

Report 15.589  
Date 20 November 2015  
File CCAB-8-299

Committee Council  
Author Mike Timmer, Treasurer

## Dissolution of Pringle House Limited - distribution of assets

### 1. Purpose

To obtain the written consent of the Council, as shareholder of WRC Holdings Limited (WRCHL), to the board of WRCHL passing a special resolution approving:

- a) the repayment by Pringle House Limited (PHL) of a \$1,997,000 loan owed to WRCHL; and
- b) the payment by PHL of a dividend to WRCHL, the amount of which shall be PHL's surplus assets after all other known outstanding liabilities of PHL have been satisfied.

### 2. Background

With the sale of the Regional Council Centre, PHL's purpose for operating has ceased.

On 29 September 2015 the directors of PHL and WRCHL resolved to dissolve PHL.

PHL is in the process of discharging its liabilities to creditors.

Part of the process involves repaying a \$1,997,000 loan to WRCHL.

After discharging its liabilities to known creditors, PHL is expected to have approximately \$1.5 million of surplus assets.

PHL intends to pay the total of its surplus assets to WRCHL as a dividend pursuant to section 52 of the Companies Act 1993.

The repayment of the loan and proposed dividend payment will each be a *significant transaction* as defined in clause 4 of PHL's constitution (as the

value of the assets being disposed of in each transaction will be more than 10 percent of the value of PHL's assets before the disposition).

The repayment of the loan and proposed dividend payment will each be a *major transaction* in terms of section 129 of the Companies Act 1993 (as the value of the assets being disposed of in each transaction will be more than half the value of PHL's assets before the disposition).

Significant and major transactions require approval by a special resolution of shareholders (WRCHL is sole shareholder in PHL). WRCHL's constitution states that it must obtain written approval from its shareholder (the Council is sole shareholder in WRCHL) before passing any special resolutions for one of its subsidiaries.

### **3. Comment**

PHL and WRCHL will each meet on 16 December 2016 to approve the repayment of the loan and dividend payment. The directors of PHL voting in favour of the dividend payment will be required to sign a certificate stating that, in their opinion, PHL will, immediately after payment of the dividend, satisfy the solvency test (as defined in section 4 of the Companies Act 1993) and the grounds for that opinion.

### **4. Communication**

WRCHL will be advised of the Council's decision.

### **5. The decision-making process and significance**

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

#### **5.1 Significance of the decision**

Officers have considered the significance of the matter, taking into account the Council's significance and engagement policy and decision-making guidelines. Due to the procedural nature of this decision, it is considered that it does not trigger any of the thresholds for significance in the policy and accordingly officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

#### **5.2 Engagement**

Due to its procedural nature and low significance, no engagement on this matter has been undertaken.

### **6. Recommendations**

*That the Council:*

- 1. Receives the report.*
- 2. Notes the content of the report.*

3. *Consents, as sole shareholder of WRC Holdings Limited, to the board of WRC Holdings Limited resolving to pass a special shareholder resolution of Pringle House Limited to approve the major and significant transactions of Pringle House Limited repaying its debt to WRC Holdings Limited and distributing its surplus assets as a dividend to WRC Holdings Limited, as set out in Attachment 1.*
4. *Authorises the Council Chair to execute the attached shareholder consent for delivery to WRC Holdings Limited.*

Report prepared by:

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Report approved by:

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**Attachment 1: Shareholder consent**