



## Community Chef

24 February 2016

### RE: REGIONAL KITCHEN GROUP – SHAREHOLDER REPRESENTATIVE

#### REGIONAL KITCHEN GROUP BUSINESS RESTRUCTURE

At the November Annual General Meeting, we outlined our core mission to our Shareholders as being:

**“Maintain continuity of service in a changing environment and transition to whatever future delivered meals option is decided by each shareholder Council”.**

A commitment was given at that meeting to provide Shareholders with an update regarding the proposed restructure in February 2016 to ensure any capital investment requirements can be factored into to their budget process for the 16/17 financial year and to ensure there is ample time to gain Council approval for the changes in advance of the May 2016 General Meeting, where all the resolutions pertaining to this change will be brought for a vote.

For those Councils that are currently Shareholders in Community Chef only it will be necessary to obtain Ministerial approval under Section 193 of the Local Government Act for your Council to invest in an entity with the capacity to borrow. This approval can be sought on Council’s behalf by Regional Kitchen.

Everything is going to plan with the business:

- Wyndham has joined Community Chef as a shareholder and commenced taking meals on 1 February 2016
- Community Chef has commenced supply of an expanded range of product lines into the public hospital food services network.
- A letter of intent has been signed with the Red Cross Emergency Management unit for the supply of meals during times of natural disaster and for crisis situations in the Metropolitan and peri-urban areas.
- Opportunities are opening up in other markets including products manufactured for other’s brands.
- Cutting edge research on nutritional density and other aspects of food production continues to be undertaken with and funded by the CSIRO.



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The main driver in bringing the two companies under one consolidated entity is to facilitate more efficient administrative, governance and audit processes. It will also act as a trigger to seek further investment for the reduction of debt and to explore alternate loan facility and investment opportunities with institutions closely aligned with local government.

An overview of the current and proposed structures are as follows;

**CURRENT STRUCTURE**



- Regional Kitchen leases building, plant and equipment to Community Chef and provides capital funding
- Community Chef pays rent
- Two Boards that operate in consultation but independently of each other
- Run as two separate companies
- There is a Joint Charter
- There is a Cross Company Guarantee
- Board membership overlaps with three board members sitting on both boards

**PROPOSED STRUCTURE**



- One Company Structure
- All Councils to become shareholders in Regional Kitchen, relinquish their shares in Community Chef in exchange for 1 free share in Regional Kitchen
- Retain current Board members on an expanded single Board
- The attached financial analysis illustrates that the issuing of the 21 shares to each of the Shareholder Councils does not dilute the current Regional Kitchen Shareholders equity

Recent sales of shares in Regional Kitchen were at a price of \$18,000 per share. A valuation of shares in the proposed consolidated structure, using December 2015 balances, confirms that the shares in the consolidated entity would have a value of \$18,000 each.

In order to stay on track, implement the above changes and open the door to investment it will be necessary for Councils not currently holding shares in Regional Kitchen to resolve to become a Regional Kitchen Shareholder and request Regional Kitchen to seek Ministerial approval under S193. There will be no cost as new and existing Regional Kitchen Shareholders will each be issued with one free share, currently valued at \$18,000. This will need to be executed before the May General Meeting as the creation of a single company requires a unanimous vote.

I look forward to engaging further with you in the lead up to the May 2016 General meeting. In the meantime if you have any queries, please do not hesitate to contact me directly.

Yours sincerely



Joe Ciccarone  
**CEO Regional Kitchen Group**