



27. 6. 2002

**SUPPLEMENTARY REPORT BY THE CHAIR OF THE
STRATEGY AND FINANCE COMMITTEE**

PART A - MATTERS REQUIRING A COUNCIL DECISION

2. REDBUS LIMITED – SHARE INVESTMENT

Officer responsible Company Secretary	Author Robert Lineham, DDI 941-8411
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The Chairperson of CCHL reports:

The purpose of this report is to seek Council approval for the conversion of a loan investment in Red Bus Limited to equity.

BACKGROUND

Last year CCHL lent \$5 million to Red Bus to fund part of a fleet expansion programme. This loan is on a commercial basis.

As recently announced publicly, Red Bus is planning to acquire the urban business assets of Leopard Coachlines (subject to Commerce Commission approval).

CONVERSION OF LOAN TO EQUITY INVESTMENT

CCHL have examined the financial structure proposed by Red Bus to fund the acquisition and wishes to support a request by Red Bus that the existing \$5 million loan be converted to a share investment in Red Bus. The purpose of this is to strengthen the Red Bus balance sheet and enable it to raise the necessary additional funding it requires for the acquisition of Leopard Coachlines assets from the banking sector.

CCHL is satisfied that this is a prudent approach and that the restructured company will provide good returns to CCHL.

STATEMENT OF CORPORATE INTENT REQUIREMENTS

There is a requirement in the CCHL Statement of Corporate Intent that any share investments by CCHL are approved by the Council. It is therefore necessary that the Council approves the conversion of the existing loan to a share investment.

No additional funding from CCHL to Red Bus is required as part of this transaction.

Staff

Recommendation: That CCHL be authorised to invest \$5 million in additional share capital in Red Bus Limited by converting an existing loan to equity.

Chair's

Recommendation: That the above recommendation be adopted.

CONSIDERED THIS 27TH DAY OF JUNE 2002

MAYOR