Silver Chef Limited

ASX Appendix 4E and Preliminary Final Report

For the year ended 30 June 2018

SILVER CHEF LIMITED
ACN: 011 045 828
ASX CODE: SIV

Contents

ASX Appendix 4E – Preliminary final results and other information

For the year ended 30 June 2018

The unaudited results for Silver Chef Limited and its subsidiaries for the period 1 July 2017 to 30 June 2018 are summarised below. Supporting commentary on the result is provided in the accompanying Investor Presentation and ASX Release documents.

Results for announcement to the market

	2018 $m	2017 $m	Change $m	Change %
Revenue	287.1	286.0	1.1	0.4
Profit from ordinary activities after tax	(48.0)	20.2	(68.2)	(337.6)
Net profit attributable to members	(48.0)	20.2	(68.2)	(337.6)

Dividends

No final dividend has been declared in relation to the year ended 30 June 2018. A fully franked interim dividend of 10.0 cents per share was paid on 20 April 2018.

Net tangible assets

Net tangible assets per security were 256 cents (FY17: 413 cents).

Details of entities over which control has been gained or lost during the year

During the year the Company gained control over its registered subsidiary, SIV Equipment Trust Pty Ltd. This entity was set up in FY18 to act as servicer for its Securitisation Facility. The SIV Equipment Trust No.1 is also a newly controlled entity in the Group this financial year.

Rental asset base

The key drivers of the Group's revenue are the growth and utilisation rates of its rental assets and long-term rental contracts (finance leases), as illustrated below. All amounts are presented gross before accumulated depreciation and impairments.

	2018 $m	2017 $m	Change $m	Change %
Hospitality rental assets at cost*				
• Australia	269.3	259.6	9.7	3.7
• New Zealand	32.8	25.0	7.8	31.2
• Canada	30.2	25.3	4.9	19.4
Hospitality lease receivables	97.0	72.3	24.7	34.2
Total Hospitality rental assets at cost and lease receivables	**429.3**	**382.2**	47.1	12.3
Total GoGetta rental assets at cost and lease receivables	**206.1**	**275.0**	(68.9)	(25.1)
Total Group rental assets at cost and lease receivables	**635.4**	**657.2**	(21.8)	(3.3)

*Rental assets at cost include capitalised upfront costs of lease origination

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 $000's	2017 $000's
Revenue		287,138	286,025
Depreciation and amortisation expense		(137,999)	(134,223)
Loss on sale of rental assets		(17,999)	(9,181)
Impairment of rental assets		(39,369)	(16,290)
Impairment of receivables		(52,969)	(12,623)
Employee expenses		(42,167)	(38,063)
Expenses from ordinary activities		(43,937)	(34,049)
Interest paid		(15,530)	(12,643)
Amortisation of capitalised borrowing costs		(5,554)	(611)
Profit/ (loss) before income tax		**(68,386)**	**28,342**
Income tax benefit/(expense)		20,394	(8,097)
Profit/ (loss) after income tax		**(47,992)**	**20,245**
Other comprehensive income (net of tax)			
Cash flow hedge revaluation		243	525
Foreign currency translation differences – foreign operations		(394)	(278)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**(48,143)**	**20,492**
Dividends paid per share			
Current year interim dividend paid		**10.0 cents**	**12.9 cents**
Prior year dividend paid		**25.1 cents**	**25.0 cents**
Earnings per share			
Basic earnings per share		(122.4) cents	55.3 cents
Diluted earnings per share		(122.4) cents	55.3 cents

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2018

	Note	2018 $000's	2017 $000's
ASSETS			
Current assets			
Cash and cash equivalents		29,265	7,307
Trade and other receivables		48,726	74,860
Inventories		3,320	-
Current tax assets		4,344	-
Other assets		2,192	2,929
Total current assets		**87,847**	**85,096**
Non-current assets			
Trade and other receivables		72,953	60,906
Rental assets		296,395	374,544
Property plant and equipment		2,477	2,982
Intangible assets		4,054	3,834
Deferred tax assets		34,257	12,831
Total non-current assets		**410,136**	**455,097**
Total assets		**497,983**	**540,193**
LIABILITIES			
Current liabilities			
Trade and other payables		15,831	13,138
Provisions		3,800	-
Current tax payable		640	7,654
Customer security bonds payable		21,691	29,666
Loans and borrowings		342,711	-
Employee benefits		2,313	2,203
Total current liabilities		**386,986**	**52,661**
Non-current liabilities			
Trade and other payables		-	32
Customer security bonds payable		5,145	5,730
Loans and borrowings		-	315,046
Other liabilities		548	601
Employee benefits		382	397
Derivatives		308	654
Total non-current liabilities		**6,383**	**322,460**
Total liabilities		**393,369**	**375,121**
Net assets		**104,614**	**165,072**
EQUITY			
Share capital		120,742	119,330
Retained earnings		(15,751)	45,968
Reserves		(377)	(226)
Total equity		**104,614**	**165,072**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2018

	Number of shares on issue 000's	Share capital $000's	Retained earnings $000's	Reserves $000's	Total equity $000's
Balance at 1 July 2017	**39,043**	**119,330**	**45,968**	**(226)**	**165,072**
Total comprehensive income for the year					
Profit/(loss) for the year	-	-	(47,992)	-	**(47,992)**
Foreign currency translation differences	-	-	-	(394)	**(394)**
Cash flow hedge reserve	-	-	-	243	**243**
Total comprehensive income/(loss) for the year	-	-	(47,992)	(151)	**(48,143)**
Transactions with owners of the Company					
Dividends recognised and paid during the year	-	-	(13,727)	-	**(13,727)**
Share issue costs	-	(13)	-	-	**(13)**
Shares issued under dividend reinvestment plan	225	1,425	-	-	**1,425**
Total contributions by and (distributions to) owners of the Company	225	1,412	(13,727)	-	**(12,315)**
Balance at 30 June 2018	**39,268**	**120,742**	**(15,751)**	**(377)**	**104,614**

	Number of shares on issue 000's	Share capital $000's	Retained earnings $000's	Reserves $000's	Total equity $000's
Balance at 1 July 2016	**35,152**	**90,556**	**39,160**	**(473)**	**129,243**
Total comprehensive income for the year					
Profit for the year	-	-	20,245	-	**20,245**
Foreign currency translation differences	-	-	-	(278)	**(278)**
Cash flow hedge reserve	-	-	-	525	**525**
Total comprehensive income for the year	-	-	20,245	247	**20,492**
Transactions with owners of the Company					
Dividends recognised and paid during the year	-	-	(13,437)	-	**(13,437)**
Share issue costs	-	(1,261)	-	-	**(1,261)**
Shares issued under employee share scheme	19	219	-	-	**219**
Shares issued under dividend reinvestment plan	130	1,308	-	-	**1,308**
Shares issued via placement	3,742	28,508	-	-	**28,508**
Total contributions by and (distributions to) owners of the Company	3,891	28,774	(13,437)	-	**15,337**
Balance at 30 June 2017	**39,043**	**119,330**	**45,968**	**(226)**	**165,072**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	2018 $000's	2017 $000's
Cash flows from operating activities			
Receipts from customers		348,920	312,892
Payments to suppliers and employees		(157,897)	(141,635)
Finance costs paid		(13,614)	(12,643)
Interest received		59	49
Income taxes paid		(12,495)	(6,855)
GST recovered		957	1,062
Net cash from operating activities		**165,930**	**152,870**
Cash flows from investing activities			
Payments for plant and equipment		(245,839)	(305,899)
Payments for internal and intangible assets		(2,219)	(3,573)
Proceeds from sale of plant and equipment		93,939	78,732
Payments for other investing activities		(204)	-
Net cash used in investing activities		**(154,323)**	**(230,740)**
Cash flows from financing activities			
Proceeds from borrowings		126,121	83,474
Repayment of borrowings		(97,239)	(18,000)
Repayment of finance leases		-	(468)
Transaction costs paid in relation to loans and borrowings		(6,217)	(624)
Proceeds from issue of shares		-	28,508
Transaction costs paid in relation to issue of shares		(13)	(1,261)
Dividends paid		(12,301)	(12,128)
Net cash from financing activities		**10,351**	**79,501**
Net increase in cash held		21,958	1,631
Cash at beginning of year		7,307	5,676
Cash and cash equivalents at end of year		**29,265**[1]	**7,307**

The above statement of cash flows should be read in conjunction with the accompanying notes.

[1] This balance includes restricted cash of $10.9 million at 30 June 2018 representing securitised cash flows held by the SIV Equipment Trust

Condensed notes to the preliminary final report
For the year ended 30 June 2018

1. Basis of Preparation

Reporting entity

Silver Chef Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Park Tower, 20 Pidgeon Close West End Qld 4101. The consolidated preliminary unaudited financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and is primarily involved in the rental of commercial equipment.

Statement of compliance

The preliminary final report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. It is based on accounts which are in the process of being audited. The preliminary final report does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2017 which are available at silverchef.group.com.au. The consolidated financial statements as at and for the year ended 30 June 2018 will be available on or before 30 September 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Functional and presentation currency

The preliminary final report is presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

In preparing the preliminary final report, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2018 relate primarily to potential impairment against financial and non-financial assets (refer notes 1(d) and 1(e)).

In addition, the Group is required to assess the use of the going concern basis in the preparation of financial information. The Board and Management apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, together with the assumptions and estimates used to calculate future cash flow projections (refer note 1(f)).

1. Basis of Preparation (continued)

Significant accounting policies

The significant accounting policies adopted in the preparation of the preliminary final report are set out below.

a) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Structured entities (SE) are entities created to accomplish a specific and well-defined objective such as the securitisation of assets or the execution of a specific borrowing or lending transaction. Critical judgments are applied in determining whether an SE is controlled and consolidated by the Group. An SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and can affect those returns through its power over the SE.

The main type of SE established by the Group is a securitisation trust. The securitisation trust is controlled by the Group and is consolidated in the preliminary final report.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the preliminary final report.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Foreign currency translation differences arising on re-translation are recognised in profit or loss.

ii) Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the foreign currency translation reserve in equity.

c) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

d) Impairment of rental and idle assets

The carrying amounts of the Group's rental and idle assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

1. Basis of Preparation (continued)

Significant accounting policies (continued)

d) Impairment of rental and idle assets (continued)

Idle assets have been returned to the Group and have been warehoused for reconditioning or are being held by external vendors. The recoverable amount for each asset is estimated by management based on expected re-leasing rates and historical sales information.

Impairment assessments are made on assets linked to rental contracts where there is significant doubt on the ability of the customer to meet rental payments and the asset has been flagged for recovery.

The assets are grouped by risk profile and assigned an expected loss rate reflective of historical experience and management estimates.

Impairment losses are recognised in profit or loss and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e) Impairment of trade and other receivables

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. The main non-derivative financial assets held by the Group are contract debtors and lease receivables.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor will enter bankruptcy; or
- adverse changes in the payment status of a customer
- age of the financial asset.

The Group considers evidence of impairment for their rental contract debtors at both a collective and Individual level. Contracts in arrears are assessed and grouped together depending on their risk characteristics. In assessing collective impairment, the Group uses historical information on the likelihood of recoveries, the total amount of security bonds held against the delinquent contracts and impairs the debtor ledger accordingly. Losses are recognised in profit or loss and reflected in an allowance account. When the Group has exhausted all reasonable efforts of recovery, the net book debt of the contract is written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

f) Going concern

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Facility Agreement and its Securitisation Facility, as a result of the FY18 statutory loss. Waivers were obtained before 30 June 2018, and are in place until 30 September 2018. As a result of the covenant breach, debt balances have been reclassified to current liabilities.

The Group is now working with its Lenders to agree revised terms for the agreements governing the borrowings such that the borrowings are not required to be repaid within the next 12 months. While a level of uncertainty exists, the Directors consider that there is a reasonable expectation that revised terms will be agreed with the Lenders.

Taking this into account, it is the considered view of the Directors that the Group is a going concern, and the financial statements have been prepared on that basis.

2. Results

a) Operating segments

The Group has two reportable segments based on the strategic management of the Group's underlying brands, being Hospitality and GoGetta. At the end of February 2018, the Group made the decision to exit its GoGetta brand by ceasing to originate rental contracts and progressively running down its existing asset base. The movements below between the current reporting period and the comparative period show the reduction in this segment year on year as a result of this strategic decision.

For each of the segments below, the Group's Chief Executive Officer (the chief operating decision maker) and other Executive Managers review internal management reports monthly. The following summary describes the operations in each of the Group's reportable segments:

- Hospitality – Providing equipment rental finance predominately to the hospitality industry; and
- GoGetta – Providing equipment rental finance to other industries (now discontinued)

	Hospitality		GoGetta		Unallocated		Total	
Reportable Segments	**2018 $000's**	**2017 $000's**	**2018 $000's**	**2017 $000's**	**2018 $000's**	**2017 $000's**	**2018 $000's**	**2017 $000's**
External revenue	178,390	155,285	104,230	125,111	4,518	5,629	**287,138**	**286,025**
Depreciation and amortisation	(80,413)	(67,719)	(55,657)	(63,765)	(1,929)	(2,739)	**(137,999)**	**(134,223)**
Interest expense	(10,860)	(7,802)	(10,224)	(5,452)	-	-	**(21,084)**	**(13,254)**
Loss on sale of property, plant and equipment	(5,308)	(2,530)	(12,689)	(6,651)	(2)	-	**(17,999)**	**(9,181)**
Bad and doubtful debt expense	(22,767)	(4,854)	(30,161)	(7,729)	(41)	(40)	**(52,969)**	**(12,623)**
Impairment on property, plant and equipment	(11,899)	(3,932)	(27,470)	(12,358)	-	-	**(39,369)**	**(16,290)**
Reportable profit before tax	**12,325**	41,883	**(53,250)**	12,815	**(27,461)**	(26,356)	**(68,386)**	28,342
Reportable segment assets	315,380	288,664	145,375	234,658	37,228	16,871	**497,983**	540,193
Rental equipment acquired during the year	177,166	177,620	68,673	128,279	-	-	**245,839**	305,899
Reportable segment liabilities	(284,389)	(228,844)	(103,952)	(149,647)	(5,028)	3,370	**(393,369)**	(375,121)

2. Results (continued)

b) Taxation

Current tax expense	**2018 $000's**	**2017 $000's**
Tax recognised in profit or loss		
Current year	640	16,200
Increase in deferred tax asset posted from equity	112	(421)
Deferred tax expense	(21,146)	(7,682)
	(20,394)	**8,097**

Reconciliation of effective tax rate	**%**	**2018 $000's**	**%**	**2017 $000's**
Profit/(loss) for the year		(47,992)		20,245
Total tax (benefit)/expense		(20,394)		8,097
Profit/(loss) before tax		**(68,386)**		**28,342**
Tax using the Company's domestic tax rate	30.0	(20,516)	30.00	8,503
Non-deductible expenses	(0.1)	71	0.29	81
Other	(0.07)	51	(1.72)	(487)
	29.83	**(20,394)**	**28.57**	**8,097**

3. Capital Structure

a) Interest-bearing liabilities

	2018 $000's	2017 $000's
Current		
Bank loans[1]	266,394	-
Securitised debt facility[2]	76,317	-
Non-Current		
Bank loans	-	315,046
	342,711	**315,046**

[1] In March 2018, the Group amended its Syndicated Facility Agreement (originally entered in August 2015). The facility has a limit of $350 million and a term of three years. The Agreement was amended to reflect the revised funding and reporting requirements of the Company post the decision to exit its GoGetta business. The debt is classified as current as the Company has breached its debt covenants as a result of the FY18 statutory loss. A waiver was obtained before 30 June 2018 and is in place until 30 September 2018.
[2] The Securitisation Facility was executed in December 2017. It has a limit of $200 million and is a revolving facility with an original maturity date of December 2020. The first draw down of the facility occurred in April 2018. The securitised debt is classified as current as the Company has breached its Securitisation Facility covenants as a result of the FY18 statutory loss. A waiver was obtained before 30 June 2018 and is in place until 30 September 2018.

b) Dividends and shares issued

No final dividend has been declared in relation to the 30 June 2018 financial year.

The following dividends were paid by the Group during the year:

Cents per share	Total Amount $000's	Franked/ unfranked	Date of payment
25.1	9,800	Fully franked	3 October 2017
10.0	3,927	Fully franked	20 April 2018
35.1	**13,727**		

The movement in ordinary shareholdings for the year ended 30 June 2018 was as follows:

Share capital	2018 000's	2017 000's
On issue at 1 July	39,043	35,152
Issued under dividend reinvestment plan	225	130
Issued via placement	-	3,742
Issued under employee share scheme	-	19
On issue at 30 June	**39,268**	**39,043**

4. Other items

a) Trade and finance lease receivables

The ageing of trade receivables at 30 June 2018 is detailed below. Note these balances do not include bonds which are available for offset.

	2018 $000's		2017 $000's	
	Gross	Allowance for Doubtful Debts	Gross	Allowance for Doubtful Debts
Not past due	2,772	-	2,500	-
Past due 1-4 weeks	2,383	(625)	5,278	(284)
Past due 5-7 weeks	1,562	(720)	2,922	(238)
Past due 8-12 weeks	2,047	(1,223)	4,038	(516)
Past due + 12 weeks	38,005	(31,187)	35,462	(11,316)
Total trade receivables	**46,769**	**(33,755)**	**50,200**	**(12,354)**

The ageing of finance lease receivables at 30 June 2018 is detailed below. Note these balances include the amortised cost of finance lease receivables together with their arrears, but do not include bonds which are available for offset.

	2018 $000's		2017 $000's	
	Gross	Allowance for Doubtful Debts	Gross	Allowance for Doubtful Debts
Not past due	90,093	-	73,028	-
Past due 1-4 weeks	7,891	(620)	8,476	(67)
Past due 5-7 weeks	1,124	(326)	3,574	(87)
Past due 8-12 weeks	2,507	(545)	2,531	(85)
Past due + 12 weeks	20,326	(11,507)	11,917	(1,479)
Total finance lease receivables	**121,941**	**(12,998)**	**99,526**	**(1,718)**