	**66**
Income tax expense comprises-						
Current expense	69	51	120	26	45	71
Deferred expense	(3)	(2)	(5)	(3)	(6)	(9)
Adjustments for current income tax of prior periods	(32)	(1)	(33)	2	2	4
	34	**48**	**82**	**25**	**41**	**66**

Pro forma period $million	**1H2006**	**2H2006**	**FY2006**	**1H2007**	**2H2007**	**FY2007**
Aggregate income tax expense is attributable to:						
Continuing operations	30	46	76	24	43	67
Discontinuing operations	4	2	6	1	(2)	(1)
	34	**48**	**82**	**25**	**41**	**66**

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The PBL Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the Pro Forma Financial Information.

The PBL Scheme will also result in the transfer of tax losses (both revenue losses which are recognised as a deferred tax asset and capital losses which are not recognised as a deferred tax asset) to Crown. Crown will be required to determine an available fraction for each bundle of tax losses that are transferred. The tax losses transferred to Crown will have an available fraction less than the available fraction (if applicable) for each tax loss of PBL. In addition, Crown is likely to have less taxable income against which it will be able to recoup the tax losses as a result of the Demerger Scheme.

Discontinued operations

Consistent with the FY2007 PBL financial statements, net profit/loss from discontinuing operations relates to the results for Hoyts and New Regency. The results for 2H2007 include a net loss of $54 million in Hoyts, which comprises $12 million equity accounted profit for the period and a write down of $66 million of the investment to its expected recoverable amount.

Related party transactions

During the relevant period, Crown did not have any significant related party transactions.

9.6.5 Crown Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the Crown and CMH pro forma results for FY2006 and FY2007.

Pro forma period $million	Note	FY2006	FY2007
CMH pro forma net profit before finance costs from continuing operations	1	27	59
Crown pro forma net profit before finance costs from continuing operations	2	310	342
Reverse pro forma adjustments:			
- Corporate costs – CMH		8	8
- Corporate costs – Crown		33	33
- Pro forma tax expense – CMH		10	14
- Pro forma tax expense – Crown		76	67
- PBLM share of associate results		-	(5)
Include items excluded:			
- Net corporate costs (including costs previously part of segment gaming expenses)		(65)	(94)
- Transaction related costs		-	(72)
- Unallocated interest expense		(188)	(150)
- Unallocated interest revenue		66	108
- Actual tax expense		(32)	(19)

Total PBL group profit after tax from continuing operations	3	**245**	**291**

Notes:

1 Balance agrees to Section 10.6.4 (a)
2 Balance agrees to Section 9.6.4 (a)
3 Balance agrees to FY2007 financial report

9.6.6 Crown Pro Forma Cash Flow Statements

The Crown Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

9.6.6(a) Summary of Crown Pro Forma Cash Flow Statements [1,2]

Pro forma period	**$million**	**FY2006**	**FY2007**
Cash flow from operating activities			
Receipts from customers		1,819	1,972
Payments to suppliers and employees		(1,292)	(1,386)
Income tax paid		(170)	(207)
Net operating cash flows		357	379
Cash flows from investing activities			
Purchase of property, plant and equipment		(103)	(203)
Proceeds on disposal of property, plant and equipment		-	1
Payments for equity investments		-	(360)
Payments for equity in associated entities		(237)	(197)
Payments for the acquisition of controlled entities		(2)	(27)
Proceeds from sale of equity investments		15	13
Advances to associated entities		(5)	(135)
Repayment of loan to associated entities		17	32
Other		(1)	-
Net investing cash flows		316	(876)

Notes:

1 The Crown Pro Forma Cash Flow Statements are unaudited
2 Cash flows from financing activities have not been included in the Crown Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of Crown

9.6.7 Management commentary on Crown Pro Forma Financial Information

9.6.7(a) Comments on Crown Pro Forma Information

When discussing the 100% owned businesses Crown Melbourne and Burswood, PBL has focussed on EBITDA calculated at the theoretical win rate for VIP gaming. Theoretical win rate represents the win percentage on VIP gaming turnover, which is currently calculated as 1.35%. The table below compares actual reported EBITDA to theoretical EBITDA:

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Pro forma period	$million	Note	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Actual EBITDA before pro forma corporate costs		1	302	241	543	280	333	613
Theoretical EBITDA before pro forma corporate costs			271	261	532	296	294	590
Difference – actual gain/(loss)			31	(20)	11	(16)	39	23

Note:

1 EBITDA represents revenue less expenses per Section 9.6.4 (a), and is before corporate costs

Commentary on the results of Crown's investments and operations is included below. More information is available from PBL's website, www.pbl.com.au, and within PBL's annual financial statements for FY2006 and FY2007 and interim financial statements for 1H2006 and 1H2007.

Highlights from the commentary are as follows:

FY2006 compared to FY2005 – 100% owned businesses

- reported revenue increased 16.8% to $1.7 billion and reflected solid main floor growth and 10% growth in VIP Program turnover;
- theoretical EBITDA, before pro forma corporate costs, increased 14.2% to $532 million;
- theoretical EBITDA margin, before pro forma corporate costs, increased to 30.6%;
- reported EBITDA, before pro forma corporate costs, increased 26.9% to $543 million with a win rate of 1.40% (above theoretical of 1.35%); and
- capital expenditure of $102 million (up by $51 million) reflects increased main floor spend at Crown Melbourne and Burswood and the new VIP room at Burswood.

FY2007 compared to FY2006 – 100% owned businesses

- reported revenue increased 10.6% to $1,909 million;
- theoretical EBITDA, before pro forma corporate costs, increased 10.9% to $590 million;
- theoretical EBITDA margin, before pro forma corporate costs, increased to 30.7%;
- reported EBITDA, before pro forma corporate costs, increased 12.9% to $613 million; with a win rate of 1.44% (above theoretical of 1.35%); and
- capital expenditure of $203 million (up by $100 million) reflects purchase of new aircraft at Crown Melbourne (previously leased) and completion of new VIP room at Burswood.

Investments

MPEL (41.4%)

PBL's share of MPEL's results for FY2007 was a loss of $47 million principally reflecting pre-opening costs at Crown Macau that have been written off.

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Aspinalls (50%)

PBL's share of Aspinalls' results for FY2007 was a loss of $1.8 million.

Betfair Australia (50%)

The business continues to build critical mass with PBL's share of the after tax loss $2.2 million.

9.6.8 Crown Pro Forma Balance Sheet

The table below sets out the Crown Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the Crown and PBL Directors in the preparation of the Crown Pro Forma Balance Sheet are set out in Section 9.6.8(b).

9.6.8(a) Summary of Crown Pro Forma Balance Sheet [1,2]

	30 June 2007 $ million
Cash	2,668
Trade and other receivables	105
Inventory	10
Prepayments	13
	2,796
Assets classified as held for sale	344
Current assets	**3,140**
Receivables	90
Property plant and equipment	1,775
Investments in associates accounted for using the equity method	1,181
Other investments	398
Intangible assets – casino licence	674
Intangible assets – casino management agreement	183
Intangible assets – goodwill	27
Deferred tax asset	184
Prepaid casino tax	74
Non-current assets	**4,586**
Total assets	**7,726**
Trade and other payables	235
Provisions	81
Interest bearing liabilities	20
Income tax payable	23
Current liabilities	**359**

Deferred tax liability	445
Interest bearing liabilities	2,345
Provisions	33
Non-current liabilities	**2,823**
Total liabilities	**3,182**
Net assets	**4,544**

Notes:
1 The Crown Pro Forma Balance Sheet is unaudited
2 Other Disclosure Notes are included in Section 9.6.8 (c)

9.6.8(b) Adjustments to the Crown Pro Forma Balance Sheet

The following pro forma adjustments were made to prepare the Crown Pro Forma Balance Sheet:

- a pro forma adjustment has been made to record the interest bearing liability raised to finance the cash consideration to be paid as part of the PBL Scheme ($2,036 million) and the actual payment of that consideration ($2,036 million);
- a pro forma adjustment has been made to reduce the cash held by Crown by $170 million to reflect the final dividend relating to FY2007 payable on 15 October 2007;
- a pro forma adjustment has been made to record the payment of transaction costs of $58 million relating to the costs associated with the PBL Scheme paid subsequent to 30 June 2007. Transaction costs include redundancies, advisors fees and cost of debt repayment;
- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available for allocation to CMH and Crown and reduces the carrying value of the investments; and
- after the pro forma adjustments in CMH and Crown, Crown (post PBL Scheme only) is assumed to have approximately $2,758 million in cash. As a pro forma assumption, and if the Recommended Proposal proceeds, $90 million of this cash is to be retained by CMH. The residual cash balance, being $2,668 million is to be transferred to Crown.

9.6.8(c) Other disclosure notes

Reconciliation of pro forma cash assets

The Crown Pro Forma Balance Sheet includes all cash from the PBL business, aside from $90 million which will be retained in CMH. A reconciliation of pro forma cash is provided below:

	Notes	Crown Pro forma $million
PBL cash at 30 June 2007	1	2,228
Cash received from drawdown of debt	2	2,036
Cash paid to shareholders as part of the Recommended Proposal	2	(2,036)

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Cash for payment of transaction costs	(58)
Cash received from (25%) PBL Media sale	526
Cash received from Ticketek and Acer Arena sale (net of cash retained)	172
Cash for payment of final PBL dividend	(170)
Cash from Foxtel/Foxsports distribution	60
Pro forma cash retained in CMH	(90)
Pro forma cash retained in Crown	**2,668**

Notes:

1 Balance agrees to PBL balance sheet as at 30 June 2007

2 The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares

Property, plant and equipment

At 30 June 2007 $million	Freehold land and buildings	Buildings on leasehold land	Plant and equipment	Construction work in progress	Total property, plant & equipment
Cost (gross carrying amount)	774	947	1,116	22	2,859
Accumulated depreciation	(121)	(293)	(670)	-	(1,084)
Net carrying amount	**653**	**654**	**446**	**22**	**1,775**

Assets Classified as Held for Sale

An analysis of assets classified as held for sale is provided below:

At 30 June 2007	$million
Investment in Hoyts	143
Investment in New Regency	201
	344

On 24 September 2007 PBL announced that it had entered an agreement to dispose of its investment in Hoyts.

Investments in associates

An analysis of the investment in associates balance is provided below.

At 30 June 2007	Ownership percentage	Carrying value in Crown Pro Forma Balance Sheet $million	Share of associates net assets $million
MPEL	41.4%	1,053	952
Aspinalls	50%	110	43
Betfair Australia	50%	18	17
Total		**1,181**	**1,012**

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In addition to the above interests, Crown has $74 million of receivables from investments in associates as at 30 June 2007.

Other Investments

An analysis of the other investments balance is provided below:

At 30 June 2007	Ownership	Carrying value $million
Fontainebleau	19.6%	333
Crown LV	37.5%	27
Capital Club		38
		398

Interest bearing liabilities and unused financing facilities

At 30 June 2007, after adjusting for the pro forma adjustments outlined in Section 9.6.8 (b), Crown has the following interest bearing liabilities and financing facilities:

At 30 June 2007 $million	Interest bearing liabilities	Total Facility	Letters of credit	Undrawn facilities
Bank facilities	2,056	2,720	185	479
Other senior debt	300	300	-	-
	2,356	**3,020**	**185**	**479**

The financing facilities mature in the following periods:

	Total facility $million	Expiry date
Bank facilities	2,150	September 2010
	570	June 2011
Other senior debt	125	March 2011
	175	July 2036
	3,020	

The weighted average interest margin across the facilities is 52 basis points over BBSW.

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial papers. Interest is earned at or marginally below BBSW.

9.6.9 Commitments, contingencies and hedging

9.6.9(a) Capital expenditure and other commitments

On 4 April 2007, PBL announced that it had formed a joint venture with Macquarie, New World Gaming, to make an offer to acquire Gateway. The total value of the transaction was announced to be approximately $1,446 million. Crown will contribute approximately

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$210 million of equity and loans to the joint venture. As the Gateway Offer is incomplete at the date of this booklet, a pro forma adjustment has not been made for this investment.

Crown will spend approximately $560 million over the next five years, over and above normal capital expenditure, towards a refurbishment of the property's flagship hotel, the Crown Towers, refurbishment of the main gaming floor, an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel.

Crown will spend approximately $100 million over the next four years, over and above normal capital expenditure to be directed towards a refurbishment of Burswood's main gaming floor and hotel facilities.

9.6.9(b) Contingent liabilities

As part of the ongoing operations of the casino businesses, subsidiaries of Crown are parties to ongoing gaming related litigation. The PBL and Crown Directors believe that the probability of an exposure to the entity is low and consequently no amounts have been provided in relation to these matters.

As outlined in Section 13.13, PBL is party to a number of other ongoing legal proceedings. As part of the Demerger Scheme, the responsibility for any liability arising in connection with ongoing legal proceedings will be shared by Crown (75%) and CMH (25%).

No liability has been recorded at 30 June 2007 because the PBL and Crown Directors believe that the probability of an amount being paid is low.

Crown has made guarantees of approximately $383 million in relation to commitments of certain of its associates. The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to this amount or the timing of any outflows.

PBL has guaranteed letters of credit issued to the State of Victoria of $185 million in respect of obligations of Crown Limited.

No other contingent liabilities existed as at 30 June 2007.

9.6.9 (c) Hedging

Crown has some balance sheet foreign currency exposure resulting from investments outside Australia. Crown does not hedge these exposures.

9.7 Risk factors associated with Crown

9.7.1 General risks that affect the general economy and stock market

The financial performance of Crown and Crown shares may fluctuate due to various factors including movements in the Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian and international economic conditions, changes in government, fiscal, monetary and regulatory policies, global geopolitical events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Crown's financial position and earnings. In the future, these factors may affect the income and expenses of Crown or cause Crown shares to trade below their initial listing price.

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9.7.2 Specific risk factors that affect Crown

Set out below are some of the key risks attaching to an investment in Crown which have been identified as potentially affecting the financial performance of Crown, the ability of Crown to pay and/or frank dividends or otherwise make distributions and the value of Crown shares. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of Crown and the Crown Board and may not be able to be mitigated.

(a) Economic growth

The performance of Crown depends upon discretionary spending by businesses and individuals. Changes in economic factors such as interest rates, employment levels and consumer costs, consumer spending, consumer sentiment and market volatility, can be expected to impact, either favourably or unfavourably, on the businesses of Crown.

(b) Government policy and regulatory oversight

Crown will operate in a highly regulated industry, and the activities it conducts and the level of competition that it experiences will depend on government policy in relation to the industry and the licences granted to Crown and others to conduct gaming activities.

Changes in legislation, regulation or government policy in any jurisdiction in which Crown will conduct its operations may adversely impact the operations and financial performance and position of Crown.

Potential changes that may affect the profitability of Crown and the value of the licences granted to it include:

- changes in casino gaming tax rates and levies;
- changes to restrictions on the number, type, speed and location of gaming machines;
- changes to the mandatory minimum 'return to player' on gaming machines;
- changes to approved table games and the approved rules of the games;
- the granting of additional gaming licences; and
- changes to laws governing public policy, such as the banning of smoking in public spaces.

(c) Commercial and operational issues

Crown will face general commercial risks including the risks of volatility in its international commission business, competition and other causes of business interruption, which may have a material adverse effect on the financial performance and position of Crown.

The industries in which Crown operates are capital intensive and require a significant degree of capital expenditure in order to maintain the condition of gaming sites. Capital expenditure requirements may impact the cash flow available to service financing obligations and pay dividends. Additionally,

incurred capital expenditure may or may not deliver the expected operational benefits and may have a material adverse effect on the financial performance and position of Crown.

(d) Early development stages

Crown will have investments and financial interests in a number of projects that are at an early stage of development including The City of Dreams, the Macau peninsula site, Aspers in Northampton, Aspers at the Pavilion, Crown Las Vegas and Fontainebleau Resorts. These projects are subject to significant risks and uncertainties, including the ability to:

- complete construction projects within their anticipated time schedules and budgets;
- attract and retain customers and qualified employees;
- operate, support, expand and develop operations and facilities;
- raise necessary funding; and
- respond to competitive market conditions.

The realisation of these or other uncertainties could result in delay or prevent the finalisation of one or more of these projects.

(e) Competition

In general, gaming competes with other consumer products and services for consumers' discretionary expenditure and in particular with other forms of leisure and entertainment such as cinema, restaurants, sporting events and pay television.

Crown is also exposed to competition from other gaming providers in certain areas where it does not have an exclusive casino licence, as well as in areas where alternate forms of gambling, e.g. wagering, are legal.

If Crown does not adequately respond to competition in the markets in which it operates, there may be a change in consumer spending patterns and an adverse effect on the financial performance of Crown.

(f) Acquisitions and integration

Crown will regularly examine corporate opportunities (including potential acquisitions) with a view to determining whether those opportunities will enhance its business in the pursuit of Crown's growth strategy. The successful implementation of Crown's corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to acquired businesses.

Any acquisition or investment that Crown pursues could for a variety of reasons, have a material adverse effect on Crown. Crown will in such circumstances be exposed to due diligence risks or business integration risks and, in those circumstances, may not realise the anticipated value from acquisition or investment opportunities. Any failure to realise the anticipated value from investments or acquisitions could have a material adverse impact on Crown.

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(g) Further funding

In order to provide for future growth, Crown may rely on both equity and debt funding. The Crown Directors are not currently aware of any reason why this funding should not continue to be made available to the business at acceptable costs. However, an inability to obtain the necessary funding for the business may have a material adverse impact on Crown.

(h) Loss of key management

The successful operation of Crown will depend partly upon the performance and expertise of its management and employees. The loss of the services of key managers or employees, or a loss of ability to continue to attract and retain qualified employees, may have a material adverse effect on Crown's investments or Crown itself.

A change of staff could affect ongoing relationships with various parties connected to Crown, including government and regulatory bodies. However, the Crown Directors believe that the proposed Crown personnel are sufficiently experienced to manage any such risk following the implementation of the Recommended Proposal.

(i) Exchange rates risk

Crown will hold investments overseas and may make further overseas investments or acquisitions consistent with its strategies. Any material adverse movements in relevant exchange rates may have a material adverse impact on the ongoing financial performance of Crown.

(j) Litigation

As at the date of this Demerger Scheme Booklet, Crown is not aware of any actual material litigation arising out of the Gaming Businesses or any other matters that could give rise to material litigation. However, Crown could in the future become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of Crown.

9.8 Other information

9.8.1 Auditor

Ernst & Young has been appointed as Crown's auditor.

9.8.2 Dividend policy

The Crown Directors' intended dividend policy is to distribute 100% of continuing normalised net profit after tax, franked to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of Crown, an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The interim dividend paid for FY2008 will reflect the trading performance of the Gaming Businesses from 1 July 2007 until the PBL Scheme Effective Date, and Crown's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the future profits of Crown and its financial and taxation position at the time.

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Section 10 – CMH (if the Recommended Proposal is implemented)

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Section 10 - CMH (if the Recommended Proposal is implemented)

10.1 Overview of CMH

As described more fully in Section 4, if the Recommended Proposal is implemented, CMH will be demerged from Crown to be a separate listed public company.

This Section 10 describes the key features of CMH if the Recommended Proposal is implemented. In this event, CMH will hold the Media Businesses as described in Section 8.

10.2 CMH's strategy

The CMH executives will utilise their media expertise to pursue organic and acquisitive growth strategies to maximise earnings and cash flows back to CMH. These executives will also sit on the Boards of each of CMH's investments. Any investments are likely to be primarily in new media, and may be international. If appropriate, CMH is also prepared to contribute extra capital to current investments to assist in supporting their growth strategies.

10.3 Business strengths

The key business strengths of CMH's investments include:

- **diversified portfolio of media investments:** mix of both new media (subscription television and online) and traditional media (FTA TV and magazines) investments:
  - exposure to new media through FOXTEL (the only Australian metropolitan subscription television company), PMG (a leading producer of subscription television channels), ninemsn (the leading Australian entertainment and media website), carsales (the leading Australian online automotive classified websites) and SEEK (the clear leader in job search website); and
  - exposure to traditional media through PBL Media, in particular the Nine Network, which has a significant market share in Australian FTA television, and ACP Magazines, which has a leading market position in magazine sales in Australia and New Zealand;
- **unique exposure to subscription television:** CMH's investments in FOXTEL and PMG offer shareholders direct exposure to Australia's leading subscription television operator and subscription television content provider respectively;
- **strong online investment portfolio:** CMH's investment in SEEK and PBL Media, which has investments in ninemsn, carsales and myhome, will provide CMH with significant online exposure;
- **portfolio positioned for growth (earnings and cash flow):** CMH's exposure to new media investments such as online and subscription television provide it with significant potential for earnings growth;
- **board representation within investments:** CMH will have Board representation in all its direct investments;
- **experienced management teams within investments:** CMH's investments have focused management teams with significant industry expertise, proven financial discipline and cost management experience; and

- **experienced Board to oversee existing and new investments:** the PBL Directors at the date of this Demerger Scheme Booklet will remain directors of CMH. Further details of the PBL Directors, including their experience, is set out in Section 13.1.

10.4 CMH Board and management

10.4.1 CMH Board

At the date of this Demerger Scheme Booklet, the CMH Board comprises the same director members as the PBL Board, of whom six members are independent directors and six members are non-independent directors.

Independence is determined according to the following criteria, namely whether:

- the Director is a substantial shareholder of CMH or an officer of, or otherwise associated directly with, a substantial shareholder of CMH;
- within the last three years, the Director has been employed in an executive capacity by CMH or a PBL Group company, or has been a director after ceasing to hold any such employment;
- within the last three years the Director has been a principal of a material professional adviser or a material consultant to CMH or a PBL Group company, or an employee materially associated with the service provider;
- the Director is a material supplier or customer to CMH or a PBL Group company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- the Director has material contractual relationship with CMH or a PBL Group company other than as a Director of CMH; and
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of CMH.

The thresholds for determining the independence of the non-executive Directors are as follows:

For Directors:

- any other relationship which accounts for more than 20% of his/her gross income; or
- if the relationship is with an entity in which the Director, or any associate, has more than a 20% economic interest (if a private entity) or 10% shareholding (if a listed entity); and

For CMH:

- in respect of fees paid in excess of $2 million per annum to advisers or consultants;
- in respect of customers, where CMH supplies products or services in excess of $2 million per annum; or

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- in respect of suppliers, where CMH purchases goods or services in excess of $2 million per annum.

Following the implementation of the Recommended Proposal, the CMH Board may give consideration to altering its composition and potentially reducing its size.

10.4.2 CMH management

As noted in Section 8, CMH does not operate or manage any business. Rather, the Media Businesses comprise a diversified portfolio of market-leading media assets, in which CMH has investments.

As a result, it is expected that CMH will have a limited number of employees and two senior executives at the time the Demerger is implemented.

The name, position and biography of the two most senior executives of CMH at the time the Demerger is implemented are as follows:

Name/Position	Biography
John Alexander, Executive Chairman	• Mr Alexander was promoted to the role of CEO and Managing Director of PBL in June 2004 • In January 2002, he was appointed CEO of PBL's media businesses, which included ACP Magazines and Nine Network (then wholly owned by PBL) • Mr Alexander joined ACP Magazines as Group Publisher in 1998 and was appointed CEO of that division in March 1999, a position he held until April 2006
Martin Dalgleish	• Mr Dalgleish is PBL's Chief Executive Officer New Media and was appointed to PBL in January 2005 • Mr Dalgleish has extensive experience and involvement across all of the PBL New Media assets through direct Board representation • Prior to commencement with PBL, he was Managing Director of Optus Consumer Division from 2001 to 2004, accountable for the operations in internet, broadband, Pay-TV and fixed wireline telephony

Mr Chris Anderson will be a non-executive Director when the Demerger is implemented. In that capacity, Mr Anderson will have specific duties in addition to normal board duties and he will be responsible for monitoring the performance of a number of the CMH investments and he will be a CMH nominee on the Boards of those investment companies, in particular FOXTEL, PMG and SEEK.

10.5 Corporate governance

10.5.1 Board and corporate governance

The approach of CMH after the Demerger Implementation Date to corporate governance will be the same as the current approach of PBL to corporate governance with the exception that CMH will not delegate to the same extent to

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Committees. Further detail on the Board Committees is provided at Section 10.5.1(c).

(a) Composition of the Board

The Executive Chairman of the CMH Board will be Mr John Alexander and the Deputy Chairman of the CMH Board will be Mr James Packer. The members of the CMH Board are set out in Section 13.1 together with their experience.

(b) Role of the Board

The CMH Board is responsible for guiding and monitoring CMH on behalf of the CMH Shareholders, directing and supervising its affairs within the framework of the CMH Constitution, the Corporations Act and the ASX Listing Rules, together with any other policies and delegations as determined by the CMH Board from time to time.

In addition, the CMH Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Matters reserved for the CMH Board include:

- in conjunction with management, establish a vision and strategy for CMH;
- approval of the annual business plan;
- approval of specific items of capital expenditure and investments and disinvestments in excess of $50 million;
- appointing and approving the terms and conditions of appointment of all executive officers, including the terms and conditions of the appointment of the CFO (at this time, it is not proposed that CMH shall appoint a CEO, with these duties being the responsibility of the Executive Chairman);
- approval of remuneration policies;
- approval of the half year and full year financial statements;
- approval of the interim and final dividends to shareholders;
- approval of any significant changes to accounting policies;
- terms of reference and membership of Board Committees;
- consideration of Board appointments; and
- other matters as determined from time to time by the Board.

While the CMH Board will at all times retain full responsibility for guiding and monitoring CMH, in discharging its responsibilities, it intends to make use of Committees. Specialist committees are able to focus on a particular area of the CMH Board's responsibility and provide informed feedback to the CMH Board for its consideration. Details of each of the CMH Committees are set out below.

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(c) Board Committees

To assist in carrying out its responsibilities, the CMH Board will continue the following committees:

- Audit & Corporate Governance Committee;
- Remuneration Committee; and
- Risk Management Committee.

The delegation of various Board responsibilities to a Board Finance Committee, Investment Committee and Occupational Health & Safety Committee will be discontinued as the tasks undertaken by these Committees shall be undertaken by the Board as a whole. This decision is due to the ongoing nature of CMH's investments as described in Section 8.

Charters for the various Committees were summarised in PBL's 2007 Annual Report, a copy of which is available on PBL's website at www.pbl.com.au.

The composition of each of the Committees from the Demerger Scheme Effective Date will be as follows:

Committees	Members
Audit & Corporate Governance	Richard Turner (Chair)
	Michael Johnston
	Rowena Danziger
Remuneration	James Packer (Chair)
	Chris Anderson
Risk Management	Geoff Dixon (Chair)
	Rowena Danziger
	David Lowy

(d) Board processes

The processes of the CMH Board will be governed in accordance with the CMH Constitution, which is the same as the existing PBL Constitution. A summary of the CMH Constitution is contained in Section 13.15.

(e) Resources available to the Board

CMH Directors will have unrestricted access to all records and information of CMH reasonably necessary for the fulfillment of their responsibilities. CMH Directors will also have access to the Company Secretary, Executive Chairman and relevant senior management. They will receive regular detailed reports on financial and operational aspects of CMH's business and may request elaboration or explanation of those reports at any time.

In addition, each CMH Director may seek independent professional advice at CMH's expense. Prior approval of the Chairman will be required but this may not be unreasonably withheld.

The Chairman will be responsible to see that all CMH Board members are well briefed and have access to information on all aspects of CMH's operations. CMH's Directors and senior management will be encouraged to broaden their knowledge of CMH's business and to keep abreast of developments in business more generally by attendance at relevant seminars and conferences. CMH will meet the expenses involved in such activities.

10.5.2 Directors' Fees/Executive contract terms

(a) The maximum annual remuneration that may be payable to the non-executive directors of CMH for directors' fees is $1 million (this amount was approved by PBL Shareholders at the 2003 PBL Annual General Meeting). This amount can only be increased by an ordinary resolution of the CMH Shareholders passed at a general meeting.

(b) Mr Alexander will be the Executive Chairman and Mr Anderson will be a Non-Executive Director of CMH with effect from the PBL Scheme Effective Date. A summary of their service agreements is set out in Section 13.4.

Director indemnities

The indemnification of CMH Directors by CMH under the CMH Constitution is summarised in Section 13.15.

10.5.3 Executive and Employee Remuneration Policy

Remuneration of key management personnel is not expected to exceed $3 million in aggregate.

10.5.4 Employee and Executive Equity Plans

At the date of this Demerger Scheme Booklet, PBL operates the ESP. With effect from the PBL Scheme Effective Date, the ESP will be terminated, with the consequence that no further ESP Shares will be issued after that date. However, there are a number of changes that will be made to the ESP and to the rights and entitlements of existing participants in the ESP to take account of the Recommended Proposal. Further details of the changes are set out in Section 13.7.

10.6 CMH financial information

10.6.1 Introduction

This Section 10.6 contains information concerning the pro forma financial performance, cash flows and financial position of CMH if the Recommended Proposal is implemented. The following financial information has been prepared by the CMH and PBL Directors and in aggregate is referred to as the CMH Pro Forma Financial Information:

- summary pro forma income statements for CMH for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**CMH Pro Forma Income Statements**);
- reconciliation of the PBL statutory reported net profit after tax from continuing operations to the CMH pro forma net profit before finance costs from continuing operations for FY2006 and FY2007 (**CMH Pro Forma Profit Reconciliation**);
- summary pro forma cash flow statements for CMH for FY2006 and FY2007 (**CMH Pro Forma Cash Flow Statements**); and

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- pro forma balance sheet for CMH as at 30 June 2007 (**CMH Pro Forma Balance Sheet**).

10.6.2 Basis of preparation and presentation

The CMH Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;
- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 12;
- the significant accounting policies applied in the preparation of the CMH Pro Forma Financial Information in Section 18; and
- Section 4 which sets out an overview of the Recommended Proposal.

The CMH Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS, except accounting for the 50% investment in PBL Media, which has been equity accounted from 7 February 2007 to 6 June 2007 as described in Section 10.6.4 (b) below;
- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and
- reviewed by Ernst & Young as set out in the Independent Accountant's Report in Section 12.

10.6.3 CMH Pro Forma Financial Information

The CMH and PBL Directors have prepared the CMH Pro Forma Income Statements, CMH Pro Forma Profit Reconciliation, CMH Pro Forma Cash Flow Statements and CMH Pro Forma Balance Sheet to provide an overview of the financial position and financial performance of the Media Businesses.

The CMH Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Media Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007, and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Media Businesses are included in the CMH Pro Forma Income Statements and the CMH Pro Forma Cash Flow Statements for the period that they were owned by PBL. PBL Media's results have been included from 7 February 2007 when it was formed. The businesses now owned by PBL Media have not been included in the CMH financial results for any period prior to February 2007.

Additional pro forma assumptions have been made to reflect the expected corporate costs of CMH after the Demerger Scheme has been implemented in the CMH Pro Forma Income Statements and the CMH Pro Forma Cash Flow Statements.

Pro forma assumptions have also been made in the CMH Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership interests in certain investments subsequent to 30 June 2007, and the impact of the Recommended Proposal.

The CMH Pro Forma Profit Reconciliation has been prepared to provide information in relation to how the demerged results of PBL have been reflected in CMH and Crown.

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Detailed pro forma assumptions in relation to the preparation of the CMH Pro Forma Income Statements are included in Section 10.6.4. Detailed pro forma assumptions in relation to the preparation of the CMH Pro Forma Balance Sheet are included in Section 10.6.8.

10.6.4CMH Pro Forma Income Statements

10.6.4(a) Summary of CMH Pro Forma Income Statements[1]

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Revenue	**2**	**3**	**5**	**3**	**3**	**6**
Expenses	(2)	(2)	(4)	(2)	(3)	(5)
Corporate costs	(4)	(4)	(8)	(4)	(4)	(8)
EBITDA	**(4)**	**(3)**	**(7)**	**(3)**	**(4)**	**(7)**
Depreciation and amortisation	(1)	(1)	(2)	(1)	(1)	(2)
EBIT	**(5)**	**(4)**	**(9)**	**(4)**	**(5)**	**(9)**
Share of net profit / (loss) of associates						
- FOXTEL (25%)	(5)	6	1	7	10	17
- PMG (50%)	17	19	36	19	27	46
- SEEK (27%)	4	5	9	6	8	14
- PBL Media (25%)	-	-	-	-	5	5
Total share of net profit from associates	**16**	**30**	**46**	**32**	**50**	**82**
Net profit before finance costs and income tax	**11**	**26**	**37**	**28**	**45**	**73**
Income tax expense	(5)	(5)	(10)	(2)	(13)	(15)
Net profit before finance costs from continuing operations	**6**	**21**	**27**	**26**	**32**	**58**
Net profit after tax from discontinuing operations	-	-	-	-	4	4
Pro forma net profit before finance costs	**6**	**21**	**27**	**26**	**36**	**62**

Notes:
1 The CMH Pro Forma Income Statements are unaudited

10.6.4(b) Adjustments to CMH Pro Forma Income Statements

A reclassification adjustment relating to PBL Media's results has been made between continuing and discontinuing operations, to the CMH Pro Forma Income Statements, as described in the other disclosure notes below.

The following pro forma adjustments were made to prepare the CMH Pro Forma Income Statements:

- corporate costs of $8 million per annum have been included in CMH based on estimated overhead costs expected to be incurred by CMH in the future under the operating and management structure described in Section 10.3;
- direct net finance costs have not been included in the CMH Pro Forma Income Statements because the capital structure does not reflect the future capital structure of CMH; and
- as described in its FY2007 financial report, PBL disposed of a 50% economic interest in PBL Media on 7 February 2007, however PBL retained control of PBL Media until 6 June

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2007. Consequently, PBL consolidated PBL Media in its FY2007 financial statements for the period 7 February 2007 to 6 June 2007, classifying the results in discontinued operations. From 6 June 2007 to 30 June 2007, PBL equity accounted its 50% share of PBL Media's result. In order to show the results of PBL Media, from its inception on 7 February 2007 to 30 June 2007 on a consistent basis, and to reflect the future treatment of PBL Media, the PBL and Crown Directors have equity accounted its 50% share of PBL Media's results for the full period from 7 February 2007 to 30 June 2007 in this financial section. This does not affect the amount of Net Profit attributable to Members of the Parent disclosed in the FY2007 financial report, however it does affect a number of line items in the Income Statement.

10.6.4(c) Other disclosure notes

Taxation

Tax has been recorded based on the tax expense attributable to corporate costs and certain distributions from the investments in CMH and deferred tax as described below. As a result of the Recommended Proposal, the historical tax expense is not necessarily indicative of the future tax.

Pro forma period $million	**1H2006**	**2H2006**	**FY2006**	**1H2007**	**2H2007**	**FY2007**
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before financing costs and income tax from continuing operations	11	26	37	28	45	73
Profit before financing costs and income tax from discontinuing operations	-	-	-	-	5	5
Profit before financing costs and income tax	**11**	**26**	**37**	**28**	**50**	**78**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	3	8	11	8	15	23
Tax effect of:						
Share of associates' net losses / (profits)	(5)	(9)	(14)	(10)	(15)	(25)
Taxable distributions from associated entities	5	5	10	2	6	8
Deferred income tax on temporary differences	2	1	3	2	7	9
Income tax expense	**5**	**5**	**10**	**2**	**13**	**15**
Income tax expense comprises						
Current expense	3	4	7	-	6	6
Deferred expense	2	1	3	2	7	9
	5	**5**	**10**	**2**	**13**	**15**

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The deferred tax expense relates to the recognition of a deferred tax liability in investments in associates where the accounting cost base is greater than the current tax base.

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Aggregate income tax expense is attributable to:						
Continuing operations	5	5	10	2	12	14
Discontinuing operations	-	-	-	-	1	1
	5	**5**	**10**	**2**	**13**	**15**

The PBL Scheme and the Demerger Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme and/or the Demerger Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the pro forma accounts.

Discontinued operations

Net profit from discontinuing operations includes the share of net profit after tax from PBL Media for the period 7 February 2007 to 30 June 2007 relating to the additional 25% interest sold to CVC Capital Partners and CVC Asia Pacific on 10 September 2007.

Related party transactions

During the relevant period, PBL provided services to the following related parties:

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
CPH rental of 54 Park St, Sydney NSW	-	1	1	1	1	2
PBL Media rental of 54 Park St, Sydney NSW	2	2	4	2	2	4

10.6.5CMH Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the CMH and Crown pro forma net profit before finance costs from continuing operations for FY2006 and FY2007.

Pro forma period $million	Notes	FY2006	FY2007
CMH pro forma net profit before finance costs from continuing operations	1	27	59
Crown pro forma net profit before finance costs from continuing operations	2	310	342
Reverse pro forma adjustments:			
- Corporate costs – CMH		8	8
- Corporate costs – Crown		33	33
- Pro forma tax expense – CMH		10	14
- Pro forma tax expense – Crown		76	67
- PBLM share of associate results (continuing only)		-	(5)

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Include items excluded:			
- Net corporate costs (including costs previously part of segment gaming expenses)		(65)	(94)
- Transaction related costs		-	(72)
- Unallocated interest expense		(188)	(150)
- Unallocated interest revenue		66	108
- Actual tax expense		(32)	(19)
Total PBL group profit after tax from continuing operations	3	**245**	**291**

Notes:
1 Balance agrees to Section 10.6.4 (a)
2 Balance agrees to Section 9.6.4 (a)
3 Balances agree to the FY2007 financial statements

10.6.6CMH Pro Forma Cash Flow Statements

The CMH Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

10.6.6(a) Summary of CMH Pro Forma Cash Flow Statements [1,2]

Pro forma period	**$million**	**FY2006**	**FY2007**
Cash flows from operating activities			
Receipts from customers		6	6
Payments to suppliers		(13)	(14)
Dividends from associates		36	28
Net operating cash flows		29	20
Cash flows from investing activities			
Purchase of property, plant and equipment		(5)	(13)
Payment for purchases of associated investments		-	(55)
Net investing cash flows		(5)	(68)

Notes:
1 The CMH Pro Forma Cash Flow Statements are unaudited
2 Cash flows from financing activities have not been included in the CMH Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of CMH

10.6.7Management commentary on CMH Pro Forma Financial Information

10.6.7(a) Comments on CMH Pro Forma Financial Information

Commentary on the results of CMH's investments is included below. More detailed information is available from PBL's website, www.pbl.com.au, and within PBL's annual financial statements for FY2006 and FY2007 and interim financial statements for 1H2006 and 1H2007.

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Highlights from the commentary are as follows:

FY2006 compared to FY2005

FOXTEL (25%)

- CMH has included an equity accounted profit of $1.0 million for FY2006 (representing CMH's 25% share) compared to a loss of $28 million in FY2005. FOXTEL's revenues grew 17% in FY2006 with approximately 1.27 million total subscribers at 30 June 2006;
- FOXTEL did not pay any cash dividends in FY2006;

PMG (50%)

- CMH has included an equity accounted profit of $36 million for FY2006 (representing CMH's 50% share) compared to $21 million in FY2005. PMG's revenue grew 14% in FY2006. PMG had approximately 1.8 million total subscribers at 30 June 2006;
- PMG paid a $33 million unfranked dividend to PBL in FY2006;

SEEK (27%)

- CMH has included an equity accounted profit for SEEK of $9 million (representing CMH's 27% share) in FY2006 compared with $5 million in FY2005;
- SEEK paid a $3 million fully franked dividend to PBL;

FY2007 compared to FY2006

FOXTEL (25%)

- CMH has included an equity accounted profit of $17 million (representing CMH's 25% share) in FY2007 compared to a profit of $1.0 million in FY2006. FOXTEL revenues grew 12% in FY2007, with total subscriber numbers of approximately 1.44 million at 30 June 2007;
- FOXTEL did not pay any cash dividends in FY2007;

PMG (50%)

- CMH has included an equity accounted profit of $46 million (representing CMH's 50% share) in FY2007 compared with $36 million in FY2006. PMG grew revenue by 29% in FY2007 driven by increased subscriber numbers, the launch of FOX SPORTS 3, price increases and advertising revenue growth. Costs increased primarily reflecting the launch of FOX SPORTS 3 and FOX SPORTS News Channel;
- pre-tax earnings grew 45% although margins declined slightly as a result of the extra channel launches;
- PMG distributed $30 million to PBL in FY2007;

SEEK (27%)

- CMH has included an equity accounted profit of $14 million (representing CMH's 27% share) in FY2007 compared with $9 million in FY2006;
- SEEK paid an $8 million fully franked dividend to PBL in FY2007;

- During FY2007, PBL increased its stake in SEEK from 25% to 27% with a $35 million investment; and

PBL Media (25%)

- CMH has included an equity accounted profit of $5 million in FY2007 representing CMH's share (at 25%) of PBL Media's results for approximately five months from 7 February 2007.

10.6.8 CMH Pro Forma Balance Sheet

The table below sets out the CMH Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the CMH and PBL Directors in the preparation of the CMH Pro Forma Balance Sheet are set out in Section 10.6.8 (b).

10.6.8(a) Summary of CMH Pro Forma Balance Sheet [1,2]

	30 June 2007 **$million**
Cash	90
Current assets	**90**
Property plant and equipment	56
Investments in associates	(56)
Non-current assets	**-**
Total assets	**90**
Deferred tax liability	33
Non-current liabilities	**33**
Total liabilities	**33**
Net assets	**57**

Notes:
1 The CMH Pro Forma Balance Sheet is unaudited
2 Other Disclosure Notes are included in Section 10.6.8 (c)

10.6.8(b) Adjustments to the CMH Pro Forma Balance Sheet

The following pro forma adjustments were made to prepare the CMH Pro Forma Balance Sheet:

- in a transaction completed on 16 July 2007, PBL sold its Ticketek and Acer Arena businesses to PBL Media for $210 million. As part of the transaction approximately $38 million of cash was retained by Ticketek, resulting in a net increase to PBL's cash of $172 million. This transaction also affects the carrying value of PBL's investment in PBL Media;

- on 10 September 2007, PBL sold an additional 25% of PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific for $526 million. This affects the carrying value of PBL's investment in PBL Media;

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- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available for allocation between CMH and Crown and reduces the carrying value of the investments;

- after the pro forma adjustments in both CMH and Crown, Crown (post PBL Scheme only) is assumed to have approximately $2,758 million in cash. As a pro forma assumption, and if the Recommended Proposal proceeds, $90 million of this cash is to be retained by CMH, with the balance being retained by Crown.

10.6.8(c) Other disclosure notes

Cash assets

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

Property, plant and equipment

At 30 June 2007 $million	Freehold land and buildings	Plant and equipment	Construction Work in Progress	Total property, plant and equipment
Cost (gross carrying amount)	46	14	4	64
Accumulated depreciation	(5)	(3)	-	(8)
Net carrying amount	**41**	**11**	**4**	**56**

The property, plant and equipment relates to the land, buildings and fittings at the corporate office building at 54 Park Street, Sydney.

Investments in associates

An analysis of the investment in associates balance is provided below.

At 30 June 2007	Ownership percentage	Carrying value in CMH Pro Forma Balance Sheet $ million	Share of associates net assets $ million
FOXTEL	25%	89	213
PMG	50%	108	104
SEEK	27%	91	29
PBL Media	25%	(344)	513
Total		**(56)**	**859**

In accordance with Australian Accounting Standards, the negative carrying value of PBL Media effectively reflects 25% of the cost of net assets sold by PBL to PBL Media, offset by the 25% share of PBL Media's debt.

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10.6.9 Commitments and contingencies

10.6.9(a) Expenditure commitments

CMH does not have any capital or other expenditure commitments.

10.6.9(b) Contingent liabilities

As outlined in Section 13.13, PBL is party to a number of other ongoing legal proceedings. As part of the Demerger Deed, the responsibility for any liability arising in connection with ongoing legal proceedings will be shared by Crown (75%) and CMH (25%).

No liability has been recorded at 30 June 2007 because the Directors believe that the probability of an amount being paid is low.

No other contingent liabilities existed as at 30 June 2007.

10.7 Risk factors associated with CMH

10.7.1 General risks that affect the general economy and stock market

The financial performance of CMH will fluctuate due to various factors including movements in the Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian, New Zealand and international economic conditions, the advertising cycle, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect CMH's financial position and earnings. In future, these factors may cause CMH shares to trade below their issue price or initial listing price and may affect the income and expenses of CMH.

10.7.2 Specific risk factors that affect CMH

Set out below are some of the key risks attaching to an investment in CMH which have been identified as potentially affecting the performance of CMH, the ability of CMH to pay and/or frank dividends or otherwise make distributions and the value of CMH shares. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of CMH and the CMH Directors and may not be able to be mitigated.

(a) Economic growth

CMH's investments will be exposed to the general risks of operating in the media industry. The performance of CMH's investments are highly dependent upon the Australian, New Zealand and global economy. For example, advertising spend is influenced by GDP growth, general market conditions and consumer/business confidence. An adverse change in these economies and sentiment may have a material adverse effect on the financial performance of CMH's investments.

Non-advertising revenue generated by CMH's investments also depends on spending by consumers and businesses in Australia and overseas. Spending levels are affected by economic conditions and changes in economic conditions in Australia and overseas and are beyond the control of CMH. Such changes include, but are not limited to, changes in inflation, petrol prices and interest rates. A deterioration in economic conditions could adversely affect the financial performance of CMH's investments and CMH.

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(b) Advertising spend cycles

The demand for advertising and the price at which advertising can be sold by CMH's investments is dictated by the overall demand for advertising (mainly in Australia and New Zealand).

Since businesses generally reduce or relocate their advertising budgets during economic recessions or downturns, the strong reliance upon advertising revenue by certain CMH investments makes their operating results susceptible to prevailing economic conditions. There can be no assurance that advertising spend in the media industries in Australia, New Zealand or the United Kingdom will not contract in the future. Any contraction in advertising spend in Australia and New Zealand (and to a lesser extent, the United Kingdom) could have a material adverse effect on the operating and financial performance of CMH's investments, with similar resulting consequences for CMH.

(c) Access to cash from investments

The distributions paid by CMH's investments to CMH are a key driver of the financial position of CMH. CMH does not control any of its investments and material changes in dividend policy or CMH's access to distributions will have a significant impact on the financial position and performance of CMH.

(d) Competition

The Australian media market is highly competitive. The introduction of new programs, titles or websites, if successful, may have an adverse impact on the advertising revenues generated by certain CMH investments (in particular, PBL Media).

Competition from other companies or other forms of advertising-based media may impact on CMH's specific investments, but are less likely to impact on CMH as a whole due to its natural diversification and strong exposure to new media.

(e) Threat of new technology

CMH has a diversified portfolio of media investments and its investments may continue to experience rapidly changing and new technologies. Technology is important to ensure that media content is delivered in a manner which meets current consumer preferences and is cost effective. CMH's investments are generally well placed to pursue online opportunities through their existing online presence.

(f) Loss of key personnel

CMH's success and ability to execute its business strategy depend to a considerable extent on its key personnel, John Alexander and Martin Dalgleish, and the senior management teams of its investments. The loss of key personnel or the inability to recruit or retain suitable personnel within CMH's investments may adversely affect the operating and financial performance of CMH's investments with similar or resulting consequences for CMH.

(g) Future acquisitions

The business strategy of CMH includes the potential acquisition of additional investments and businesses. The acquisitions may expose CMH to

unanticipated liabilities or unforeseen operating difficulties and these acquisitions may require significant financial resources.

(h) Litigation and documentation risk

The media industry in which many of CMH's investments operate involves particular risks associated with defamation litigation and litigation to protect media and intellectual property rights.

CMH or its investments could become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of CMH.

10.8 Other information

10.8.1 ASX reporting requirements

(a) Continuous disclosure requirements

As a disclosing entity, PBL is subject to regular reporting and disclosure obligations. Specifically as a listed company, PBL is required and CMH will be required, by operation of the ASX Listing Rules and the Corporations Act, to make continuous disclosure to the market of all information which may affect security values or influence investment decisions, and information in which security holders, investors and ASX have a legitimate interest (**Material Information**).

The Listing Rules provide an exception to the general obligation to disclose Material Information where:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
- one or more of the following applies:
  - it would be a breach of a law to disclose the information;
  - the information concerns an incomplete proposal or negotiation;
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - the information is generated for the internal management purposes of the entity; or
  - the information is a trade secret.

(b) List of ASX Announcements

In order to ensure compliance with its disclosure obligations, PBL carries out and CMH will carry out continuous disclosure in accordance with the Continuous Disclosure Policy, available on the PBL website under 'Corporate Governance'.

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A list of all announcements that have been lodged with ASX in relation to PBL since the lodgment of the PBL 2007 Annual Report on 28 September 2007 follows:

Date	Headline
17/10/2007	PBL announces demerger scheme to proceed
15/10/2007	PBL announces deferral of demerger scheme proposal
9/10/2007	Appendix 3B
9/10/2007	Becoming a substantial shareholder
1/10/2007	Crown Melbourne announces third hotel

(c) Availability of copies of financial report and ASX announcements

Copies of all documents lodged by PBL with ASIC in relation to PBL may be obtained from, or inspected at, an ASIC office.

PBL will provide, free of charge, to any PBL Shareholder who requests it before the PBL Scheme Effective Date, a copy of:

- the PBL Constitution (which will be the CMH Constitution);
- the annual financial report for PBL for the year ended 30 June 2007 lodged with ASX on 28 September 2007; and
- any continuous disclosure notices given by PBL after 28 September 2007 (being the date of the lodgement of PBL's 2007 Annual Report being the most recent annual report) being those listed above.

Copies of any of the documents referred to above can be obtained by contacting the PBL Shareholder Infoline before the PBL Scheme Effective Date on 1300 138 983 (within Australia) or +61 3 9415 4262 (outside of Australia) and requesting a copy.

10.8.2 Auditor

Ernst & Young is the auditor of PBL and will be the auditor of CMH when the Demerger Scheme takes effect.

10.8.3 Dividend policy

The CMH Directors' intended dividend policy is to distribute cash from operating activities, after financing costs, franked to the greatest extent possible, subject to retaining appropriate cash reserves for short term liabilities and investment opportunities.

In respect of future years, subject to available cash flow, the financial position of CMH and possible investment opportunities, an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The interim dividend paid for FY2008 will reflect the trading performance of the Media Businesses from 1 July 2007 until the PBL Scheme Effective Date, and CMH's standalone trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the

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future profits of CMH, its financial and taxation position at the time and any investment opportunities it is considering.

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Section 11 – Crown (if PBL Scheme only is implemented)

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Section 11 - Crown (if PBL Scheme only is implemented)

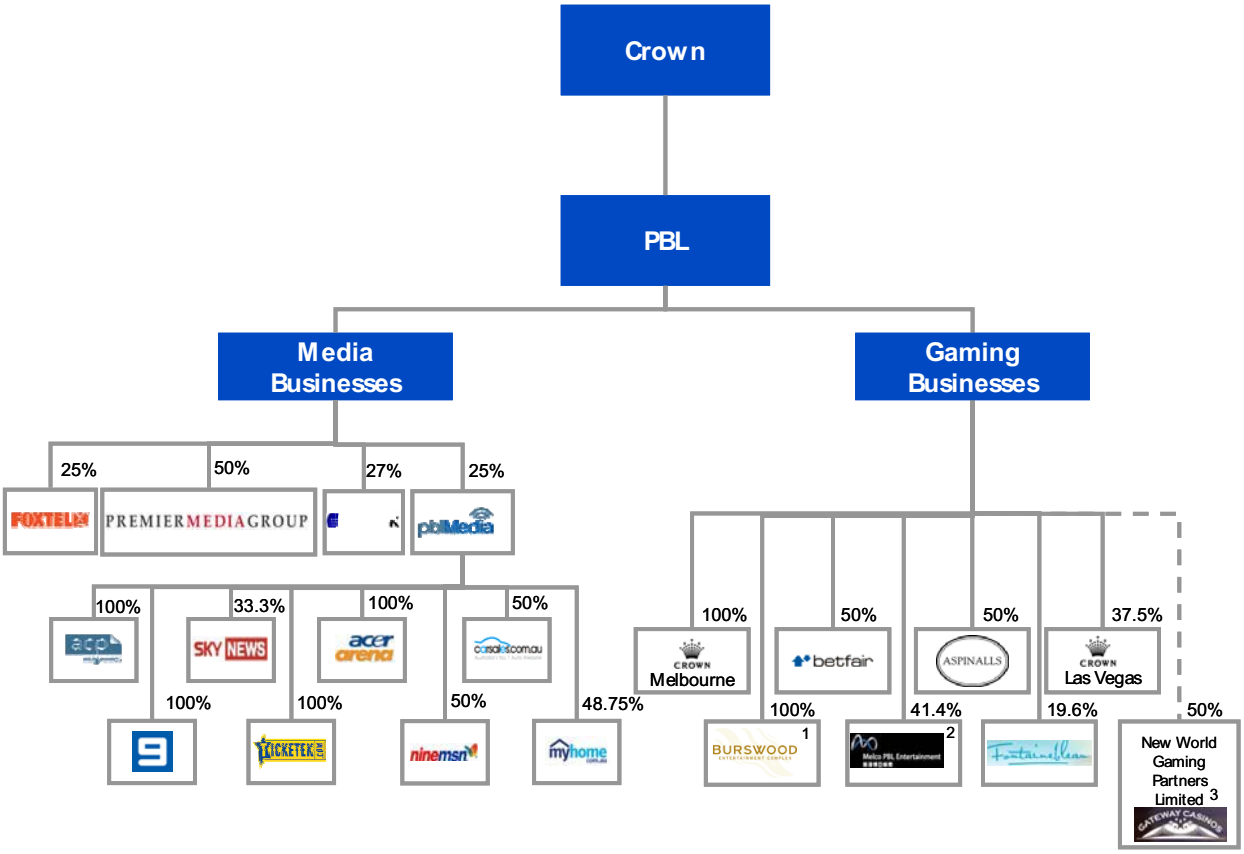
11.1 Overview of Crown (post PBL Scheme only)

There is a risk that the PBL Scheme will be approved and the Demerger Scheme will not be approved, meaning that the demerger of CMH as part of the Recommended Proposal will not occur.

In the event that the PBL Scheme is approved and the Demerger Scheme is not approved, Crown will hold both the Gaming Businesses described in Section 7 and the Media Businesses described in Section 8. In these circumstances, Crown will be a listed public company and PBL will be removed from the official list of the ASX.

This Section 11 describes the key features of Crown (post PBL Scheme only) in the event that the PBL Scheme is approved, but the Demerger Scheme is not approved.

The chart below provides an overview of Crown's businesses and investments (post PBL Scheme only):



Notes:

1 Full ownership of Burswood excludes IHG's 35% interest in The InterContinental Burswood Resort Hotel and the Holiday Inn Burswood

2 Excludes Melco PBL Entertainment Asia Holdings Limited, a joint venture vehicle between Melco and PBL for certain other Asian territories, which at the date of this Demerger Scheme Booklet has no investments

3 Subject to the Gateway Offer being successful. See Section 7.4.5 for further details

As a result of implementing the PBL Scheme alone and not the Demerger Scheme, Crown (post PBL Scheme only) will essentially be the same as PBL, adjusted for the approximate $2.06 billion in cash returned to PBL Scheme shareholders as part of the PBL Scheme Consideration.

11.2 Overview of the Gaming Businesses and the Media Businesses

Crown (post PBL Scheme only) will control 100% of the Gaming Businesses and Media Businesses.

Refer to Sections 7 and 8 for further detail on the Gaming Businesses and Media Businesses.

11.3 Crown Board and Management

11.3.1 Crown Board

Refer to Section 13.1 for an overview of Crown Board members and their biographies. The Executive Chairman of the Crown Board (post PBL Scheme only) will be Mr James Packer.

11.3.2 Crown Management

The senior management teams within each of Crown's businesses (post PBL Scheme only) will remain the same as referred to in Sections 9.4.2 and 10.4.2. The Managing Director and CEO of Crown (post PBL Scheme only) will be Mr Rowen Craigie.

Corporate costs are expected to reduce from their current level as a result of head office redundancies, which are referred to in Section 13.5.

11.4 Corporate governance

Corporate governance responsibilities will remain the same for Crown (post PBL Scheme only) as for Crown following implementation of the Demerger Scheme, which is outlined in Section 9.5. In the Crown (post PBL Scheme only) outcome, CMH will not adopt separate corporate governance practices as contemplated in Section 10.5 if the Demerger Scheme had been approved.

11.5 Crown (post PBL Scheme only) financial information

11.5.1 Introduction

This Section 11.5 contains information concerning the pro forma financial performance, cash flows and financial position of Crown (post PBL Scheme only) which is after the PBL Scheme alone is implemented. The following financial information has been prepared by the PBL and Crown Directors and in aggregate is referred to as the **Crown (post PBL Scheme only) Pro Forma Financial Information**:

- Summary pro forma income statements for Crown (post PBL Scheme only) for 1H2006, 2H2006, FY2006, 1H2007, 2H2007 and FY2007 (**Crown (post PBL Scheme only) Pro Forma Income Statements**);
- Reconciliation of the PBL statutory reported net profit after tax from continuing operations to the Crown (post PBL Scheme only) pro forma profit after tax from continuing operations for FY2006 and FY2007 **(Crown (post PBL Scheme only) Pro Forma Profit Reconciliation)**;

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- Summary pro forma cash flow statements for Crown (post PBL Scheme only) for FY2006 and FY2007 (**Crown (post PBL Scheme only) Pro Forma Cash Flow Statements**); and

- Pro forma balance sheet for Crown (post PBL Scheme only) as at 30 June 2007 (**Crown (post PBL Scheme only) Pro Forma Balance Sheet**).

11.5.2 Basis of preparation and presentation

The Crown (post PBL Scheme only) Pro Forma Financial Information should be read in conjunction with:

- the information contained elsewhere in this Booklet;

- Ernst & Young's Independent Accountant's Report on the Pro Forma Financial Information in Section 12;

- the significant accounting policies applied in the preparation of the Crown (post PBL Scheme only) Financial Information in Section 18; and

- Section 4 which sets out an overview of the Recommended Proposal.

The Crown (post PBL Scheme only) Pro Forma Financial Information has been:

- prepared in accordance with the recognition and measurement requirements of AIFRS, except for the accounting for the 50% investment in PBL Media, which has been equity accounted from 7 February 2007 to 6 June 2007 as described in 11.5.4 (b) below;

- presented in an abbreviated form which means it does not include all of the disclosures and notes required by AIFRS applicable to annual financial statements; and

- reviewed by Ernst & Young and as set out in the Independent Accountant's Report in Section 12.

11.5.3 Crown (post PBL Scheme only) Pro Forma Financial Information

The PBL and Crown Directors have prepared the Crown (post PBL Scheme only) Pro Forma Income Statements, Crown (post PBL Scheme only) Pro Forma Profit Reconciliation, Crown (post PBL Scheme only) Pro Forma Cash Flow Statements and Crown (post PBL Scheme only) Pro Forma Balance Sheet to provide an overview of the financial position and recent financial performance of the Gaming Businesses and Media Businesses.

The Crown (post PBL Scheme only) Pro Forma Financial Information has been prepared by extracting the financial information directly related to the Gaming Businesses and Media Businesses from PBL's accounting records. These accounting records were used to generate the audited PBL financial statements for FY2006 and FY2007 and the reviewed PBL interim financial statements for 1H2006 and 1H2007.

The results of the Gaming Businesses and Media Businesses are included in the Crown (post PBL Scheme only) Pro Forma Income Statements and Crown (post PBL Scheme only) Pro Forma Cash Flow Statements for the period that they were owned by PBL during the periods.

Additional pro forma assumptions have been made in Crown (post PBL Scheme only) Pro Forma Balance Sheet to reflect certain financing and capital items, changes in ownership

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interests in certain investments and operations subsequent to 30 June 2007 and to reflect the impact of the PBL Scheme.

Detailed pro forma assumptions in relation to the preparation of Crown (post PBL Scheme only) Pro Forma Income Statements are included in Section 11.5.4. The Crown (post PBL Scheme only) Pro Forma Profit Reconciliation has been prepared to provide information in relation to the impact of these detailed pro forma assumptions. Detailed pro forma assumptions in relation to the preparation of the Crown (post PBL Scheme only) Pro Forma Balance Sheet are included in Section 11.5.8.

11.5.4 Crown (post PBL Scheme only) Pro Forma Income Statements

11.5.4(a) Summary of Crown (post PBL Scheme only) Pro Forma Income Statements

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Revenue	**892**	**840**	**1,732**	**914**	**1,001**	**1,915**
Expenses	(590)	(597)	(1,187)	(633)	(662)	(1,295)
Corporate costs	(33)	(33)	(66)	(38)	(55)	(93)
EBITDA	**269**	**210**	**479**	**243**	**284**	**527**
Depreciation and amortisation	(61)	(61)	(122)	(59)	(68)	(127)
EBIT	**208**	**149**	**357**	**184**	**216**	**400**
Share of net profit/(loss) of associates						
- FOXTEL (25%)	(5)	6	1	7	10	17
- PMG (50%)	17	19	36	19	27	46
- SEEK (27%)	4	5	9	6	8	14
- PBL Media (25%)	-	-	-	-	5	5
- MPEL (41%)	1	(3)	(2)	(11)	(36)	(47)
- Aspinalls (50%)	-	-	-	(2)	0	(2)
- Betfair Australia (50%)	-	(2)	(2)	(2)	0	(2)
Total share of net profit/(loss) from associates	**17**	**25**	**42**	**17**	**14**	**31**
Net profit before finance costs and income tax	**225**	**174**	**399**	**201**	**230**	**431**
Net finance income/(expense)	(59)	(63)	(122)	(67)	24	(43)
Net profit before tax from continuing operations	**166**	**111**	**277**	**134**	**254**	**388**
Income tax (expense)/benefit	7	(39)	(32)	6	(27)	(21)
Net profit after tax for the period from continuing operations	**173**	**72**	**245**	**140**	**227**	**367**
Discontinuing operations and specific items	220	157	377	206	1,486	1,692
Transaction costs	-	-	-	-	(72)	(72)
Net profit/(loss) from discontinuing operations and specific items (net of tax)	**220**	**157**	**377**	**206**	**1,414**	**1,620**
Pro forma net profit	**393**	**229**	**622**	**346**	**1,641**	**1,987**

11.5.4(b) Adjustments to Crown (post PBL Scheme only) Pro Forma Income Statements

- as described in its FY2007 financial report, PBL disposed of a 50% economic interest in PBL Media on 7 February 2007, however, PBL retained control of PBL

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Media until 6 June 2007. Consequently, PBL consolidated PBL Media in its FY2007 financial statements for the period 7 February 2007 to 6 June 2007, classifying the results in discontinued operations. From 6 June 2007 to 30 June 2007, PBL equity accounted its 50% share of PBL Media's result. In order to show the results of PBL Media, from its inception on 7 February 2007 to 30 June 2007 on a consistent basis, and to reflect the future treatment of PBL Media, the PBL and Crown Directors have equity accounted its 50% share of PBL Media's results for the full period from 7 February 2007 to 30 June 2007 in this financial section. This does not affect the amount of Net Profit attributable to Members of the Parent disclosed in the FY2007 financial report, however it does affect a number of line items in the Income Statement; and

- a reclassification adjustment relating to the classification of PBL Media's result has been made between continuing and discontinuing operations to the Crown (post PBL Scheme only) Pro Forma Income Statements, as described in the other disclosure notes below.

11.5.4(c) Other disclosure notes

Taxation

Tax has been recorded in Crown (post PBL Scheme only) based on the tax expense attributable to the pro forma Group. The historical tax expense is not necessarily indicative of the future tax.

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
The prima facie tax expense differs from income tax provided in the pro forma income statements as follows:						
Profit before income tax from continuing operations	166	111	277	134	254	388
Profit before income tax from discontinuing operations	314	166	480	291	1,412	1,703
Profit before income tax	**480**	**277**	**757**	**425**	**1,666**	**2,091**
Prima facie income tax expense on profit at the Australian rate of 30% (2006: 30%)	144	83	227	127	500	627
Tax effect of:						
Non deductible depreciation and amortisation	3	2	5	1	1	2
Net capital (gain)	(7)	-	(7)	(2)	(463)	(465)
Share of associates' net losses / (profits)	(11)	(12)	(23)	(11)	(11)	(22)
Tax losses brought to account	(9)	(7)	(16)	(36)	(34)	(70)
Dividends from associated entities	11	4	15	5	6	11
Other items – net	(2)	(2)	(4)	(2)	(1)	(3)
Write down of investments	-	-	-	-	24	24
Deferred income tax on temporary differences	1	1	2	-	-	-
Income tax (over)/under provided in prior years	(43)	(21)	(64)	(3)	2	(1)
Income tax expense	**87**	**48**	**135**	**79**	**24**	**103**

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Income tax expense comprises-						
Current expense	129	68	197	82	22	104
Deferred expense	1	1	2	-	-	-
Adjustments for current income tax of prior periods	(43)	(21)	(64)	(3)	2	(1)
	87	**48**	**135**	**79**	**24**	**103**

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
Aggregate income tax expense / (benefit) is attributable to:						
Continuing operations	(7)	39	32	(6)	27	21
Discontinuing operations	94	9	103	85	(3)	82
	87	**48**	**135**	**79**	**24**	**103**

The PBL Scheme will result in the resetting of tax carrying values for the assets that will be held within the Crown (post PBL Scheme only) tax consolidated group. It is not possible to quantify the impact of the resetting in advance of the PBL Scheme completing. For some assets, it is likely that the tax carrying value will be reduced. For other assets, the tax carrying value may be increased.

The impact of the resetting may result in a change to the deferred tax liability and/or deferred tax asset balances as shown in the pro forma accounts.

The PBL Scheme will also result in the transfer of tax losses (both revenue losses which are recognised as a deferred tax asset and capital losses which are not recognised as a deferred tax asset) to Crown (post PBL Scheme only). Crown (post PBL Scheme only) will be required to determine an available fraction for each bundle of tax losses that are transferred. The tax losses transferred to Crown (post PBL Scheme only) will have an available fraction less than the available fraction (if applicable) for each tax loss of PBL.

Discontinued operations and specific items

Net profit from discontinuing operations includes:

- the profit after tax from the television, magazine businesses and investments in ninemsn, carsales, SKY NEWS and myhome from 1 July 2005 to 7 February 2007 at which time these assets were sold to PBL Media, which is consistent with the FY2007 financial report;
- the profit after tax from Ticketek and Acer Arena from 1 July 2005 to 30 June 2007. Ticketek and Acer Arena were sold to PBL Media on 16 July 2007 which is consistent with the FY2007 financial report;
- the results of Hoyts and New Regency from 1 July 2005 to 30 June 2007 as these assets are expected to be disposed. The Hoyts result in 2H2007 is a net loss of $54 million which comprises $12 million equity accounted profit for the period and a write down of $66 million to its expected recoverable amount, which is consistent with the FY2007 financial report; and
- the share of net profit after tax from PBL Media for the period 7 February 2007 to 30 June 2007 relating to the additional 25% interest sold to CVC Capital Partners and CVC Asia Pacific on 10 September 2007, which is a pro forma reclassification.

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Net profit from sale of investments relates to the profit from the 50% sale of the PBL Media businesses to funds advised by CVC Capital Partners and CVC Asia Pacific on 7 February 2007.

Transaction and debt repayment costs include redundancies and advisers' fees associated with the Recommended Proposal and costs incurred in repaying debt.

Related party transactions

During the relevant period PBL provided services to the following related parties:

Pro forma period $million	1H2006	2H2006	FY2006	1H2007	2H2007	FY2007
CPH rental of 54 Park St	-	1	1	1	1	2
PBL Media rental of 54 Park St	2	2	4	2	2	4

11.5.5 Crown (post PBL Scheme only) Pro Forma Profit Reconciliation

The table below sets out the reconciliation of the PBL statutory reported net profit after tax to the Crown and CMH pro forma results for FY2006 and FY2007.

Pro forma period $million	Note	FY2006	FY2007
Crown (Post PBL Scheme only) pro forma net profit after tax from continuing operations	1	245	367
Specific items			
- Transaction related costs		-	(72)
Reverse pro forma adjustments:			
- PBLM share of associate results		-	(4)
Total PBL group profit after tax from continuing operations	2	**245**	**291**

Notes:
1 Balance agrees to Section 11.5.4 (a)
2 Balance agrees to FY2007 financial report

11.5.6 Crown (post PBL Scheme only) Pro Forma Cash Flow Statements

The Crown (post PBL Scheme only) Pro Forma Cash Flow Statements have been prepared based on accounting records used to generate the PBL financial statements for the relevant periods.

11.5.6(a) Summary of Crown (post PBL Scheme only) Pro Forma Cash Flow Statements [1,2]

Pro forma period $million	FY2006	FY2007
Cash flows from operating activities		
Receipts from customers	1,825	1,979
Payments to suppliers and employees	(1,331)	(1,452)
Dividends received	36	28
Interest received	67	116
Interest and other costs of finance paid	(192)	(178)

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Income tax paid	(170)	(207)
Net operating cash flows	235	286
Cash flows from investing activities		
Purchase of property, plant and equipment	(108)	(216)
Proceeds from sale of property, plant and equipment	-	1
Payments for equity investments	-	(360)
Payments for equity in associated entities	(237)	(252)
Payments for the acquisition of controlled entities	(2)	(27)
Proceeds from sale of equity investments	15	13
Proceeds from sale of controlled entities	-	884
Advances to associated entities	(5)	(135)
Repayment of loan to associated entities	17	32
Other	(1)	-
Net investing cash flows	(321)	(60)

Notes:
1 The Crown (post PBL Scheme only) Pro Forma Cash Flow Statements are unaudited
2 Cash flows from financing activities have not been included in the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements because the capital structure does not reflect the future capital structure of Crown (post PBL Scheme only)

11.5.7 Management commentary on Crown (post PBL Scheme only) Pro Forma Financial Information

11.5.7(a) Comments on Crown (post PBL Scheme only) Pro Forma Financial Information

Management commentary on the continuing operations of Crown (post PBL Scheme only) is included in Section 9.6.7 for Crown and Section 10.6.7 for CMH.

11.5.8 Crown (post PBL Scheme only) Pro Forma Balance Sheet

The table below sets out the Crown (post PBL Scheme only) Pro Forma Balance Sheet at 30 June 2007. The assumptions adopted by the Crown and PBL Directors in the preparation of the Crown (post PBL Scheme only) Pro Forma Balance Sheet are set out in Section 11.5.8 (b).

11.5.8(a) Summary of Crown (post PBL Scheme only) Pro Forma Balance Sheet [1,2]

	30 June 2007 $million
Current assets	
Cash and cash equivalents	2,758
Trade and other receivables	105
Inventories	10
Prepayments	13
	2,886
Assets held for sale	344
Total current assets	**3,230**

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Non-current assets	
Receivables	90
Property, plant and equipment	1,831
Investments in associates accounted for using the equity method	1,125
Other investments	398
Intangible assets	884
Deferred tax asset	184
Prepaid casino tax	74
Other assets	
Total non-current assets	**4,586**
Total assets	**7,816**
Current liabilities	
Trade and other payables	235
Interest bearing loans and borrowings	20
Income tax payable	23
Provisions	81
Total current liabilities	**359**
Non-current liabilities	
Deferred tax liability	477
Interest bearing loans and borrowings	2,345
Provisions	33
Total non-current liabilities	**2,855**
Total liabilities	**3,214**
Net assets	**4,602**

Notes:
1 The Crown Pro Forma Balance Sheet is unaudited
2 Other Disclosure Notes are included in Section 11.5.8 (c)

11.5.8(b) Adjustments to the Crown (post PBL Scheme only) Pro Forma Balance Sheet

The following pro forma adjustments were used to prepare the Crown (post PBL Scheme only) Pro Forma Balance Sheet:

- a pro forma adjustment has been made to record the interest bearing liability raised to finance the cash consideration to be paid as part of the PBL Scheme ($2,036 million) and the actual payment of that consideration ($2,036 million)[1];
- a pro forma adjustment has been made to reduce the cash held by Crown (post PBL Scheme only) by $170 million to reflect the final dividend relating to FY2007 payable on 15 October 2007;

[1] The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares.

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- a pro forma adjustment has been made to record the payment of transaction costs of $58 million relating to the costs associated with the PBL Scheme paid subsequent to 30 June 2007. Transaction costs include redundancies, advisors fees and cost of debt repayment;

- on 10 September 2007, PBL sold an additional 25% of PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific for $526 million. A pro forma adjustment has been made to the carrying value of PBL's investment in PBL Media but the net profit on sale has not been reflected in the Crown (post PBL Scheme only) Pro Forma Income Statement;

- in a transaction that completed on 16 July 2007, PBL sold its Ticketek and Acer Arena businesses to PBL Media for $210 million. As part of the transaction approximately $38 million of cash was retained by Ticketek, resulting in a net increase to PBL's cash of $172 million. A pro forma adjustment has been made to the carrying value of PBL's investment in PBL Media but the net profit on sale has not been reflected in the Crown (post PBL Scheme only) Pro Forma Income Statement; and

- PBL will receive distributions from its investments in FOXTEL of $50 million and PMG of $10 million in October 2007. These distributions increase the total cash available allocated to CMH and reduces the carrying value of the investments.

11.5.8(c) Other disclosure notes

Reconciliation of pro forma cash assets

A reconciliation of pro forma cash is produced below:

	Note	Crown (post PBL Scheme only) Pro forma $million
PBL cash at 30 June 2007	1	2,228
Cash received from drawdown of debt	2	2,036
Cash paid to shareholders as part of the Recommended Proposal	2	(2,036)
Cash for payment of restructure and provision costs		(58)
Cash received from (25%) PBL Media sale		526
Cash received from Ticketek and Acer Arena sale (net of cash retained)		172
Cash for payment of final PBL dividend		(170)
Cash from FOXTEL/Foxsports distribution		60
Adjusted pro forma cash		**2,758**

Notes:
1 Balance agrees to PBL balance sheet as at 30 June 2007
2 The adjustments to the Pro Forma Balance Sheet relate to the cash consideration required to satisfy the Total Cash Consideration in respect of all PBL Shares other than the ESP Shares

Cash held within PBL is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

Property, plant and equipment

At 30 June 2007 $million	Freehold land and buildings	Buildings on leasehold land	Plant & equipment	Construction work in progress	Total property, plant & equipment
Cost (gross carrying amount)	820	947	1,130	26	2,923
Accumulated depreciation	(126)	(293)	(673)	-	(1,092)
Net carrying amount	**694**	**654**	**457**	**26**	**1,831**

Assets classified as held for sale

An analysis of assets classified as held for sale is provided below:

At 30 June 2007	$millions
Investment in Hoyts	143
Investment in New Regency	201
	344

On 24 September 2007 PBL announced that it had entered an agreement to dispose of its investment in Hoyts.

Investments in associates

An analysis of the investment in associates balance is provided below.

	Ownership percentage	Carrying value in Crown (post PBL Scheme only) Pro Forma Balance Sheet $millions	Share of associate's net assets $million
MPEL	41.4%	1, 053	952
Aspinalls	50%	110	43
Betfair Australia	50%	18	17
FOXTEL	25%	89	213
PMG	50%	108	104
SEEK	27%	91	29
PBL Media	25%	(344)	513
Total		**1,125**	**1,871**

In addition to the above interests, Crown (post PBL Scheme only) has $74 million of receivables from investments in associates as at 30 June 2007.

In accordance with Australian Accounting Standards the negative carrying value of PBL Media reflects 25% of the cost of net assets sold by PBL to PBL Media, offset by the 25% share of PBL Media's debt.

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Other Investments

An analysis of the other investments balance is provided below:

At 30 June 2007	Ownership	Carrying value $million
Fontainebleau	19.6%	333
Crown LVTI	37.5%	27
Capital Club		38
		398

Interest bearing liabilities and unused financing facilities

At 30 June 2007, after adjusting for the pro forma adjustments outlined in Section 11.5.8 (b), Crown (post PBL Scheme only) has the following interest bearing liabilities and financing facilities:

At 30 June 2007 $million	Interest bearing liabilities	Total facility	Letters of credit	Undrawn facilities
Bank facilities	2,056	2,720	185	479
Other senior debt	300	300	-	-
	2,356	**3,020**	**185**	**479**

The financing facilities mature in the following periods:

	Total facility $million	Expiry date
Bank facilities	2,150	September 2010
	570	June 2011
Other senior debt	125	March 2011
	175	July 2036
	3,020	

The weighted average interest margin across the facilities is 52 basis points over BBSW.

Cash is currently invested in the overnight cash market, term deposits, bank bills and commercial paper. Interest is earned at or marginally below BBSW.

11.5.9 Commitments, contingencies and hedging

11.5.9(a) Expenditure and other commitments

On 4 April 2007, PBL announced that it had formed a joint venture with Macquarie, New World Gaming, to make an offer to acquire Gateway. The total value of the transaction was announced to be approximately $1,446 million. PBL will contribute approximately $210 million of equity and loans to the joint venture. As this investment is subject to the Gateway Offer being successful and completion occurring, a pro forma adjustment has not been made for this investment.

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Crown will spend approximately $560 million over the next five years, over and above normal capital expenditure, towards a refurbishment of the property's flagship hotel, the Crown Towers, refurbishment of the main gaming floor, an extension to the Crown Promenade Hotel Conference Centre and the construction of a third hotel.

Crown will spend approximately $100 million over the next four years, over and above normal capital expenditure, to be directed towards a refurbishment of Burswood's main gaming floor and hotel facilities.

11.5.9(b) Contingent liabilities

As part of the ongoing operations of the casino businesses, subsidiaries of Crown are party to ongoing gaming related litigation. The Directors believe that the probability of an exposure to the entity is low, consequently no amounts have been provided in relation to these matters.

As outlined in Section 13.13, there is potentially material litigation either on foot or that could be brought against PBL or entities either now or previously controlled by PBL. No liability has been recorded in respect of the litigation as the PBL Directors consider there to be a low probability of any liability or judgment being entered against the relevant PBL entity.

Crown has made guarantees of approximately $383 million in relation to commitments of certain of its associates. The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to this amount or the timing of any outflows.

PBL has guaranteed letters of credit issued to the State of Victoria of $185 million in respect of obligations of Crown Limited.

No other contingent liabilities existed as at 30 June 2007.

11.5.9(c) Hedging

Crown (post PBL Scheme only) has some balance sheet foreign currency exposure resulting from investments outside Australia. Crown (post PBL Scheme only) does not hedge these exposures.

11.6 Risk factors associated with Crown (post PBL Scheme only)

Crown (Post PBL Scheme only) will face the same specific risk factors as those attributed to the Gaming Businesses (Section 9.7) and the Media Businesses (Section 10.7).

11.7 Other information

11.7.1 Auditor

Ernst & Young has been appointed the auditor of Crown.

11.7.2 Dividend Policy

If the Demerger Scheme is not approved, the Crown (post PBL Scheme only) Directors' intended dividend policy is to distribute 100% of continuing normalised net profit after tax, franked to the greatest extent possible.

In respect of future years, subject to available profits and the financial position of Crown (post PBL Scheme only), an interim dividend is expected to be payable annually in March, with a final dividend payable annually in October. Consistent with this policy, the anticipated interim dividend for the period from the PBL Scheme Effective Date to 31 December 2007 will be paid in March 2008. The

interim dividend paid for FY2008 will reflect the trading performance of the Gaming Businesses and Media Businesses from 1 July 2007 until the PBL Scheme Effective Date, and Crown (post PBL Scheme only) trading performance from the PBL Scheme Effective Date to 31 December 2007.

No guarantee can be given about the payment of dividends or the level of franking of such dividends for any future period, as these matters will depend upon the future profits of Crown and its financial and taxation position at the time.

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Section 12 – Tax letter and Independent Accountant's report

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Section 12.1 – Tax letter

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

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16 October 2007

The Directors and Due Diligence Committee
Publishing and Broadcasting Limited
Level 2
54 - 58 Park Street
SYDNEY NSW 2000

Dear Sirs

Tax Letter for Shareholders

We have been requested by Publishing and Broadcasting Limited (PBL) to prepare a tax letter for inclusion in the Scheme Booklet in relation to the restructure of PBL's media and gaming businesses pursuant to the PBL Scheme and the Demerger Scheme.

1. Introduction

1.1 General

The purpose of this tax letter is to provide a guide as to the potential Australian income tax and Goods & Services Tax (GST) implications applicable to PBL shareholders as a result of the PBL Scheme and the Demerger Scheme. This letter is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for PBL shareholders.

This letter sets out the likely Australian tax implications for PBL shareholders of:

- The disposal of their PBL shares under the PBL Scheme; and
- The transfer to them of shares in Consolidated Media Holdings Limited (CMH) as a consequence of its demerger by Crown Limited (Crown) under the Demerger Scheme.

The information contained in this tax letter is provided in relation to:

- Australian residents who hold their PBL shares on capital account for income tax purposes and does not apply to Australian residents who hold their PBL shares on revenue account (for example, PBL shareholders who are share traders); and
- Foreign residents who hold their PBL shares on capital account, and do not hold their PBL shares through an Australian branch or permanent establishment.

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The information contained in this letter is based on the *Income Tax Assessment Act 1936* (the 1936 Act), the *Income Tax Assessment Act 1997* (the 1997 Act), the *New Tax System (Goods and Services Tax) Act 1999* (the GST Act), applicable case law and published Australian Taxation Office (ATO) rulings, determinations and administrative practice at the date of this letter. Any changes in the tax law or interpretation of the tax law subsequent to the date of this letter may alter the information contained in this tax letter.

Tax is a complex area of law and the tax implications for a PBL shareholder may differ from those detailed in this tax letter, depending on the shareholder's particular circumstances. Accordingly, PBL shareholders should not rely on this tax letter as the information in this letter is only general in nature. PBL shareholders should obtain independent professional advice, specific to their circumstances, before deciding to participate in the PBL Scheme and the Demerger Scheme.

1.2 ATO Contrary View

As discussed in Section 3 of this letter, a Class Ruling has been sought in respect of the PBL Scheme and the Demerger Scheme.

We understand that the ATO will issue a Class Ruling confirming the tax outcomes described in this letter in respect of the PBL Scheme.

The ATO has indicated that it will issue a Class Ruling in respect of the Demerger Scheme contrary to the views we express in this letter as regards the availability of demerger roll-over relief. Consequently, we have also outlined the outcomes of the PBL Scheme and the Demerger Scheme as indicated by the ATO. We understand that PBL will keep shareholders informed of developments with the ATO in relation to the Class Ruling as appropriate.

This tax letter should be read with the remainder of the Scheme Booklet. Capitalised terms in this letter have the same defined meaning as in the Scheme Booklet, unless indicated otherwise.

2. Summary of Transactions

PBL shareholders will be entitled to participate in the restructure of PBL's media and gaming businesses through the following transactions:

1. Under a scheme of arrangement, Crown will acquire all of the shares in PBL (**the PBL Scheme**).

Under the PBL Scheme, PBL shareholders will transfer their PBL shares to Crown and they will receive in return for each PBL share (but subject to the election referred to below), one share in Crown plus a set amount of cash, being $3.00 per PBL share (PBL Scheme Standard Consideration). The PBL Scheme will have some flexibility in relation to the scheme consideration, in that PBL shareholders may elect not to receive the PBL Scheme Standard Consideration but rather they may elect to receive more Crown shares and less cash (PBL Scheme Maximum Share Consideration), or more cash and fewer Crown shares for their PBL shares (PBL Scheme Maximum Cash Consideration).

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2. After the PBL Scheme, and under a separate scheme of arrangement that is to be implemented by Crown, PBL (which will change its name to Consolidated Media Holdings Limited) will be demerged from Crown (**the Demerger Scheme**). Under the Demerger Scheme, each Crown shareholder will receive one CMH share for every Crown share held. The Crown shareholders who participate in the Demerger Scheme are the PBL shareholders to whom Crown shares are issued under the PBL Scheme. The CMH shares will be distributed as a return of capital by Crown to its shareholders.

3. Australian Taxation Office Class Ruling

On behalf of PBL, Ernst & Young lodged an application for a Class Ruling in relation to the Australian income tax implications for Australian resident PBL shareholders of the PBL Scheme and the Demerger Scheme.

PBL and Ernst & Young have had extensive discussions and correspondence with the ATO in relation to the application for a Class Ruling in respect of the PBL Scheme and the Demerger Scheme. The ATO have indicated that they will provide confirmation of the tax outcomes for PBL shareholders by way of a Class Ruling.

As a consequence of the ATO's representations, PBL anticipates that the ATO will issue a Class Ruling confirming the following:

- Scrip for scrip roll-over will be available under Subdivision 124-M of the 1997 Act in respect of the non-cash consideration received by PBL shareholders under the PBL Scheme;
- PBL shareholders receiving cash under the PBL Scheme will be required to treat the cash received as capital proceeds in respect of their disposal of PBL shares. A resultant capital gain or loss may arise to PBL shareholders; and
- Section 45B of the 1936 Act will not operate in respect of the Demerger Scheme to include any amount in the assessable income of Crown shareholders.

As stated above, the ATO has indicated that it will issue a Class Ruling stating that demerger roll-over relief under Division 125 of the 1997 Act **will not** be available in respect of the Demerger Scheme. The consequence of demerger relief not being available would be that shareholders would be required to reduce their cost base in the Crown shares they acquire under the PBL Scheme by the market value of the CMH shares they receive under the Demerger Scheme. A capital gain should only arise to Australian resident shareholders in circumstances where the market value of the CMH share received under the Demerger Scheme exceeds the cost base of the Crown share. No capital gain should arise to non-resident shareholders.

A Class Ruling has not been sought in respect of the tax implications for foreign resident shareholders.

Whilst our view is that the Australian tax implications for PBL shareholders should be as described in this letter, we anticipate that the ATO is likely to issue amended assessments to PBL shareholders who prepare their income tax returns on the basis that demerger relief is available and that no capital

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gain arose in respect of the Demerger Scheme (if, in fact, a capital gain would have arisen in the absence of demerger roll-over relief under Division 125 of the 1997 Act). We note that unless a capital gain would arise to a shareholder as a consequence of the Demerger Scheme, the impact of demerger roll-over relief not being available should not be relevant until there is a subsequent capital gains tax event in respect of the Crown and / or CMH shares. Where demerger roll-over relief is not available in respect of the Demerger Scheme, the Crown and / or CMH shares may have a different cost base or reduced cost base than would be the case where demerger roll-over relief is available.

If, as has been indicated to us, the ATO takes the view that demerger roll-over relief is not available in respect of the Demerger Scheme, PBL shareholders who wish to protect against potential penalties and interest charges may choose to prepare their income tax returns on the basis that demerger roll-over relief is not available. PBL shareholders may then be able to object against their assessment to income tax.

4. Overview of Australian Tax Implications

The following is an overview of the Australian income tax implications that, in our view, should arise as a consequence of the PBL Scheme and the Demerger Scheme for PBL shareholders who hold their PBL shares on capital account. The Australian income tax implications for PBL shareholders are discussed in more detail in Section 5 below.

	PBL Scheme	Demerger Scheme
Capital Gain / Loss	A capital gain / loss may arise for an Australian resident PBL shareholder from the disposal of their PBL shares. CGT roll-over should be available such that a capital gain is disregarded to the extent consideration for the disposal of the PBL shares is Crown shares and the shareholder chooses to obtain roll-over. Foreign resident PBL shareholders should not be subject to CGT on disposal of their PBL shares.	A capital gain may arise for an Australian resident Crown shareholder as a result of the return of capital under the Demerger Scheme. A capital loss should not arise. Roll-over relief should be available in respect of the Demerger Scheme. Any capital gain should be disregarded to the extent that an Australian resident shareholder chooses to obtain roll-over. Foreign resident shareholders should not be subject to CGT.
CGT Cost Base	Where a shareholder chooses roll-over, their cost base in the PBL shares should be transferred to the Crown shares. However, the cost base should be reduced by so much of that cost base as is attributable to the cash consideration received. Where a shareholder does not	The cost base in the Crown shares should be apportioned between the CMH shares and the Crown shares on the basis of the relative market values of the CMH shares and Crown shares after the demerger.

	PBL Scheme	Demerger Scheme
	choose roll-over, the cost base of the Crown shares should be equal to the market value of the PBL shares given to obtain the Crown shares.	

The following is an overview of the Australian income tax implications that would arise as a consequence of the PBL Scheme and the Demerger Scheme for PBL shareholders who hold their PBL shares on capital account if, as the ATO contends, demerger roll-over relief is ultimately held not to be available under Division 125 of the 1997 Act. The Australian income tax implications for PBL shareholders are discussed in more detail in Section 5 below.

	PBL Scheme	Demerger Scheme
Capital Gain / Loss	A capital gain / loss may arise for an Australian resident PBL shareholder from the disposal of their PBL shares. CGT roll-over should be available such that a capital gain is disregarded to the extent consideration for the disposal of the PBL shares is Crown shares and the shareholder chooses to obtain roll-over. Foreign resident PBL shareholders should not be subject to CGT on disposal of their PBL shares.	A capital gain should arise for an Australian resident Crown shareholder as a result of the return of capital under the Demerger Scheme only to the extent to which the market value of the CMH shares received exceeds the cost base of the Crown shares. A capital loss should not arise. Shareholders would not be entitled to choose demerger roll-over relief. Foreign resident shareholders should not be subject to CGT.
CGT Cost Base	Where a shareholder chooses roll-over, their cost base in the PBL shares should be transferred to the Crown shares. However, the cost base should be reduced by so much of that cost base as is attributable to the cash consideration received. Where a shareholder does not choose roll-over, the cost base of the Crown shares should be equal to the market value of the PBL shares given to obtain the Crown shares.	The cost base in the Crown shares should be reduced by the market value of the CMH shares received. Shareholders should obtain a cost base in the CMH shares equal to their market value at the time received.

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5. Australian Income Tax Implications

5.1 PBL Scheme

We anticipate that the ATO will issue a Class Ruling confirming the Australian income tax implications of the PBL Scheme for Australian resident PBL shareholders as outlined below.

5.1.1 CGT Event – Disposal of PBL Shares

CGT event A1 should occur for PBL shareholders when they dispose of their PBL shares to Crown under the PBL Scheme. The event should happen at the time the shareholders exchange their PBL shares for the consideration payable by Crown under the PBL Scheme.

Subject to the availability of CGT roll-over (discussed below), PBL shareholders should make a capital gain from CGT event A1 if the capital proceeds for the disposal of their PBL shares exceeds their cost base (or indexed cost base if relevant). PBL shareholders should make a capital loss if those capital proceeds are less than the shares' reduced cost base.

For PBL shareholders, the capital proceeds received for the disposal of their PBL shares should be:

- The amount of cash received in exchange for their PBL shares; plus
- The market value of the Crown shares at the time the shareholders dispose of their PBL shares.

The amount of cash received by PBL shareholders under the PBL Scheme may differ depending on whether the shareholder elects to receive the PBL Scheme Standard Consideration, the PBL Scheme Maximum Cash Consideration or the PBL Scheme Maximum Share Consideration. This election may affect the extent to which CGT roll-over (discussed below) is available to PBL shareholders for the disposal of their PBL shares.

5.1.2 CGT Roll-Over

The PBL Scheme should satisfy the requirements to be eligible for scrip-for-scrip roll-over under subdivision 124-M of the 1997 Act.

Capital Gain is Disregarded

To the extent the consideration received for the disposal of their PBL shares is shares in Crown, any capital gain derived by PBL shareholders who are Australian residents, who hold their shares on capital account and elect for roll-over, should be disregarded.

To the extent PBL shareholders who are Australian residents and hold their shares on capital account, receive cash consideration for the disposal of their PBL shares, they will be required to calculate a capital gain or capital loss in respect of the disposal of their PBL shares. The capital gain or capital loss should not be disregarded to the extent it is attributable to the cash component.

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In determining the capital gain or capital loss attributable to the cash component, PBL shareholders should apportion the total cost base in their PBL shares between the cash consideration and the scrip consideration (ie. Crown shares) on a reasonable basis.

Example A:

Patrick owns 1,000 PBL shares with a cost base of $10 per share (total cost base $10,000).

Patrick chooses to accept the PBL Scheme Standard Consideration under the PBL Scheme for the disposal of his PBL shares. The capital proceeds are $3 cash per share plus one Crown share (assumed market value for illustration purposes - $19). The total market value of the consideration received by Patrick for disposal of his PBL shares is therefore $22,000.

Patrick chooses roll-over to the extent that he can (ie. in respect of the Crown share component).

The cost base of the PBL shares attributable to the cash component should be calculated as follows:

*Cash consideration / Market value of total consideration * Cost base of PBL shares*

*= $3,000 / $22,000 * $10,000 = $1,364*

Patrick should make a capital gain of $3,000 - $1,364 = $1,636

A PBL shareholder who is an individual, complying superannuation funds or trust, and who acquired their PBL shares at least 12 months before the date of disposal to Crown, may be entitled to apply the CGT discount rule in respect of any capital gain that is referable to the cash component of the consideration received for the disposal of their PBL shares.

Cost Base in Crown Shares

The cost base that PBL shareholders have in their PBL shares should be transferred to the Crown shares acquired under the PBL Scheme. However, this cost base should be reduced if the shareholders receive cash. If PBL shareholders receive cash, the cost base of the Crown shares received by PBL shareholders under the PBL Scheme should be reduced by the proportion of the total consideration that is reasonably attributable to the cash component.

Example B:

Using the same facts as in Example A, Patrick will receive 1,000 Crown shares as part of the consideration for the disposal of his PBL shares.

Patrick should calculate the cost base of the Crown shares as follows:

*Value of Crown share consideration / Market value of total consideration * Cost base of PBL shares*

*= $19,000 / $22,000 * $10,000 = $8,636*

The cost base of each Crown share should therefore be $8.636 (ie. $8,636 / 1,000 Crown shares).

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Application of CGT Discount

For the purposes of determining the availability of the CGT discount on a subsequent sale of Crown shares, the Crown shares should be deemed to have been acquired on the date that shareholders acquired their PBL shares.

5.1.3 CGT Roll-Over not Chosen

PBL shareholders who are Australian residents and do not choose CGT roll-over in respect of the disposal of their PBL shares, should calculate a capital gain or capital loss from the disposal of their PBL shares as outlined in section 5.1.1 above. That is, PBL shareholders should make a capital gain if the capital proceeds from the disposal of their PBL shares exceeds their cost base (or indexed cost base if relevant). PBL shareholders should make a capital loss if those capital proceeds are less than the shares' reduced cost base.

A PBL shareholder who is an individual, complying superannuation fund or trust, and who acquired their PBL shares at least 12 months before the date of disposal to Crown, may be entitled to apply the CGT discount rule in respect of any capital gain made on disposal of their PBL shares.

The CGT cost base of the Crown shares received for disposal of the PBL shares should be equal to the market value of those PBL shares on the date of disposal and the date of acquisition of the Crown shares should be the date on which those shares are issued to shareholders.

5.1.4 Foreign Resident Shareholders

Foreign resident shareholders who hold their PBL shares on capital account should not be subject to CGT on the disposal of their PBL shares under the PBL Scheme.

5.2 Demerger Scheme – Ernst & Young Opinion

In our opinion, the Demerger Scheme should satisfy the requirements for demerger roll-over under Division 125 of the 1997 Act. The following is an outline of the Australian income tax implications of the Demerger Scheme for Australian resident Crown shareholders on the basis that demerger roll-over is available.

5.2.1 CGT Event – Return of Capital

CGT event G1 should occur for Crown shareholders when Crown makes the distribution of the CMH shares under the Demerger Scheme, as the distribution of the CMH shares should not be an assessable dividend. The event should happen at the time Crown makes the distribution to its shareholders.

Crown shareholders should make a capital gain if the non-assessable part of the distribution (which should be the entire distribution) exceeds the cost base the shareholders have in their Crown shares.

If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

5.2.2 CGT Roll-Over

Capital Gain is Disregarded

For Crown shareholders who choose to obtain roll-over relief, a capital gain made by those Crown shareholders as a result of the return of capital by Crown under the Demerger Scheme should be disregarded.

Cost Base in CMH Shares and Crown Shares

Crown shareholders who choose to obtain roll-over relief should apportion the first element of the cost base in their Crown shares as between those Crown shares and the CMH shares received under the Demerger Scheme. This apportionment should be based on the market value of the Crown shares just after the demerger and the market value of the CMH shares just after the demerger, or a reasonable approximation of those market values.

Example C:

Using the same facts as in Example B, Patrick will receive 1,000 CMH shares under the Demerger Scheme.

Patrick should apportion the cost base of the Crown shares (ie. $8,636 as calculated in Example B) across both the Crown shares and the CMH shares on a reasonable basis.

Patrick chooses to apportion the cost base using the anticipated market values of the Crown shares and the CMH shares, which are assumed, for illustrative purposes, to be $19 and $4 respectively.

*Therefore, the cost base of Patrick's Crown shares after the Demerger Scheme should be $7,134 (ie. $19 / $23 * $8,636).*

*The cost base of Patrick's CMH shares after the Demerger Scheme should be $1,502 (ie. $4 / $23 * $8,636).*

Application of CGT Discount

For the purposes of determining the availability of the CGT discount on a subsequent sale of CMH shares, the CMH shares should be deemed to have been acquired on the date that shareholders acquired (or are treated as having acquired) their Crown shares.

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5.2.3 CGT Roll-Over not Chosen

For Crown shareholders who do not choose to obtain roll-over relief, a capital gain made by those Crown shareholders as a result of the return of capital by Crown under the Demerger Scheme should not be disregarded. The capital gain should be calculated as outlined in section 5.2.1 above. That is, Crown shareholders should make a capital gain if the non-assessable part of the distribution (which should be the entire distribution) exceeds the cost base the shareholders have in their Crown shares.

If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

Crown shareholders who do not choose to obtain roll-over relief should apportion the first element of the cost base in their Crown shares as between those Crown shares and the CMH shares received under the Demerger Scheme. The method of apportionment should be as outlined in section 5.2.2 above.

5.2.4 Foreign Resident Shareholders

Foreign resident shareholders should not be subject to CGT to the extent that a capital gain arises from the return of capital under the Demerger Scheme.

5.2.5 Demerger Dividend

No part of the return of capital by Crown under the Demerger Scheme should be a dividend to the Crown shareholders as the entire amount of the distribution by Crown will be debited against its share capital account.

5.2.6 Capital Streaming Integrity Provisions

The Australian income tax law contains provisions which provide a mechanism for the Commissioner of Taxation to deem certain payments, referred to as “capital benefits” and “demerger benefits”, that are paid to shareholders in substitution for taxable dividends, to be treated as taxable dividends for income tax purposes.

The requirements for the provisions to apply are complex, and require a consideration of all the relevant circumstances of the scheme, including the general anti-avoidance provisions. One of the requirements for the provisions to apply is that, having regard to the relevant circumstances of the scheme, it would be concluded that one of the persons who entered into the scheme or carried out the scheme did so for the purpose (but not an incidental purpose) of enabling a taxpayer to obtain a tax benefit.

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Having considered the relevant circumstances of the Demerger Scheme, and the matters set out in the relevant anti-avoidance provisions, in our view it should not be concluded that the Demerger Scheme is being carried out for the purposes of enabling a taxpayer to obtain a tax benefit. Therefore, in our view, the Commissioner should not exercise his discretion to apply the capital streaming integrity provisions to deem any part of the "demerger allocation" (ie. the value of the CMH shares distributed to Crown shareholders under the Demerger Scheme) to be a dividend.

It is expected that the Commissioner will confirm this position for Crown shareholders in a Class Ruling to be issued prior to the Court approving the Demerger Scheme.

5.3 Demerger Scheme – ATO Position

The ATO has indicated that, in their opinion, the Demerger Scheme does not qualify for demerger roll-over relief under Division 125 of the 1997 Act. The following is an outline of the Australian income tax implications of the Demerger Scheme for Australian resident Crown shareholders on the basis that demerger roll-over is not available.

Capital Gain

A capital gain may arise for Crown shareholders under CGT event G1. As outlined above, Crown shareholders should make a capital gain if the non-assessable part of the distribution (ie. the market value of the CMH shares) exceeds the cost base the shareholders have in their Crown shares.

If the non-assessable part of the distribution does not exceed the cost base in the Crown shares, the cost base should be reduced by the amount of the non-assessable distribution.

Crown shareholders should not make a capital loss as a result of the return of capital under the Demerger Scheme.

Cost Base in CMH Shares and Crown Shares

Where demerger roll-over is not available, the cost base in the Crown shares should be reduced by the market value of the CMH shares distributed to Crown shareholders. Shareholders should obtain a market value cost base in the CMH shares.

The following example demonstrates how a Crown shareholder should adjust the cost base in their Crown shares and CMH shares where demerger roll-over is not available and a capital gain does not arise under CGT event G1.

Example D:

Matthew owns 1,000 Crown shares with a total cost base of $10,000.

Under the Demerger Scheme, Matthew will receive 1,000 CMH shares.

The anticipated market values of the Crown shares and the CMH shares are assumed, for illustrative purposes, to be $15 and $5 respectively. Therefore, the market value of the CMH shares distributed to Matthew will be $5,000.

Therefore, the cost base of Matthew's Crown shares after the Demerger Scheme should be $5,000 (ie. $10,000 less the market value of non-assessable distribution (being $5,000)).

The cost base of Matthew's CMH shares after the Demerger Scheme should be $5,000 (ie. the market value of the CMH shares distributed).

The total overall cost base in the Crown shares and the CMH shares is $10,000.

The following example demonstrates how a Crown shareholder should adjust the cost base in their Crown shares and CMH shares where demerger roll-over is not available and a capital gain arises under CGT event G1.

Example E:

Jessica owns 1,000 Crown shares with a total cost base of $4,000.

Under the Demerger Scheme, Jessica will receive 1,000 CMH shares.

The anticipated market values of the Crown shares and the CMH shares are assumed, for illustrative purposes, to be $15 and $5 respectively. Therefore, the market value of the CMH shares distributed to Jessica will be $5,000.

As the market value of the non-assessable distribution (ie. the CMH shares) exceeds the cost base in the Crown shares, a capital gain of $1,000 arises for Jessica.

The cost base of Jessica's Crown shares after the Demerger Scheme should be reduced to nil.

The cost base of Jessica's CMH shares after the Demerger Scheme should be $5,000 (ie. the market value of the CMH shares distributed).

The total overall cost base in the Crown shares and the CMH shares is $5,000 (which equates to the original Crown cost base ($4,000) plus the amount of the capital gain under CGT event G1 ($1,000)).

5.4 PBL Scheme Implemented but not the Demerger Scheme

If the PBL Scheme is implemented but not the Demerger Scheme, the only income tax implications for PBL shareholders should be as outlined in section 5.1 above.

6. Goods & Services Tax Implications

The disposal of PBL shares by PBL shareholders under the PBL Scheme should not attract GST. Similarly, no GST should be payable on the transfer of CMH shares by Crown under the Demerger Scheme.

As noted above, this tax letter is limited to implications for Australian resident PBL shareholders.

Where PBL shareholders are registered for GST, any GST incurred on acquisitions that relate to the disposal of the PBL shares or the acquisition of CMH shares should not be recoverable if the individual shareholder exceeds the financial acquisitions threshold, as defined under the GST Act.

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However, a Reduced Input Tax Credit may still be available if the acquisition constitutes a "reduced credit acquisition" under the GST Act.

Where PBL shareholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the disposal of PBL shares or the acquisition of CMH shares.

7. Disclaimer

Tax laws are complicated and there could be implications for PBL shareholders and Crown shareholders in addition to those described above. The above information is general in nature and the individual circumstances of each shareholder may affect the tax implications of the investment of that shareholder. PBL shareholders and Crown shareholders should seek appropriate independent professional advice that considers the tax implications in respect of their own specific circumstances. We disclaim all liability to any shareholder or other party for all costs, loss, damage and liability that the shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this letter or the provision of this letter to the shareholder or other party or the reliance on this letter by the shareholder or other party.

The tax information is being provided by Ernst & Young, which is not required to hold an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001* to provide that information. The information is confined to tax issues and is only one of the matters that must be considered by PBL shareholders when making a decision as to what consideration they should choose under the PBL Scheme. Before making a decision, PBL shareholders should consider taking advice from the holder of an AFSL.

This letter does not constitute an endorsement of the Scheme Booklet or a recommendation as to whether PBL shareholders should vote in favour of the PBL Scheme. Ernst & Young expresses no opinion and gives no assurance or guarantee in respect of the Scheme Booklet.

We consent to the inclusion of this tax letter in the Scheme Booklet. This consent has not been withdrawn at the date of this letter.

* * * *

Yours sincerely

Ernst & Young

Ernst & Young

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Section 12.2 – Independent Accountant's report on Pro Forma Financial Information

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

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5 October 2007

The Directors
Publishing and Broadcasting Limited ("PBL"),
Consolidated Media Holdings ("CMH") and Crown Limited ("Crown")
54 Park Street
SYDNEY NSW 2000

Dear Directors

Independent Accountant's Report on Pro Forma Financial Information

We have prepared this Independent Accountant's Report (the Report) on the Pro Forma Financial Information of CMH, Crown and Crown (post PBL Scheme only) for inclusion in a Scheme Booklet to be dated on or about 15 October 2007 (the Scheme Booklet) relating to the Demerger by Scheme of Arrangement of CMH from Crown.

Expressions defined in the Scheme Booklet have the same meaning in this Report.

Scope

You have requested Ernst & Young to prepare a report for inclusion in the Scheme Booklet covering the following information:

a) Summary pro forma income statements for Crown prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the Crown Pro Forma Income Statements) as set out in Section 9.6.5;
b) Summary pro forma cash flow statements for Crown prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the Crown Pro Forma Cash Flow Statements) as set out in Section 9.6.7;
c) Pro forma balance sheet for Crown prepared by the Directors as at 30 June 2007 (the Crown Pro Forma Balance Sheet) as set out in Section 9.6.9;
d) Summary pro forma income statements for CMH prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the CMH Pro Forma Income Statements), as set out in Section 10.6.5;
e) Summary pro forma cash flow statements for CMH prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the CMH Pro Forma Cash Flow Statements) as set out in section 10.6.7;
f) Pro forma balance sheet for CMH prepared by the Directors as at 30 June 2007 (the CMH Pro Forma Balance Sheet) as set out in Section 10.6.9;
g) Summary pro forma income statements for Crown (post PBL Scheme only) prepared by the Directors for the years ended 30 June 2006 and 30 June 2007, and six month periods ended 31 December 2005 and 31 December 2006 (the Crown (post PBL Scheme only) Pro Forma Income Statements) as set out in Section 11.5.5;

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h) Summary pro forma cash flow statements for Crown (post PBL Scheme only) prepared by the Directors for the years ended 30 June 2006 and 30 June 2007 (the Crown (post PBL Scheme only) Pro Forma Cash Flow Statements) as set out in section 11.5.6; and
i) Pro forma balance sheet for Crown (post PBL Scheme only) prepared by the Directors as at 30 June 2007 (the Crown (post PBL Scheme only) Pro Forma Balance Sheet) as set out in Section 11.5.8.

The pro forma income statement financial information referred to in a), d) and g) above are collectively defined as the Pro Forma Income Statements.

The pro forma cash flow statement financial information referred to in b), e) and h) above are collectively defined as the Pro Forma Cash Flow Statements.

The pro forma balance sheet financial information referred to in c), f) and i) are collectively defined as the Pro Forma Balance Sheets.

The financial information set out in a) to i) above is collectively referred to as the Pro Forma Financial Information.

The Pro Forma Financial Information for the years ended 30 June 2006 and 30 June 2007 has been extracted from the accounting records used to generate the audited statutory financial statements of PBL which were audited by Ernst & Young and on which unqualified audit opinions were issued.

The Directors have prepared and are responsible for the preparation and presentation of the Pro Forma Financial Information. The Pro Forma Financial Information has been prepared for inclusion in the Scheme Booklet. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Scheme Booklet.

Review of Pro Forma Income Statements and Pro Forma Cash Flow Statements

We have conducted an independent review of the Pro Forma Income Statements and Pro Forma Cash Flow Statements in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro Forma Income Statements and Pro Forma Cash Flow Statements are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections:

- Crown – Section 9.6.2 and 9.6.3;
- CMH – Section 10.6.2 and 10.6.3; and
- Crown (Post PBL Scheme) – Section 11.5.2 and 11.5.3.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Income Statements and Pro Forma Cash Flow Statements.

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Review of Pro Forma Balance Sheets

We have conducted an independent review of the Pro Forma Balance Sheets in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro Forma Balance Sheets are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections, (as if the pro forma transactions had occurred at 30 June 2007):

- Crown – Section 9.6.2 and 9.6.3;
- CMH – Section 10.6.2 and 10.6.3; and
- Crown (Post PBL Scheme) – Section 11.5.2 and 11.5.3.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Balance Sheets.

Review Statements

Review of Pro Forma Income Statements and Pro Forma Cash Flow Statements

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro Forma Income Statements and Pro Forma Cash Flow Statements are not presented fairly in accordance with the basis of preparation and presentation set out in the following sections:

- Crown – Section 9.6.2 and 9.6.3;
- CMH – Section 10.6.2 and 10.6.3; and
- Crown (Post PBL Scheme) – Section 11.5.2 and 11.5.3.

Review of Pro Forma Balance Sheets

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro Forma Balance Sheets do not present fairly the financial positions of CMH, Crown or Crown (post PBL Scheme only) as at 30 June 2007 in accordance with the basis of preparation and presentation set out in the following sections, as if the pro forma transactions had occurred at 30 June 2007:

- Crown – Section 9.6.2 and 9.6.3;
- CMH – Section 10.6.2 and 10.6.3; and
- Crown (Post PBL Scheme) – Section 11.5.2 and 11.5.3.

5. Subsequent Events

Having regard to the scope of our Report, to the best of our knowledge and belief, there have been no material transactions or events outside the ordinary business of PBL, CMH and Crown subsequent to 30 June 2007 that have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

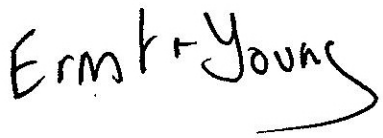
6. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit, tax, and other advisory services to PBL and will receive a professional fee for the preparation of this Report.

The Directors have agreed to indemnify and hold harmless Ernst & Young and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors.

Consent to the inclusion of the Independent Accountant's Report in the Scheme Booklet in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Ernst & Young

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Section 13 – Additional information

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Section 13 – Additional information

13.1 Crown Directors

The Crown Directors and their experience and qualifications are set out below. The members of the Crown Board and the members of the CMH Board after the Recommended Proposal is implemented will be the current PBL Directors.

James D Packer (Age 40)
Executive Chairman

Mr Packer has been Executive Chairman of PBL since May 1998 and prior to that was the CEO from March 1996 to May 1998.

Mr Packer is the Executive Chairman of CPH and a director of various companies including Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited, PBL Media Holdings Pty Limited, Challenger Financial Services Group Limited, Sunland Group Limited and is the Chairman of SEEK Limited.

John H Alexander BA (Age 56)
Chief Executive Officer and Managing Director

Mr Alexander has been CEO and Managing Director of PBL since June 2004. He joined ACP Magazines as Group Publisher in 1998 and was appointed CEO of that division in March 1999, a position he held until April 2006. In January 2002, he was appointed CEO of PBL's media businesses which included ACP Magazines and Nine Network – then owned by PBL, a role which straddled PBL's Nine Network and ACP Magazines divisions. Prior to joining the PBL Group, Mr Alexander was the Editor-in-Chief, Publisher and Editor of The Sydney Morning Herald, and Editor-in-Chief of The Australian Financial Review.

Mr Alexander is a director of various companies including Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited, Aspinalls Holdings (Jersey) Limited, Ninemsn Pty Limited, FOXTEL Management Pty Limited, PBL Media Holdings Pty Limited, Premier Media Group Pty Ltd and The International Federation of the Periodical Press Limited.

Christopher J Anderson BEc (Age 62)
Executive Deputy Chairman

Mr Anderson joined the PBL Board in June 2004 and was appointed Executive Deputy Chairman in January 2006. Mr Anderson was previously the Chief Executive Officer of Optus and resigned from that role in late 2004. Prior to joining Optus in 1997, Mr Anderson was the Group Chief Executive of Television New Zealand Limited. Previously, he was the Managing Editor of the Australian Broadcasting Corporation and was Chief Executive Officer and Editorial Director of John Fairfax Limited Group. Mr Anderson was employed by John Fairfax Limited from 1966 to 1991 in various positions.

Mr Anderson represents PBL as a Board director of SEEK Limited, FOXTEL Management Pty Limited, Premier Media Group Pty Limited, Ninemsn Pty Limited, The Hoyts Corporation Pty Limited (until completion of the sale of the Hoyts group) and Australian News Channel Pty Limited.

Christopher D Corrigan (Age 60)
Independent, non-executive Director

Mr Corrigan was Managing Director of Patrick Corporation Limited, Australia's largest stevedore company with interests in rail transportation and aviation from March 1990 to

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May 2006. Prior to that, he had a career with Bankers Trust spanning 20 years, including periods as Managing Director of Bankers Trust in Australia and for the Asia/Pacific region.

Mr Corrigan sponsored the formation of a development capital business of A$220 million known as Jamison Equity Limited in 1990, which became a wholly owned subsidiary, in December 1996, of the then publicly listed company Patrick Corporation.

Rowen B Craigie BEc (Hons) (Age 52)
CEO, PBL Gaming

Mr Craigie is the head of PBL Gaming, overseeing all of PBL's Australian and international gaming operations. Mr Craigie has previously served as the CEO of Crown Melbourne Limited. He is also a director of Crown Melbourne Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited and Aspinall Holdings (Jersey) Limited. Mr Craigie joined Crown Melbourne Limited in 1993 and was appointed as the Executive General Manager of its Gaming Machines department in 1996, and was promoted to Chief Operating Officer in 2000. Prior to joining Crown Melbourne Limited, Mr Craigie was the Group General Manager for Gaming at the TAB in Victoria from 1990 to 1993, and had held senior economic policy positions in Treasury and the Department of Industry in Victoria from 1984 to 1990.

Rowena Danziger BA, TC, MACE (Age 69)
Independent, non-executive Director

Mrs Danziger's professional experience spans over 30 years in various Australian and American educational institutions. She was the Headmistress at Ascham School in Sydney from 1973 to 2003. She is currently a director of Opera Australia and a board member of Sydney Writers' Festival and Chairperson of The Foundation of the Art Gallery of NSW.

Mrs Danziger is also a director of Crown Melbourne Limited.

Geoffrey J Dixon (Age 67)
Independent, non-executive Director

Mr Dixon is the Managing Director and Chief Executive Officer of Qantas Airways Limited. Mr Dixon joined Qantas in 1994 and has had responsibility at the airline for all commercial activities. Before joining Qantas, Mr Dixon was Director of Marketing and Industry Sales at Ansett Australia Airlines and General Manager Marketing and Corporate Affairs at Australian Airlines.

Mr Dixon is on the boards of Air Pacific Limited and the Business Council of Australia. He is also on the Governing Board of IATA. Prior to his career in the airline industry, Mr Dixon worked for an arm of the Australian Government Overseas Service in Australia and on postings to Australian Missions in The Hague, New York and San Francisco. He has also worked in the mining and media sectors.

Ashok P Jacob MBA (Age 46)
Non-independent, non-executive Director

Mr Jacob is the Chief Executive Officer of Consolidated Press Holdings Limited. Mr Jacob is a director of Challenger Financial Services Group Limited, Ellerston Capital Limited, Teys Bros (Holdings) Pty Ltd, Crown Melbourne Limited and MRF Limited.

Michael R Johnston BEc, CA (Age 46)
Non-independent, non-executive Director

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Mr Johnston was appointed to the PBL Board in December 2005. Mr Johnston is Finance Director of Consolidated Press Holdings Limited.

Prior to his appointment with Consolidated Press Holdings Limited, Mr Johnston was a Senior Partner in the Australian member firm of Ernst & Young, having been with Ernst & Young for over 17 years. Mr Johnston was also on the Board of Partners of Ernst & Young, Australia.

David H Lowy AM, BCom (Age 52)
Independent, non-executive Director

Mr Lowy is a principal of LFG Holdings Pty Ltd and is Deputy Chairman (non-executive) of the Westfield Group. He joined Westfield in 1977 and became Managing Director in 1987, a position he held until June 2000. Mr Lowy is the founder and president of Temora Aviation Museum.

Christopher J Mackay BEc, LLB (Hons), LLM, FFin (Age 44)
Independent, non-executive Director

Mr Mackay is co-founder and Deputy Chairman of Magellan Financial Group Limited and a Director of Magellan Flagship Fund Limited and Magellan Asset Management Limited. He is also the Chief Investment Officer of Magellan Asset Management Limited.

Mr Mackay has considerable experience in investment, business management, business assessment, capital allocation and risk management. He became an investment banker in 1988, after being a corporate and banking lawyer, and has broad experience in the financial and corporate sectors.

Mr Mackay retired as Chairman of the investment bank UBS Australasia, in March 2006, having previously been its Chief Executive Officer, and remains as a senior adviser to UBS. He is a member of the Federal Treasurer's Financial Sector Advisory Council, and is a former member of the Business Council of Australia and director of the International Banks & Securities Association.

Richard W Turner AM, BEc, FCA (Age 69)
Independent, non-executive Director

Before his retirement in 1994, Mr Turner had been the Chief Executive Officer of Ernst & Young, having had a successful 36 year career as an audit partner. Mr Turner is a Fellow of the Institute of Chartered Accountants in Australia. He is a director of HBOS Australia Limited, Bankwest Limited, Mirvac Ltd and its group companies. He was past President and director of The Smith Family and past Chairman and a current director of the Institute of Pain Management Limited.

Mr Turner is also a director of Crown Melbourne Limited.

13.2 Crown Directors' interests in PBL and Crown and voting intentions

The Crown Directors and the number of marketable securities of PBL and Crown that are held by or on behalf of the Crown Directors, or in which the Crown Directors have a relevant interest at the date this Demerger Scheme Booklet is lodged for registration with ASIC, are listed in the table below:

Name	Number of PBL Shares
James D Packer	261,500,000
John H Alexander	1,812,500

Name	Number of PBL Shares
Christopher J Anderson	315,194
Christopher D Corrigan	0
Rowen B Craigie	850,000
Rowena Danziger	22,876
Geoffrey J Dixon	0
Ashok P Jacob	0
Michael R Johnston	0
David H Lowy	117,253
Christopher J Mackay	100
Richard W Turner	27,000

Other than as set out above, no marketable securities of PBL or Crown are held by or on behalf of Crown Directors as at the time of lodgement of this Demerger Scheme Booklet for registration with ASIC. Without limitation no Crown Director holds Crown Shares.

13.3 Payments or other benefits to Crown Directors, secretaries and executive officers

No payment or other benefit is proposed to be made or given to any director, secretary or executive officer of Crown, or of any related body corporate of Crown, as compensation for loss of, or as consideration for or in connection with his or her retirement from office as director, secretary or executive officer of Crown or a related body corporate of Crown as a result of the Demerger Scheme or the Recommended Proposal except as follows or as set out elsewhere in this Demerger Scheme Booklet.

Arrangements in relation to the ESP are discussed in Section 13.7.

13.4 Agreements of Crown Directors conditional on Demerger Scheme

Other than:

- the arrangements set out in Section 13.7 in relation to the ESP; and
- the entry by Mr Alexander, Mr Anderson and Mr Craigie into varied service agreements with PBL which are referred to in the PBL Scheme Booklet,

there are no agreements or arrangements made between a Crown Director and any other person in connection with or conditional upon the outcome of the Demerger Scheme or the Recommended Proposal.

13.5 PBL Group Redundancies

The implementation of the Recommended Proposal will result in the retrenchment of approximately 25 PBL Group employees who, at the date the Recommended Proposal was announced on 8 May 2007, worked at PBL's head office located at 54 Park Street, Sydney. The redundancies commenced after the Recommended Proposal was announced and will continue until 31 December 2007.

In addition, five PBL Group employees have been offered and have accepted employment with companies that are associated with PBL, including companies in which PBL holds investments. Nine employees will continue working for CMH. It is possible that Crown may seek to offer employment to two former PBL Group employees, who worked at PBL's head office.

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The total estimated one-off cost of these redundancies (inclusive of the payments to Mr Alexander and Mr Anderson referred to in Section 13.4) is $39 million. Once these redundancies have occurred, the combined corporate costs incurred by Crown and CMH on an on going basis are expected to be at least $30 million per annum less than the corporate costs currently incurred by PBL.[1]

13.6 Intentions of Crown Directors

If the PBL Scheme and the Demerger Scheme are approved and implemented, each of Crown and CMH will be separately listed on the ASX. Each company will, in those circumstances, be solely responsible for determining the strategic direction of its own businesses.

Other than as disclosed in this Demerger Scheme Booklet (including for the avoidance of doubt the possible disposal of the Discontinuing Businesses), the following are the present intentions of the Crown Directors and the CMH Directors:

- ***Continuation of the Media Businesses and Gaming Businesses***

  If the PBL Scheme and the Demerger Scheme are approved and implemented then:

  – CMH intends to continue the Media Businesses; and

  – Crown intends to continue the Gaming Businesses.

- ***Major changes to the business or redeployment of assets***

  Except as expressly disclosed in this Demerger Scheme Booklet, if the PBL Scheme and the Demerger Scheme are approved and implemented Crown does not propose to make any major changes to the Gaming Businesses or redeploy any assets of the Gaming Businesses and CMH does not propose to make any changes to the Media Businesses or redeploy any assets of the Media Businesses.

- ***Future employment of present PBL employees***

  As disclosed in Section 13.5, PBL has offered redundancy to approximately 24 employees who have accepted the offers with the consequence that their employment with PBL Group will cease on various dates up to 31 December 2007.

  Subject thereto, if the PBL Scheme and the Demerger Scheme are approved and implemented then:

  – Crown intends to continue the future employment of the present PBL Group employees who work in the Gaming Businesses; and

  – CMH intends to continue the future employment of the present PBL Group employees who have not been made redundant and work in the Media Businesses.

13.7 ESP

PBL operates an executive share plan (**ESP**) which was approved by PBL Shareholders at the 1994 annual general meeting.

[1] Annual corporate costs for Crown are estimated at $33 million in Section 10.6.5(a) and (b); annual corporate costs for CMH are estimated at $8 million in Section 11.6.5 (a) and (b); PBL's annual corporate costs for FY2007 were $93 million.

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PBL will amend the ESP to allow ESP Participants to participate in both the PBL Scheme and the Demerger Scheme in respect of their ESP Shares. As a consequence of those amendments:

- the restrictions on transfer of the ESP Shares will be lifted to allow the ESP Shares to participate in the PBL Scheme subject as set out below;
- ESP Participants will be issued with Crown Shares under the PBL Scheme and they will have CMH Shares transferred to them under the Demerger Scheme, assuming those Schemes are approved and implemented;
- the cash component of the PBL Scheme Consideration that ESP Participants receive in respect of their ESP Shares (determined after taking into account any Election that they have made in respect of their ESP Shares) will be applied to reduce the amount of any outstanding loan on their ESP Shares (**ESP Loan**);
- restrictions which permit only 25% of the ESP Shares to be released from vesting conditions each year after issue will continue to apply to the CMH Shares and Crown Shares that are provided to ESP Participants in respect of their ESP Shares;
- share price performance hurdles requiring a compound share price appreciation of 7% per annum based on the issue price of the ESP Shares will be substituted by equivalent performance hurdles that will be imposed separately on the Crown Shares (and, if the Demerger Scheme is approved and implemented, on the CMH Shares) received by the ESP Participants under the Schemes in respect of their ESP Shares. It is proposed that the substitute hurdles will be determined by the Crown Board and CMH Board having regard to the following factors:
  - the market price of Crown Shares (and, as applicable, the CMH Shares) in the first 20 Business Days that those shares trade on ASX after the PBL Scheme Effective Date;
  - the issue price of the ESP Shares and the extent to which, by reference to that issue price, the performance hurdles have been or would have been satisfied having regard to the market price of PBL Shares in the period prior to the PBL Scheme Effective Date; and
  - the principle that the performance hurdles to be applied to the Crown Shares (and, as applicable, the CMH Shares) should neither confer an advantage on, nor a disadvantage to, the ESP Participants and they should each achieve the required 7% per annum compound share price accumulation;
- the ESP Loan will remain outstanding and it will be applied to the Crown Shares issued to the ESP Participants, if only the PBL Scheme is approved and implemented;
- if the Demerger Scheme is also approved and implemented, then the ESP Participants' ESP Loan will be allocated as to 25% of the outstanding amount to the CMH Shares that each ESP Participant receives under the Demerger Scheme and, as to the balance of the outstanding amount (i.e 75%), to the Crown Shares that each ESP Participant receives under the PBL Scheme in respect of the ESP Shares held by that participant;
- there will be a window to allow trading of Crown Shares and, if applicable, CMH Shares in the period commencing on the PBL Scheme Effective Date and ending on 31 December 2007. This will allow ESP Participants who have ESP Shares which are free of restrictions to sell Crown Shares and/or CMH Shares that they

receive under the Schemes in respect of those unrestricted ESP Shares for a further limited time period after the Schemes are implemented, subject to compliance with all other legal requirements;

- if an ESP Participant, in accordance with the ESP rules, sells Crown Shares received under the PBL Scheme in respect of the ESP Shares of the participant, then, subject as set out below, the proceeds of sale must be applied to reduce the ESP Loan amount in respect of the Crown Shares which are sold;

- if an ESP Participant, in accordance with the ESP Rules, sells CMH Shares received under the Demerger Scheme in respect of the ESP Shares of the participant, then, subject as set out below, the proceeds of sale must be applied to reduce the ESP Loan amount in respect of the CMH Shares which are sold; and

- where an ESP Participant sells only part of the Crown Shares or CMH Shares received under the Schemes in respect of ESP Shares held by that participant, then the proceeds of sale must be applied to repay a proportion of the outstanding ESP Loan. The proportion will be the same proportion as the number of Crown Shares or CMH Shares (as the case may be) that have been sold by the ESP Participant bears to the total number of Crown Shares or CMH Shares (as the case may be) held by that participant immediately before the sale. The ESP Participant will be entitled to retain any excess from the proceeds of sale after the ESP Loan repayment, in accordance with the foregoing, is made.

Crown Directors have the number of the ESP Shares and ESP Loans in respect of those ESP Shares as set out in the table below. It is proposed that Crown Directors who hold ESP Shares will be treated identically with all other ESP Participants in respect of their ESP Shares and ESP Loans.

PBL Director	ESP Shares	ESP Loans
John H Alexander	1,300,000	$22,668,000
Christopher S Anderson	300,000	$4,848,000
Rowen B Craigie*	850,000	$14,566,000

* The number of ESP Shares and ESP Loan for Mr Craigie does not include the 1,150,000 ESP Shares (and the ESP Loan in respect thereof, being $22,004,500) that will be issued to Mr Craigie if resolution 6 that will be considered at the PBL Annual General Meeting is passed.

13.8 Financial information

Within the knowledge of the Crown Directors, and other than as disclosed in this Demerger Scheme Booklet the financial position of Crown has not materially changed since its incorporation.

13.9 Transactions in relation to Crown shares in previous 6 months

The only share capital of Crown as at the date of this Demerger Scheme Booklet being lodged with ASIC for registration is the eight Crown Initial Shares. The Crown Initial Shares were issued on the incorporation of Crown on 31 May 2007.

As at the date of this Demerger Scheme Booklet being lodged with ASIC, no transactions have been entered into in relation to the Crown Initial Shares since their issue.

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13.10 Crown – 2007 annual general meeting

At the 2007 annual general meeting of Crown on 6 July 2007:

(a) Ernst & Young was appointed auditor of Crown;

(b) a new Crown Constitution (summarised in Section 13.14) was adopted; and

(c) each of the Crown Directors was elected to the Crown Board.

13.11 End date of Demerger Scheme

In accordance with clause 2.5 of the Demerger Scheme, the Demerger Scheme lapses and has no further force or effect if the Demerger Scheme Effective Date is not on or before 31 December 2007 (or such later date as Crown determines and, if required, is approved by the Court).

13.12 Material Contracts

Either Crown or PBL (or a controlled entity of either Crown or PBL) is a party to the material contracts described below:

(a) Implementation Deed

The Implementation Deed has been entered into by PBL and Crown and sets out the steps required to be taken by each of PBL and Crown to implement the Recommended Proposal, including without limitation the PBL Scheme, the Capital Reduction, the Demerger Scheme and other steps necessary to give effect to the Demerger. The Implementation Deed can be terminated by either PBL or Crown if the Demerger Implementation Date has not occurred by 31 December 2007 or such later date as PBL determines.

- ***Obligations of PBL***

  Under the Implementation Deed, PBL agrees that it will take certain steps necessary to implement the Recommended Proposal including:

  - executing (and, where relevant, procuring that each Subsidiary executes) the Demerger Deed and the other transaction documents necessary to give effect to the Recommended Proposal;
  - applying to the Court for orders convening the PBL Scheme Meeting;
  - if the Court makes orders convening the PBL Scheme Meeting, convening the PBL Annual General Meeting for the purposes of considering the Demerger Scheme Advisory Resolution and the Name Change Resolution, to be held on the same day as the PBL Scheme Meeting;
  - applying to the Court for an order approving the PBL Scheme;
  - lodging office copies of the Court order approving the PBL Scheme with ASIC and ASX on the PBL Scheme Effective Date;
  - applying to ASX for a new trading quotation code for PBL;
  - using its best endeavours to satisfy any requirements ASX imposes on Crown and to work with Crown in preparing and lodging the

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application to ASX for the admission of Crown to the ASX official list and for official quotation of all Crown Shares on ASX;

- using its best endeavours to ensure that ASX grants approval to the application for Crown's admission to the ASX official list and for official quotation of all Crown Shares on ASX;
- completing the Reorganisation; and
- issuing confirmation of allotment statements to Demerger Scheme Participants.

- ***Obligations of Crown***

Under the Implementation Deed, Crown agrees to take the steps necessary to implement the Recommended Proposal, including:

- executing (and, where relevant, procuring that each Crown Subsidiary executes) the Demerger Deed and the other transaction documents necessary to give effect to the Recommended Proposal;
- applying to ASX for admission of Crown to the ASX official list and for official quotation of all Crown Shares on ASX;
- using its best endeavours to ensure that ASX grants approval for the admission of the Crown Shares to the ASX official list and official quotation of all the Crown Shares on ASX;
- applying to the Court for orders convening the Demerger Scheme Meeting;
- if the Court makes orders convening the Demerger Scheme Meeting convening the Crown General Meeting for the purposes of considering the Capital Reduction Resolution and the Crown Financial Assistance Resolution, to be held on the same day as the Demerger Scheme Meeting;
- applying to the Court for an order approving the Demerger Scheme;
- lodging office copies of the Court order approving the Demerger Scheme with ASIC and ASX on the Demerger Scheme Effective Date;
- procuring the sale by the Nominee of the Crown Shares to which Ineligible Overseas Shareholders would otherwise be entitled under the PBL Scheme and the CMH Shares referable to the Ineligible Overseas Shareholders;
- completing the Reorganisation;
- on the Demerger Implementation Date, reducing the capital of each Crown Share in accordance with the Capital Reduction Resolution and applying these funds as consideration for the transfer of CMH Shares to Demerger Scheme Participants in the manner required under the Demerger Scheme; and
- issuing confirmation of allotment statements to PBL Scheme Participants.

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(b) Demerger Deed

The Demerger Deed will be entered into by PBL and Crown prior to the PBL Second Court Date and will deal with transitional, commercial and legal issues arising in connection with the legal and economic separation of the Gaming Businesses and the Media Businesses and the ongoing relationship between Crown and CMH following the implementation of the Recommended Proposal. The key terms that will be included in the Demerger Deed are summarised below:

- ***Fundamental Demerger principle***

  The fundamental Demerger principle of the separation of the Gaming Businesses and the Media Businesses is that, following the Demerger, as between Crown on the one hand and CMH on the other:

  Crown will have:

  - the entire economic and commercial benefit (including all profits) of the Gaming Businesses on and from completion of the Demerger on the Demerger Implementation Date;
  - the entire economic and commercial risk and liabilities of the Gaming Businesses as if Crown had owned and operated the Gaming Businesses at all relevant times;
  - none of the economic or commercial benefit of the Media Businesses on and from completion of the Demerger on the Demerger Implementation Date; and
  - none of the economic or commercial risk or liabilities of the Media Businesses whenever arising; and

- CMH will have:

  - the entire economic and commercial benefit (including all profits) of the Media Businesses on and from completion of the Demerger on the Demerger Implementation Date;
  - the entire economic and commercial risk and liabilities of the Media Businesses as if CMH had owned and operated the Media Businesses at all relevant times;
  - none of the economic or commercial benefit of the Gaming Businesses on and from completion of the Demerger on the Demerger Implementation Date; and
  - none of the economic or commercial risk or liabilities of the Gaming Businesses whenever arising.

As an exception to the fundamental Demerger principle, the responsibility for any liability arising in connection with the litigation brought against PBL by Seven Network Limited and C7 Pty Limited (**C7 Litigation**) and the litigation brought against PBL by OneTel Limited (**OneTel Litigation**) (more fully described in Sections 13.13(a) and 13.13(c) respectively) and any tax audit of the PBL Group in respect of the financial years ending on or prior to 30 June 2007 will be shared by the parties as follows:

- Crown: 75%; and

- CMH: 25%.

As a further exception to the fundamental Demerger principle, Crown has agreed to guarantee CMH's obligations under the tax indemnities given by CMH in favour of PBL Media Holdings Pty Limited under the deed pursuant to which PBL sold down its interest in PBL Media to funds advised by CVC Capital Partners and CVC Asia Pacific in October 2006.

- *No claims against the other*

Consistent with the fundamental Demerger principle, Crown and CMH acknowledge that once the Demerger is complete, Crown will not have any rights against CMH, and CMH will not have any rights against Crown, except in the circumstances specified in the Demerger Deed.

Neither Crown nor CMH will have any right to make a claim for liability or loss arising directly or indirectly in relation to the Demerger (including the restructure of PBL described in Section 7.7.2) or the Gaming Businesses (in the case of Crown) or the Media Businesses (in the case of CMH) unless expressly permitted by the Demerger Deed, the other transaction documents entered into to implement the Demerger , or any other agreement between Crown and CMH in existence at, or entered into, after the Demerger Implementation Date.

A six year time limit applies to all claims which may be made under the Demerger Deed.

- *Liability for Booklet*

Any liability which arises from claims by a third party against Crown or CMH that this Demerger Scheme Booklet (or other material published or distributed in connection with the Recommended Proposal including the Demerger Scheme Booklet and the information memorandum to be issued by Crown in connection with its application to be admitted to the official list of ASX) fails to comply with legal requirements will be borne by Crown to the extent it relates to information about the Crown Group or the Gaming Businesses and CMH to the extent it relates to the CMH Group or the Media Businesses.

- *Post-Demerger transfers*

The Demerger Deed sets out agreed mechanisms for the future transfer between Crown and CMH of, or other access to, any asset, contract, licence or intellectual property rights and any related liability which either of them owns or holds after the Demerger Implementation Date but which formed part of or was primarily used in the conduct of:

– the Gaming Businesses (in the case of CMH); or

– the Media Businesses (in the case of Crown),

but which was not transferred as part of the internal restructuring to Crown or CMH, as the case may be, or the owning or holding of which is inconsistent with the fundamental Demerger principle outlined above.

- *Litigation management*

Consistent with the fundamental Demerger principle outlined above, Crown will manage existing and new litigation matters relating to the Gaming Businesses and CMH will manage existing and new litigation matters relating to the Media

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Businesses. Other than in relation to any liability in connection with the C7 Litigation and OneTel Litigation:

- Crown indemnifies CMH in respect of liability or loss suffered by CMH in connection with a claim arising from such matters where that liability relates to the Gaming Businesses; and

- CMH indemnifies Crown in respect of a liability or loss suffered by Crown in connection with a claim arising from such matters where that liability relates to the Media Businesses.

- *Employees and superannuation*

From the Demerger Implementation Date:

- Crown will be responsible for and will indemnify CMH against liability or loss that relates to any aspect of the employment of any Crown Employee; and

- CMH will be responsible for and will indemnify Crown against liability or loss that relates to any aspect of the employment of any employee of CMH.

As part of the Reorganisation, Crown must procure that each employee who is to be transferred from CMH Group to Crown Group is offered membership of a default superannuation fund nominated by Crown or a complying superannuation fund of the transferring employee's choice with effect from the Demerger. Where the transferring employee accepts such offer, Crown and CMH must use their best endeavours to have the transferring employee's superannuation benefits transferred to the relevant superannuation fund in a manner that complies with superannuation law.

- *Insurance*

Other than in relation to director's and officer's liability insurance and workers compensation insurance, CMH will maintain in respect of both the Gaming Businesses and the Media Businesses its current insurance program up to 30 November 2007. In relation to director's and officer's liability, Crown will maintain insurance covering claims made against a director or officer of any Crown Group or CMH Group company up to the Demerger or the date that Crown obtains its own insurance, whichever occurs first. In relation to workers compensation, other than in Victoria, CMH will maintain insurance up to the Demerger and, in Victoria, up to the Demerger or the date that Crown obtains its own self insurance licence, whichever occurs first.

CMH will use its reasonable endeavours to ensure that Crown has access to the benefits attaching to CMH insurance policies referred to above and Crown agrees to reimburse CMH for that proportion of the premiums relating to those insurance policies that relate to the Gaming Businesses for periods beyond the Demerger.

Subject to the above, on and from the Demerger, Crown will be solely responsible for obtaining and maintaining insurance for the Crown Group and the Gaming Businesses and CMH will be solely responsible for obtaining and maintaining insurance for the CMH Group and the Media Businesses.

- *Access to records*

Under the Demerger Deed CMH must deliver to Crown or provide Crown with access to originals or copies of records connected with the Gaming Businesses

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and Crown must deliver to CMH or provide CMH access to originals or copies of records connected with the Media Businesses.

- *Financial and tax assistance*

  Crown and CMH will assist each other in relation to the preparation of financial statements for the financial period during which the Demerger Implementation Date occurs and any uncompleted financial statements for any earlier relevant financial periods.

  Crown and CMH will also assist each other to prepare their respective tax returns and in the event of any tax audit by a relevant authority.

- *Indemnities*

  Crown and CMH each gives certain indemnities to the other, including tax indemnities, to ensure that the intended economic effect of the Demerger is achieved.

  On completion of the proposed Share Sale Agreement for the sale of all the shares in Crown Entertainment Group Holdings Pty Limited to be entered into between Crown and CMH, the indemnities in the Demerger Deed will cease to apply and the matters they are concerned with will be dealt with exclusively by the Share Sale Agreement. The Share Sale Agreement will provide that where a payment is required to be made in respect of circumstances that would have fallen within the indemnities set out in the Demerger Deed, any such payment will be treated as a reduction in purchase price of the gaming entities if made by CMH, and an increase in purchase price of those entities if made by Crown.

- *Confidentiality*

  Crown and CMH must not use the other's confidential information for any purposes other than purposes permitted by the Demerger Deed or other agreements between them, must store the other's confidential information securely and must not allow any person access to the other's confidential information except to the extent that the disclosure is strictly necessary and is permitted under the Demerger Deed.

- *Demerger and other costs*

  All retrenchment costs associated with the Recommended Proposal that are incurred prior to the Demerger are to be paid solely by PBL prior to the Demerger.

  Each of CMH and Crown is to pay its own retrenchment costs incurred following the Demerger. All other transaction costs associated with the Proposed Transaction are, to the extent they are incurred by either party prior to the Demerger, to be paid by PBL and, to the extent they are incurred by either party following the Demerger will be shared by the parties as follows:

  – Crown: 75%; and

  – CMH: 25%.

  It is intended that each of the indemnities under the Demerger Deed will have effect under the Demerger Deed in accordance with their terms unless and until provisions of equivalent ongoing economic effect are included in the agreements that will be entered into in connection with the Reorganisation.

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(c) PBL Deed Poll

The PBL Deed Poll executed on 12 October 2007 is for the benefit of the Demerger Scheme Participants. Under the PBL Deed Poll and subject to the satisfaction of the conditions set out in clause 2.1 of the Demerger Scheme, PBL covenants in favour of the Demerger Scheme Participants to:

(i) perform all steps attributed to it under, and otherwise comply with, the Demerger Scheme as if named as a party to the Demerger Scheme; and

(ii) perform all steps required of it under, and to otherwise comply with, the Implementation Deed (insofar as it relates to the Demerger Scheme).

In particular, PBL agrees to register, or cause to be registered, the Demerger Scheme Participants as the holders of the CMH Shares to which the Demerger Scheme Participants are entitled under the Demerger Scheme.

(d) Crown Initial Shareholders' Deed Poll

Each of the Crown Initial Shareholders has executed a deed poll which is for the benefit of the PBL Scheme Participants.

Under this deed poll each Crown Initial Shareholder covenants in favour of the PBL Scheme Participants to:

(i) only vote in favour of the resolution to approve the Demerger Scheme and the Capital Reduction Resolution if the PBL Shareholders approve the Demerger Scheme Advisory Resolution by the requisite majority at the PBL Annual General Meeting; and

(ii) only vote in favour of the Crown Financial Assistance Resolution provided the PBL Shareholders approve the Financial Assistance Resolution by the requisite majority at the PBL Annual General Meeting.

(e) Key terms of material media investments

1 FOXTEL

The FOXTEL business is an alliance between The News Corporation Limited (**News**), PBL and Telstra Corporation Limited (**Telstra**). Its objective is to establish a leading business within the broadband video home entertainment sector in Australia on a profitable basis.

PBL and News each have a 25% indirect interest in the FOXTEL business, via Sky Cable Pty Limited, an entity owned by Premier Media Group Pty Limited which is in turn owned as to 50% by PBL and 50% by News. Telstra holds the remaining 50% of FOXTEL through Telstra Media Pty Limited.

The FOXTEL board comprises nine directors; four are appointed by Telstra, two by News, and two by PBL. The ninth member of the board is the CEO, who does not have a vote. Telstra is entitled to appoint the Chairman of the FOXTEL board, and a "senior management officer". News is entitled to appoint the CEO, and PBL is entitled to appoint the CFO. The CEO has significant delegated authority to conduct the business of FOXTEL in accordance with its business plans. Resolutions of the board are made by majority vote including the affirmative vote of at least one director appointed by each of PBL, News and Telstra.

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News, PBL and Telstra must fund FOXTEL to achieve FOXTEL's prevailing business plan (as approved by them).

No shareholder may dispose of its interest in FOXTEL without the consent of the other shareholders.

If an event of default occurs in relation to a shareholder there are various consequences including a potential requirement on a defaulting party to sell its interest to the non-defaulting party at market value.

There are currently broad non-compete obligations owed by News, PBL and Telstra in relation to interests in subscription television in Australia, subject to specific and complex exceptions.

There is a broad non-circumvention obligation owed by each of News, PBL and Telstra. News, PBL and Telstra are obliged to act in good faith in their dealings with each other in respect of their alliance and FOXTEL.

2 PMG (FOX SPORTS)

The FOX SPORTS business is carried on by PMG. The business involves establishing, operating and supplying subscription television channels (primarily involving sports programming) to pay television operators (including FOXTEL).

As noted above, PBL has an effective 50% interest in PMG. The other 50% of PMG is owned by News.

News and PBL may each appoint three directors to the PMG Board. Voting on the PMG board is unanimous for all decisions concerning the FOX SPORTS business except for decisions on specified matters involving a conflict of interest. Each director of PMG is required to act in good faith in the best interests of PMG and the businesses it manages.

News appoints the CEO of the FOX SPORTS business, who has specified delegated authorities relating to that business. PBL is entitled to appoint the CFO of the FOX SPORTS business, subject to the approval of the CEO. News and PBL are required to consult with each other regarding their proposed appointments (and removal of those appointments).

PBL and News are obliged to fund PMG and Publishing Services Australia Pty Limited (**PSA**) upon request from the CEO of the FOX SPORTS business in the same form and by equal capital contributions, so as to fund approved budgets and business plans, in proportion to their shareholding in PMG.

PBL and its affiliates are prohibited (as are News and its affiliates) from holding an interest in a business of providing subscription broadcasting services, or producing and providing channels to such a business, or acquiring rights to supply channels of television programming and providing them to such a business other than via PMG.

The shareholders of PMG and PSA are prohibited from disposing of any of their shares in PMG or PSA, subject to 'intra-group' exceptions which apply to News, PBL and their controlling shareholders. News and PBL will retain continuing funding, non-compete and guarantee obligations after such a transfer.

Failure to comply with the restrictions on disposal described above is an event of default which entitles the non-defaulting party, among other things, to take control of PMG, PSA and Sky Cable and to acquire the defaulting party's interest potentially at a discount to market value.

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Following completion of the sale of a defaulting party's interest (as described above), the defaulting party continues to be bound by these non-compete obligations for five years after that completion.

There is a broad non-circumvention obligation owed by each of News and PBL regarding all matters relating to PMG, PSA and the FOX SPORTS business. News and PBL are obliged to act in good faith in their dealings with each other in respect of PMG, PSA and the FOX SPORTS business.

3 PBL Media

PBL holds a 25% interest in the businesses comprising PBL Media. These businesses include the broadcasting television businesses of Nine Network and NBN; the magazine and publishing businesses of ACP; the event ticketing business Ticketek; a majority interest in carsales; a 48.75% interest in myhome; and an equal interest in ninemsn, a joint venture with Microsoft. The remaining 75% interest in PBL Media is owned by Red Earth Holdings B.V., a company ultimately owned and controlled by funds advised by CVC Partners and CVC Asia Pacific (**Red Earth**).

PBL Media currently has seven directors, with two representatives from PBL, two PBL Media executive representatives and three representatives from Red Earth. Red Earth has the right to appoint a further three directors bringing the total to 10, however, under the conditions imposed by the Commonwealth Government on Red Earth's acquisition of a controlling stake in PBL Media, a majority of the directors of PBL Media Holdings Pty Limited and PBL Media Finance Holdings Pty Limited (as trustee for the PBL Media Holdings Trust) must be Australian citizens. Those conditions also includethat the chief executive and chief financial officers of PBL Media Holdings Pty Limtied and PBL Media Finance Holdings Pty Limited are Australian citizens, that a majority of its board meetings are held in Australia and that its headquarters remain in Australia. The PBL representatives currently on the board are Mr James Packer and Mr John Alexander.

With limited exceptions, decisions of the PBL Media Holdings board are to be made by a simple majority of votes. The key exceptions to this are decisions in respect of changes to PBL Media's constitution or capital structure (which must include at least one vote by a director appointed by Red Earth and PBL) and PBL Media's decisions in relation to ninemsn (which are still controlled by PBL notwithstanding PBL no longer holds an equal or controlling stake in PBL Media).

PBL has no obligation to provide further funding to PBL Media but has the right to provide further equity funding on a pro rata basis with Red Earth.

PBL may not sell its interest until after 10 September 2009 without the consent of Red Earth. On any transfer by PBL or Red Earth, each other party has certain rights in relation to that sale. In certain circumstances, Red Earth can force PBL to sell its remaining 25% interest to a purchaser of Red Earth's interest.

PBL has an obligation to offer to PBL Media or to Red Earth any new opportunities to invest in businesses similar to those currently held within the PBL Media group.

(f) Key terms of material gaming investments

1 Betfair Australia

PBL owns a 50% interest in Betfair Australia which operates a wagering business in a number of states in Australia. The other 50% interest is owned by The Sporting Exchange Limited, which operates a wagering business in Britain and other countries.

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PBL and The Sporting Exchange have equal rights to appoint directors to the board of Betfair Australia and all material decisions require the approval of directors appointed by both parties. Neither party has any obligation to fund further capital required by Betfair Australia that is not required by an approved business plan. If additional equity capital is required, the parties must be offered the opportunity to provide it on a pro rata basis.

Neither party may dispose of its interest in Betfair Australia until 2011, after which time customary pre-emptive rights apply.

Whilst PBL and The Sporting Exchange remain shareholders in Betfair (and for a period of up to 30 months following the disposal of the shareholding), they are restricted from owning or operating a competing business in Australia or New Zealand.

2 Aspinalls

The Aspinalls business runs casinos in the United Kingdom. PBL has a 50% interest in the Aspinalls business via its shareholding in Aspinall Holdings (Jersey) Limited. The other shareholders in Aspinall Holdings are Aspinall Investment Holdings Limited with 45.66% and James Osborne with 4.34%. The shareholders' rights and obligations are governed by the terms of a shareholders agreement.

The Aspinall Holdings' board comprises up to six directors, up to four are appointed by PBL and two by Aspinall Investment. PBL has appointed two directors and is entitled to appoint two further directors if it so chooses. However, the number of votes cast by the directors reflect the number of shares held by their appointor, in effect giving PBL and Aspinall Investment equal board representation. Certain matters require the approval of directors representing shareholders together holding at least 75% of the shares. These specified matters cover the key strategic and corporate actions of the Aspinalls business and include the approval of the annual budget and material acquisitions or disposals. PBL has the right to appoint the CEO, CFO and COO of the Aspinalls business (subject to Aspinall Investment's veto of the first three persons nominated by PBL for any of those positions).

Pursuant to a facility agreement dated 1 November 2006 between Aspinall Holdings and Publishing and Broadcasting (Finance) Ltd (**PBFL**), PBFL agreed to lend up to a maximum of £15,000,000 to Aspinall Holdings by way of a 10 year non-revolving cash advance facility. Approximately £8.45 million of this facility is still to be drawn down. In addition, under the shareholders' agreement, PBL is required to subscribe for further shares in Aspinall Holdings, at the same time as PBFL makes any advance under the facility agreement, for a subscription price equal to the amount of that advance, with Aspinall Investment being entitled to receive the same number of shares for a purely nominal payment. Other than this, PBL is not required to subscribe for any further shares in Aspinall Holdings.

No shareholder may dispose of shares unless they first go through a specified pre-emption process, customary for a joint venture of this type.

PBL must not compete with the Aspinalls business in any part of the United Kingdom in which the Aspinalls group carries on business.

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3 Melco PBL Entertainment

PBL and Melco International Development Limited are the major shareholders in Melco PBL Entertainment (Macau) Limited (**MPEL**) which has American Depository Shares listed on the NASDAQ under the symbol "MPEL". MPEL is a developer, owner and, through its subsidiary Melco PBL Gaming (Macau) Limited, an operator of casino gaming and entertainment projects in Macau. MPEL is owned 41.4% by a PBL subsidiary and 41.4% by a Melco subsidiary. The remaining 17.23% is publicly traded (in the form of American Depository Receipts) on NADSAQ and owned by the general public and institutions.

Melco and PBL have agreed with each other that they may each appoint up to three directors to the board of MPEL. A further four directors are to be independent non-executive directors. The total number of directors appointed to the MPEL board is ten, however, if that number is increased, each of Melco and PBL will proportionately increase the number of directors that they nominate so that no less than 60% of the board will be directors nominated by Melco and PBL.

Neither Melco nor PBL is required to subscribe for any further shares in MPEL.

Without approval from Melco, PBL may not transfer or otherwise dispose of its shares, except for: (1) permitted transfers to its wholly owned subsidiaries; (2) transfer of up to 1% of MPEL shares over any three month period up to a total cap of 5% of the shares; and (3) transfers subject to customary pre-emptive rights.

If a regulatory authority directs either Melco or PBL to end its relationship with the other, or makes a decision that would have a material adverse effect on its rights or benefits, then Melco or PBL (as relevant) may serve a notice of proposed sale to the other and, if the other shareholder does not want to purchase those shares, may sell the shares to a third party.

Melco and PBL must not (and must ensure that their respective affiliates and major shareholders do not), other than through MPEL, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel in Macau, or acquire or hold an interest in an entity that owns, operates or manages such businesses unless otherwise agreed between them or the activity falls within the limited exceptions already agreed between them.

4 Melco joint venture in Asia Pacific (excluding Macau)

PBL and Melco have entered into a joint venture to develop gaming ventures in certain countries in the Asia Pacific region (excluding, Australia, New Zealand and Macau). The joint venture vehicle, Melco PBL Entertainment Asia Holdings Limited (**Asia Pacific joint venture**), is owned 50% by a PBL subsidiary and 50% by a Melco subsidiary.

The total number of directors appointed to the Asia Pacific joint venture board is eight, of which Melco and PBL may each appoint up to four directors. A number of key matters require a two thirds approval by the board, including the approval of the joint venture's annual budget.

Customary pre-emptive rights apply over any transfer of an interest in the joint venture by either party. Any transfer pursuant to the pre-emptive process may not take place before 7 March 2010 and any third party

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purchaser must be able to demonstrate that they have a sufficient level of net tangible assets.

Melco and PBL must not (and must ensure that their respective affiliates and major shareholders do not), other than through the Asia Pacific joint venture, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel in the Asia Pacific region (excluding Australia, New Zealand and Macau) , or acquire or hold an interest in an entity that owns, operates or manages such businesses. If however, Melco or PBL wish to pursue an opportunity but the other does not wish to, then they may pursue that opportunity outside the Asia Pacific joint venture, subject to granting the joint venture an option to participate in the opportunity.

Subject to Melco and PBL agreeing the joint venture's annual budget, they must each fund their proportionate share of the joint venture's working capital requirements pursuant to the budget. Otherwise they are not required to provide further funding to the joint venture.

On 30 July 2007, PBL, Crown Melbourne Limited, Burswood Nominees Limited, Melco International Development Limited (**Melco**), MPEL and a special purpose vehicle (**SPV**) which is 50% owned by PBL and 50% owned by Melco, entered into a subscription agreement with Merrill Lynch International (**ML**) for the sale by the SPV to ML of US$200 million aggregate principal amount of Exchangeable Bonds due 2012 (**EBs**), with an option for ML to purchase a further US$50 million aggregate principal amount of EBs exercisable for 30 days following the initial closing date. The EBs (including all payment, delivery and other obligations thereunder) are to be guaranteed jointly and severally by Crown Melbourne Limited, Burswood Nominees Limited and Melco, and are exchangeable at any time following the date one year after the initial closing date for American Depositary Shares (**ADSs**) of MPEL at an initial Exchange Price of US$17.19 per ADS (subject to adjustment for certain events). The EBs bear interest at a rate of 2.4% per annum and may be redeemed at the option of the SPV or the holders on the occurrence of certain events. The initial closing of the sale of EBs occurred on 10 September 2007 and ML subsequently exercised the option and on 27 September 2007 purchased the further US$50 million aggregate principal amount of EBs. As part of the transaction, pursuant to a registration rights agreement, MPEL has agreed to file a registration statement with United States Securities and Exchange Commission for registration of the ADSs to be transferred to holders who exchange EBs.

If the PBL Scheme is approved and implemented the obligations of Crown Melbourne Limited and the Burswood Nominees Limited under the EBs will be guaranteed by Crown, otherwise they will be guaranteed by PBL.

5 North American Investments

PBL has recently entered into a variety of different arrangements to invest in gaming businesses in North America. These include:

- a joint venture with entities related to Macquarie Bank in relation to New World Gaming in Canada;
- 19.6% of Fontainebleau Equity Holdings LLC which is the developer of Fontainebleau Las Vegas and Fontainebleau Miami Beach; and
- a joint venture to develop Crown Las Vegas on the Las Vegas strip.

These arrangements are in customary form and, under each of them, PBL will have governance rights and funding obligations consistent with its relative equity interest. Customary pre-emptive rights provisions will apply to any securities PBL acquires in connection with these ventures.

After the Demerger has been completed, the gaming arrangements described in this paragraph (f) will be held as part of the Crown Group and, after the Demerger, references in this paragraph (f) to "PBL" should be read as references to "Crown".

13.13 Litigation

PBL and various of its subsidiaries and investments are involved in a number of disputes which arise in the ordinary course of businesses. The PBL Scheme Booklet contains the following disclosure in relation to the litigation:

"The directors of PBL believe that there is a low probability of an exposure arising in connection with any of these matters and, accordingly, no amounts have been provided in the Pro Forma Financial Statements in respect of these matters.

The only material litigation is:

(a) C7

PBL is a respondent in Federal Court proceedings commenced by Seven Network Limited and C7 Pty Limited (together, **Seven**) against it and a number of other parties, including News Limited, Telstra Corporation Limited, Premier Media Group Pty Limited (FOX SPORTS), FOXTEL Management Pty Limited (FOXTEL), Optus Vision Pty Limited and others.

Seven sought various orders from the Court in the proceedings, including damages in the range $253.7 million to $492.6 million (plus interest from December 2004); orders requiring FOXTEL to acquire pay television channels from Seven on specified terms, or requiring FOXTEL and Telstra to provide services allowing Seven to conduct a retail pay television service; orders restraining parties from giving effect to the content sharing agreement between FOXTEL and Optus Vision; and orders requiring PBL and News to divest their interests in FOXTEL and/or FOX SPORTS. PBL denies that Seven has any entitlement to any of this relief.

Judgment in the proceedings was delivered on 27 July 2007. Seven was unsuccessful on every one of its claims. The Court has determined that the respondents may recover their costs on a "party/party" basis. PBL has now reached a confidential agreement with Seven regarding payment for PBL's costs of the proceedings.

Seven also has until 22 October 2007 to file any appeal from the principal judgment.

(b) VIP gambling claim

Another claim relates to a VIP patron who is claiming approximately $30 million of gaming losses sustained by him. The claim of Crown Melbourne is against Crown Melbourne and one of its employees and alleges that the VIP patron was induced to gamble when Crown Melbourne and the relevant employee knew the plaintiff was a pathological gambler. Crown Melbourne has indemnified the relevant employee in relation to the claim.

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At the date of this Demerger Scheme Booklet, a writ has been served in relation to this claim and Crown Melbourne has challenged the validity of that writ. To the extent this claim ever proceeds and gives rise to liability Crown will pay for that liability.

(c) OneTel

PBL understands that the special purpose liquidator appointed to OneTel. has filed documents with the Supreme Court of New South Wales, making claims against various parties including PBL and certain of its directors in connection with the collapse of OneTel. No PBL entity or director has, at the time of preparation of this Demerger Scheme Booklet, been served with that Court process and PBL understands that service may not occur for some time."

13.14 Crown Constitution

As an Australian public company registered under the Corporations Act, Crown has adopted a constitution in substitution for the replaceable rules in the Corporations Act. Approval of the PBL Scheme will result in PBL Shareholders becoming Crown Shareholders who will be, as Crown Shareholders, bound by the terms of the Crown Constitution. Under the Corporations Act, a special resolution (at least 75% of votes cast in favour of the resolution) of shareholders is required to alter the Crown Constitution.

Some important features of the Crown Constitution and the rights and liabilities attaching to Crown Shares are summarised below. This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of Crown Shareholders:

- **Directors**

The Crown Constitution sets out the rights and obligations of the Crown Directors and officers of Crown, including:

- the appointment, election and removal of directors and company secretaries (the Crown Board must comprise at least 3 and not more than 12 directors who are appointed for terms not exceeding three years and are eligible for re-appointment);
- the remuneration of Crown Directors (an aggregate of $1 million for the remuneration of non-executive directors is provided in the Crown Constitution and the Crown Board has the power to fix the remuneration of each executive director);
- the powers and duties of Crown Directors; and
- the right of Crown Directors and, if the Crown Directors so determine, auditors to be indemnified (subject to statute) against all liabilities incurred as a director or auditor of Crown, and the right of Crown to maintain insurance in respect of directors and auditors.

Crown Directors are not required to hold any securities in Crown. Nominations to the position of director must be received by the company at least 35 Business Days before the general meeting, except in the case of Crown Directors standing for re-election.

A quorum for a board meeting is two directors, unless the Crown Board decides otherwise. Resolutions at a meeting of directors are to be decided by a majority

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vote where the chairman (provided that the chairman and more than two directors are entitled to vote) has a casting vote.

- **Proportional takeover approval provisions**

  If a proportional takeover bid is made, Crown Directors must hold a meeting of members of the class of shares the subject of the bid, to consider passing an approving resolution in respect of the bid. An approving resolution must be voted on before the 14th day before the end of the bid period. The resolution will be passed if more than 50% of votes are cast in favour of the resolution. The bidder and its associates are not allowed to vote on the resolution. If no such resolution is considered by the deadline, a resolution approving the bid is taken to have been passed.

  If a resolution to approve the bid is rejected, then under the Corporations Act binding acceptances are required to be rescinded, and all unaccepted offers are taken to have been withdrawn. If the bid is approved or taken to have been approved, the transfers resulting from the bid may be registered provided they comply with other provisions of the Corporations Act and the Crown Constitution.

  The proportional takeover provisions do not apply to full takeover offers. Under the Corporations Act, the provisions will expire three years after the Crown Constitution became the constitution of Crown, but may be renewed by a resolution of Crown Shareholders.

- **General meetings and voting**

  General meetings of Crown are to be held in accordance with the Corporations Act, and each Crown Shareholder will be entitled to receive notice of a general meeting, and financial and directors' reports, in accordance with the Corporations Act and, except in certain circumstances, attend and vote at a general meeting of Crown.

  The quorum required for a meeting of shareholders is two shareholders present in person or by proxy, attorney or corporate representative entitled to vote or the number of members of the company (whichever is the lesser).

  Voting at any meeting of shareholders is by a show of hands (unless a poll is demanded). Each shareholder has one vote on a show of hands, and one vote for each fully paid share on a poll, or for a partly paid share, a fraction of a vote equal to the proportion which the amount paid on the share bears to the total issue price of the share. A poll may be demanded by the chairman of the meeting, or by at least five shareholders entitled to vote, or by shareholders entitled to cast at least 10% of the votes or by shareholders holding shares entitled to vote at the meeting on which an aggregate sum has been paid up equal to at least 10% of the total amount paid up on all the shares conferring that right.

- **Share capital and variation of rights**

  Subject to the Crown Constitution, the Corporations Act and the Listing Rules, Crown Directors may issue and allot, or otherwise dispose of, Crown Shares or grant options over unissued Crown Shares, on terms, at a price and with the rights determined by the Crown Directors.

  The Crown Directors may issue preference shares which have restricted rights to vote and priority of payment on winding up and otherwise on terms which the Crown Directors determine, including shares which are liable to be redeemed, which are convertible to ordinary shares, or which carry preferential rights as to dividends (which may be cumulative).

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If the capital of Crown is divided into different classes of shares, the rights attached to any class of share may only be altered with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of shares of the affected class.

- **Dividends**

  Subject to the Corporations Act and the Crown Constitution, the Crown Board may declare any dividend it thinks appropriate and fix the time and method of payment. Dividends may be paid in cash or by distribution of specific assets, including securities in another corporation.

  Subject to the terms of issue of shares, all fully paid shares of a particular class on which any dividend is declared or paid are entitled to participate in the dividend equally, and partly paid shares are entitled to participate in proportion to the amount for the time being paid relative to the total issue price of the shares.

- **Transfer of shares**

  Crown Shareholders may transfer shares in Crown in accordance with the ASTC Settlement Rules or by providing a document of transfer to the address of the registered office or register.

  Where permitted by the Crown Constitution, Listing Rules or ASTC Settlement Rules, the Crown Directors may refuse to register a transfer of shares. In this case notice of the refusal and reasons for it must be given to the lodging party by Crown within five Business Days after the date on which the transfer was lodged.

- **Statutory declaration of beneficial interests in Crown Shares**

  The Crown Constitution allows the Crown Directors, by written notice, to require any Crown Shareholder to provide a statutory declaration disclosing the name and address of any third party who has a beneficial interest in or right to vote attaching to any of that Crown Shareholder's shares.

  The Crown Shareholder may also be required to provide a statutory declaration disclosing whether they have a Relevant Interest in any Crown Shares in relation to which their name is not entered on the Crown Register.

- **Media ownership restrictions**

  The Crown Directors are permitted by the Crown Constitution to refuse to allot or to register a transfer of shares which is or may be in contravention of Part 5 of the *Broadcasting Services Act* 1992 (Cth).

  If they reasonably believe that the holding of Crown Shares by a person contravenes or might result in a contravention of Part 5 of the Broadcasting Services Act, the Crown Directors may require that person to dispose of all Crown Shares held by them within one month of being given notice to that effect.

- **Unmarketable parcels**

  Crown may, consistent with the Listing Rules, give notice to shareholders who hold shares which would not constitute a Marketable Parcel setting out its intention to sell the shares on behalf of the shareholder. Crown will pay the costs of the sale and the proceeds of the sale are held on trust for the former shareholder, to be paid at that former shareholder's direction.

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The notice must set a period of at least six weeks within which the Crown Shareholder can notify Crown that they wish to retain the shares. If a Crown Shareholder notifies Crown that they wish to retain the shares, Crown will not sell the shares.

- **Winding up**

  If Crown is wound up, all fully paid shares are entitled to share equally in any surplus assets of Crown after payment of its debts. A liquidator, by approval of a special resolution of Crown Shareholders, may distribute Crown assets (in kind) among the Crown Shareholders and determine how to divide assets as between the shareholders and different classes of shareholders. A liquidator cannot compel a shareholder to accept any securities in respect of which there is a liability as part of a distribution of the assets of Crown.

  In addition to the rights summarised above, the rights attaching to Crown Shares arise from a combination of the Corporations Act and the common law.

  A copy of the Crown Constitution may be obtained by calling Louise Arthur of PBL on +61 2 9282 8238 (within Australia).

13.15 PBL/CMH Constitution

As an Australian public company registered under the Corporations Act, CMH has adopted a constitution in substitution for the replaceable rules in the Corporations Act. Subject to the PBL Scheme and the Demerger Scheme being implemented, PBL Scheme Participants (being Demerger Scheme Participants) will become CMH Shareholders who will be, as CMH Shareholders, bound by the terms of the CMH Constitution. Under the Corporations Act, a special resolution (at least 75% of votes cast in favour of the resolution) of shareholders is required to alter the CMH Constitution.

Some important features of the CMH Constitution and the rights and liabilities attaching to CMH Shares are summarised below. This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of CMH shareholders:

- **Directors**

  The CMH Constitution sets out the rights and obligations of the CMH Directors and officers of CMH, including:

  – the appointment, election and removal of directors and company secretaries (the CMH Board must comprise at least three and not more than twelve directors who are appointed for terms not exceeding three years and are eligible for re-appointment);

  – the remuneration of CMH Directors (an aggregate of $1 million for the remuneration of non-executive directors is provided in the CMH Constitution and the CMH Board has the power to fix the remuneration of each executive director);

  – the powers and duties of CMH Directors; and

  – the right of CMH Directors and, if the CMH Directors so determine, auditors to be indemnified (subject to statute) against all liabilities incurred as a director or auditor of CMH, and the right of CMH to maintain insurance in respect of directors and auditors.

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CMH Directors are not required to hold any securities in CMH. Nominations to the position of director must be received by the company at least 35 Business Days before the general meeting, except in the case of CMH Directors standing for re-election.

A quorum for a board meeting is two directors, unless the CMH Board decides otherwise. Resolutions at a meeting of directors are to be decided by a majority vote where the chairman (provided that the chairman and more than two directors are entitled to vote) has a casting vote.

- **General meetings and voting**

  General meetings of CMH are to be held in accordance with the Corporations Act, and each CMH Shareholder will be entitled to receive notice of a general meeting, and financial and directors' reports, in accordance with the Corporations Act and, except in certain circumstances, attend and vote at a general meeting of CMH.

  The quorum required for a meeting of shareholders is two shareholders present in person or by proxy, attorney or corporate representative entitled to vote or the number of members of the company (whichever is the lesser).

  Voting at any meeting of shareholders is by a show of hands (unless a poll is demanded). Each shareholder has one vote on a show of hands, and one vote for each fully paid share on a poll, or for a partly paid share, a fraction of a vote equal to the proportion which the amount paid on the share bears to the total issue price of the share. A poll may be demanded by the chairman of the meeting, or by at least five shareholders entitled to vote, or by shareholders entitled to cast at least 10% of the votes or by shareholders holding shares entitled to vote at the meeting on which an aggregate sum has been paid up equal to at least 10% of the total amount paid up on all the shares conferring that right.

- **Share capital and variation of rights**

  Subject to the CMH Constitution, the Corporations Act and the Listing Rules, CMH Directors may issue and allot, or otherwise dispose of, CMH Shares or grant options over unissued CMH Shares, on terms, at a price and with the rights determined by the CMH Directors.

  The CMH Directors may issue preference shares which have restricted rights to vote and priority of payment on winding up and otherwise on terms which the CMH Directors determine, including shares which are liable to be redeemed, which are convertible to ordinary shares, or which carry preferential rights as to dividends (which may be cumulative).

  If the capital of CMH is divided into different classes of shares, the rights attached to any class of share may only be altered with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of shares of the affected class.

- **Dividends**

  Subject to the Corporations Act and the CMH Constitution, the CMH Board may declare any dividend it thinks appropriate and fix the time and method of payment. Dividends may be paid in cash or by distribution of specific assets, including securities in another corporation.

  Subject to the terms of issue of shares, all fully paid shares of a particular class on which any dividend is declared or paid are entitled to participate in the dividend

equally, and partly paid shares are entitled to participate in proportion to the amount for the time being paid relative to the total issue price of the shares.

- **Transfer of shares**

  CMH Shareholders may transfer shares in CMH in accordance with the ASTC Settlement Rules or by providing a document of transfer to the address of the registered office or register.

  Where permitted by the CMH Constitution, Listing Rules or ASTC Settlement Rules, the CMH Directors may refuse to register a transfer of shares. In which case notice of the refusal and reasons for it must be given to the lodging party by CMH within five Business Days after the date on which the transfer was lodged.

- **Media ownership restrictions**

  The CMH Directors are permitted by the CMH Constitution to refuse to allot or to register a transfer of shares which is or may be in contravention of Part 5 of the Broadcasting Services Act.

  The CMH Directors may by notice in writing require that a CMH Shareholder give a statutory declaration disclosing whether any third party has a beneficial interest in the CMH Shares in respect of which that CMH Shareholder is entered on the CMH Register or a right to exercise or control the votes attached to such shares at a general meeting of CMH.

  The CMH Directors may also require a CMH Shareholder to provide a statutory declaration in respect of any similar beneficial interest or right to exercise or control the vote of any CMH Shares in respect of which that shareholder is not entered on the Register.

  If they reasonably believe that the holding of CMH Shares by a person contravenes or might result in a contravention of Part 5 of the *Broadcasting Services Act*, the CMH Directors may require that person to dispose of all CMH Shares held by them within one month of being given notice to that effect.

- **Unmarketable parcels**

  CMH may, consistent with the Listing Rules, give notice to shareholders who hold shares which would not constitute a Marketable Parcel setting out its intention to sell the shares on behalf of the shareholder. CMH will pay the costs of the sale and the proceeds of the sale are held on trust for the former shareholder, to be paid at that former shareholder's direction.

  The notice must set a period of at least six weeks within which the CMH shareholder can notify CMH that they wish to retain the shares. If a CMH shareholder notifies CMH that they wish to retain the shares, CMH will not sell the shares.

- **Winding up**

  If CMH is wound up, all fully paid shares are entitled to share equally in any surplus assets of CMH after payment of its debts. A liquidator, by approval of a special resolution of CMH shareholders, may distribute CMH assets (in kind) among the CMH shareholders and determine how to divide assets as between the shareholders and different classes of shareholders. A liquidator cannot compel a shareholder to accept any securities in respect of which there is a liability as part of a distribution of the assets of CMH.

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In addition to the rights summarised above, the rights attaching to CMH Shares arise from a combination of the Corporations Act and the common law.

A copy of the CMH Constitution may be obtained by calling Louise Arthur of PBL on +61 2 9282 8238 (within Australia).

13.16 Crown Directors' interests

- Except as disclosed elsewhere in this Demerger Scheme Booklet, no:
  - director or proposed director of Crown;
  - person named in this Demerger Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Demerger Scheme Booklet; or
  - promoter of Crown;

  holds at the date of this Demerger Scheme Booklet or held at any time during the last two years, any interest in:
  - the formation or promotion of Crown;
  - property acquired or proposed to be acquired by Crown in connection with its formation or promotion, or the offer of Crown Shares under the PBL Scheme; or
  - the offer of Crown Shares under the PBL Scheme.
- Other than as set out in this Demerger Scheme Booklet, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a director or proposed director of Crown to induce them to become, or to qualify as, a director of Crown.

13.17 Advisers' interests

The persons named in this Demerger Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Demerger Scheme Booklet are:

- Gilbert + Tobin: as legal adviser to PBL and Crown;
- Ernst & Young: as auditor of PBL and Crown, the Independent Accountant in relation to the Pro Forma Financial Information and tax adviser; and
- Computershare Limited: as the Crown Share Registry, the CMH Share Registry and the PBL Share Registry.

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging. These fees are among the items which comprise the cash transaction costs referred to in Section 13.12(b).

13.18 CMH Directors' interests

- Except as disclosed elsewhere in this Demerger Scheme Booklet, no:
  - director or proposed director of CMH;

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– person named in this Demerger Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Demerger Scheme Booklet; or

– promoter of CMH;

holds at the date of this Demerger Scheme Booklet or held at any time during the last two years, any interest in:

– the formation or promotion of CMH;

– property acquired or proposed to be acquired by CMH in connection with its formation or promotion; or

– the offer of CMH Shares under the Demerger Scheme.

- Other than as set out in this Demerger Scheme Booklet, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a director or proposed director of CMH to induce them to become, or to qualify as, a director of CMH.

13.19 Consents and disclaimers of responsibility

The following parties have given and have not, before the time of registration of this Demerger Scheme Booklet by ASIC, withdrawn their consent to be named in this Demerger Scheme Booklet in the form and context in which they are named:

- UBS as financial adviser to PBL and Crown;

- Gilbert + Tobin as legal adviser to PBL and Crown; and

- Computershare Limited as the PBL Share Registry, the Crown Share Registry and the CMH Share Registry.

13.20 Consent to be named and to the inclusion of information

Ernst & Young has given and has not, before the time of registration of this Demerger Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of the following information in the Demerger Scheme Booklet in the form and context in which it is included and to all references in this Demerger Scheme Booklet to that information in the form and context in which they appear, namely, to be named as the auditor of PBL, Crown and CMH, the tax adviser and as the Independent Accountant in relation to the Pro Forma Financial Information and to the inclusion of the taxation report set out in Section 12 and the Independent Accountant's Report which is also set out in Section 12 and other statements in this Demerger Scheme Booklet said to be based on statements made in those reports.

13.21 Disclaimer of responsibility

Each person named in Sections 13.19 and 13.20:

(a) has not authorised or caused the issue of this Demerger Scheme Booklet;

(b) does not make, or purport to make, any statement in this Demerger Scheme Booklet or any statement on which a statement in this Demerger Scheme Booklet is made other than, in the case of a person referred to in Section 13.20, a statement included in this Demerger Scheme Booklet with the consent of that person; and

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(c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Demerger Scheme Booklet, other than a reference to its name and, in case of a person referred to in Section 13.20, any statement or report which has been included in this Demerger Scheme Booklet with the consent of that person.

13.22 Regulatory matters

(a) ASX approvals

ASX has provided the following in principle approval in relation to the Listing Rules in connection with the Recommended Proposal:

1 approval under Listing Rule 1.1, Condition 3 that Crown may issue an information memorandum that complies with the requirements of Appendix 1A of the Listing Rules rather than a prospectus in relation to the admission of Crown to the official list of the ASX.

In addition ASX has confirmed in principle to PBL that:

1 in connection with Crown's application for admission to the official list of the ASX, Crown does not require a waiver of Listing Rule 1.1, condition 7 (that Crown has sufficient spread of shareholders) or condition 8 (that Crown satisfies either the assets or profits test);

2 the PBL Scheme and the Demerger Scheme do not require PBL Shareholder approval under Listing Rule 10.1 for the effective disposal to CPH of a material interest in PBL's existing assets, being the approximate 38% shareholding interest in CMH; and

3 the Recommended Proposal does not require PBL Shareholder approval under Listing Rule 11 which requires shareholder approval for a change in the nature or scale of activities of a listed entity.

(b) ASIC relief

ASIC has granted PBL and Crown the following exemptions, modifications and consents in connection with the Recommended Proposal:

1 Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires the PBL Scheme Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of PBL or a related body corporate of PBL as compensation for the loss of office, or as consideration for or in connection with his or her retirement from office. ASIC has allowed PBL to depart from certain of the requirements of regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations. The effect of this relief is that this Demerger Scheme Booklet is not required to state:

(i) particulars of payments or benefits which may be made to a director, secretary or executive officer of PBL or any related body corporate of PBL in relation to their loss of office or retirement from office, unless:

(A) the director, secretary or executive officer of PBL or a related body corporate of PBL will lose office as a consequence of, or in connection with, the PBL Scheme; or

(B) the amount of any payment or benefit which may be made to the director, secretary or executive officer of PBL or a related

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body corporate of PBL upon their loss of, or retirement from, office may be materially affected by the PBL Scheme;

(ii) the identity of any director, secretary or executive officer of PBL or a related body corporate of PBL who will lose office or retire from office in connection with the PBL Scheme, unless that person is a PBL Director; and

(iii) particulars of any payments or benefits to any director, secretary or executive officer of PBL or a related body corporate of PBL other than PBL Directors, that would otherwise be required to be disclosed under paragraph (i) provided:

(A) such payments or benefits are disclosed on an aggregate basis; and

(B) the PBL Scheme Booklet discloses the number of persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive $10,000 band commencing at nil, where the number of persons is no less than one.

2 Regulation 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the PBL Scheme Booklet to disclose whether, to the knowledge of PBL Directors, the financial position of PBL has materially changed since the date of the last balance sheet sent to PBL shareholders and particulars of that change. ASIC has allowed PBL to depart from this obligation on the basis that PBL:

(i) complies with Division 1 of Part 2M.3 of the Corporations Act in respect of the period ended 30 June 2007;

(ii) has lodged with ASIC and ASX the documents referred to in section 295 of the Corporations Act in respect of the period ended 30 June 2007;

(iii) will provide, free of charge, copies of the documents referred to in paragraph (ii) above to anyone who requests them prior to the PBL Scheme being approved by the Court; and

(iv) has disclosed any material changes to PBL's financial position occurring after the balance date of PBL's financial report for the period ended 30 June 2007 in the Scheme Booklet.

3 Regulation 8303 of Part 3 of Schedule 8 to the Corporations Regulations requires the PBL Scheme Booklet to be accompanied by a copy of a report made by an expert who is not associated with the corporation that is the other party (in this case, Crown) stating whether or not, in his or her opinion, the PBL Scheme is in the best interests of the members of PBL and setting out his or her reasons for that opinion. ASIC has allowed PBL to depart from this obligation on the basis that:

(i) a summary of the PBL Expert Report accompanies the PBL Scheme Booklet (see Section 16);

(ii) PBL will release the full Independent Expert Report to the ASX Announcements Platform and to PBL's website (www.pbl.com.au); and

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(iii) PBL will provide, free of charge, a copy of the complete Independent Expert's Report to anyone who requests it prior to the PBL Scheme being approved by the Court.

4 Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires this Demerger Scheme Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Crown or a related body corporate of Crown as compensation for the loss of office, or as consideration for or in connection with his or her retirement from office. ASIC has allowed Crown to depart from certain of the requirements of Regulation 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations. The effect of this relief is that the Demerger Scheme Booklet is not required to state:

(i) particulars of payments or benefits which may be made or given to a director, secretary or executive officer of Crown or any related body corporate of Crown in relation to their loss of office or retirement from office, unless:

(A) the director, secretary or executive officer of Crown or a related body corporate of Crown will lose office as a consequence of, or in connection with, the Demerger Scheme; or

(B) the amount of any payment or benefit which may be made to the director, secretary or executive officer of Crown or a related body corporate of Crown upon their loss of, or retirement from, office may be materially affected by the Demerger Scheme;

(ii) the identity of any director, secretary or executive officer of Crown or a related body corporate of Crown who will lose office or retire from office in connection with the Crown Scheme, unless that person is a Crown Director; and

(iii) particulars of any payments or benefits to any director, secretary or executive officer of Crown or a related body corporate of Crown other than Crown Directors, that would otherwise be required to be disclosed under paragraph (i) provided:

(A) such payments or benefits are disclosed on an aggregate basis; and

(B) the Demerger Scheme Booklet discloses the number of persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive $10,000 band commencing at nil, where the number of persons is no less than one.

5 Regulation 8303 of Part 3 of Schedule 8 to the Corporations Regulations arguably requires this Demerger Scheme Booklet to be accompanied by a copy of a report made by an expert who is not associated with Crown stating whether or not, in his or her opinion, the Demerger Scheme is in the best interests of the members of Crown and setting out his or her reasons for that opinion. ASIC has allowed Crown to depart from this obligation.

13.23 Exemption from requirements of the New Zealand Securities Act

The CMH Shares to be distributed under the Demerger Scheme are offered to the Demerger Scheme Participants whose address is noted on the Crown Register as being in New Zealand in reliance on the *New Zealand Securities Act (Overseas Companies)*

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Exemption Notice 2002, which exempts the offers being made pursuant to a New Zealand registered prospectus and investment statement.

13.24 Supplementary disclosure

Crown will issue a supplementary document to this Demerger Scheme Booklet if between the date of this Demerger Scheme Booklet and the date of the Demerger Scheme Meeting it becomes aware that:

(a) a material statement in this Demerger Scheme Booklet is false or misleading;

(b) there is a material omission from this Demerger Scheme Booklet;

(c) there is a significant change affecting a matter included in this Demerger Scheme Booklet; or

(d) a significant new matter has arisen and it would have been required to be included in this Demerger Scheme Booklet if it had arisen before the date of this Demerger Scheme Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining relevant approvals (if any), Crown may circulate and publish any supplementary document by making an announcement to ASX. In addition Crown may also:

(a) place an advertisement in a prominently published newspaper which is circulated throughout Australia; or

(b) post the supplementary document on PBL's website at www.pbl.com.au.

Any updated information about the Recommended Proposal or the Demerger Scheme which is not materially adverse to investors is likely to be made available by way of an announcement to ASX and on the PBL website. Where updated information about the Recommended Proposal or the Demerger Scheme is materially adverse to Crown Shareholders, a supplementary document will be issued and made available in accordance with regulatory requirements.

Crown will provide a copy of the updated information free of charge, to any person who requests a copy by calling Louise Arthur of PBL on (02) 9282 8238 (within Australia).

13.25 Tax File Numbers

Under the tax law, a company is entitled to ask its shareholders to disclose their tax file numbers (**TFN**) to the company. A shareholder can choose to disclose or not disclose the TFN.

If a shareholder chooses not to disclose the TFN to the company, the company is required by the tax law to withhold tax, at the top marginal tax rate plus Medicare levy (being 46.5% as at the date of this Demerger Scheme Booklet), on any dividends paid to the shareholder, unless the dividend is fully franked. If the tax withheld by the company is more than the shareholder would have paid in tax, the shareholder must wait until he or she lodges an income tax return before being entitled to a refund of any excess tax withheld from the dividend payment. On the other hand, if a shareholder chooses to disclose the TFN, the company does not have to withhold any tax from any dividends paid to the shareholder.

As part of the PBL Scheme, PBL (or the PBL Share Registry) will transfer the TFNs provided to PBL by PBL Shareholders to Crown (or the Crown Share Registry) on behalf of the PBL Shareholders in respect of their tax affairs so that Crown will not be required

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to withhold tax from any dividend payments. In addition, under the PBL Scheme, the PBL Shareholders acknowledge that under the Demerger Scheme, Crown (or the Crown Share Register) will transfer the TFNs provided to Crown by (or on behalf of) the Crown Shareholders to CMH (or the CMH Share Register) on behalf of the Crown Shareholders in respect of their tax affairs so that CMH will not otherwise be required to withhold tax from any dividend payments.

However, a PBL Shareholder may request that PBL not transfer that shareholder's TFN to Crown (thereby making it not available for Crown to transfer to CMH).

If a PBL Shareholder does not indicate on the proxy form or specify otherwise in writing that they do not wish their TFN to be disclosed and collected in accordance with the process discussed above, they are deemed under the terms of the PBL Scheme to agree to such disclosure and collection of their TFN.

13.26 Other Information

Within the knowledge of the Crown Board, and other than as disclosed or referred to in this Demerger Scheme Booklet, there is no other information material to the making of a decision in relation to the Demerger Scheme, being information that has not previously been disclosed to Crown Shareholders.

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Section 14 – Glossary

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Section 14 - Glossary

In this Demerger Scheme Booklet, unless the contrary intention appears or the context requires otherwise:

1H2006 means the first half year period for the 2006 financial year, being the period from 1 July 2005 to 31 December 2005.

2H2006 means the second half year period for the 2006 financial year, being the period from 1 January 2006 to 30 June 2006.

1H2007 means the first half year period for the 2007 financial year, being the period from 1 July 2006 to 31 December 2006.

2H2007 means the second half year period for the 2007 financial year, being the period from 1 January 2007 to 30 June 2007.

ACMA means the Australian Communications and Media Authority.

ACP means Australian Consolidated Press.

AFL means Australian Football League.

AGAAP means the Australian Generally Accepted Accounting Principles.

AGLC means the Alberta Gaming and Liquor Commission.

AIFRS means the Australian equivalents to IFRS.

ASIC means the Australian Securities and Investments Commission.

Aspinalls means Aspinall Holdings (Jersey) Limited.

ASTC Settlement Rules means the settlement rules of the ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

ASX means ASX Limited ABN 98 008 624 691.

ATO means the Australian Taxation Office.

Australian Accounting Standard means an accounting standard made by the Australian Accounting Standards Board in accordance with the Corporations Act.

A$, $ or cents means the lawful currency of Australia.

BACTA means the British Amusement Catering Trade Association.

Banks means the banks who are parties to the Facility as described in Section 6.4(e) .

BC means British Columbia, Canada.

BCLC means the British Columbia Lottery Corporation.

Betfair Australia means Betfair Australasia Pty Limited, the 50:50 joint venture between Betfair UK and PBL.

Betfair UK means The Sporting Exchange Limited.

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BSA means the *Broadcasting Services Act* 1992 (Cth).

BuddeComm means Paul Budde Communications Pty Limited.

Burswood means Burswood Entertainment Complex in Perth.

Burswood Partnership means Burswood Partnership Pty Limited.

Business Day means a business day as defined in the Listing Rules.

CAGR means compound annual growth rate.

Capital Reduction means the reduction of the share capital of Crown by the Capital Reduction Amount, in accordance with the terms of the Capital Reduction Resolution.

Capital Reduction Amount means the amount of Crown's share capital that is to be reduced in accordance with the Capital Reduction Resolution.

Capital Reduction Resolution means the ordinary resolution to approve the Capital Reduction to be considered at the Crown General Meeting.

carsales means carsales.com.au Limited.

CEO means Chief Executive Officer.

CFO means Chief Financial Officer.

CGT means Australian capital gains tax.

CHESS means the Clearing House Electronic Subregister System.

CMH means Consolidated Media Holdings Limited, which is one and the same as PBL after the Name Change Resolution has become effective. If the Name Change Resolution is not passed by the PBL Shareholders at the PBL Annual General Meeting all references to CMH should be read as references to PBL.

CMH Board means the board of directors of CMH from time to time.

CMH Constitution means the constitution of CMH.

CMH Directors means the directors of CMH as at the date of this Demerger Scheme Booklet.

CMH Group means CMH and each entity that is controlled by CMH immediately following implementation of the Demerger Scheme.

CMH Pro Forma Financial Information means the pro forma financial information relating to CMH contained in Section 10.6.

CMH Shares means ordinary shares in CMH.

CMH Shareholder means a holder of CMH Shares from time to time.

CMH Share Register means the register of members of CMH maintained under section 169 of the Corporations Act.

CMH Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067.

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Consideration Facility means the consideration facility between Crown and Crown Group Finance Limited described in section 7.3 of the PBL Scheme Booklet.

COO means Chief Operating Officer.

Corporations Act means the Corporations Act 2001 (Cth).

Corporations Regulations means the Corporations Regulations 2001 (Cth).

COSAs means the Casino Operational Services Agreements.

Court means the Federal Court of Australia.

CPH means Consolidated Press Holdings Limited.

Crown means Crown Limited ABN 39 125 709 953.

Crown Board means the board of directors of Crown from time to time.

Crown Constitution means the constitution of Crown.

Crown Deed Poll means the deed poll dated 12 October 2007 executed by Crown in favour of the PBL Scheme Participants (subject to any amendments permitted by its terms).

Crown Directors means the directors of Crown as at the date of this Demerger Scheme Booklet.

Crown Employee means each person employed by a Crown Group company.

Crown Financial Assistance Resolution means the resolution proposed for the purposes of section 260B of the Corporations Act at the Crown General Meeting to approve financial assistance being given in connection with the acquisition of the PBL Scheme Shares by Crown under the PBL Scheme.

Crown General Meeting means the meeting of Crown Shareholders which is convened to consider the Capital Reduction Resolution and the Crown Financial Assistance Resolution and which is to be held immediately following the conclusion or adjournment of the Demerger Scheme Meeting.

Crown Group means Crown and each entity that is controlled by Crown immediately following implementation of the Demerger but not including PBL, which for the avoidance of doubt will not then be a subsidiary of Crown.

Crown Group Finance Limited means Crown Group Finance Limited ACN 125 812 615.

Crown Initial Shareholders means the eight holders of the Crown Initial Shares, comprising various lawyers of Gilbert + Tobin and executives of PBL Group.

Crown Initial Shareholders' Deed Poll means the Deed Poll entered into by each of the Crown Initial Shareholders under which they have agreed, amongst other things, that they will vote to approve the Demerger Scheme provided the PBL Shareholders vote to approve the Demerger Scheme Advisory Resolution.

Crown Initial Shares means the fully paid ordinary shares in the capital of Crown issued at the time of Crown's incorporation, being the only share capital of Crown at the date of the Demerger Scheme Meeting.

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Crown Initial Shares Buy-back and Cancellation means the proposed buy-back and cancellation of the Crown Initial Shares described in Section 6.4(c).

Crown Meetings means the Demerger Scheme Meeting and the Crown General Meeting.

Crown Melbourne means Crown Entertainment Complex in Melbourne.

Crown Melbourne Limited means Crown Melbourne Limited ACN 006 973 262 (previously called Crown Limited).

Crown (post PBL Scheme only) means Crown, in the event that the PBL Scheme is approved and implemented but the Demerger Scheme is not approved or implemented.

Crown (post PBL Scheme only) Pro Forma Financial Information means the pro forma financial information relating to Crown (post PBL Scheme only) contained in Section 11.5.**Crown Pro Forma Financial Information** means the pro forma financial information relating to Crown contained in Section 9.6.

Crown Share means a fully paid ordinary share in the capital of Crown.

Crown Share Register means the register of members of Crown maintained under section 169 of the Corporations Act.

Crown Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067.

Crown Shareholder means a holder of a Crown Share from time to time.

Demerger means the demerger of CMH from Crown to be implemented through the Capital Reduction and the Demerger Scheme in the manner more fully described in this Demerger Scheme Booklet, in particular in Sections 6.4(d)(1).

Demerger Deed means the deed dated 12 October 2007 between PBL and Crown to record their agreement with respect to the ongoing relationship between CMH and Crown after the Demerger Implementation Date.

Demerger Implementation Date means the eighth Business Day after the Demerger Scheme Effective Date, being the date on which the CMH Share Register will be updated to reflect the transfer of the Demerger Shares to the Crown Shareholders under the Demerger Scheme.

Demerger Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Crown and Crown Shareholders described in this Demerger Scheme Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

Demerger Scheme Advisory Resolution means resolution 5 in the notice of PBL Annual General Meeting.

Demerger Scheme Booklet means this booklet, being the booklet approved by the Court under section 411(1) of the Corporations Act for distribution to Crown Shareholders explaining the Demerger Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to the Demerger Scheme.

Demerger Scheme Effective Date means the date on which the office copy of the Court order approving the Demerger Scheme under section 411(4)(b) of the Corporations Act is

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lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the Demerger Scheme, that earlier date.

Demerger Scheme Meeting means the meeting of Crown Shareholders ordered by the Court to be held to consider the resolution to approve the Demerger Scheme set out in the notice of meeting in Section 15 to be held at 3.00pm on 23 November 2007 at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria.

Demerger Scheme Participant means a person who is registered on the Crown Share Register at the Demerger Scheme Record Date as the holder of Crown Shares, being a person to whom Crown Shares have been issued and allotted in accordance with the PBL Scheme.

Demerger Scheme Record Date means 7:00pm on the sixth Business Day after the PBL Scheme Effective Date, or such later time as required to ensure that the Crown Share Register contains the names of all persons to whom Crown Shares have been issued under the PBL Scheme.

Demerger Scheme Second Court Date means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Demerger Scheme is first heard.

Demerger Shares means the ordinary shares in PBL (or in CMH if the Name Change Resolution has been approved and notice lodged with ASIC) which will be transferred to Demerger Scheme Participants on the Demerger Implementation Date under the Demerger Scheme (if it is approved).

DICJ means the Government of Macau Special Administration Region Gaming Inspection and Coordination Bureau.

Discontinuing Businesses means the businesses in which PBL will look to sensibly monetize its ownership interest described in Section 7.5.

Dispatch Date means the 10th Business Day after the Demerger Scheme Effective Date.

DSEC means the Government of Macau Special Administrative Region Statistics and Census Service.

EBIT means earnings before interest and tax.

EBITDA means earnings before interest, tax, depreciation, amortisation and share of associate's results.

EGMs means electronic gaming machines.

Election means a valid election by a PBL Shareholder in relation to the PBL Scheme Consideration, such election to be made in the manner set out in section 5 of the PBL Scheme Booklet.

Election Date means 5.00pm Sydney time on the PBL Scheme Effective Date.

ESP means the PBL Executive Share Plan referred to in Section 13.7.

ESP Participant means a person who is a participant in the ESP being a person who has been issued shares in PBL under the ESP.

ESP Shares means PBL Shares that are issued under the ESP.

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Explanatory Statement has the meaning given to that term in Part 5.1 of the Corporations Act.

Facility means the syndicated/cash advance and letter of credit facility entered into between Crown Group Finance Limited and the Banks described in section 7.3 of the PBL Scheme Booklet.

Financial Assistance Resolution means resolution 4 in the notice of PBL Annual General Meeting.

FIRB Approval means approval in accordance with the provisions of the *Foreign Acquisitions and Takeovers Act (Cth) 1975*.

Fontainebleau Resorts means Fontainebleau Resorts LLC.

FOXTEL O&O Channels means the eight channels FOXTEL owns and operates: FOX8, The History Channel, The Comedy Channel, Crime and Investigation, W, Bio, FOX Classics and FOXTEL Box Office.

FTA TV means free-to-air television.

FY means financial year.

FY2006 means the 2006 financial year from 1 July 2005 to 30 June 2006.

FY2007 means the 2007 financial year from 1 July 2006 to 30 June 2007.

Gaming Businesses means the businesses described in Section 7.

Gateway means all the units in Gateway Casinos Income Fund, the assets of Gateway Casinos Inc and all the outstanding shares of Star Fortune Gaming Management Corp..

Gateway Offer means the takeover offer to acquire all the units in the Gateway Casinos Income Fund, referred to in Section 7.4.5.

GDP means gross domestic product.

GSP means gross state product.

HLT Advisory means HLT Advisory Inc, a consultancy company that has prepared a report for the Canadian Gaming Association.

Hoyts means The Hoyts Group.

IHG means IHG (Victoria Park) Pty Limited.

IFRS means International Financial Reporting Standards.

Implementation Deed means the deed dated 12 October 2007 between PBL and Crown to carry into effect the PBL Scheme, the Demerger Scheme and the Demerger, described more fully in Sections 13.12(a).

Independent Accountant means Ernst & Young.

Independent Accountant's Report means the report of the Independent Accountant set out in Section 12.2 of this Demerger Scheme Booklet.

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Independent Expert means KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215.

Independent Expert's Report means the report of the Independent Expert, a summary of which is set out in section 16 of the PBL Scheme Booklet.

Indicative Timetable means the timetable set out in Section 1.

Ineligible Overseas Shareholder means each PBL Scheme Participant whose address on the PBL Share Register on the PBL Scheme Record Date is in any jurisdiction other than Australia and its external territories or New Zealand.

ISDA means International Swap Dealers Association.

Listing Rules means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

LVTI means LVTI LLC.

Macquarie means Macquarie Bank Limited.

Marketable Parcel has the meaning given in the Listing Rules.

Media Businesses means the businesses described in Section 8.

Microsoft means Microsoft Corporation.

MPEL means Melco PBL Entertainment (Macau) Limited.

MPBL Gaming means Melco PBL Gaming (Macau) Limited.

Name Change Resolution means the special resolution to approve the change of name of PBL to Consolidated Media Holdings Limited to be considered at the PBL Annual General Meeting.

Nominee means the person appointed by PBL to sell or facilitate the transfer of:

(a) the Crown Shares attributable to Ineligible Overseas Shareholders in accordance with clause 3.5 of the PBL Scheme; and

(b) the Demerger Shares to be issued to the Nominee, as a Crown Shareholder under the Demerger Scheme.

NSW means New South Wales.

PBL means Publishing and Broadcasting Limited ABN 52 009 071 167.

PBL 2007 Annual Report means the annual report of PBL in respect of FY2007 lodged with ASX on 28 September 2007.

PBL Annual General Meeting means the annual general meeting of PBL Shareholders convened to consider the resolutions set out in the notice of general meeting set out in section 18.2 of the PBL Scheme Booklet.

PBL Constitution means the constitution of PBL which will be the constitution of CMH after the Name Change Resolution is implemented.

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PBL Directors means the directors of PBL as at the date of the Demerger Scheme Booklet.

PBL Group means PBL and each entity that is controlled by PBL immediately before implementation of the PBL Scheme.

PBL Meetings means the PBL Scheme Meeting and the PBL Annual General Meeting.

PBL Preliminary Final Statements means the preliminary final statements prepared by PBL and lodged with the ASX in accordance with the Listing Rules.

PBL Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act for the transfer of PBL Scheme Shares to Crown described in this Demerger Scheme Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

PBL Scheme Booklet means the Booklet approved by the Court under section 411(1) of the Corporations Act for distribution to PBL Shareholders explaining the PBL Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to the PBL Scheme.

PBL Scheme Consideration means the consideration described in Section 5 of the PBL Scheme Booklet.

PBL Scheme Consideration Alternatives means the PBL Scheme Maximum Share Consideration and the PBL Scheme Maximum Cash Consideration.

PBL Scheme Effective Date means the date on which the office copy of the Court order approving the PBL Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the PBL Scheme, that earlier date.

PBL Scheme Entitlement means:

(a) in the case of a PBL Scheme Participant (other than an Ineligible Overseas Shareholder) the PBL Scheme Standard Consideration, the PBL Scheme Maximum Share Consideration or the PBL Scheme Maximum Cash Consideration as applicable to the PBL Scheme Participant for each PBL Share held by the PBL Scheme Participant as at the PBL Scheme Record Date; and

(b) in the case of an Ineligible Overseas Shareholder – the cash proceeds the Ineligible Overseas Shareholder receives in accordance with clause 3.5 of the PBL Scheme.

PBL Scheme Implementation Date means the sixth Business Day after the PBL Effective Date, being the date on which the PBL Share Register and the Crown Share Register will be updated to reflect the transfer of PBL Shares to Crown and the issue of Crown Shares to PBL Scheme Participants under the PBL Scheme.

PBL Scheme Maximum Cash Consideration means the consideration of that name so described in section 5.1 of the PBL Scheme Booklet.

PBL Scheme Maximum Share Consideration means the consideration of that name so described in Section 5.1 of the PBL Scheme Booklet.

PBL Scheme Meeting means the meeting of PBL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to be held at the River Room,

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Level 1, Crown Towers Hotel, 8 Whiteman Street, Southbank, Victoria on Friday 23 November 2007 at 10:00am.

PBL Scheme Notice of Meeting means the notice of meeting for the PBL Scheme Meeting set out in section 18.1 of the PBL Scheme Booklet.

PBL Scheme Participant means a person registered on the PBL Share Register at the PBL Scheme Record Date as the holder of a PBL Scheme Share after registration of all transfers and transmissions in accordance with the PBL Scheme.

PBL Scheme Record Date means 7:00pm on the fifth Business Day after the PBL Scheme Effective Date.

PBL Scheme Resolution means the resolution to approve the PBL Scheme set out in the PBL Scheme Notice of Meeting.

PBL Scheme Second Court Date means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the PBL Scheme is first heard.

PBL Scheme Share means a PBL Share on issue at the PBL Scheme Record Date.

PBL Scheme Share Value has the meaning given in Appendix 21.2 of the PBL Scheme Booklet.

PBL Scheme Standard Consideration means the consideration of that name so described in section 5.1 of the PBL Scheme Booklet.

PBL Share means a fully paid ordinary share in the capital of PBL including, for the avoidance of doubt, the ESP Shares.

PBL Shareholder means a person who is registered in the PBL Share Register as the holder of PBL Shares from time to time.

PBL Share Register means the register of PBL Shareholders maintained under section 169 of the Corporations Act, which after the Demerger Scheme is implemented will be the register of CMH shareholders.

PBL Share Registry means Computershare Limited of Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067.

PBL Shareholder means a person who is registered in the PBL Share Register as the holder of PBL Shares.

PMG means Premier Media Group Pty Limited.

PMP means Premium Movie Partnership.

Pro Forma Cash Flow Statements means the pro forma cash flow statements for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 9.6,10.6 and 11.5.

Pro Forma Income Statements means the pro forma income statements for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 9.6, 10.6 and 11.5.

Pro Forma Balance Sheets means the pro forma balance sheets for CMH, Crown and Crown (post PBL Scheme only) contained in Sections 9.6, 10.6 and 11.5.

Pro Forma Financial Information means:

(a) the pro forma balance sheets for CMH, Crown and Crown (post PBL Scheme only) as at 30 June 2007;

(b) the pro forma cash flow statements for CMH, Crown and Crown (post PBL Scheme only) for FY2006, and FY2007; and

(c) the pro forma income statements for CMH, Crown and Crown (post PBL Scheme only) for FY2006 and FY2007.

PwC means Pricewaterhouse Coopers.

Recommended Proposal means the PBL Scheme, the Reorganisation, the Demerger Scheme and the Demerger as described more fully in Sections 3 and 4.

Reduction of Capital Resolution means resolution 8 in the notice convening the PBL Annual General Meeting.

Registered Address means, in relation to a PBL Scheme Participant, the address of that PBL Scheme Participant shown in the PBL Share Register on the PBL Scheme Record Date.

Reorganisation means the reorganisation of the assets of PBL to occur in the manner described in Section 4.3.

Schemes means the PBL Scheme and the Demerger Scheme.

SEC means the US Securities and Exchange Commission.

Section means a section of this Demerger Scheme Booklet.

Securities Act means the US Securities Act of 1933, as amended.

Sky News means Sky News Australia.

Shortfall Deed means the shortfall deed described in Section 6.4(e).

Subsidiary has the meaning given in the Corporations Act.

Total Cash Consideration means the total amount of cash that Crown will be obliged to provide under the PBL Scheme being approximately $2,065 million.

Trading Day has the meaning given in the Listing Rules.

Transfer Date means the Business Day after the PBL Scheme Record Date.

UK means the United Kingdom.

US means the United States of America.

US GAAP means the Generally Accepted Accounting Principles in the United States of America.

VCGR means the Victorian Commission for Gambling Regulation.

VWAP means the volume weighted average share price (calculated to the nearest one cent) of PBL Shares traded on the ASX excluding:

(a) all trades which are overseas trades;

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(b) trades which are not an “on-market” transaction within the meaning of the Market Rules;

(c) trades pursuant to the exercise of options over PBL Shares; and

(d) any trades which PBL reasonably agrees to exclude on the basis that they are not representative of the general price at which PBL Shares traded on ASX on the Trading Day on which the trades took place.

WA means Western Australia.

WAN means West Australian Newspaper Holdings Limited.

Interpretation

(a) Annexures to the Demerger Scheme Booklet form part of this Demerger Scheme Booklet.

(b) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASTC Settlement Rules have that meaning in this Demerger Scheme Booklet unless that meaning is inconsistent with the context in which the word or phrase is used.

(c) Headings are for convenience only and do not affect the interpretation of this Demerger Scheme Booklet.

(d) The singular includes the plural and vice versa and words importing any gender include the other gender and reference to persons include corporations.

(e) References to a Section are to a section of this Demerger Scheme Booklet, unless the context requires otherwise.

(f) References to a Part are to a part of this Demerger Scheme Booklet, unless stated otherwise.

(g) References to paragraphs are references to paragraphs within the Sections of this Demerger Scheme Booklet in which the reference to the paragraph is made.

(h) References to time are references to time in Sydney, Australia on the relevant date, unless stated otherwise.

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Section 15 – Notices of meeting

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Section 15 - Notices of meeting

15.1 Notice of court ordered scheme meeting

By an order of the Federal Court of Australia made on 17 October 2007 pursuant to section 411(1) of the Corporations Act, a meeting of shareholders of Crown Limited (**Company**) will be held at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, VIC 3006 on 23 November 2007 at 3:00pm.

The Court has also directed that James Packer act as Chairman of the Demerger Scheme Meeting or failing him Christopher Anderson, and has directed the Chairman to report the result of the Demerger Scheme Meeting to the Court.

To enable you to make an informed voting decision, further information on the Demerger Scheme is set out in the Demerger Scheme Booklet, of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary in Section 14 of the Demerger Scheme Booklet, unless provided otherwise.

(a) Business of the Demerger Scheme Meeting

Resolution – Crown Scheme

To consider and, if thought fit, to pass the following resolution:

> *"That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between the Company and the holders of its ordinary shares as contained in and more particularly described in the Demerger Scheme Booklet, of which the notice convening this Meeting forms part, is approved (with or without modification) as approved by the Federal Court of Australia."*

(b) Voting

Majority required

For the resolution approving the Demerger Scheme to be passed, it must be approved by majority in number (more than 50%) of the Crown Shareholders voting (whether in person, by attorney, proxy or in the case of a corporate member, by a duly appointed corporate representative) at this Meeting, who must together hold at least 75% of the votes cast on the resolution.

How to vote

Crown Shareholders can vote in either of two ways:

- by attending the Demerger Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend the Demerger Scheme Meeting and vote on their behalf by using the proxy form accompanying the Booklet of which this notice forms part.

Instructions on how to appoint a proxy are set out below and are detailed on the back of the proxy form.

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Voting in person or by attorney

A representative of a company attending the Meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with Crown or the Crown Share Registry. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting, unless previously lodged with Crown or the Crown Share Registry.

Voting by proxy

- A Crown Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Crown Scheme Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Crown Shareholder's votes that each proxy may exercise, each proxy may exercise half of the votes. However, neither proxy may vote on a show of hands.
- A proxy need not be a Crown Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the Crown Shareholder's behalf on the poll, and the Crown Shares the subject of the proxy appointment will not be counted in computing the required majority.
- Crown Shareholders who return their proxy form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Demerger Scheme Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the Demerger Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the company secretary of Crown or any Crown Director which do not contain a direction will be used to support the resolution to approve the Demerger Scheme.
- Completed proxy forms should be sent to the Crown Share Registry using the envelope provided with the Booklet or the Crown registered office.
- To be effective proxy forms must be sent to the Crown Share Registry or Crown registered office at 8 Whiteman Street, Victoria, 3006 so that they are received by no later than 3.00pm on Wednesday 21 November 2007. Proxy forms or proxy voting instructions received after this time will be invalid.
- The proxy form must be signed by the Crown Shareholder or the Crown Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Crown Share Registry at either of the above addresses or by fax by 3.00pm on Wednesday 21 November 2007. If faxed, the power of attorney must be certified.

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(c) Crown Shareholders who are entitled to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 3.00pm on Wednesday 21 November 2007. Only those Crown Shareholders entered on the Crown Share Register at that time will be entitled to attend and vote at the Demerger Scheme Meeting.

(d) Court approval

In accordance with section 411(4)(b) of the Corporations Act, in order to become effective the Demerger Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majority and the other conditions precedent to the Demerger Scheme are satisfied (or, where applicable, waived), Crown intends to apply to the Court on Wednesday 28 November 2007 for approval of the Demerger Scheme.

15.2 Notice of general meeting of Crown

Notice is given that a general meeting of Crown Shareholders will be held at Board Room 3, level 3, Crown Towers Hotel, 8 Whiteman Street, Southbank, VIC 3006 on 23 November 2007 at 3:00pm (or so soon thereafter as the Demerger Scheme Meeting has concluded or been adjourned) for the purposes of conducting the business described below.

To enable you to make an informed voting decision, an explanatory note on the business of the General Meeting is contained in Section 6.4(e) of the Demerger Scheme Booklet, of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary in Section 14 of the Demerger Scheme Booklet unless provided otherwise.

Business of the General Meeting

1. Capital Reduction Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

THAT subject to and conditional on:

1 the Demerger Scheme Effective Date being achieved; and

2 the Buy Back of the Crown Initial Shares being authorised in accordance with the requirements of the Corporations Act and agreed to by the holders of the Crown Initial Shares, subject only to the Demerger Scheme Effective Date being achieved,

and for the purposes of section 256C(1) of the Corporations Act:

3 the capital of the Company be reduced on the Demerger Implementation Date by an amount equal to the Capital Reduction Amount multiplied by the number of Crown Shares registered in the name of the Demerger Scheme Participants on the Demerger Scheme Record Date; and

4 the Capital Reduction Amount for each such Crown Share is to be appropriated for the benefit of the Demerger Scheme Participants in accordance with the Demerger Scheme.

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For the purposes of this Resolution:

5 *Capitalised terms that are defined in the Demerger Scheme have the same meaning where used in the resolution; and*

6 *"**Capital Reduction Amoun**t" means the opening market price of CMH Shares on ASX, whether CMH Shares are first traded on a deferred or normal settlement basis, on the first trading day on ASX after the Demerger Scheme Effective Date, when CMH Shares are first quoted on ASX.*

2. Crown Financial Assistance Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, for the purposes of section 260B(2) of the Corporations Act, approval be and is hereby given for the provision of financial assistance, by, PBL and by companies which are or will be subsidiaries of the Company, as described in section 6.4(e) of the Demerger Scheme Booklet, to assist the acquisition of PBL Shares by Crown under the PBL Scheme.

By order of the Board



Michael Neilson
Company Secretary
17 October 2007

Voting

Majorities required

For the Capital Reduction Resolution to be passed, it must be approved by a simple majority of the votes cast on the resolution.

For the Crown Financial Assistance Resolution to be passed, it must be approved either by a special resolution with no votes being cast in favour of the resolution by Crown or by its associates, or by a resolution agreed to by all Crown Shareholders.

How to vote

Crown Shareholders can vote in either of two ways:

- by attending the Crown General Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend the Crown General Meeting and vote on their behalf by using the proxy form accompanying the Demerger Scheme Booklet of which this notice forms part.

Instructions on how to appoint a proxy are set out below and are detailed on the back of the proxy form.

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Voting in person or by attorney

A representative of a company attending the Crown General Meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with Crown or the Crown Share Registry. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Crown General Meeting, unless previously lodged with Crown or the Crown Share Registry.

Voting by proxy

- A Crown Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Crown General Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Crown Shareholder's votes that each proxy may exercise, each proxy may exercise half of the votes. However, neither proxy may vote on a show of hands.
- A proxy need not be a Crown Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the Crown Shareholder's behalf on the poll, and the Crown Shares the subject of the proxy appointment will not be counted in computing the required majority.
- Crown Shareholders who return their proxy form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Meeting, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the company secretary of Crown or any Crown Director which do not contain a direction will be used to support the resolution to approve the Capital Reduction Resolution and the Crown Financial Assistance Resolution.
- Completed proxy forms should be sent to the Crown registered office or the Crown Share Registry using the envelope provided with the Booklet.
- To be effective proxy forms must be sent to the Crown Share Registry or Crown's registered office at 8 Whiteman Street, Southbank, Victoria, 3006 so that they are received by no later than 3.00pm on Wednesday 21 November 2007. Proxy forms or proxy voting instructions received after this time will be invalid.
- The proxy form must be signed by the Crown Shareholder or the Crown Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Crown Share Registry at either of the above addresses or by fax by 3.00pm on Wednesday 21 November 2007. If faxed, the power of attorney must be certified.

Crown Shareholders who are entitled to vote

In accordance with regulation 7.11.37 of the Corporations Regulations, Crown has determined that the time for determining eligibility to vote at the Crown General Meeting is 3:00pm on Wednesday 21 November 2007. Only those Crown Shareholders entered on the Crown Share Register at that time will be entitled to attend and vote at the General Meeting.

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Section 16 – Corporate directory

Section 16 - Corporate directory

Crown Limited

ABN 39 125 709 953

Registered Office

8 Whiteman Street
Southbank VIC 3006

Telephone +61 (3) 9292 8888

Facsimile +61 (3) 9292 6600

Legal Advisor

Gilbert + Tobin
Level 37, 2 Park Street
Sydney NSW 2000

Taxation Advisor

Ernst & Young
680 George Street
Sydney NSW 2000

Independent Accountant

Ernst & Young
680 George Street
Sydney NSW 2000

Financial Advisor

UBS Advisory and Capital Markets Australia Ltd
Level 16, Chifley Tower
2 Chifley Square
Sydney, NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone 1300 85 05 05 (within Australia)
+61 (3) 9415 4000 (international)

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Section 17 – Demerger Scheme of Arrangement

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Demerger Scheme of Arrangement

Scheme of Arrangement made under Section 411 of the Corporations Act 2001 (Cth)

Parties

1 **Crown Limited ABN 39 125 709 953** of 8 Whiteman Street, Southbank Victoria 3006 (**Crown**); and

2 The holders of fully paid ordinary shares in the capital of Crown.

Recitals

A Crown is a public company incorporated in Victoria.

B PBL is a public company incorporated in Western Australia. It is admitted to the official list of ASX and PBL Shares are quoted on the stock market conducted by ASX.

C Crown and PBL have entered into the Implementation Deed pursuant to which, among other things, Crown has agreed to propose the Capital Reduction and this Demerger Scheme to the Crown Shareholders; PBL has agreed to propose the PBL Scheme to the PBL Shareholders and each of Crown and PBL has agreed to take all steps required to be taken by Crown or PBL (as the case may be) to give effect to the PBL Scheme, the Capital Reduction and the Demerger Scheme.

D On the Transfer Date, Crown will become entitled under the PBL Scheme to acquire by transfer, and be registered in the PBL Share Register as the holder of, the PBL Scheme Share.

E Crown has entered into the Crown Deed Poll for the purpose of covenanting in favour of the PBL Scheme Participants to perform its obligations under the Implementation Deed and the PBL Scheme.

F PBL has entered into the PBL Deed Poll for the purpose of covenanting in favour of the Demerger Scheme Participants to perform its obligations under the Implementation Deed and the Demerger Scheme.

1 Defined terms and interpretation

1.1 Definitions

In this PBL Scheme, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691.

Business Day means a business day as defined in the Listing Rules.

Buy Back means buy back of the Crown Initial Shares that is to be undertaken in accordance with the provisions of the Corporations Act.

Capital Reduction means a reduction of the share capital of Crown to be approved by the Crown shareholders, being a condition of this Demerger Scheme.

Capital Reduction Amount means the amount of capital on each Crown Share that is to be reduced in accordance with the Capital Reduction Resolution.

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Capital Reduction Entitlement means, in relation to a Demerger Scheme Participant, the Capital Reduction Amount multiplied by the number of Crown Shares held by the Demerger Scheme Participant.

Capital Reduction Resolution means the ordinary resolution to approve the Capital Reduction to be considered at the Crown General Meeting.

CHESS means the Clearing House Electronic Subregister System.

CMH is one and the same as PBL after the Name Change Resolution has become effective.

CMH Constitution is one and the same as the PBL Constitution after the Name Change Resolution has become effective.

CMH Group means CMH and each entity that is controlled by CMH immediately following implementation of this Demerger Scheme.

CMH Share Register is one and the same as the PBL Share Register after the Name Change Resolution has become effective.

CMH Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067.

Corporations Act means the Corporations Act 2001 (Cth) and the regulations made under that Act.

Court means the Federal Court of Australia.

Crown means Crown Limited ABN 39 125 709 953.

Crown Constitution means the constitution of Crown.

Crown Financial Assistance Resolution means the resolution proposed for the purposes of section 260B of the Corporations Act to approve financial assistance being given by companies which will be subsidiaries of Crown in connection with the acquisition of PBL Shares by Crown under the PBL Scheme.

Crown Deed Poll means the deed poll dated 12 October 2007 executed by Crown in favour of PBL Scheme Participants (subject to any amendments permitted by its terms).

Crown General Meeting means the meeting of Crown Shareholders which is convened to consider the Capital Reduction Resolution and the Crown Financial Assistance Resolution.

Crown Initial Shares means the eight fully paid ordinary shares in the capital of Crown issued at the time of Crown's incorporation, being the only shares issued in the capital of Crown at the date of the Demerger Meetings.

Crown Share means a fully paid ordinary share in the capital of Crown.

Crown Share Register means the register of Crown Shareholders maintained under section 169 of the Corporations Act.

Crown Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067.

Crown Shareholders means the holders of Crown Shares.

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Demerger means the demerger of CMH from Crown to be implemented through the Capital Reduction and this Demerger Scheme in the manner more fully described in the Demerger Scheme Booklet.

Demerger Date means the Business Day next following the Reorganisation Date.

Demerger Meetings means the Crown General Meeting and the Demerger Scheme Meeting.

Demerger Scheme Record Date means the Transfer Date after the cancellation of the Crown Initial Shares and the removal of the names of the holders of those shares from the Crown Share Register has been undertaken in accordance with clause 3.2 of this Demerger Scheme.

Demerger Scheme means the scheme of arrangement between Crown and Crown Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

Demerger Scheme Booklet means the booklet approved by the Court under section 411(1) of the Corporations Act for distribution to Crown Shareholders explaining this Demerger Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to this Demerger Scheme.

Demerger Scheme Effective Date means the effective date of the Demerger Scheme, which is the date on which the office copy of the Court order approving the Demerger Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

Demerger Scheme Entitlement means one Demerger Share for each Crown Share held by a Demerger Scheme Participant.

Demerger Scheme Meeting means the meeting of Crown Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Demerger Scheme Participant means a person who is registered on the Crown Share Register at the Demerger Scheme Record Date as the holder of Crown Shares, being only the persons to whom Crown Shares have been issued and allotted in accordance with the PBL Scheme. For the avoidance of doubt, the holders of the Crown Initial Shares are not Demerger Scheme Participants as those shares will have been cancelled when the Demerger Scheme Participants are determined.

Demerger Scheme Second Court Date means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Demerger Scheme is first heard.

Demerger Shares means ordinary shares in the capital of CMH that are transferred to the Demerger Scheme Participants under the Demerger Scheme.

Dispatch Date means the 10th Business Day after the PBL Scheme Effective Date.

Effective means, when used in relation to the PBL Scheme or the Demerger Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the PBL Scheme or the Demerger Scheme (as the case may be).

Implementation Deed means the deed dated 12 October 2007 between PBL and Crown to carry into effect the PBL Scheme, the Demerger Scheme and the Demerger.

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Ineligible Overseas Crown Holder means each Crown Scheme Participant whose address on the Crown Share Register on the Demerger Scheme Record Date is in any jurisdiction other than Australia and its external territories or New Zealand.

Ineligible Overseas Shareholder means each PBL Scheme Participant whose address on the PBL Share Register on the PBL Scheme Record Date is in any jurisdiction other than Australia and its external territories or New Zealand.

Listing Rules means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

Media Assets has the same meaning as "Media Assets" in the PBL Scheme Booklet.

Name Change Resolution means the special resolution to approve the change of name of PBL to "Consolidated Media Holdings Limited", to be considered at the PBL Annual General Meeting.

Nominee means a person nominated by PBL and Crown to sell or facilitate the disposal of both the Crown Shares attributable to Ineligible Overseas Shareholders under the PBL Scheme and the Demerger Shares that are to be issued to such nominee under the Demerger Scheme by reason that the Nominee is also a Demerger Scheme Participant in respect of the Crown Shares that are issued to the Nominee on behalf of the Ineligible Overseas Shareholders under the terms of the PBL Scheme.

PBL means Publishing and Broadcasting Limited ABN 52 009 071 167.

PBL Annual General Meeting means the annual general meeting of PBL Shareholders which is convened to consider the Name Change Resolution and other resolutions.

PBL Constitution means the constitution of PBL.

PBL Deed Poll means the deed poll dated 12 October 2007 executed by PBL in favour of Demerger Scheme Participants (subject to any amendments permitted by its terms).

PBL Directors means the directors of PBL as at the date of the Demerger Scheme Booklet.

PBL Group means PBL and each entity that is controlled by PBL immediately before implementation of this PBL Scheme.

PBL Scheme means the scheme of arrangement between PBL and PBL Shareholders the terms of which are summarised in the Demerger Scheme Booklet, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

PBL Scheme Booklet means the booklet approved by the Court under section 411(1) of the Corporations Act for distribution to PBL Shareholders explaining the PBL Scheme and containing, among other things, the explanatory statement as required by Part 5.1 of the Corporations Act in relation to the PBL Scheme.

PBL Scheme Effective Date means the date on which the office copy of the Court order approving the PBL Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act, or if an earlier date is specified in the Court order for the coming into effect of the PBL Scheme, that earlier date.

PBL Scheme Meeting means the meeting of PBL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

PBL Scheme Participant means, subject to the terms of the PBL Scheme, a person registered on the PBL Share Register at the PBL Scheme Record Date as the holder of a PBL Share.

PBL Scheme Record Date means 7:00pm on the fifth Business Day after the PBL Scheme Effective Date.

PBL Scheme Share means a PBL Share on issue at the PBL Scheme Record Date.

PBL Share means a fully paid ordinary share in the capital of PBL.

PBL Shareholder means a person who is registered in the PBL Share Register as a holder of PBL Shares.

PBL Share Register means the register of PBL Shareholders maintained under section 169 of the Corporations Act, which after the Name Change Resolution is approved and lodged with ASIC will be the register of CMH shareholders.

PBL Share Registry means Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067.

Reduction of Capital Resolution means resolution 8 in the notice convening the PBL Annual General Meeting.

Registered Address means, in relation to a Demerger Scheme Participant, the address of that Demerger Scheme Participant shown in the Crown Share Register on the Demerger Scheme Record Date.

Reorganisation means the transfer of Subsidiaries of PBL to Crown as described in Section 6.4(b) of the Demerger Scheme Booklet.

Reorganisation Date means the Business Day next following the Transfer Date.

TFN means tax file number as defined in section 202A of the Income Tax Assessment Act 1936 (Cth).

Transfer Date means the Business Day next following the PBL Scheme Record Date.

1.2 Interpretation

In this Demerger Scheme, unless the contrary intention appears or the context requires otherwise:

(a) capitalised words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;

(b) the singular includes the plural and vice versa;

(c) each gender includes the other gender;

(d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;

(e) references to paragraphs or clauses are to a paragraph or clause of this document;

(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(g) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

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(h) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Sydney, Australia;

(k) a reference to 'dollars' or '$' is to the lawful currency of the Commonwealth of Australia;

(l) a reference to a document is that document as varied, novated, ratified or replaced from time to time;

(m) the interpretation of a substantive provision is not affected by any heading; and

(n) 'includes' in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, that act, matter or thing shall be done on the next Business Day.

2 Conditions

2.1 Conditions precedent to this Demerger Scheme

The Demerger Scheme is conditional upon the satisfaction of each of the following conditions precedent:

(a) the PBL Shareholders approve the PBL Scheme, by the requisite majority, at the PBL Scheme Meeting;

(b) the Court approves the PBL Scheme in accordance with section 411(4)(b) of the Corporations Act;

(c) the PBL Shareholders approve the Reduction of Capital Resolution, by the requisite majority, at the PBL Annual General Meeting;

(d) the holders of the Crown Initial Shares agree to the Buy Back of those shares;

(e) the Crown Shareholders pass the Capital Reduction Resolution at the Crown General Meeting, by the requisite majority;

(f) Crown Shareholders approve the Demerger Scheme at the Demerger Scheme Meeting, by the requisite majority;

(g) no temporary restraining order, preliminary or permanent injunction or other order being issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Demerger Scheme is in effect at 9:00am on the Demerger Scheme Second Court Date;

(h) the Court approves the Demerger Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC.

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2.2 Waiver of conditions precedent

(a) Subject to paragraph (b), none of the conditions precedent in clause 2.1 may be waived.

(b) PBL and Crown may waive satisfaction of the condition precedent in clause 2.1(c).

2.3 Certificate in relation to conditions

Crown must provide to the Court on the Demerger Scheme Second Court Date a certificate confirming whether or not the conditions precedent in clause 2.1 (other than the conditions precedent in clauses 2.1(b) and 2.1(h)) have been satisfied .

2.4 Effective date

Subject to clause 2.5, this Demerger Scheme becomes Effective, subject to its terms, on the Demerger Scheme Effective Date.

2.5 End date

This Demerger Scheme lapses and has no further force or effect if the Demerger Scheme Effective Date has not occurred on or before 31 December 2007 (or such later date as Crown determines and, if required, approved by the Court).

3 Steps preparatory to the Demerger

3.1 Crown Register

Immediately following the issue of Crown Shares to PBL Scheme Participants under the PBL Scheme on the Transfer Date, Crown must, on the Transfer Date, enter in the Crown Share Register:

(a) the name of the each PBL Scheme Participant (other than the Ineligible Overseas Shareholders) in respect of the Crown Shares issued to that PBL Scheme Participant under the PBL Scheme; and

(b) the name of the Nominee in respect of those Crown Shares that would otherwise be issued to each PBL Scheme Participant under the PBL Scheme but for the fact that the PBL Scheme Participant is an Ineligible Overseas Shareholder.

3.2 Cancellation of Crown Initial Shares

Immediately following the satisfaction of the steps to be undertaken by Crown under clause 3.1, Crown must on the Transfer Date:

(a) buy back and cancel the Crown Initial Shares; and

(b) remove the names of the holders of the Crown Initial Shares from the Crown Share Register.

3.3 Reorganisation

On the Reorganisation Date, Crown must agree and will cause PBL to agree to undertake the Reorganisation and complete the Reorganisation.

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4 Demerger Scheme Implementation

4.1 Capital Reduction

(a) On the Demerger Date, Crown must reduce its capital in accordance with the Capital Reduction Resolution.

(b) Crown must apply the Capital Reduction Entitlement of each Demerger Scheme Participant in accordance with clause 4.2.

4.2 Capital Reduction Entitlement

Each Demerger Scheme Participant (including the Nominee on behalf of the Ineligible Overseas Crown Holders) directs Crown to apply, and Crown must apply, the Capital Reduction Entitlement of that Demerger Scheme Participant as consideration for the transfer by Crown to that Demerger Scheme Participant of the number of CMH Shares equal to the number of Crown Shares registered in the name of the Demerger Scheme Participant on the Demerger Scheme Record Date.

4.3 Transfer of CMH Shares

(a) On the Demerger Date, the Demerger Scheme Participants become entitled to a transfer of the CMH Shares in accordance with the terms of this Demerger Scheme; and

(b) Crown must execute a transfer or transfers of all the CMH Shares to the Demerger Scheme Participants in the numbers determined in accordance with clause 4.2 and deliver the transfer or transfers to CMH for registration.

4.4 Registration of transfers

On the Demerger Date, CMH must register the transfers delivered to it under clause 4.3 by entering in the CMH Share Register the name of each Demerger Scheme Participant (including for the avoidance of doubt the Nominee) in respect of the Demerger Shares transferred to the relevant Demerger Scheme Participant in accordance with this Demerger Scheme.

4.5 Dispatch of confirmation of allotment statements

By no later than the Dispatch Date, Crown must, in accordance with the Listing Rules, dispatch or procure the dispatch to each Demerger Scheme Participant (including for the avoidance of doubt the Nominee) by prepaid post to their Registered Address, confirmation of allotment statements for CMH Shares to which they are entitled under the Demerger Scheme and in the case of Demerger Scheme Participants that are joint holders of Crown Shares, such confirmation of allotment statements must be forwarded to the holder whose name appears first in the Crown Share Register on the Demerger Scheme Record Date.

5 Demerger Scheme Entitlements

5.1 Crown Share Register

For the purposes of determining entitlements to participate in this Demerger Scheme, Crown must maintain the Crown Share Register and the Crown Share Register maintained in accordance with clause 3 of this Demerger Scheme, solely determines entitlements to the CMH Shares.

5.2 Dealing in interests

Any dealing by a PBL Scheme Participant in any interest in the Crown Shares that are to be issued to that person under the PBL Scheme before the registration of that person, in accordance with clause 3.1 of this Demerger Scheme, as a Crown Shareholder, will not affect that person's entitlement to participate in this Demerger Scheme as a Demerger Scheme Participant. For the avoidance of doubt, any such dealing cannot and will not be recorded in the Crown Share Register at any time prior to the Demerger Scheme Record Date.

6 General provisions

6.1 Agreement to become a member of CMH

Under this Demerger Scheme each Demerger Scheme Participant:

(a) agrees and acknowledges that the provision to it of its Demerger Scheme Entitlement constitutes the satisfaction of all of its entitlements in and to the Demerger Scheme Participant's Capital Reduction Entitlements; and

(b) agrees to become a member of CMH and to have its name entered in the CMH Share Register and accepts the Demerger Shares transferred under the Demerger Scheme on the terms and conditions of the CMH Constitution,

without the need for any further act by a Demerger Scheme Participant.

6.2 Appointment of agent and attorney

(a) Each Demerger Scheme Participant, without the need for any further act, irrevocably appoints Crown as its agent and attorney for the purpose of:

(i) executing any document or doing any other act necessary to give effect to the terms of this Demerger Scheme including, without limitation, the communication of the Demerger Scheme Participant's agreement under clauses 6.1(a) and 6.1(b) and instructions under clause 6.4(a);

(ii) enforcing the PBL Deed Poll against PBL;

(iii) subject to other instructions from a Demerger Scheme Participant in writing, disclosing to CMH all binding instructions or notifications between a Demerger Scheme Participant and Crown relating to Crown Shares, a Demerger Scheme Participant's status as a Crown Shareholder or a Demerger Scheme Participant's tax affairs including, without limitation, a Demerger Scheme Participant's TFN, any instructions relating to communications from PBL and whether dividends are to be paid by cheque or into a specified bank account,

and Crown accepts such appointment.

(b) Crown, as agent of each Demerger Scheme Participant, may in its absolute and unfettered discretion sub-delegate its functions under this clause 6.2 to all or any of its directors and secretaries (jointly and severally).

6.3 Enforcement of PBL Deed Poll

Crown undertakes in favour of each Demerger Scheme Participant that it will enforce the PBL Deed Poll against Crown on behalf of and as agent and attorney for the PBL Scheme Participants.

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6.4 Instructions to PBL

(a) Under the Demerger Scheme each Demerger Scheme Participant consents to the disclosure by Crown (or the Crown Share Registry) to CMH (or the CMH Share Registry) and the collection by CMH (or the CMH Share Registry) of all binding instructions or notifications between a Demerger Scheme Participant and Crown (or the Crown Registry) relating to Crown Shares or a Demerger Scheme Participant's status as a Crown Shareholder (including, without limitation any instructions relating to communications from Crown and whether dividends are to be paid by cheque or into a specified bank account) which disclosure will, to the extent permitted, from the Demerger Scheme Implementation Date be deemed, by reason of the Demerger Scheme, to be similarly binding instructions or notifications to, and accepted by, CMH in respect of Demerger Shares transferred to Demerger Scheme Participants until those instructions or notifications are, in each case, revoked or amended in writing addressed to CMH (at its registered address from time to time) or the CMH Share Registry.

(b) On the Demerger Scheme Implementation Date, to the extent that a Demerger Scheme Participant has properly notified Crown of the Demerger Scheme Participant's TFN, Crown will transfer to CMH the Demerger Scheme Participant's TFN unless, prior to the Demerger Scheme Record Date the Demerger Scheme Participant has advised the Crown Register in writing that the Demerger Scheme Participant's TFN is not to be provided to CMH.

6.5 Demerger Scheme Participants' consent

Without limiting this clause 6, each Demerger Scheme Participant consents to PBL and Crown doing all things necessary, incidental or expedient to the implementation and performance of the Demerger Scheme and acknowledges that this Demerger Scheme binds Crown and all of the Demerger Scheme Participants (including those who do not attend the Demerger Scheme Meeting, do not vote at that meeting or vote against the Demerger Scheme).

6.6 Amendments to this Demerger Scheme

If the Court proposes to approve this Demerger Scheme subject to any alterations or conditions, Crown may, by its counsel or solicitor, and with the consent of PBL, consent to those alterations or conditions on behalf of all persons concerned, including a Demerger Scheme Participant.

7 General

7.1 Inconsistencies

To the extent of inconsistency between the Demerger Scheme and the Crown Constitution, the Demerger Scheme overrides the Crown Constitution and binds Crown and all Demerger Scheme Participants.

7.2 Further assurance

Crown will execute all deeds and other documents and do all acts and things necessary or expedient for the implementation and performance of the Demerger Scheme and will, on behalf of Demerger Scheme Participants, procure PBL to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps attributed to PBL under the Demerger Scheme.

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7.3 Costs

CMH will pay any stamp duty, related fees and penalties, which are payable in respect of the Demerger Scheme or any document that is referred to in the Demerger Scheme.

7.4 Governing law

This Demerger Scheme is governed by the laws of the State of New South Wales, Australia.

7.5 Notices

Any notice or other communication to Crown in respect of this Demerger Scheme must be in legible writing and in English and:

(a) addressed as shown below:

Attention: Company Secretary

Address: 8 Whiteman St, Southbank, VIC 3006

Fax no: +61 3 9292 7295

(b) must be signed by the person making the communication or by a person duly authorised by that person;

(c) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of Crown in accordance with clause 7.5(a); and

(d) will be regarded as received by Crown:

(i) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day; and

(ii) in any other case, on delivery at the address of Crown as provided in clause 7.5(a), unless that delivery is not made on a Business Day, or after 5:00pm on a Business Day, in which case that communication will be regarded as received at 9:00am on the next Business Day.

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Section 18 – Accounting policies

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Section 18 – Accounting policies

The following summary of accounting policies details the accounting policies applied in Sections 9.6, 10.6 and 11.5.

The financial information in Sections 9.6, 10.6 and 11.5 has been prepared on a pro forma basis because Crown and CMH have not previously prepared financial information.

Basis of consolidation

The Pro Forma Financial Information in:

- Section 9.6 comprises Crown Limited and all the entities that it will control upon completion of the Demerger Scheme;
- section 10.6 comprises Consolidated Media Holdings Limited and all entities that it will control upon completion of the Demerger Scheme; and
- Section 11.5 comprises Crown Limited and all entities that it will control at the completion of the PBL Scheme (but before the completion of the Demerger Scheme).

Except for the results of PBL Media, information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control. Although PBL Media was controlled from 7 February 2007 until 6 June 2007, its results have been included in the financial sections by applying the equity method of accounting in Sections 10.6 and 11.5. This policy has been adopted to reflect the future treatment of this investment on a consistent basis from its inception.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In accordance with AASB 3, Business Combinations, Crown Limited's acquisition of PBL was considered a reverse acquisition; consequently, there was no change to the carrying values of the net assets of PBL in the acquisition by Crown Limited.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Pro Forma Income Statement.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Pro Forma Balance Sheets.

Cash flows are included in the Pro Forma Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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Foreign currency translation

Both the functional and presentation currency of Crown and CMH and their Australian subsidiaries is Australian dollars. Each foreign entity in the Crown Group determines their own functional currency and items included in the financial statements of each foreign entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the Pro Forma Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Crown at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Pro Forma Income Statement.

Cash and cash equivalents

Cash and short term deposits in the Pro Forma Balance Sheets comprise cash at bank and in hand, and short term deposits.

Cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the full amount may not be collected. Bad debts are written off when identified.

Receivables from associates and other related parties are carried at amortised cost. Interest is recognised with the effective interest rate.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Crown Group inventories include food, beverages and general stores and are costed on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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Investments in associates

Crown's and CMH's investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which Crown or CMH has significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of the associates are used by Crown or CMH to apply the equity method. The reporting dates of the associates are identical to Crown and CMH, and all use consistent accounting policies.

The investments in the associates are carried in the Pro Forma Balance Sheets at cost plus post-acquisition changes in Crown's and CMH's share of net assets of the associates, less any impairment in value. The Pro Forma Income Statements reflect Crown's or CMH's share of the results of operations of the associates.

All transactions between associates and Crown or CMH are eliminated according to the percentage of ownership held.

Where there has been a change recognised directly in the associates' equity, Crown and CMH recognise their share directly in their equity.

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Pro Forma Income Statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when Crown or CMH has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

Investments that are expected to be sold are reclassified to held for sale. These assets are held at the lower of cost and recoverable amount.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold buildings - 40 to 75 years;
- Leasehold improvements - lease term; and
- Plant and equipment – 2 to 15 years.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Pro Forma Income Statements in the period the item is derecognised.

Intangible assets

Licences

Licences and mastheads are carried at cost.

No amortisation is provided against these assets as the directors consider that the life of the licences and mastheads are indefinite life intangible assets.

The casino licence premiums are carried at cost of acquisition. The Crown Melbourne licence is being amortised on a straight-line basis over the remaining life of the licence from the time PBL acquired Crown Melbourne, being 34 years. The Burswood licence is perpetual and, as such, no amortisation is charged.

The directors regularly assess the carrying value of licences so as to ensure they are not carried at a value greater than their recoverable amount.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable

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assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Development costs

Development costs incurred on an individual project are carried forward when future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development cost, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any costs carried forward are amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Other intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Pro Forma Income Statement.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Pro Forma Income Statement when the net asset is derecognised.

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Recoverable amount of assets

At each reporting date, Crown and CMH each assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, Crown and CMH makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Trade and other payables

Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed to Crown and CMH at reporting date. Crown and CMH operate in a number of diverse markets, and accordingly the terms of trade vary by business.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Pro Forma Income Statement when the liabilities are derecognised and as well as through the amortisation process.

Provisions

Provisions are recognised when there is a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other events, it is probable that a future sacrifice of economic benefit will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related on-costs. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee.

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The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

Equity settled transactions

Crown and CMH provide benefits to senior executives in the form of share-based payments, whereby executives render services in exchange for shares or rights over shares.

The plan in place to provide these benefits is the Executive Share Plan ("ESP").

The cost of these equity-settled transactions with executives is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using the Monte Carlo model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of PBL.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant executives become fully entitled to the award ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting dates reflects:

- the extent to which the vesting period has expired; and
- the directors' best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Pro Forma Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Leases

Finance leases, which transfer to Crown and CMH substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense in the Pro Forma Income Statements on a straight-line basis over the lease term.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when Crown or CMH no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivative financial instruments

Crown or CMH uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example, when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

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Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Impairment of financial assets

Crown and CMH assess at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e: the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

Crown and CMH first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the current market rate of return for a similar financial asset.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Pro Forma Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be

objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Contributed equity

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of the consideration received by the company, less transaction costs.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- *Sale of goods*

  Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer;

- *Rendering of services*

  Control of the right to be compensated for the services and the stage of completion can be reliably measured.

  Casino revenues are the net of gaming wins and losses;

- *Interest*

  Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset; and

- *Dividends*

  Revenue is recognised when the shareholders' right to receive the payment is established.

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