Silver Chef Limited
ABN 28 011 045 828

Appendix 4D
Half Year Announcement
31 December 2018

Lodged with the ASX under Listing Rule 4.2A

Contents

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Appendix 4D
ASX Preliminary Half Year Announcement
31 December 2018

Results for Announcement to the Market

Results for announcement to the market	six months ended 31-Dec-2018 $000's	six months ended 31-Dec-2017 $000's	Movement $000's	Movement %
2.1 Revenue from ordinary activities	121,613	146,006	(24,393)	(16.71%)
2.2/2.3 Net profit/(loss) after income tax	(11,693)	(13,055)	1,362	10.43%

2.4 Dividends

Final dividend

No final dividend was declared in relation to the financial year ended 30 June 2018 therefore no dividends were paid in the half year to 31 December 2018.

Interim dividend

No interim dividend has been declared in relation to the half year ended 31 December 2018 (2018: 10.0 cents per share).

2.5 Record date for payment of dividend

Not applicable.

2.6 Commentary on Results for the Half-year

Please refer to the accompanying interim financial statements.

	31-Dec-2018	31-Dec-2017
3.0 Net tangible assets per share	208.65 cents	354.71 cents

4. Details of entities over which control has been gained or lost during the period – not applicable.

5. No final dividends were paid in relation to the year ended 30 June 2018.

6. Details of any dividend reinvestment plans in operation – The dividend reinvestment plan remains in place however is not applicable for this interim period as no interim dividends have been declared.

7. Details of Associates – Not applicable.

8. Foreign entities – accounting standards

IFRS have been used in the preparation of the interim financial statements of all entities.

9. Review Status

The independent review report is attached at page 23 and is subject to an emphasis of matter on material uncertainty regarding going concern.

Cherie O'Riordan
Company Secretary

28 February 2019

SILVER CHEF LIMITED AND CONTROLLED ENTITIES

ABN 28 011 045 828

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 December 2018

The Directors present their report together with the consolidated half-year financial statements of Silver Chef Limited (the Company) and its controlled entities for the half-year ended 31 December 2018 and the independent auditor's review report thereon. All amounts in this Directors' report are rounded to millions unless otherwise noted.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Name	Position
Allan English	Non-Executive Chairman
Andrew Kemp	Non-Executive Director
Bede King	Non-Executive Director
Sophie Mitchell	Non-Executive Director
Patrick Tapper	Non-Executive Director

Results and Review of Operations

Results

The statutory accounting loss for the Silver Chef Group for the six months to 31 December 2018 is $11.7 million and includes material one-off expenses relating to the Capital Management Plan and additional provisions recorded against aged and unrecoverable rental assets and receivables under its revised provisioning policy and the adoption of AASB9 *Financial Instruments*. This compares to a statutory accounting loss in the previous corresponding period of $13.1 million.

The statutory results are summarised below:

($ million unless otherwise stated)	**31 December 2018**	**31 December 2017**	**Change**
Revenue	121.6	146.0	(16.7%)
Rental assets (at cost) and finance lease receivables	562.6	690.2	(18.5%)
Net profit/(loss) before tax	(17.2)	(18.6)	7.5%
Net profit/(loss) after tax	**(11.7)**	**(13.1)**	**10.7%**
Net operating cash flows	80.3	75.1	6.9%
Basic EPS (cents per share)	(29.8)	(33.3)	10.5%
Dividend (fully franked)	-	10.0	-

Hospitality Result

The segment result (before tax and Group overheads) for the hospitality business for the half year to 31 December 2018 was a profit of $5.1 million and a loss of $9.2 million after allocating Group overheads.

The hospitality result includes the following significant items:

- Costs associated with the execution of the Company's Capital Management Plan expected to be completed in 2HFY19;
- Costs incurred as part of the Company's cost out program, including redundancies and restructuring property leases; and
- Costs associated with the application of the new AASB9 accounting standard across the Company's Finance Lease book and the application of the same principles to the Operating Lease book (Rent-Try-Buy).

Further, the hospitality result is impacted by a deliberate reduction in originations as the Company works with its Lenders to deliver the Capital Management Plan.

A breakdown of the statutory result by segment is presented below:

($ million unless otherwise stated)	Hospitality Direct	Group Overheads	Hospitality Total	GoGetta Direct	Group
Statutory profit/(loss) before tax	5.1	(14.3)	(9.2)	(8.0)	(17.2)
Statutory profit / (loss) after tax	**3.5**	**(9.7)**	**(6.2)**	**(5.5)**	**(11.7)**
EBITDA	56.0	(15.1)	40.9	9.7	50.6
Rental assets (at cost) and finance lease receivables			445.3	117.3	562.6

Hospitality Operational Review

As previously disclosed, the Company has made improvements to its credit management framework, including:

- Implementation of a Large Exposures Policy;
- A tightening of the Franchise Credit Policy;
- Introduction of a strict Debt Life Cycle that fully provides at 90 days.

Over the course of the first half, the Company has experienced improved metrics in risk and collections, including:

- An improvement in arrears rates;
- A reduction in arrears referred to external agents;
- A reduction in direct debit dishonour rates in Australia and New Zealand - a lead indicator for future arrears.

During the half year the overall hospitality asset base grew 3.71% to $445.3 million. Globally, originations were $92.0 million. Originations in Australia and New Zealand in the first half were deliberately reduced as the Company worked through its Capital Management Plan.

In the Canadian market, originations of both new assets and re-rentals grew 52% over the first half last year (off a low base and without the same level of capital constraints), demonstrating the market appetite and opportunity in the Canadian market.

Capital Management

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Debt Facility (Syndicated Facility) and its Securitisation Warehouse Facility (Warehouse Facility) following the FY18 statutory loss. Waivers were obtained in relation to both facilities to 31 March 2019, conditional on a successful raising of a minimum capital requirement of $45 million to repay the Syndicated Facility and to ensure the net debt to net rental asset ratio under the Syndicated Facility was no greater than 65% by 28 February 2019.

The Company has not yet raised the minimum capital requirement of $45 million and has received extended waivers from its financiers and an extension of time until 30 April 2019. A further condition of the waivers is that the Company requires syndicated lenders' consent for any debt drawdowns or asset sell-ins to the Warehouse Facility. Restrictions on cash distributions from the Warehouse Facility are currently in place.

The Company continues to work with its financiers to obtain permanent waivers of these breaches and reset covenants to maintainable levels. The Company has signed a non-binding term sheet and agreed an exclusivity period with a preferred party to provide $45 million of Mezzanine debt. A condition of receiving the Mezzanine debt is for the Company to raise an additional $20 million of equity to support the Company's growth.

The Company is progressing the Capital Management Plan and has appointed Morgans Corporate Limited as Lead Manager for the equity raising.

More information on the Capital Management Plan is provided in the Going Concern Note 4 of the interim financial statements.

GoGetta

The run off of the GoGetta book continues to perform in line with expectations with $122 million of cash generated since commencement. Impairments taken at 30 June 2018 have largely protected the Company against the downside risk inherent in the back end of the process. Importantly, this has left a quality 'good' book of over 3,000 customers with quality assets paying their weekly rent, which will deliver cashflows over the coming 12 to 24 months.

The combination of the initiatives put in place for the collection of assets and arrears and the cash flow from the good book, leaves GoGetta in a position where there will be no need for any additional capital.

The net bank debt at 31 December 2018 was $30.5 million and is expected to be fully repaid by the end of the 2019 calendar year. As at 28 February 2019 the net bank debt is expected to be less than $22.0 million.

Management continues to work with ASIC to resolve the formerly communicated matter regarding the GoGetta business. The Company has increased its remediation provision in line with current discussions and customer rental receipts during the period, from $3.8 million to $5.8 million.

AASB9 Financial Instruments

The Company transitioned to AASB9 *Financial Instruments* as at 1 July 2018. AASB9 *Financial instruments* requires the Company's finance leases and trade receivables to be accounted for net of the expected losses over the life of the contract. Operating lease assets associated with the Company's Rent-Try-Buy product will continue to be accounted for under AASB 116 *Property Plant and Equipment* however the Company has elected to apply the principles of AASB9 for these assets.

In adopting AASB9, the Company revised its debt life cycle policy, reconfirmed its 90-day provisioning policy for arrears and introduced a 40-week provisioning policy for rental assets in arrears.

The adoption of AASB9 has had a material impact on the Company's Balance Sheet with a transitional allowance for impairment losses of $9.7 million at 1 July 2018. Impairment losses of $7.9 million were recorded in the half year to 31 December 2018 and represented a material increase to standard provisioning pre adoption of AASB 9. Application of the new standard requires the use of an expected loss model with provisions now being recorded against new and non-default contracts, resulting in higher provisions.

In addition to the AASB9 adjustments the Company has estimated the financial impact of applying the 40-week debt life cycle on rental assets in arrears to be $8.6 million in the half year to 31 December 2018.

Business Transformation

Silver Chef has continued to execute its multi-year Business Transformation Project which is aimed at returning the Company to its consistent, predictable and proven hospitality only business model. Several milestones over the first half include:

- Implementation of an enhanced credit risk framework delivering improved bad debt and impairment metrics;
- Initiation of a $5 million Cost Out Program to reset the cost base of the business in the second half;
- Launch of the Silver Chef Online Application Portal and subsequent roll out to 350+ dealers in Australia and 90+ dealers in Canada – delivering internal efficiencies and improved customer experience;
- Delivery of a new Global sales framework – driving consistent quality and growth;
- Execution of a new Partner Incentive/Engagement Platform – delivering growth through the traditional dealer market;

Moving forward into the second half, the Business Transformation Project will continue to focus on improved scale and efficiency through systems and technology, continued improvement in credit performance, normalisation of growth in the Australian, New Zealand and Canadian markets and finalisation of the Cost Out Program.

Cost Out Program

Following the Company's decision to exit the GoGetta business on 26 February 2018, it has been working through a structured business re-organisation program to reset the cost base.

As part of this process, operational cost base savings of $5 million have been identified. The savings are largely based on headcount reductions, both through attrition and redundancy. As a consequence, the Company will operate with a centralised head office at West End in Brisbane with customer service operations and administration roles in Melbourne relocated. Excess office space in Melbourne, Sydney and Brisbane will be closed to reduce property costs going forward.

Redundancy costs and restructuring provisions on excess office space of $1.7 million have been booked at 31 December 2018 and redundancy costs of circa $1.0 million are expected in the second half.

Finally, the resized Canadian cost base is expected to support North American growth over the next three years.

<u>Subsequent Events</u>

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Facility Agreement and its Securitisation Warehouse Facility, because of the FY18 statutory loss. Waivers were obtained in relation to both facilities before 30 June 2018 and subsequent to 30 June 2018 both waivers were extended to 31 March 2019, conditional on a successful raising of a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the syndicated lenders' net debt to net rental asset ratio was no greater than 65% by 28 February 2019.

As at 28 February 2019 the Company has not yet met the minimum capital requirement of $45 million. As at 28 February 2019 the Group has received extended waivers from both facilities to 30 April 2019 and an extension of time to repay the $45 million until 30 April 2019.

Other than the matters disclosed above, there are no other matters or circumstances that have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

<u>Strategic Outlook</u>

Both Board and Management remain confident in the underlying health of the business. A successful application of the Capital Management Plan is needed to facilitate the return to growth.

The Company will continue to apply strict risk and credit management strategies to maintain target impairment levels and deliver speed, ease and efficiency through the use of the Silver Chef Online Application System.

Board and Management would like to thank shareholders for their continued support and remain confident that the Company's Business Transformation Project can deliver a return to historical growth rates and returns over the coming years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the Directors

Allan English
Non-Executive Chairman
28 February 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Silver Chef Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Silver Chef Limited for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Jillian Richards

Jillian Richards
Partner

Brisbane
28 February 2019

Silver Chef Limited
Consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2018

	Note	31-Dec-18 $000's	31-Dec-17 $000's
Revenue	8	121,613	146,006
Depreciation and amortisation expense		(58,501)	(70,313)
Loss on sale of plant and equipment		(10,667)	(6,496)
Impairment of rental assets	9	(14,028)	(13,098)
Bad debts expense	10	(7,866)	(25,589)
Employee expenses		(18,370)	(21,831)
Expenses from ordinary activities		(20,073)	(20,195)
Finance costs		(9,258)	(7,111)
Profit / (loss) before income tax		**(17,150)**	**(18,627)**
Income tax (expense)/benefit		5,457	5,572
Profit / (loss) attributable to members of the Company		**(11,693)**	**(13,055)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedge, net of tax		82	157
Foreign currency translation differences – foreign operations		648	(594)
Other comprehensive income, net of tax		**730**	**(437)**
Total comprehensive income attributable to members of the Company		**(10,963)**	**(13,492)**
Earnings per share			
Basic earnings per share (cents)	12	(29.78)	(33.34)
Diluted earnings per share (cents)	12	(29.78)	(33.34)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

Silver Chef Limited
Consolidated statement of changes in equity
For the six months ended 31 December 2018

	Note	Number of shares on issue 000's	Share capital $000's	Retained earnings / (Accumulated losses) $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 / (loss) for the half-year						
Profit/(loss) for the period		-	-	(13,055)	-	(13,055)
Movement in cashflow hedge reserve, net of tax		-	-	-	157	157
Foreign currency translation differences		-	-	-	(594)	(594)
Total comprehensive income/(loss) for the period		-	-	(13,055)	(437)	(13,492)
Transactions with owners of the Company						
Dividends recognised and paid during the period		-	-	(9,799)	-	(9,799)
Share issue costs		-	(13)	-	-	(13)
Shares issued under dividend reinvestment plan		225	1,426	-	-	1,426
Shares issued under share placement and ESP		-	-	-	-	-
Total contributions by and distributions to owners of the Company		225	1,413	(9,799)	-	(8,386)
Balance at 31 December 2017		**39,268**	**120,743**	**23,114**	**(663)**	**143,194**
Balance at 1 July 2018		39,268	120,742	(16,573)	(377)	103,792
Adjustment on initial application of AASB9 (net of tax)	3(ii)	-	-	(6,842)	-	(6,842)
Restated total equity at 1 July 2018		39,268	120,742	(23,415)	(377)	96,950
Total comprehensive income / (loss) for the half-year						
Profit/(loss) for the period		-	-	(11,693)	-	(11,693)
Movement in cashflow hedge reserve, net of tax		-	-	-	82	82
Foreign currency translation differences		-	-	-	648	648
Total comprehensive income/(loss) for the period		-	-	(11,693)	730	(10,963)
Transactions with owners of the Company		-	-	-	-	-
Total contributions by and distributions to owners of the Company		-	-	-	-	-
Balance at 31 December 2018		**39,268**	**120,742**	**(35,108)**	**353**	**85,987**

The consolidated statement of changes in equity is to be read in conjunction with the attached notes.

Silver Chef Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	31-Dec-18 $000's	30-Jun-18 $000's
ASSETS			
Current assets			
Cash and cash equivalents		46,580	29,265
Trade and other receivables	10	31,407	49,140
Inventories	11	371	3,320
Current tax assets		5,139	4,344
Other assets		2,653	2,192
Total current assets		**86,150**	**88,261**
Non-current assets			
Trade and other receivables	10	69,628	72,953
Rental assets	9	251,821	296,395
Property, plant and equipment	9	1,059	2,477
Intangibles		4,053	4,054
Deferred tax assets		42,099	33,435
Total non-current assets		**368,660**	**409,314**
Total assets		**454,810**	**497,575**
LIABILITIES			
Current liabilities			
Trade and other payables		14,669	16,245
Provisions		6,207	3,800
Current tax payable		-	640
Customer security bonds payable		19,565	21,691
Loans and borrowings	6	320,820	342,711
Employee benefits		2,605	2,313
Total current liabilities		**363,866**	**387,400**
Non-current liabilities			
Customer security bonds payable		3,919	5,145
Employee benefits		341	382
Other liabilities		506	548
Derivatives	6	191	308
Total non-current liabilities		**4,957**	**6,383**
Total liabilities		**368,823**	**393,783**
Net assets		**85,987**	**103,792**
EQUITY			
Share capital		120,742	120,742
Retained earnings/(Accumulated losses)		(35,108)	(16,573)
Reserves		353	(377)
Total equity		**85,987**	**103,792**

The consolidated statement of financial position is to be read in conjunction with the attached notes.

Silver Chef Limited
Consolidated statement of cash flows
For the six months ended 31 December 2018

	31-Dec-18 $000's	31-Dec-17 $000's
Cash flows from operating activities		
Receipts from customers	167,210	173,839
Payments to suppliers and employees	(76,073)	(82,196)
Finance costs paid	(8,552)	(6,803)
Interest received	55	21
GST (paid)/recovered	(585)	1,382
Income taxes paid	(1,777)	(11,111)
Net cash flows from operating activities	**80,278**	**75,132**
Cash flows from investing activities		
Payments for other investing activities	(168)	-
Payments for plant and equipment	(91,697)	(146,277)
Payments for intangible assets	(670)	(626)
Proceeds from sale of plant and equipment	52,004	39,226
Net cash flows used in investing activities	**(40,531)**	**(107,677)**
Cash flows from (used in) financing activities		
Proceeds from borrowings	19,279	47,362
Repayment of borrowings	(41,711)	-
Transaction costs paid in relation to issue of shares	-	(13)
Transaction costs paid in relation to loans and borrowings	-	(62)
Dividends paid (net of DRP)	-	(8,373)
Net cash flows from (used in) financing activities	**(22,432)**	**38,914**
Net increase in cash held	17,315	6,369
Cash and cash equivalents at 1 July	29,265	7,307
Cash and cash equivalents at 31 December*	**46,580**	**13,676**

*The end of financial year cash balance includes restricted cash of $23.5 million at 31 December 2018 representing securitised cash flows held by the SIV Equipment Trust No.1. Until certain reporting and other requirements for the Trust are resolved, distributions have not occurred out of the Trust to the Company since November 2018 and asset sell-ins have been restricted. Further details on the Securitisation Warehouse Facility are disclosed at Note 6(a)

The consolidated statement of cash flows is to be read in conjunction with the attached notes.

1 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 financial statements of the Company as at and for the year ended 31 December 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.

2 Statement of compliance

The consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2018. The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2018.

These consolidated interim financial statements were approved by the Board of Directors on 28 February 2019.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' 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.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2018, except for the adoption of new accounting standards that became applicable during the period as set out in note 3(i) below.

The accounting policies have been applied consistently throughout the period by the Group for the purposes of preparation of these interim financial statements.

3 (i) New accounting standards adopted

A number of new standards became applicable for the current reporting period and the Group has had to change its accounting policies and make retrospective adjustments in the Group's financial statements as a result of adopting AASB 9 *Financial instruments.*

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue,* AASB 111 *Construction Contracts* and related interpretations. There has been no impact on the Group financial statements on application of this standard and therefore no retrospective adjustments have been recorded.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 sets out requirements for recognising, classifying and measuring financial assets and financial liabilities and impairment of financial assets. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

Classification and measurement

There are three measurement classifications under AASB 9: Amortised cost, fair value through profit or loss ('FVTPL') and, for financial assets, fair value through other comprehensive income ('FVOCI'). Financial assets are classified into these measurement classifications taking into account the business model within which they are managed, and their contractual cash flow characteristics. Trade and lease receivables are measured at amortised cost and are held with the objective of collecting the contractual cash flows on a specific date consisting of solely principal and interest. Similarly, under AASB 139, financial assets were classified as trade and lease receivables and measured at amortised cost.

3 (i) New accounting standards adopted (continued)

The classification and measurement requirements for financial liabilities under AASB 9 are largely consistent with AASB 139 with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the consolidated entity's own credit risk are included in other comprehensive income.

There have been no material impacts to the Group's recognition and classification of financial instruments arising from the adoption of AASB 9.

General hedge accounting

AASB 9 introduces general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. AASB 9 provides an accounting policy choice to continue with AASB 139 Hedge Accounting given the International Accounting Standards Board's ongoing project on macro hedge accounting. The Group has chosen to continue to apply AASB 139. The fair value of the derivative financial instrument used for hedging purposes is disclosed in note 6(b).

Impairment of financial assets

In accordance with AASB 9, provisions for impairment now reflect expected credit losses for trade and other receivables, which consists of both trade and finance lease receivables. Expected credit losses are calculated as the probability of default multiplied by loss given default multiplied by exposure at default. The credit models are calibrated to reflect historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic variables that influence credit losses.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality.

Stage 1 are performing and/or new originated finance lease receivables and reflect expected credit losses for a period of 12 months.

Stage 2 assets have experienced a significant increase in credit risk since origination which reflect operating and finance lease receivables where payments have fallen into arrears. Provisions for stage 2 reflect lifetime expected credit loss for the receivable.

Stage 3 are impaired assets and provisions for impairment reflect lifetime expected credit losses.

Expected credit losses are now recognised for all receivables including newly originated and performing receivables.

The expected credit loss as a percentage of the receivable balances increases from stage 1 through to stage 3 where:

- Trade receivables are now fully impaired at 90 days past due
- Finance lease receivables are now fully impaired at 40 weeks past due

The Company continues to book impairment at a collective level using historical information on the likelihood of recoveries until the above time periods are reached. Losses are recognised in profit or loss and reflected in an allowance account.

Even after a contract is fully impaired, the Group continues to attempt recovery and only writes off the net book debt of the contract when it has exhausted all reasonable efforts.

3 (ii) Transitional impact on implementation of AASB 9

The following table summarises the impact, net of tax, of transition to AASB 9 on the opening balance (i.e. 1 July 2018) of retained earnings and NCI:

$000's	30 June 2018 As originally presented	Impact of adopting AASB 9 on opening balance	1 July 2018 Restated
Trade and other receivables			
- allowance for impairment losses	(46,753)	(9,707)	(56,460)
Deferred tax assets	33,435	2,865	36,300
Retained earnings/ (Accumulated losses)	(16,573)	(6,842)	(23,415)

4 Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility, as a result of the FY18 statutory loss. Waivers were obtained in relation to both facilities before 30 June 2018 and subsequent to 30 June 2018 both waivers were extended to 31 March 2019, conditional on a successful raising of a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the syndicated Lenders' net debt to net rental asset ratio was no greater than 65% by 28 February 2019.

As at 28 February 2019 the Company has not yet raised the minimum capital requirement of $45 million. As at 28 February 2019 the Group has received extended waivers from both facilities to 30 April 2019 and an extension of time to repay the $45 million until 30 April 2019.

The Group continues to work with its financiers to obtain permanent waivers of these historic breaches and reset covenants to maintainable levels. The Company has signed a non-binding Term Sheet and agreed an exclusivity period with a preferred party to provide $45 million of Mezzanine debt. A condition of receiving the Mezzanine debt is for the Company to raise an additional $20 million of equity to support the Company's growth. This equity raising will need to be completed within a short time frame and may involve due diligence, preparation of a prospectus and various regulatory and shareholder approvals.

The continuing viability of the Group and its ability to continue as a going concern is critically dependent upon the Group addressing the facility breaches. The current plan to do this is:

- maintaining the continuing support of its financiers, including the Group meeting the obligation to repay $45 million by 30 April 2019 in order to remedy covenant breaches, or alternatively obtaining additional waivers from the financiers;
- securing $45 million of additional capital with a new financier. While a non-binding Term Sheet has been signed in relation to Mezzanine debt, there remains uncertainty over meeting the timeline and conditions required with the preferred party to execute the Mezzanine debt agreements and also the agreement of inter-creditor deeds between the Mezzanine financier and the senior and securitisation debt provider. The Mezzanine debt facility in turn requires the raising of an additional $20 million in equity to satisfy the Mezzanine debt provider which is critically dependent on agreeing the structure and successfully marketing and completing the equity raising;
- re-negotiating covenants as required; and
- generating sufficient cash flows from operations to continue to comply with revised covenants once the Capital Management Plan has been completed. The ability of the Company to generate sufficient cash flows from operations is dependent on meeting forecast revenue growth and the successful completion of the Business Transformation Project, including achieving the Cost Out Program objective of reducing costs by $5 million.

If the Group can't remedy the facility breaches and generate sufficient cash flows from operations to comply with revised covenants, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

In addition to considering the status of negotiations with its financiers and potential Mezzanine debt providers and the status of the equity raising, the Directors have considered alternatives to the current Capital Management Plan to address the facility breaches which are supported by the underlying operations and operating cash flows of the hospitality business and would need to be approved by the financiers. These provide the Directors with reasonable grounds to believe that the business will remain a going concern for at least the next twelve months.

Accordingly, the Directors have prepared the financial report on a going concern basis. As a consequence, no further adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern. Should the borrowings ultimately be called, the Group could incur significant additional costs which are not quantifiable at this time.

5 Estimates and judgments

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018 except for the adoption of AASB 9 *Financial Instruments*.

6 Financial Instruments

(a) Interest bearing liabilities	31-Dec-18 $000's	30-Jun-18 $000's
Current		
Secured:		
Bank loans – hospitality tranches[1]	180,018	178,361
Bank loans – GoGetta tranche[1]	44,683	88,033
Securitisation debt facility[2]	96,119	76,317
Total interest bearing liabilities	**320,820**	**342,711**

[1] In March 2018, the Group amended its Syndicated Facility Agreement (originally entered in August 2015). The facility was reduced to $350 million and an extension to term of three years, other than the Tranche B (GoGetta tranche) which was to be fully repaid by 31 March 2019. 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 prior to 30 June 2018 until 31 March 2019 and was extended to 30 April 2019 subsequent to 31 December 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 until 31 March 2019 and was extended to 30 April 2019 subsequent to balance date. Until certain reporting and other requirements are resolved, distributions have not occurred out of the Trust to the Company since November 2018 and asset sell-ins have been restricted. A further condition of the waivers is that the Company requires Syndicated Lenders' consent for any debt drawdowns or asset sell-ins to the Facility.

(b) Derivatives	31-Dec-18 $000's	30-Jun-18 $000's
Interest rate swap at fair value – senior debt facility	-	308
Interest rate swap at fair value – securitised debt facility	191	-
Total derivatives	**191**	**308**

The Company commenced using an interest rate swap as a derivative financial instrument effective from 7 December 2015 to manage its interest rate risk as permitted under the Group's risk management policy. It is being used exclusively for hedging purposes and not for trading or speculative purposes.

Silver Chef had an interest rate swap agreement to fix the floating interest rate component for $100 million of its debt facility for three years, which matured on 7 December 2018. The interest rate swap agreement entitled the Company to receive monthly interest at a floating rate on the notional value of $100 million and obligated it to pay monthly interest at a fixed rate.

The Company also executed an interest rate swap in April 2018 against the fixed cash flows on the long-term rental contracts sold into the securitisation trust. The hedging instrument is comprised of three tranches totaling $65.8 million that roll on a staggered three-monthly basis until April 2022.

The interest rate swaps are designated as a cash flow hedging instruments. Accordingly, the effective portion of changes in the fair value of the interest rate swap is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

(c) Carrying amounts versus fair values

At 31 December 2018, the carrying amounts of the Group's financial assets and liabilities approximate their fair values as set out below.

	31-Dec-18		30-Jun-18	
	Carrying amount $000's	Fair value $000's	Carrying amount $000's	Fair value $000's
Financial assets				
Cash and cash equivalents	46,580	46,580	29,265	29,265
Trade and other receivables	10,248	10,248	13,150	13,150
Lease receivables	90,787	90,787	108,943	108,943
Financial liabilities				
Payables	20,876	20,876	20,045	20,045
Borrowings	323,784	323,784	345,956	345,956
Derivatives	191	191	308	308

6 Financial Instruments (continued)

(d) Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Derivatives				
Interest rate swap used for hedging – 31 December 2018	-	191	-	191
Interest rate swap used for hedging – 30 June 2018	-	308	-	308
Total financial liabilities carried at fair value				

The interest rate swap is measured at fair value based on the mark to market value quoted for forward interest rate swaps. These quotes are tested for reasonableness by discounting expected future cash flows using forward market interest rates for a similar instrument at the measurement date.

7 Operating segments

The principal activities of the Group are comprised of the following operating segments. There were no changes in the nature of the principal activities during the period.

- Hospitality - operations comprise providing equipment rental finance predominantly to the Hospitality industry.
- GoGetta - operations comprise providing equipment rental finance to other industries.

	Hospitality $'000	GoGetta $'000	Unallocated $'000	Total $'000
31 December 2018				
Revenue				
External	91,505	28,988	1,120	**121,613**
Segment result				
Reportable segment profit/(loss) before tax	5,061	(7,964)	(14,247)	**(17,150)**
Segment assets	326,697	83,508	44,605	**454,810**
Segment liabilities	(303,173)	(57,389)	(8,261)	**(368,823)**
31 December 2017				
Revenue				
External	87,715	56,322	1,969	**146,006**
Segment result				
Reportable segment profit/(loss) before tax	14,140	(18,282)	(14,485)	**(18,627)**
Segment assets	322,532	217,111	16,460	**556,103**
Segment liabilities	(241,298)	(167,266)	(4,345)	**(412,909)**

7 Operating segments (continued)

30 June 2018				
Segment assets	314,138	146,951	37,043	**497,575**
Segment liabilities	(283,752)	(105,791)	(4,797)	**(393,783)**

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers and segment assets are based on the geographical location of the assets.

	31 December 2018 $000's		31 December 2017 $000's	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Australia	104,173	305,521	132,074	420,495
New Zealand	8,655	29,190	6,877	24,378
Canada	8,785	33,949	7,055	26,873

8 Revenue

	31-Dec-18 $000's	31-Dec-17 $000's
Rental income	106,318	132,077
Other income	110	34
Lease interest	15,130	13,872
Interest	55	23
Total	**121,613**	**146,006**

9 Property plant and equipment

	31-Dec-18 $000's	30-Jun-18 $000's
Plant and equipment		
At cost	11,247	11,105
Less accumulated depreciation	(9,228)	(8,628)
Less provision for impairment relating to surplus lease space	(960)	-
Total	**1,059**	**2,477**

Movements during the period	**6 months ended 31-Dec-18**	**12 months ended 30-Jun-18**
Plant and equipment at net book value		
Balance at the beginning of the period	2,477	2,982
Additions	147	851
Depreciation expense	(599)	(1,340)
Disposals	(9)	(18)
Effect of movement in exchange rates	2	2
Transfer to Intangibles	1	-
Provision for impairment relating to surplus lease space	(960)	-
Balance at the end of the period	**1,059**	**2,477**

9 Property plant and equipment (continued)

	31-Dec-18 $000's	30-Jun-18 $000's
Rental assets		
At cost	448,462	502,314
Less accumulated depreciation	(169,998)	(180,067)
Less provision for impairment	(26,643)	(25,852)
Total	**251,821**	**296,395**

Movements during the period	**6 months ended 31-Dec-18**	**12 months ended 30-Jun-18**
Rental assets at net book value		
Balance at the beginning of the period	296,395	374,544
Additions	80,671	219,191
Capitalised initial direct costs	4,585	15,416
Assets reclassified as inventory	(1,249)	(11,181)
Depreciation and amortisation expense	(56,764)	(131,119)
Impairment loss *	(12,680)	(35,910)
Foreign currency translation	909	(119)
Assets transferred to lease receivables	(10,299)	(34,767)
Disposals	(49,747)	(99,660)
Balance at the end of the period	**251,821**	**296,395**

Total property plant and equipment	**252,880**	**298,872**

* Impairment of rental assets: assessments are made monthly on the recoverable amount of returned rental assets and assets on contracts which have defaulted. No impairment losses have been reversed (2017: nil). Recoverable amount is determined on a value in use basis and assumes that the estimated cash flows will be received within twelve months.

** Impairment expense disclosed in the Statement of Profit or Loss includes impairment on assets classified as inventory of $0.388 million and impairment on onerous leasehold improvements of $0.960 million.

The movement in the allowance for impairment in respect of rental assets in arrears and idle assets during the year was as follows:

	6 months to 31-Dec-18 $000's	12 months to 30-Jun-18 $000's
Balance at 1 July	25,852	11,919
Impairment loss recognised *	13,068	38,306
Amounts written off	(3,864)	(15,179)
Impairment on assets disposed	(8,413)	(9,194)
Balance at the end of the period **	**26,643**	**25,852**

* Impairment expense disclosed in the Statement of Profit or Loss impairment on onerous lease assets of $0.960 million.

10 Trade and other receivables

The Group offers two separate long term finance products to customers. The long term rental contract offer to customers extends the life of the standard 12 month rental contract by either a further two or three years. Upon the inception of a long term contract, the rental assets underlying the contract are disposed of and the future cash flows of the contracts are recognised as finance leases in the Group's financial statements. The Advantage product is a four year finance lease which is not linked to an underlying 12 month rental contract, and is treated as a finance lease from the outset of the contract.

	31-Dec-18 $000's	30-Jun-18 $000's
Included in current receivables		
Trade receivables	39,710	46,769
Allowance for impairment losses	(29,623)	(33,755)
Net trade receivables	10,087	13,014
Finance lease receivables	44,460	48,988
Allowance for impairment losses	(23,301)	(12,998)
Net finance lease receivables	21,159	35,990
Other receivables	161	136
Total current receivables	**31,407**	**49,140**
Included in non-current receivables		
Finance lease receivables	69,628	72,953
Total non-current receivables	**69,628**	**72,953**
Total receivables	**101,035**	**122,093**

The movement in the allowance for impairment in respect of receivables during the year was as follows:

Operating Leases – Group is Lessor	Six months to 31-Dec-18 $000's	12 months to 30-Jun-18 $000's
Balance at 1 July	33,755	12,354
Opening balance amounts recognised in accordance with AASB 9	945	-
Impairment loss recognised	3,538	39,553
Amounts written off	(8,615)	(18,152)
Balance at the end of the period	**29,623**	**33,755**

Finance Leases – Group is Lessor	Six months to 31-Dec-18 $000's	12 months to 30-Jun-18 $000's
Balance at 1 July	12,998	1,718
Opening balance amounts recognised in accordance with AASB 9	8,762	-
Impairment loss recognised	4,328	13,416
Amounts written off	(2,787)	(2,136)
Balance at the end of the period	**23,301**	**12,998**

11 Inventories	31-Dec-18 $000's	30-Jun-18 $000's
Current		
Idle assets held for sale	371	3,320
	371	**3,320**

Inventory disclosed represents GoGetta idle assets which will be disposed of through sale rather than secondary rental contracts due to the winding down of the GoGetta business. These assets have been reclassified from rental assets to inventory in the current and comparative periods. This reclassification does not impact hospitality idle assets of $11,632,000 at 31 December 2018 (2017: $12,818,000) as these are held for the purpose of re-renting.

12 Earnings per share

Details of basic and diluted EPS reported separately in accordance with AASB 133: *Earnings per Share* as shown in the below table.

	31-Dec-18 000's	31-Dec-17 000's
Basic earnings per share		
Profit/(loss) for the period	(11,693)	(13,055)
	(11,693)	**(13,055)**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares	39,268	39,152
Weighted average number of ordinary shares (basic) at 31 December	**39,268**	**39,152**
Diluted earnings per share		
Profit/(loss) for the period	(11,693)	(13,055)
	(11,693)	**(13,055)**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	39,268	39,152
Weighted average number of ordinary shares (diluted) at 31 December	**39,268**	**39,152**

13 Share capital

Issuance of ordinary shares

No ordinary shares were issued in the half year to 31 December 2018.

Dividends

The following dividends were declared and paid by the Company:

For the six months ended 31 December	2018 $000's	2017 $000's
2017 Final dividend – 25.1 cents fully franked paid 2 October 2017	-	9,799
2018 Final dividend – none declared	-	-
	-	**9,799**

14 Subsequent events

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility, as a result of the FY18 statutory loss. Waivers were obtained in relation to both facilities before 30 June 2018 and subsequent to 30 June 2018 both waivers were extended to 31 March 2019, conditional on a successful raising of a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the syndicated Lenders' net debt to net rental asset ratio was no greater than 65% by 28 February 2019.

As at 28 February 2019 the Company has not yet raised the minimum capital requirement of $45 million. As at 28 February 2019 the Group has received extended waivers from both facilities to 30 April 2019 and an extension of time to repay the $45 million until 30 April 2019.

The Group continues to work with its financiers to obtain permanent waivers of these historic breaches and reset covenants to maintainable levels. The Company has signed a non-binding Term Sheet and agreed an exclusivity period with a preferred party to provide $45 million of Mezzanine debt. A condition of receiving the Mezzanine debt is for the Company to raise an additional $20 million of equity to support the Company's growth and must be completed before the Mezzanine debt can be drawn on or before 30 April 2019.

Other than the matters disclosed above, there are no other matters or circumstances that have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Silver Chef Limited
Directors' Declaration

In the opinion of the directors of Silver Chef Limited ("the Company"):

1. the interim financial statements and notes set out on pages 8 to 21, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Allan English
Non-Executive Chairman

Dated at Brisbane this 28th day of February 2019

KPMG

Independent Auditor's Review Report

To the shareholders of Silver Chef Limited

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Silver Chef Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Silver Chef Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Silver Chef Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 4, "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 4, indicate a material uncertainty exists casting significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Silver Chef Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Jillian Richards

Jillian Richards
Partner

Brisbane
28 February 2019