

Silver Chef Limited  
ABN 28 011 045 828

Appendix 4D  
Half Year Announcement  
31 December 2016

Lodged with the ASX under Listing Rule 4.2A

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Appendix 4D  
ASX Preliminary Half Year Announcement  
31 December 2016

Results for Announcement to the Market

Results for announcement to the market	six months ended 31-Dec-2016 \$000's	six months ended 31-Dec-2015 \$000's	Movement \$000's	Movement %
2.1 Revenue from ordinary activities	137,805	100,701	37,104	36.8%
2.2/2.3 Net profit after income tax	4,581	10,265	(5,684)	(55.4)%

2.4 Dividends

*Final dividend*

The Directors declared a fully franked final dividend of 25.0 cents per share for the year ended 30 June 2016 which was paid on 16 September 2016.

*Interim dividend*

The Directors have declared a fully franked interim dividend of 12.9 cents per share (2016: 17.0 cents) payable on 31 March 2017.

2.5 Record date for payment of dividend

The record date for the payment of the dividend will be to shareholders registered as at 5.00pm 17 March 2017.

2.6 Commentary on Results for the Half-year

Please refer to the accompanying interim financial statements.

	31-Dec-2016	31-Dec-2015
3.0 Net tangible assets per share	363.89 cents	291.18 cents

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

5. The 2016 final dividend of \$8.788 million was paid on 16 September 2016.

6. Details of any dividend reinvestment plans in operation – The dividend reinvestment plan remains in place for the interim dividend.

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 opinion is attached at page 20

Don Mackenzie  
Company Secretary

21 February 2017

**SILVER CHEF LIMITED AND  
CONTROLLED ENTITIES**

ABN 28 011 045 828



**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED**

**31 December 2016**

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## Silver Chef Limited and its controlled entities Directors' Report

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 2016 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 <sup>1</sup>
Andrew Kemp	Non-Executive Director
Bede King	Non-Executive Director
Sophie Mitchell	Non-Executive Director
Patrick Tapper	Non-Executive Director

1. Mr English is the founder of the Company and a major shareholder. He returned to the position of Non-Executive Chairman on 3 November 2016 after a period as Executive Chairman.

### Results and Review of Operations

The Company's after tax profit for the six months to 31 December 2016 was \$4.6 million compared to \$10.3 million in the previous corresponding period. A normalised period on period comparison is shown below to remove the impact of the first-time application of deferral accounting and loan note break costs in the prior period and the non-recurring financial impact of the fraud event in the current period:

(\$ millions)	31 Dec 2016	31 Dec 2015
Statutory net profit after income tax	4.6	10.3
Non-recurring loan note break costs	-	1.0
First time impact of deferral accounting	-	(3.7)
Provision for fraud event	2.3	-
<b>Underlying net profit after tax</b>	<b>6.9</b>	<b>7.6</b>

Group revenue grew to \$137.8 million, up 37% on the previous corresponding period (31 December 2015: \$100.7 million). The Hospitality business performed in line with expectations, delivering a 23% increase in originations compared to the six months to 31 December 2015 and a 43% increase on the six months' originations to 30 June 2016. The Hospitality rental asset base grew 17% in the first half of FY17. Although the rate of growth in acquisition volumes has slowed, the GoGetta rental asset base at cost grew 15% since 30 June 2016, reflecting improvement in average contract maturity.

Silver Chef previously advised that in the short term, it expected bad debt and impairment charges recognised in the GoGetta business to be higher than historical group averages as management works through contracts (primarily in the light commercial channel) which were written before tightening of credit policy in March 2016. These charges during the six-month period to 31 December 2016 are higher than the previous corresponding period and were the primary contributor to the lower underlying earnings result. This trend is correcting as the GoGetta portfolio matures and the Company continues to improve credit controls.

As announced on 17 November 2016, the business had been the target of co-ordinated fraud incidents involving GoGetta financing equipment to fraudulent customers who were working in conjunction with fraudulent equipment vendors. The after tax impact of provisioning against the written down value of the equipment is \$2.3 million. The Company has augmented its credit management by implementing advanced identity verification software and significantly increasing its investment in internal audit and risk resources. Silver Chef has also engaged expert anti-fraud consultants to enhance its fraud risk controls and to make system and process improvement recommendations. Additionally, GoGetta has re-assessed and re-accredited the material portion of its equipment vendor network to ensure the quality of its trading partners.

## Hospitality – Australia and New Zealand

The Hospitality business in Australia and New Zealand performed strongly for the period to 31 December 2016, with growth in its asset base of 27% against the previous corresponding period. The Company performed well in the coffee and franchise channels during the period and continued to benefit from strong underlying growth in the hospitality sector in those geographic markets. The New Zealand business in particular contributed strongly, with 33% growth in its rental asset base against the previous corresponding period - a significantly improved contribution to group earnings.

## Hospitality – Canada

The Canadian Hospitality business achieved the strong origination and asset base growth targets planned for the first half of FY17. The business delivered \$10 million in originations for the six months to 31 December 2016, up 49% on the previous corresponding period. At 31 December 2016 the business had a rental asset base of \$22.3 million at cost, up 54% on the cost base at 30 June 2016. The business is well positioned to make a meaningful contribution to group earnings in future periods.

We have continued to invest for future growth by strengthening the existing Toronto sales and marketing team and expanding into Quebec. Our national market share and brand awareness continues to grow strongly.

## GoGetta

The GoGetta brand delivered an improved result for the period ended 31 December 2016, with originations in line with the previous corresponding period, supported by an increase in average credit quality. Growth in its rental asset base at cost continues to be steady, however origination growth slowed in response to the implementation of tightened credit controls. We expect growth to normalise in the coming months. The outlook for the brand remains positive as it benefits from improved rental yield and credit quality.

The Company previously indicated that FY17 would be a year of consolidation for the GoGetta business after a period of exceptional growth in FY16. This strategy includes continued improvement to the Company's credit approach, working through a structured plan to maximise recovery on outstanding arrears, and improving financial returns from capital deployed. To summarise, GoGetta has experienced softer growth in contract originations over the first half due to:

- tightening credit controls over the entire GoGetta business; and
- the change management process arising from the Company's response to the November 2016 fraud event.

Importantly, as the business works through these issues, there is still significant demand for the GoGetta product in both the broker and end user markets, signalling strong growth potential for future periods.

## Long Term Rentals

The Company continued to successfully convert customers with good payment history into long term finance leases at the end of their initial twelve month rental contract.

The long term lease receivables book is now \$81.1 million, up \$15.8 million or 24% from 30 June 2016. These contracts will continue to generate long term revenue for the Group with reduced costs due to higher credit quality, lower asset reconditioning, and disposal risk. Long term contracts are an important part of the Company's strategy for implementing its securitisation funding strategy described below.

## Capital Management

The Company's total assets at 31 December 2016 totalled \$507.7 million. The Company extended its senior syndicated banking facility by \$100 million in July 2016 to a total of \$400 million. The additional tranche matures in three years and was extended on similar terms to the original facility which commenced in September 2015.

There is approximately \$80 million of capacity in the senior debt facility to support future growth.

A share placement was made on 16 September 2016 to existing and new shareholders, which raised an additional \$7.5 million of equity capital. The funds from this placement and through the Dividend Reinvestment Plan were used to fund growth in the Company's rental asset base, and form part of the Group's ongoing capital management strategy.

The Company has made good progress during the first half working with a number of financiers around the development of a securitisation funding strategy for the Company's rental and finance lease contracts. The Company has received support from two major Australian banks and is well advanced in finalising commercial terms for the commencement of a securitisation warehouse facility to be made available during the first half of FY18. The objective of the securitisation facility is to fund new originations of Silver Chef and GoGetta rental contracts, and to purchase the Company's book of finance leases. Successfully implemented, the securitisation warehouse would be non-recourse to Silver Chef Limited, thereby enhancing its financial leverage without increased risk to the listed entity.

## People

Damien Guivarra transitioned to the role of Chief Executive Officer effective from 3 November 2016. From that date Allan English, founder and former Executive Chairman, returned to the role of Non-Executive Chairman. Mr Guivarra has played an integral role in the growth of the Company over the last ten years across a number of sales and operational management roles.

## Systems

The Company continues to develop a new application management system and commenced phase two of the project during the six month period to 31 December 2016. This system will generate considerable efficiencies by reducing application processing times and allowing information to be imported directly from external equipment dealer and finance broker platforms.

## Subsequent Events

### *Dividend*

An interim dividend of 12.9 cents per share, 100% fully franked has been declared by the Directors. The dividend has not been provided for in the 31 December 2016 interim financial statements.

Other than the interim dividend, there has not arisen in the interval between the end of the half year and the date of this report any significant subsequent event which requires disclosure.

## Outlook

There is no change to the Company's full year after tax earnings forecast range of \$21 million to \$23 million, with underlying earnings in the range of \$23 million to \$25 million, provided in November 2016 post the fraud event.

The strong second half earnings forecast is driven by improvement to average contract life and effective rental yield as the portfolio matures. The guidance range also takes into account an ongoing higher level of bad debt and impairment provisioning.

(\$ millions)	30 June 2017		30 June 2016
	<i>Low forecast</i>	<i>High forecast</i>	<i>Actual</i>
Statutory net profit after income tax	21.0	23.0	22.4
Non-recurring loan note break costs	-	-	1.0
First time impact of deferral accounting	-	-	(3.7)
Provision for Fraud Event	2.3	2.3	-
<b>Underlying net profit after tax</b>	<b>23.3</b>	<b>25.3</b>	<b>19.7</b>

As the GoGetta portfolio matures and reweights towards contracts originated after the 1% rental rate increase in May 2016, there will be a significant increase in relative revenue contribution in the second half. The second half also assumes a relative improvement to bad debt costs as the Company works through the legacy GoGetta contracts which were written before the tightening of credit policy in March 2016. The Company has also forecast a modest level of overhead savings

into the second half based on ongoing system related efficiencies in the customer service and asset reconditioning departments.

Management believes that a strong domestic growth outlook for both brands in conjunction with earnings upside from Canada and improved overall portfolio returns provides a solid platform for strong earnings in future financial periods.

**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 2016.

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to read 'Allan English', is written over a light grey rectangular background.

Allan English  
Chairman

21 February 2017



***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 for the half-year ended 31 December 2016 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  
21 February 2017

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Silver Chef Limited  
 Consolidated statement of profit or loss and other comprehensive income  
 For the six months ended 31 December 2016

	Note	31-Dec-16 \$000's	31-Dec-15 \$000's
Revenue	8	137,805	100,701
Depreciation and amortisation expense		(65,541)	(41,915)
Loss on sale of plant and equipment		(5,069)	(3,941)
Impairment of rental assets	9	(10,903)	(3,832)
Bad debts expense	10	(7,114)	(2,350)
Employee expenses		(19,363)	(15,582)
Expenses from ordinary activities		(16,805)	(12,465)
Finance costs		(6,466)	(5,882)
<b>Profit before income tax</b>		<b>6,544</b>	<b>14,734</b>
Income tax expense		(1,963)	(4,469)
<b>Profit attributable to members of the Company</b>		<b>4,581</b>	<b>10,265</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Effective portion of changes in fair value of cash flow hedge, net of tax		520	(285)
Foreign currency translation differences – foreign operations		23	310
<b>Other comprehensive income, net of tax</b>		<b>543</b>	<b>25</b>
<b>Total comprehensive income attributable to members of the Company</b>		<b>5,124</b>	<b>10,290</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	11	12.85	32.54
Diluted earnings per share (cents)	11	12.85	32.54

*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 2016

	Note	Number of shares on issue 000's	Share capital \$000's	Retained earnings \$000's	Foreign Currency Translation reserve \$000's	Cashflow hedge reserve \$000's	Total equity \$000's
<b>Balance at 1 July 2015</b>		30,918	55,739	28,370	(86)	-	84,023
<b>Total comprehensive income for the half-year</b>							
Profit for the period		-	-	10,265	-	-	10,265
Movement in cashflow hedge reserve, net of tax		-	-	-	-	(285)	(285)
Foreign currency translation differences		-	-	-	310	-	310
Total comprehensive income for the period		-	-	10,265	310	(285)	10,290
<b>Transactions with owners of the Company</b>							
Dividends recognised and paid during the period		-	-	(6,188)	-	-	(6,189)
Share issue costs		-	(136)	-	-	-	(136)
Shares issued under dividend reinvestment plan		84	689	-	-	-	689
Shares issued under share placement and ESP		634	5,680	-	-	-	5,680
Total contributions by and distributions to owners of the Company		718	6,233	(6,188)	-	-	44
<b>Balance at 31 December 2015</b>		<b>31,636</b>	<b>61,972</b>	<b>32,447</b>	<b>224</b>	<b>(285)</b>	<b>94,357</b>
<b>Balance at 1 July 2016</b>		35,152	90,556	39,160	510	(983)	129,243
<b>Total comprehensive income for the half-year</b>							
Profit for the period		-	-	4,581	-	-	4,581
Movement in cashflow hedge reserve, net of tax		-	-	-	-	520	520
Foreign currency translation differences		-	-	-	23	-	23
Total comprehensive income for the period		-	-	4,581	23	520	5,124
<b>Transactions with owners of the Company</b>							
Dividends recognised and paid during the period	12	-	-	(8,788)	-	-	(8,788)
Share issue costs		-	(258)	-	-	-	(258)
Shares issued under dividend reinvestment plan	12	130	1,308	-	-	-	1,308
Shares issued under share placement and ESP	12	756	7,694	-	-	-	7,694
Total contributions by and distributions to owners of the Company		886	8,744	(8,788)	-	-	(44)
<b>Balance at 31 December 2016</b>		<b>36,038</b>	<b>99,300</b>	<b>34,953</b>	<b>533</b>	<b>(463)</b>	<b>134,323</b>

*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 2016

	Note	31-Dec-16 \$000's	30-Jun-16 \$000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,489	5,676
Trade and other receivables	10	51,908	36,777
Current tax assets		598	1,404
Other assets		1,904	1,770
<b>Total current assets</b>		<b>62,899</b>	<b>45,627</b>
<b>Non-current assets</b>			
Trade and other receivables	10	52,888	43,678
Property, plant and equipment	9	379,624	335,355
Intangibles		3,181	3,141
Deferred tax assets		9,152	5,238
<b>Total non-current assets</b>		<b>444,845</b>	<b>387,412</b>
<b>Total assets</b>		<b>507,744</b>	<b>433,039</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		12,077	9,319
Customer security bonds payable		32,976	32,867
Loans and borrowings	6	216	467
Employee benefits		2,650	2,205
<b>Total current liabilities</b>		<b>47,919</b>	<b>44,858</b>
<b>Non-current liabilities</b>			
Trade and other payables		68	68
Customer security bonds payable		5,893	6,069
Loans and borrowings	6	317,516	249,584
Employee benefits		750	1,276
Other liabilities		613	537
Derivatives	6	662	1,404
<b>Total non-current liabilities</b>		<b>325,502</b>	<b>258,938</b>
<b>Total liabilities</b>		<b>373,421</b>	<b>303,796</b>
<b>Net assets</b>		<b>134,323</b>	<b>129,243</b>
<b>EQUITY</b>			
Share capital		99,300	90,556
Retained earnings		34,953	39,160
Reserves		70	(473)
<b>Total equity</b>		<b>134,323</b>	<b>129,243</b>

*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 2016

	31-Dec-16 \$000's	31-Dec-15 \$000's
<b>Cash flows from operating activities</b>		
Receipts from customers	153,533	120,198
Payments to suppliers and employees	(60,250)	(58,468)
Finance costs paid	(5,862)	(5,241)
Interest received	27	17
GST (paid)/recovered	1,516	1,934
Income taxes paid	(5,291)	(4,965)
<b>Net cash flows from operating activities</b>	<b>83,673</b>	<b>53,475</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(185,906)	(150,295)
Payments for intangible assets	(491)	(708)
Proceeds from sale of plant and equipment	38,373	27,693
<b>Net cash flows used in investing activities</b>	<b>(148,024)</b>	<b>(123,310)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	74,231	232,854
Repayment of borrowings	(6,000)	(154,698)
Proceeds from issue of ordinary shares	7,475	5,500
Transaction costs paid in relation to issue of shares	(207)	(136)
Transaction costs paid in relation to loans and borrowings	(604)	(2,023)
Repayment of finance leases	(251)	(233)
Dividends paid	(7,480)	(5,499)
<b>Net cash flows from financing activities</b>	<b>67,164</b>	<b>75,765</b>
Net increase in cash held	2,813	5,930
Cash and cash equivalents at 1 July	5,676	1,570
<b>Cash and cash equivalents at 31 December</b>	<b>8,489</b>	<b>7,500</b>

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

## Silver Chef Limited

### Condensed notes to the consolidated interim financial statements

#### 1 Reporting entity

Silver Chef Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for profit entity and is primarily involved in the rental of commercial equipment.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Park Tower, 20 Pidgeon Close, West End, Queensland or at [www.silverchefgroup.com.au](http://www.silverchefgroup.com.au).

#### 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 2016. 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 2016.

These consolidated interim financial statements were approved by the Board of Directors on 21 February 2017.

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 2016.

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

#### 4 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 2016.

#### 5 Significant events and transactions

The Company was the target of coordinated fraud incidents during the half year in which GoGetta financed equipment to fraudulent customers working in conjunction with fraudulent equipment vendors. This had a negative impact on after tax profit of \$2.3 million as a result of additional provisioning required against the written down value of these assets. The Company continues a credit enhancement project including the implementation of enhanced identity verification software and a further investment in internal audit and risk resources within the business.

**Silver Chef Limited**

Condensed notes to the consolidated interim financial statements

**6 Financial Instruments**

(a) Interest bearing liabilities	31-Dec-16 \$000's	30-Jun-16 \$000's
<b>Current</b>		
Secured:		
Finance lease liabilities	216	467
	<b>216</b>	<b>467</b>
<b>Non-current</b>		
Secured:		
Secured bank loans <sup>1</sup>	317,516	249,584
<b>Total interest bearing liabilities</b>	<b>317,516</b>	<b>249,584</b>

<sup>1</sup> Secured bank loans represents the drawn down balance of the syndicated debt facility with a \$400 million limit and staggered maturity profile over 3 years and 5 years. This facility is secured by a fixed and floating charge over the assets of the Group. The facility was increased by \$100 million to \$400 million in July 2016 to allow the Company further head room and to fund acquisition growth. Maturity of this debt extension is three years to July 2019.

\$6 million of the drawn balance was repaid in December 2016.

(b) Derivatives	31-Dec-16 \$000's	30-Jun-16 \$000's
Interest rate swap at fair value	662	1,404
<b>Total derivatives</b>	<b>662</b>	<b>1,404</b>

The Company uses an interest rate swap as a derivative financial instrument 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 has an interest rate swap agreement to fix the floating interest rate component for \$100 million of its debt facility for three years. The interest rate swap agreement entitles the Company to receive monthly interest at a floating rate on the notional value of \$100 million and obligates it to pay monthly interest at a fixed rate.

The interest rate swap is designated as a cash flow hedging instrument. 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 2016, the carrying amounts of the Group's financial assets and liabilities approximate their fair values as set out below.

	31-Dec-16		30-Jun-16	
	Carrying amount \$000's	Fair value \$000's	Carrying amount \$000's	Fair value \$000's
<b>Financial assets</b>				
Cash and cash equivalents	8,489	8,489	5,676	5,676
Trade and other receivables	24,380	24,380	15,375	15,375
Lease receivables	80,416	80,416	65,080	65,080
<b>Financial liabilities</b>				
Payables	12,077	12,077	9,319	9,319
Borrowings	319,567	319,567	251,336	251,336
Derivatives	662	662	1,404	1,404

**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
<b>Derivatives</b>				
Interest rate swap used for hedging – 31 December 2016		662		662
Interest rate swap used for hedging – 30 June 2016	-	1,404	-	1,404
<b>Total financial liabilities carried at fair value</b>		<b>662</b>		<b>662</b>

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
<b>31 December 2016</b>				
<b>Revenue</b>				
External	72,714	62,574	2,517	<b>137,805</b>
<b>Segment result</b>				
Reportable segment profit before tax	18,719	1,820	(13,995)	<b>6,544</b>
<b>Segment assets</b>	263,437	230,043	14,264	<b>507,744</b>
<b>Segment liabilities</b>	(214,634)	(153,662)	(5,125)	<b>(373,421)</b>
<b>31 December 2015</b>				
<b>Revenue</b>				
External	60,655	37,735	2,311	<b>100,701</b>
<b>Segment result</b>				
Reportable segment profit before tax	17,715	8,035	(11,016)	<b>14,734</b>
<b>Segment assets</b>	194,698	156,761	10,547	<b>362,006</b>
<b>Segment liabilities</b>	(164,281)	(98,875)	(4,493)	<b>(267,649)</b>

**Silver Chef Limited**

Condensed notes to the consolidated interim financial statements

**7 Operating segments (continued)****30 June 2016**

<b>Segment assets</b>	213,720	202,069	17,250	<b>433,039</b>
<b>Segment liabilities</b>	(172,248)	(124,570)	(6,978)	<b>(303,796)</b>

**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.

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>\$000's</b>		<b>\$000's</b>	
	<b>Revenue</b>	<b>Non-current assets</b>	<b>Revenue</b>	<b>Non-current assets</b>
Australia	127,858	405,967	94,462	300,183
New Zealand	5,186	18,279	3,438	12,316
Canada	4,761	20,599	2,801	11,561

**8 Revenue**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000's</b>	<b>\$000's</b>
Rental income*	127,074	93,295
Other income	54	2
Lease interest	10,650	7,388
Interest	27	16
<b>Total</b>	<b>137,805</b>	<b>100,701</b>

\*Prior year comparatives have been restated to reflect changes in current period classification in order to better reflect the nature of the revenue. \$2.3 million of customer revenue has been reallocated from other income to rental income.

**9 Property plant and equipment**

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Plant and equipment</b>		
At cost	10,086	8,456
Less accumulated depreciation	(6,549)	(5,732)
<b>Total</b>	<b>3,537</b>	<b>2,724</b>

<b>Movements during the period</b>	<b>6 months ended</b>	<b>12 months ended</b>
	<b>31-Dec-16</b>	<b>30-Jun-16</b>
<b>Plant and equipment at net book value</b>		
Balance at the beginning of the period	2,724	3,502
Additions	1,691	735
Depreciation expense	(842)	(1,519)
Disposals	(34)	-
Transfer to intangible assets	-	-
Effect of movement in exchange rates	(2)	6
<b>Balance at the end of the period</b>	<b>3,537</b>	<b>2,724</b>



**Silver Chef Limited**

Condensed notes to the consolidated interim financial statements

**9 Property plant and equipment (continued)**

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Rental assets</b>		
At cost	543,066	473,944
Less accumulated depreciation	(154,207)	(134,765)
Less provision for impairment	(12,772)	(6,548)
<b>Total</b>	<b>376,087</b>	<b>332,631</b>
	<b>6 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>
<b>Movements during the period</b>	<b>31-Dec-16</b>	<b>30-Jun-16</b>
<b>Rental assets at net book value</b>		
Balance at the beginning of the period	332,631	216,042
Additions	158,031	282,879
Capitalised initial direct costs	10,912	23,663
Depreciation and amortisation expense	(64,248)	(92,897)
Impairment loss <sup>1</sup>	(10,903)	(8,807)
Foreign currency translation	(52)	547
Assets transferred to lease receivables	(12,263)	(30,892)
Disposals	(38,021)	(57,904)
<b>Balance at the end of the period</b>	<b>376,087</b>	<b>332,631</b>
<b>Total property plant and equipment</b>	<b>379,624</b>	<b>335,355</b>

<sup>1</sup> 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 (2016: nil). Recoverable amount is determined on a value in use basis and assumes that the estimated cash flows will be received within twelve months.

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

	<b>Six months to</b>	<b>12 months to</b>
	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$000's</b>	<b>\$000's</b>
Balance at 1 July	6,548	4,297
Impairment loss recognised*	4,329	4,144
Impairment loss on fraud contracts*	3,258	-
Amounts written off	(1,363)	(1,893)
<b>Balance at the end of the period</b>	<b>12,772</b>	<b>6,548</b>

\*Impairment expense disclosed in the Statement of Profit or Loss includes impairment written off directly on the sale of idle assets of \$3.316 million.

**Silver Chef Limited**

## Condensed notes to the consolidated interim financial statements

**10 Trade and other receivables**

The Group offers long term rental contracts to customers which extend the life of the standard 12 month rental contract by a further 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.

	31-Dec-16 \$000's	30-Jun-16 \$000's
<i>Included in current receivables</i>		
Trade receivables	34,483	20,602
Allowance for impairment losses	(10,541)	(5,665)
Net trade receivables	23,942	14,937
Finance lease receivables	28,239	21,623
Allowance for impairment losses	(711)	(221)
Net finance lease receivables	27,528	21,402
Other receivables	438	438
<b>Total current receivables</b>	<b>51,908</b>	<b>36,777</b>
<i>Included in non-current receivables</i>		
Finance lease receivables	52,888	43,678
<b>Total non-current receivables</b>	<b>52,888</b>	<b>43,678</b>
<b>Total receivables</b>	<b>104,796</b>	<b>80,455</b>

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

	Six months to 31-Dec-16 \$000's	12 months to 30-Jun-16 \$000's
<b>Operating Leases – Group is Lessor</b>		
Balance at 1 July	5,665	3,636
Impairment loss recognised	6,571	5,804
Amounts written off	(1,695)	(3,775)
<b>Balance at the end of the period</b>	<b>10,541</b>	<b>5,665</b>

	Six months to 31-Dec-16 \$000's	12 months to 30-Jun-16 \$000's
<b>Finance Leases – Group is Lessor</b>		
Balance at 1 July	221	124
Impairment loss recognised	543	153
Amounts written off	(53)	(56)
<b>Balance at the end of the period</b>	<b>711</b>	<b>221</b>

## Silver Chef Limited

### Condensed notes to the consolidated interim financial statements

#### 11 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. Both the current and prior year's earnings per share calculations have been adjusted for the bonus component of the rights issue which occurred in April 2016.

	31-Dec-16 000's	31-Dec-15 000's
<b>Basic earnings per share</b>		
Profit for the period	4,581	10,265
	<b>4,581</b>	<b>10,265</b>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares	35,662	31,545
<b>Weighted average number of ordinary shares (basic) at 31 December</b>	<b>35,662</b>	<b>31,545</b>
<b>Diluted earnings per share</b>		
Profit for the period	4,581	10,265
	<b>4,581</b>	<b>10,265</b>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares (basic)	35,662	31,545
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>35,662</b>	<b>31,545</b>

#### 12 Share capital

##### *Issuance of ordinary shares*

Pursuant to the Employee Share Plan, 18,966 ordinary shares were issued to employees at \$11.53 per share. Under the dividend reinvestment plan, 129,511 shares were issued at a price of \$10.13. A share placement of 737,892 shares was made at a price of \$10.13.

##### *Dividends*

The following dividends were declared and paid by the Company:

For the six months ended 31 December	2016 \$000's	2015 \$000's
2015 Final dividend – 20.0 cents fully franked paid 17 September 2015	-	6,188
2016 Final dividend – 25.0 cents fully franked paid 16 September 2016	8,788	-
	<b>8,788</b>	<b>6,188</b>

#### 13 Subsequent events

##### *Dividend*

An interim dividend of 12.9 cents per share, 100% fully franked has been declared by the Directors. The dividend has not been provided for in the 31 December 2016 interim financial statements.

Other than the interim dividend, there has not arisen in the interval between the end of the half year and the date of this report any significant subsequent event which requires disclosure.

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 18, 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 2016 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:



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Allan English  
*Chairman*

Dated at Brisbane this 21 day of February 2017

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## **Independent auditor's review report to the members of Silver Chef Limited**

We have reviewed the accompanying interim financial report of Silver Chef Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2016, 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 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Responsibility of the Directors for the interim financial report**

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the interim financial report**

Our responsibility is to express a conclusion on the interim 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 interim 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 2016 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, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

### **Independence**

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



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Silver Chef is not 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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in cursive script, reading 'Jillian Richards'.

Jillian Richards  
Partner

Brisbane  
21 February 2017

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