

9. VBASE CAPITAL STRUCTURE

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
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 per cent shareholder of Vbase, to amend Vbase Ltd's capital structure.

EXECUTIVE SUMMARY

2. In August 2008 with the passing of the Christchurch City Council (Lancaster Park) Land Vesting Act 2008 all property owned by the Victory Park Board vested with the Council. Included amongst the assets were 14,401,725 of Vbase redeemable cumulative preference \$1 shares (RPSs) bearing an 8.5 per cent dividend. It is proposed that these shares be converted to a zero per cent dividend in line with Vbase's other RPSs and backdated to 29 August 2008.
3. Vbase has given notice that it intends to redeem 4,320,796 of ordinary shares and return the capital to the Council with the funds to be applied by the Council in settlement of two loans from Vbase totalling \$4,320,796. These loans were originally between Vbase and the Victory Park Board.

FINANCIAL IMPLICATIONS

4. The dividend from the RPSs was not budgeted for and there are no other financial or tax implications for the Council. There is no rating impact.

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

5. The contents of this report are outside of the 2006-16 LTCCP and will have no impact on the 2009-19 LTCCP.

LEGAL CONSIDERATIONS

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

6. The issue has been considered by the Council's legal advisers and Vbase have received their own legal advice. There are no adverse legal implications for either the Council or Vbase.
7. The Legal Services Unit has looked at the issue of significance and is of the view that the amendment to Vbase's capital is below the threshold required for it to be regarded as being significant.

ALIGNMENT WITH STRATEGIES

Do the recommendations align with the Council's strategies?

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

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Approve the change in terms of the 14,401,725 cumulative redeemable preference shares by amending the 8.5 per cent dividend to a 0 per cent dividend.
- (b) Authorise the General Manager Corporate Services to sign any documents, including any special resolutions of shareholders, necessary to give effect to the above.
- (c) Note Vbase's intention to redeem and return \$4,320,796 of capital, the funds to be applied in settlement of two loans totalling the same amount.

BACKGROUND (THE ISSUES)

9. In August 2008, with the passing of the Christchurch City Council (Lancaster Park) Land Vesting Act 2008, all property owned by the Victory Park Board, (VPB) vested with the Council. The VPB was a statutory board established in 1919 to control and manage Lancaster Park. Redevelopment of the park was beyond VPB's means and so the board agreed to hand over its assets and liabilities to the Council and to go out of existence. Included amongst the assets were 14,401,725 of Vbase redeemable cumulative preference \$1 shares (RPSs) bearing an 8.5 per cent dividend.
10. With the transfer of the shares to the Council it is proposed that the dividend structure of the shares be aligned with the existing capital structure of Vbase and that the shares be converted to a zero per cent dividend backdated to 29 August 2008, the date on which the Council acquired the assets. This change has the approval of the Vbase Board.
11. Vbase has given notice that it intends to redeem 4,320,796 of ordinary shares and return the capital to the Council. The Council will then use the funds to settle two non-interest bearing loans totalling \$4,320,796 owing to Vbase that were transferred across as part of the vesting process.