

5. VBASE GROUP AMALGAMATION

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
Officer responsible:	Corporate Finance Manager
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PURPOSE OF REPORT

1. The purpose of this report is to present a proposal to the Council, as 100% shareholder and secured creditor of the Vbase group of companies, to simplify the legal structure of the Vbase group.

EXECUTIVE SUMMARY

2. The present legal structure of the Vbase group of companies is cumbersome and is not consistent with the way in which the group is governed and managed. Under the terms of the loans that are in place with Vbase No. 2 Ltd, (the company that owns and develops AMI Stadium) the Council is required to approve an amalgamation of that company. The directors of the group have approached the Council requesting approval to proceed with the restructure.

FINANCIAL IMPLICATIONS

3. There are no financial or tax implications for the Council.

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

4. Amalgamation of three companies within the Vbase group has no impact on the 2006-16 LTCCP budgets.

LEGAL CONSIDERATIONS

Have you considered the legal implications of the issue under consideration?

5. The issue has been considered by the Council's in-house legal team and Vbase have received advice from their own legal advisors. There are no adverse legal implications for either the Council or Vbase.

ALIGNMENT WITH STRATEGIES

Do the recommendations align with the Council's strategies?

6. This matter does not fall within any of the Council's strategies.

STAFF RECOMMENDATION

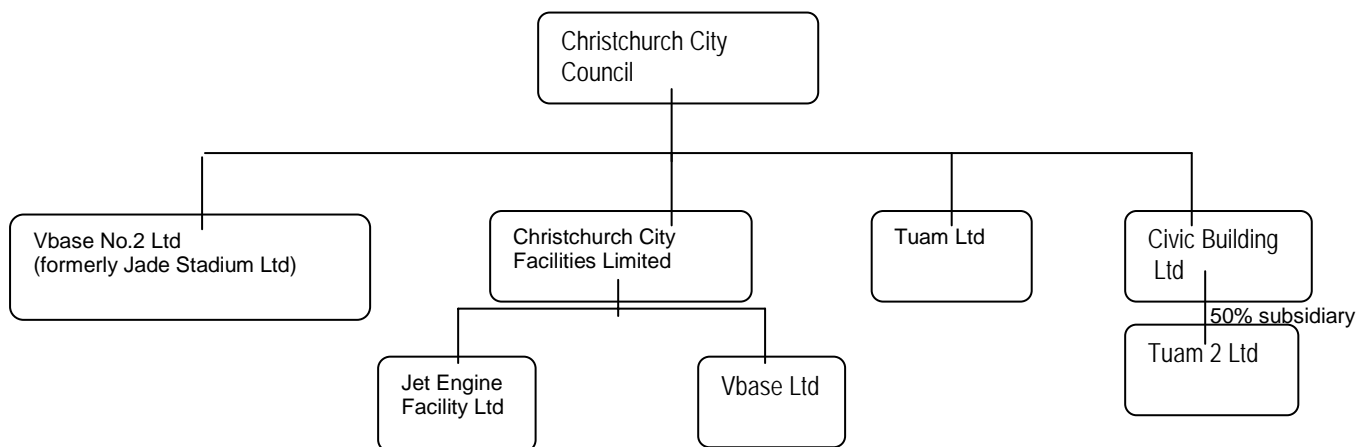
It is recommended that the Council:

- (a) Approve the amalgamation of Vbase Ltd, Christchurch City Facilities Ltd and Vbase No. 2 Ltd, with Christchurch City Facilities Ltd being nominated as the recipient entity.
- (b) Subsequent to the amalgamation being completed, approve the change in name of Christchurch City Facilities Ltd to Vbase Ltd.
- (c) Authorise the General Manager Corporate Services to sign all documents, including any special resolutions of shareholders, necessary to give effect to the amalgamation.

BACKGROUND (THE ISSUES)

Current Structure

7. The following table describes the current legal structure of the Vbase group. It is cumbersome and, following Council's decision to merge AMI Stadium with the three other venues, no longer reflects the way in which the group is governed and managed.



8. The role of each entity is as follows:

Christchurch City Council – 100% Shareholder.

Vbase No.2 Ltd – Owns AMI Stadium Improvements, conducts trading for stadium.

Christchurch City Facilities Ltd, (CCFL) – Owns Westpac Arena, Convention Centre and leases Christchurch Town Hall from CCC for \$100,000 per year.

Vbase Ltd – conducts trading for business located at venues owned by CCFL.

Jet Engine Facility Ltd – Owns and leases the jet engine test cell facility located at Christchurch International Airport.

Tuam Ltd – owns Tuam St Civic building and carpark.

Civic Building Ltd – owns 50% of Tuam 2 Ltd and provides funding for Civic Building project.

Tuam 2 Ltd – 50/50 joint venture with Ngai Tahu- developing and owning the new Civic building.

9. Vbase, Vbase No.2 and CCFL all trade as Vbase. Christchurch City Holdings Ltd monitors the group on behalf of the Council.
10. With the exception of Tuam 2 Ltd, all of the companies are either directly or indirectly owned by the Council.

Changes Proposed

11. It is proposed that Vbase Ltd, Vbase No. 2 Ltd and CCFL be merged into a single entity using the short form amalgamation process available under the Companies Act 1993. Vbase Ltd and Vbase No.2 Ltd will cease to exist and CCFL will become the surviving entity. CCFL will be renamed as Vbase Ltd. The benefit is two less sets of accounts to produce with savings in time and audit fees. The profitability of each of the venues will continue to be measured by maintaining separate divisional accounts.
12. The activities of Jet Engine Facility Ltd, Tuam Ltd, Tuam 2 Ltd and Civic Building Ltd are quite distinct and these companies will be left as separate entities.

Proposed Structure

