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# SILVER CHEF LIMITED ANNUAL REPORT 2011

# 25

SILVER ANNIVERSARY YEAR



**silverchef**  
hospitality equipment funding  
Rent. Try. Buy.®



**gogetta**®  
equipment funding  
go.Rent. go.Grow. go.Own.®

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# SILVER CHEF LIMITED 2011 ACHIEVEMENTS

## Results

- Rental Income up 27.8% to \$62.7 million
- Net Profit Before Tax (NPBT) up 29.4% to \$9.7 million
- Net Profit After Tax (NPAT) up 28.3% to \$6.7 million
- Operating cash flow \$43.4 million, up from \$35.2 million

## Shareholder returns

- Annual dividend up 11.1% to a fully-franked 20 cents per share from 18 cents per share
- Basic Earnings Per Share (EPS) 29.7 cents up from 26.6 cents
- EPS compounded annual growth rate of 20% since 2005 ASX listing
- Net Tangible Assets per share up 20% to \$1.32 per share

## Rental assets under management

- Hospitality rental assets, valued at cost, up 20% to \$108.6 million
- GoGetta rental assets, valued at cost, up 70% to \$32.6 million

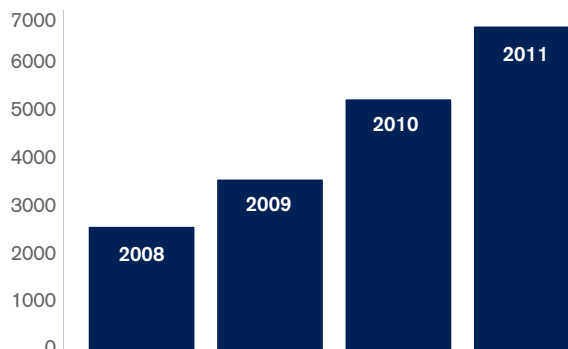
## Funding

- August 2010 completed new three-year \$74.7 million funding facility with Commonwealth Bank of Australia to assist in the strategic growth of the Group

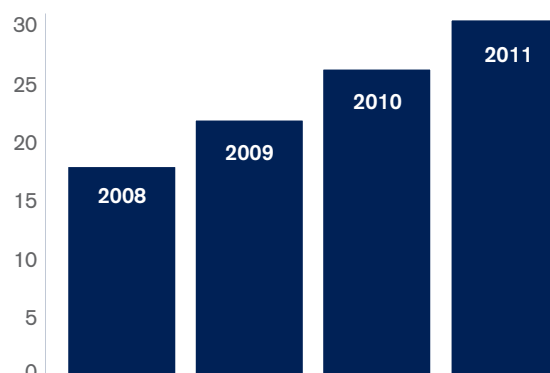
## 2012 Goals

- Continue organic growth in the Hospitality division through our unique Rent-Try-Buy® rental ownership model. Expand further into hospitality and related sectors both in Australia and selected markets abroad
- Grow the GoGetta division by continuing to identify new sectors for the Rent-Grow-Own™ rental ownership model. Deploy strategies to maximise the contract length achieved
- Continue to create shareholder value and increase rental revenues and Earnings Per Share through well managed, sustainable growth.

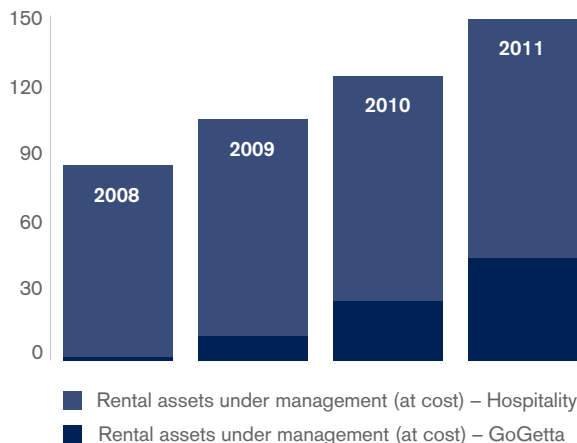
Graph 1: Net Profit After Tax \$'000



Graph 2: Earnings Per Share (cents per share)



Graph 3: Rental Assets Under Management \$million



27.8 percent

Rental income up 27.8% to \$62.7 million

29.4 percent

Net profit before tax (NPBT) up 29.4% to \$9.7 million

70 percent

GoGetta rental assets, valued at cost, up 70% to \$32.6 million

29.7 cents per share

Basic earnings per share (EPS) 29.7 cents up from 26.6 cents

# CHAIRMAN'S REPORT



## Financial results

In the 25th year since founding Silver Chef, I am pleased to report to shareholders that the Company has enjoyed another year of growth and profitability. Net profit after tax increased from \$5.2 million in 2009 – 2010 to \$6.7 million in 2010 – 2011, up by 28.3%. This was based on solid growth of 27.8% in rental revenue. While the good result reflects a solid performance from our core hospitality business where rental income grew by 17.2% to \$49.2 million it was particularly pleasing to see GoGetta deliver another outstanding growth year where GoGetta rental revenue grew 91% to \$13.5 million.

These strong results give us a 24.1% return on average shareholders' funds (2010: 26.4%) and earnings per share grew from 26.6c to 29.7c, resulting in a compound average growth in EPS since listing in 2005 of 20%.

A fully franked final dividend of 11 cents per share will be paid 30 September 2011 for the second half, bringing the full year dividend payment to 20 cents per share (2010: 18 cents).

## Comments on the year

The leadership transition to Charles Gregory has gone very smoothly, with Charles doing a great job in his first year as Chief Executive Officer. The leadership team of executives at Silver Chef is of very high quality and they continue to improve their strategic skills and most importantly their capacity to execute their plans very effectively with support from all staff.

Over 70% of our business comes from the restaurant and cafe industry. While retail sales have been very slow this year, the restaurant and cafe industries have held up very well and this reflects our burgeoning cosmopolitan lifestyle and living.

The hospitality industry is not without its challenges. The high dollar has had a significant effect on the tourism industry, which of course flows through to our clients in these areas. The challenges facing clients in the Queensland floods were significant, but our client failure rate was very small.

The strong growth in the GoGetta division has given us an exposure to a wide range of industries with a good spread of risk with significant opportunity to provide our unique Rent-Grow-Own™ product to a new client base.

## People

I am delighted to see the Company being recognised again as a finalist in the Great Places to Work research being conducted by BRW magazine. The culture of any organisation is a strong signal for its future growth and the leadership team has done an outstanding job in this area. Our customer satisfaction survey results have been impressive and it is resulting in strong support from returning customers.



“ SILVER CHEF HAS ENJOYED ANOTHER YEAR OF GROWTH AND PROFITABILITY. ”

### Risk management

Recent international financial turmoil has caused a decline in value of Australian shares and, as part of an ongoing risk management review at Silver Chef, the following areas were considered. The results of how risk is self managed from prudent business practices is outlined below:

- We currently have 11,221 rental agreements in place so our risk is spread over many clients
- 75% of our rental income for FY12 has already been contracted in the 2011 year, building a strong recurring income stream
- Our largest client represents less than 1% of our rental income
- Diversification of industry sector: GoGetta clients come from over 20 industry groups from trailers to gym equipment
- Strong asset utilisation: over 95% of our assets are in place in clients' businesses earning income
- Management of credit risk and collection: a very important part of the Silver Chef success story. Last year, for every \$100 in rental income, we lost only \$2.15 in bad debt.

### Funding

While we have experienced another strong year of growth, 86% of the new assets purchased have been funded from internal cash flows. We continue to have significant head room in our current CBA facility to continue to build the business and this facility extends to August 2013. Our dividend reinvestment plan has played its part in keeping funds in the business and continues to strengthen our balance sheet.

### Outlook

I would like to congratulate Charles Gregory, the Leadership team and all of the staff at Silver Chef for another strong performance in 2010/11. Our results have been a great way to celebrate our 25 years in business.

I believe we have all the right ingredients – business model, leadership team and great employees – continue to deliver ongoing sustained growth in profits and earnings per share.



Allan English  
Chairman  
22 August 2011



# CHIEF EXECUTIVE OFFICER'S REPORT



## Operational Overview

Silver Chef has delivered a satisfactory result in the 2011 financial year. From an operational perspective the business has performed well, delivering in terms of: new rental assets acquired, \$ 69.5 million (up 33%); Revenue, \$ 62.9 million (up 27.6%); and Net profit before tax, \$9.7 million (up 29.4%). Operating cash flow was \$43.4 million (up 23%); Net profit after tax for the year was \$6.7 million, up 28.3% on the previous year's \$5.2 million.

Earnings per share (EPS) was 29.7c, an increase of 11.6% on the prior year. Silver Chef has in the past delivered higher EPS growth year on year, and the 2011 result is less than satisfactory in this regard. There are a number of reasons for this decline in EPS growth:

- One-off items totalling \$1.015 million
- Increased costs relating to the building of business platforms to manage planned growth (costs before benefits)
- The steady building of equity each year (via the dividend reinvestment plan, the placement of any shortfall under the plan and the placement and rights issue in October 2009) to provide a more conservative funding base for the group.

Details of these items are:

### One-off items of \$1.015 million

- Write off of the unamortised Bankwest funding costs from the Company's previous debt facility, \$ 336,000. This facility was paid out early in August 2010 when the Company received a new extended facility from CBA and this charge represented the unamortised component of the establishment costs of the Bankwest facility
- Revaluation of the derivative instrument utilised to manage Silver Chef's interest rate exposure, \$ 376,000. The interest rate on \$30 million of the Group's debt is fixed via a fixed interest rate swap. These derivatives are required to be valued on a marked to market basis each reporting period. Assuming the Company does not repay this portion of its debt facility before the derivative expires, this charge will eventually be recouped against profit or loss
- Impairment on the properties held on the Silver Chef balance Sheet, \$303,000. The Company is divesting all properties and they will not be replaced.



“ GOGETTA SUCCESSFULLY COMPLETED ITS THIRD, FULL FINANCIAL YEAR OF OPERATIONS ”



### Costs relating to the building of business platforms

New costs were incurred in several areas during the year to position the Company to manage the forecast growth. These investments require a combination of financial commitment from the Company and indeed the leadership team's focus. The areas where increased costs have been incurred are:

- Systems, processes and IT
- Credit and recoveries area
- The sales team.

If the Company was not continuing to grow at its planned rate, these costs would be lower and their implementation would be staggered over a longer period. Basically, we are incurring costs in this period which will provide benefits in subsequent periods and the sum of these increases has impacted on the 2011 year more than similar systems-type investments in past periods.

### The building of the equity base

During the Global Financial Crisis the Company took a decision to move towards a more conservative funding base. Following the rights issue and placement in October 2009, Silver Chef has decreased its dividend payout ratio to between 60% and 70% of after tax profits and implemented a dividend reinvestment plan. Any shortfall in respect to the latter has been covered by an underwriting agreement whereby new shares are placed to cover this shortfall.

As the Shareholders Equity increases in each period (by the issue of new shares) this also leads to a dilution of Earnings Per Share.

### Natural disaster challenges

The Company successfully managed the challenges presented by several natural disasters early in calendar 2011 which demonstrates the capacity of Silver Chef's people and systems to provide quick, practical support and assistance to the Company's affected customers. With a fully functioning business 48 hours after the floods in Brisbane we were able to maintain communication with clients and the dealer network through the entire crisis. The "Silver Lining" promotion geared towards assisting clients through the recovery period has proven to be one of Silver Chef's most successful campaigns, creating goodwill with clients and dealers and value for shareholders. Importantly, observations were made in the areas where the Company will improve crisis-management performance and the disaster recovery plan.

### Solid financial results

Asset acquisitions made during the year increased to \$69.5 million from \$52.4 million in FY2010, a 33% increase.

Total revenue increased 27.6 % to \$62.9 million from the previous year's \$49.3 million. Acquisitions in the Hospitality division lifted 18.7 % to \$45.4 million from the previous \$38.3 million. The GoGetta division, which provides equipment to a range of business sectors, lifted acquisitions strongly to \$24.2 million from the previous \$14.2 million, an increase of 70.6%.

Net profit before tax increased 29.4% to \$9.7 million from \$7.5 million previously. Net profit after tax increased 28.3% to \$6.7 million from the previous \$5.5 million.

The improved profit performance lifted EPS to 29.7 cents, up 11.6% from the previous 26.6 cents. Silver Chef's compound average growth rate is now 20% since the 2005 ASX listing.

# CHIEF EXECUTIVE OFFICER'S REPORT

“ RENT-TRY-BUY® CONTINUES TO BE ONE OF SILVER CHEF'S MAJOR AND ENDURING STRENGTHS ”

## Growth and funding

In August 2010, the Company announced it had secured a \$74.7 million, three-year funding arrangement with the Commonwealth Bank of Australia to assist in financing its growth strategy.

The combination of this debt funding, Silver Chef's strong operating cash flows and the demonstrated capacity to access equity markets (currently, the underwritten dividend reinvestment plan), all play a part in funding growth.

Funding has allowed the Group to progress the growth strategy in both divisions, Hospitality and GoGetta. Rental assets (at cost) under management grew during the year to a combined \$141.2 million, up from \$109.5 million a year earlier.

## Business model

The unique Rent-Try-Buy® equipment funding model continues to be one of Silver Chef's major and enduring strengths.

### Hospitality

Hospitality is Silver Chef's core division and again performed strongly. Acquisitions grew to \$45.4 million from \$38.3 million with Assets Under Management of \$108.6 million up from \$90.3 million. Hospitality achieved organic growth within its existing customer markets as well as by extending its offer to franchise operators.

### GoGetta

GoGetta successfully completed its third, full financial year of operations. The division's acquisitions increased 71% compared with the previous year, lifting to \$24.2 million.

The division's performance confirmed that the Rent-Try-Buy® model of the Hospitality division has been successfully adapted for GoGetta's offer of Rent-Grow-Own™. New market sectors were identified during the year and all sectors are performing well. Assets Under Management grew from \$19.1 million to \$32.6 million.

The focus for FY2012 is continued growth through identifying new sectors and deploying strategies to maximise the contract length achieved.

## Risk management

Risk management strategies continued to ensure a well-managed risk profile. The Group's two divisions have more than 6,838 customers and 11,221 contracts nationally. The largest customer contract continues to represent less than 1% of the Company's rental income. Other risk mitigating factors include longer-term contracts, rental security cash bond, weekly direct debit payments in advance, thorough credit checks and confinement of the rental asset base to business critical assets. The mitigation of residual asset risk continued to be a focus with incremental improvements made in the Hospitality and GoGetta divisions through various strategic initiatives.



### Improved systems

Management has improved operating systems during the year and launched a digital strategy which upgraded online communications and included the launch of an improved website. Further iterations of the digital strategy are being rolled out on an ongoing basis. Investment in systems allows the Company to provide better service to customers and manage the ongoing transactions growth experienced year on year.

### Focus areas and strategic planning

The team members at Silver Chef recognise the need to continually improve with the view to: identifying and eliminating deficiencies, improving positioning against competitors and meeting growing customer needs and expectations. A number of areas have been identified in the business where an increased level of focus will be required in FY2012 and on an ongoing basis.

The Company is utilising the Argenti System for strategic planning. We have identified strategic issues and are developing plans to address these with the view to improving performance and delivering growth.

### Outlook

FY2011 has been another year of growth and achievement for Silver Chef. The team looks forward to continuing growth throughout FY2012 across both business divisions. Silver Chef has solid organic growth opportunities including the opportunity to expand further in the hospitality and related sectors, both in Australia and abroad. GoGetta is focusing its growth on the Australian market where its executives are identifying new sectors that will benefit from, and will value, the Rent-Grow-Own™ product offering.



Charles Gregory  
Chief Executive Officer  
22 August 2011



# ABOUT SILVER CHEF LIMITED



Silver Chef Limited is an ASX-listed Company achieving high growth and strong shareholder returns.

The Company has two divisions, Hospitality (Silver Chef) and GoGetta, which deliver equipment funding to small-to-medium sized businesses throughout Australia.

Silver Chef Limited helps businesses fund their equipment needs through Silver Chef's Rent-Try-Buy® – and GoGetta's Rent-Grow-Own™ – unique funding models. This keeps their options open and preserves their cash to grow their business.

Silver Chef Limited supports businesses across many industries-big or small, old or new.

Our Rent-Try-Buy® and Rent-Grow-Own™ solutions are 12-month rental agreements offering the flexibility to purchase anytime with a 75% rental rebate, or to upgrade, return after 12 months or continue renting.

For 25 years our Silver Chef brand has helped thousands of Australian businesses through an extensive dealer network of more than 400 dealers Australia wide.

GoGetta targets the broader commercial equipment market and is currently operating in 20 industries and growing rapidly.

Currently, more than \$140 million worth of Silver Chef Limited's equipment is helping Australian entrepreneurs achieve their dreams.

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“ SILVER CHEF –  
ACHIEVING HIGH  
GROWTH AND STRONG  
SHAREHOLDER RETURNS ”

**25th Anniversary**

Silver Chef Limited began in 1986 when it developed an innovative idea to rent conveyor ovens to pizza shop owners. This gave customers of Silver Chef an affordable option to access the latest technology equipment and improve their businesses.

That idea was the beginning of the unique Rent-Try-Buy® equipment financing model. The Company now helps thousands of businesses to gain the business critical equipment they need while preserving cash to grow their business.

**Our business model**

Silver Chef Limited's business model continues to be one of the Company's major strengths.

Silver Chef's achievements are:

- Successful 25-year operating history
- Market leadership position with substantial growth potential
- Established business partnerships and dealer networks
- Wide customer base
- Funding of business critical assets
- Effective risk management.

The Company has devised an asset funding and management program that ensures our rental assets work hard, achieving excellent financial results for us and for our customers. More than 95% of our rental assets are in businesses, earning income for Silver Chef and our customers.

# CULTURE

“

IN 2011 SILVER CHEF WAS AGAIN INCLUDED IN BRW MAGAZINE'S BEST PLACES TO WORK LIST

”

## Leadership

Following the completion of the Company's CEO transition at 30 June 2010, management continued to adapt the leadership structure with the view to supporting future strategic plans and goals.

Subsequent to the end of the financial year, David Wilson (formerly Financial Controller) was appointed Chief Financial Officer (CFO) and Head of IT effective from 1 October 2011. David's skill set is well suited to the CFO role at Silver Chef, particularly his established financial accounting and management skills, combined with his demonstrated ability with regard to deploying the digital strategy. To ensure a smooth transition, our outgoing CFO, Neil Burton, remains in his role until 30 September 2011 and will continue his relationship with Silver Chef in a consultancy capacity on various strategic initiatives.

The General Manager Marketing, Damien Guivarra, became Head of Sales for Silver Chef Hospitality, effective 1 July 2011 and will develop and implement a broader business plan.

Silver Chef also advanced its industry leadership initiatives with its Hospitality Industry Success Index (HISI). The Company's second HISI annual report, released after the end of the financial year, has again confirmed the hospitality sector's good risk profile. The report is also proving to be a valuable source of data and information on industry trends and opportunities.

## Workplace culture

Silver Chef in 2010 was extremely proud to debut in BRW magazine's Best Places To Work list, an annual ranking of Australia's top 50 work places based on research conducted by the Great Places to Work Institute.

In 2011 the Company again was included in this annual ranking of Australia's top work places. Silver Chef was the second-highest ranked company in the finance sector. This continuing inclusion is an indication of the exceptional workplace the Company and its people have created.

## Corporate social responsibility

Silver Chef was pleased to assist small-to-medium-sized businesses affected by Australia's natural disasters through assistance measures granted to support them during difficult economic and personal circumstances.

We are also proud to be able to continue our support of Opportunity International, an organisation that provides micro finance in developing countries. Silver Chef provides office space and administration support to Opportunity International and a number of our people make monthly contributions to Opportunity International and support the organisations fund and awareness raising events.





## Opportunity International Australia

The Company continues to support the work of Opportunity International.

Opportunity International Australia is a non-profit organisation that uses a business approach to solve the problem of poverty. Rather than a hand-out, we provide people living in poverty with a small loan (microfinance) to help them start or grow their own small business. This enables them to earn a regular income so they no longer have to struggle to afford food, clean water, proper shelter or an education for their children.

With more than 40 years' experience working with the poor, Opportunity is a leading provider and pioneer of socially focused microfinance and support services. Part of the global Opportunity International Network (with support partners in the United States, United Kingdom, Canada, Singapore, Hong Kong and Germany), we are currently providing a way out of poverty for more than 3.7 million people in 25 developing countries around the world.

Opportunity International Australia currently focuses its work in three countries – India, Indonesia and the Philippines, serving more than 2.8 million people with microfinance and community development programs.

For more information please visit [www.opportunity.org.au](http://www.opportunity.org.au)

# OPERATIONAL REPORT

## HOSPITALITY AND GOGETTA

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We achieved significant growth across both our business divisions during the year and also established improvements in our systems to support additional future growth.

### Hospitality Division

The hospitality division of Silver Chef Limited had another strong growth year. This consisted of strong organic growth through our network of 400+ equipment dealers and the growth into new categories such as franchising. Year-on-year the division grew acquisitions by 19% to \$45.4million. This growth is forecast to continue into FY12.

Importantly, the division continues to successfully manage the residual asset risk through the operation of the service facility which cycles 80% of assets within 60 days.

In terms of delivering to the market, again Silver Chef strived for innovation – this was achieved through launching new initiatives such as rebranding and new and more functional websites whilst continuing to run with proven winners such as the “Starting a Restaurant for Dummies” guide and the 2011 Hospitality Industry Success Index.

The hospitality division is looking forward to continued strong growth in the coming year.



### Franchise

In January 2011, Silver Chef launched a new solution for the franchise sector known as Silver Chef Franchise Accreditation. Franchise accreditation acknowledges the relatively lower level of risk associated with funding franchises by offering additional benefits to both franchisors and franchisees.

The launch of franchise accreditation has been very well received by franchisors who have acknowledged that this solution will help combat the well publicised recruitment and funding challenges that this sector faces.

Silver Chef have currently accredited numerous franchise groups from small start-up ventures, such as The Cupcake Bakery, through to large multi-brand franchisors.

The franchise sector will provide Silver Chef with some exciting opportunities this year and into the future.

“ WE ACHIEVED SIGNIFICANT GROWTH ACROSS BOTH OUR BUSINESS DIVISIONS DURING THE YEAR ”

### GoGetta Division

GoGetta successfully completed its third, full financial year of operations.

While Silver Chef's core channel has been hospitality, the Company has recognised a wider opportunity exists in the broader non-hospitality market using the same Rent-Try-Buy® model. As a result a new division with a new brand has been created and launched in April 2008, GoGetta – Rent-Grow-Own™.

Three years later and the division is building momentum.

The strategy of GoGetta is to fund equipment which is “core” to the business, equipment which generates or saves significantly more than the rent to customers who have a plan which is viable through an accredited vendor. It is the use of the equipment, not the ownership, which produces the profit to the business. We go to market through our selected accredited brokers and through working directly through vendors.

Our core customer most likely to use Rent-Grow-Own™ has the following characteristics:

- Typically has less than 15 employees
- Is ambitious/hungry – wants to succeed financially
- Has solid business instincts and outsources financial services
- Values the flexibility of Rent-Grow-Own™
- Intends to own the equipment
- Is looking to finance an income generating or cost saving asset.

Examples of channels where GoGetta is successful include: commercial trailers, trucks, construction equipment, bakery, fitness, food manufacturing, survey equipment and access equipment.

### Building business platforms

As part of our growth strategy, the Company has invested in business platforms to ensure our growth continues in a sustainable way.

We have invested in new systems, processes and IT and developed our credit and recoveries area and sales team.

The resources invested into our business platforms will provide benefits in future periods.

### Industry leadership

As a leader in the hospitality sector, Silver Chef has taken a lead role in helping our customers to make informed business decisions about the opportunities available and the best ways to maximise them.

We publish two important publications – our flagship national index report the Hospitality Industry Success Index (HISI) report and our beginner's guide from the popular range of Dummies titles, “Starting a Restaurant For Dummies”.

Both of these publications provide our customers and potential customers with useful and factual information about the hospitality sector.

Our HISI report is a fact-based report which utilises our extensive data resources to identify the major contributors to success in hospitality. Fundamentals include preservation of working capital, entrepreneurial drive, a good product and the right selection of equipment.

# BOARD OF DIRECTORS

## Allan English

**Age 56**

*Non-executive Chairman*

The founder of Silver Chef Limited. Has had extensive experience in the hospitality and rental industry with over 30 years in the equipment sales, service and rental sectors. A director of Silver Chef Limited since 2005. He was the Managing Director from 1986 to June 2010 after which he was appointed Non-executive Chairman. Allan also is active in the not for profit sector and acts as a director for Karuna Hospice Pty Ltd and the English Family Foundation.

## Andrew Kemp

**Age 59**

*B.Comm, CA*

Appointed a Director and Chairman in February 2005 and resigned as Chairman on 30 June 2010. Heads the Huntington Group Pty Limited, a Brisbane-based corporate advisory company. Has experience in chartered accounting with KPMG and Littlewoods, merchant banking and corporate advisory services with AIFC (an affiliate of ANZ Banking Group) and since 1987 with Huntington Group. He is currently a director of the following ASX listed companies: Trojan Equity Limited (Chairman, appointed March 2005), PTB Group Limited (appointed August 2006) and G8 Education Limited (appointed March 2011). Member of Audit and Risk Management Committee and is currently an independent director. Formerly a director of Eureka Group Holdings Limited (previously called SCV Group Limited), appointed March 2004, resigned 11 February 2011.

## Bede King

**Age 55**

*FFINSIA*

Appointed a Director in March 2005. Bede King is the senior partner at Tobin King Lateef, Solicitors & Notaries. He is a fellow of the Financial Services Institute of Australia, a director of several non-listed companies and a member of various compliance committees for property, mortgage and equity funds. He is the former National Chairman of YHA Australia, having occupied that position for over 10 years. Member of Audit and Risk Management Committee and is currently an independent director.

## Don Mackenzie

**Age 66**

*FCA*

*Chairman of Audit and Risk Management Committee, Alternate Director, Company Secretary*

Appointed Chairman of the Audit and Risk Management Committee in March 2005, an alternate Director of Silver Chef Limited in October 2005 and Company Secretary in November 2010. Don is a Chartered Accountant and has held senior positions with public companies involved in the rural and manufacturing industries. In 1993 he began providing corporate services predominately to public companies involved in manufacturing, rural, mining and information technology sectors. He is currently a director of Forest Place Group Limited (appointed March 2004) and was a director of Occupational & Medical Innovations Limited from November 2004 to March 2010.

# CURRENT LEADERSHIP TEAM

## Charles Gregory

**Age 39**

*B. Comm, MBA*

*Chief Executive Officer*

Charles is responsible for the operations of Silver Chef Limited and developing and implementing strategic initiatives for the Company. He joined Silver Chef Limited in July 2008 and was promoted to CEO in July 2010. Charles brings extensive and relevant experience to Silver Chef Limited having successfully held a number of senior roles at Flight Centre Limited, including: CFO – Flight Centre South Africa, CFO Flight Centre Corporate Division – Global, General Manager Greater China and General Manager Network Development. In his role as GM Network development he was responsible for that company's presence in over 60 countries.

## Neil Burton

**Age 52**

*CPA, ACIS*

*Chief Financial Officer*

Neil has been Chief Financial Officer since February 2007. Effective 1 October, 2011, he will take on a new role, working in a consultancy capacity to assist with strategic initiatives.

## David Wilson

**Age 42**

*CPA*

*Chief Financial Officer designate (with effect from 1 October 2011)*

David has held the position of Financial Controller at Silver Chef since 2008. He is a member of CPA Australia and has held positions in private and Government owned corporations over 9 years. Since his appointment at Silver Chef, David has been responsible for the operation of the Finance Team and more recently, also assumed the role of IT Manager which has encompassed developing, and now delivering, Silver Chef's digital strategy.

## Damien Guivarra

**Age 37**

*National Sales Manager – Hospitality and General Manager – Repatriation and Distribution*

Damien's appointment to this role was effective from July 1 2011. He is developing and implementing a broader business plan for the Hospitality division. At Silver Chef since 2005, Damien was previously our General Manager Marketing.

## Kelvin Marks

**Age 41**

*National Sales Manager – GoGetta*

Prior to his current appointment, Kelvin held Regional Sales Manager positions within both Silver Chef & GoGetta Equipment Funding over the past six years. In 2009/2010, as GoGetta's Queensland Regional Sales Manager, Kelvin achieved the highest sales budget ever recorded in Silver Chef's then 24-year history. Kelvin is responsible for the growth and direction of the GoGetta division. Prior to joining Silver Chef, Kelvin has had extensive sales and management experience within the commercial equipment and consumer markets.

## Mike DeGruyter

**Age 52**

*Formerly National Sales Manager – GoGetta*

At Silver Chef Limited since 2005, Mike was responsible for the growth and strategic direction of the GoGetta division.

## Sylvia Po-Ching

**Age 35**

*General Manager – People*

At Silver Chef since 1999, Sylvia is responsible for human resources and customer services.

## Kerrie Walker

**Age 36**

*General Manager – Marketing and Distribution*

Appointed in August 2011, Kerrie has held senior marketing roles in TABCORP, The Daily Mail Group and Telstra. She brings a range of experience gained in domestic and international markets across consumer and business segments.

# PERFORMANCE AT A GLANCE

	Year ended 30 Jun 11 \$000	Year ended 30 Jun 10 \$000	Year ended 30 Jun 09 \$000	Year ended 30 Jun 08 \$000
<b>Hospitality rental income</b>	49,244	42,018	32,934	29,090
<b>GoGetta rental income</b>	13,485	7,061	1,959	65
<b>Total rental income</b>	62,729	49,079	34,893	29,155
<b>Total revenue</b>	62,929	49,352	35,221	30,659
<b>Depreciation expense</b>	(26,404)	(21,421)	(15,980)	(13,365)
<b>Expenses from ordinary activities</b>	(22,303)	(16,872)	(11,891)	(9,691)
<b>Borrowing costs</b>	(4,204)	(2,994)	(3,097)	(3,699)
<b>Change in fair value of property</b>	(303)	(560)	(322)	(111)
<b>Profit from ordinary activities before income tax expense</b>	9,715	7,505	3,931	3,794
Income tax expense	(3,024)	(2,289)	(339)	(1,160)
<b>Net profit from ordinary activities after income tax expense</b>	6,691	5,216	3,592	2,634

## Selected Financial Items

<b>Net cash flows from operating activities</b>	43,476	35,251	20,545	17,604
<b>Cash assets</b>	1,523	1,446	504	2,526
<b>Rental assets under management (at cost) Hospitality</b>	108,617	90,369	76,629	61,926
<b>Rental assets under management (at cost) GoGetta</b>	32,646	19,075	7,867	1,247
<b>Total assets</b>	106,672	85,849	69,882	53,555
<b>Interest bearing liabilities-current</b>	(1,777)	(78)	(15)	(2,204)
<b>Interest bearing liabilities-non current</b>	(50,062)	(42,716)	(42,076)	(26,757)
<b>Net assets</b>	31,111	24,410	14,941	13,213

# DIRECTORS' REPORT

## For the year ended 30 June 2011

The directors present their report together with the financial report of Silver Chef Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2011 and the auditor's report thereon.

### Directors

The directors of the Company at any time during or since the end of the financial year are detailed on page 16 of this annual report.

### Attendance at meetings of the Board and Board Committee

Attendance by each member during the year	Board Meetings		Audit and Risk Management Committee	
	A	B	A	B
<b>Director</b>				
Allan English	13	13	–	–
Andrew Kemp	13	13	4	4
Bede King	13	13	4	4
<b>Independent Chairman, Alternate Director</b>				
Don Mackenzie	–	–	4	4

A – Number of meetings attended B – Number of meetings held during the time members held office during the year

### Objectives

The consolidated entity's objectives are to:

- Maintain its growth in the hospitality sector and build a broader base and enhance growth in rental income with Rent-Grow-Own™ products using the GoGetta brand;
- Continue to build the depth of its management team to manage this growth; and
- Earn strong return on assets and shareholder funds leading to enhanced earnings per share.

### Operating and financial review

The principal activity of the Group is long term equipment rental. There have been no changes in the nature of the activities in the year.

A review of the operations of the consolidated entity during the financial year and of significant changes in the state of affairs of the consolidated entity is as follows:

- Rental income increased from \$49.1 million in 2009 – 10 to \$62.7 million in 2010 – 11.
- Net profit after tax increased from \$5.2 million in 2009 – 10 to \$6.7 million in 2010 – 11.

The Chief Executive Officer's report contains a detailed operations review.

### Impact of legislation and other external requirements

There were no changes in environment or other legislative requirements during the year that have significantly impacted the results or operations of the consolidated entity.

### Significant changes in the state of affairs

There has been no significant change to the state of affairs of the Company during the year.

### Dividends

Dividends paid or declared by the Company to members since the end of the previous year were:

Type	Cents per share	Total amount \$	Date of payment
<b>Declared and paid during the year</b>			
Final dividend – 2010	10.0	2,177,495	30 September 2010
Interim dividend – 2011	9.0	2,030,078	31 March 2011
		4,207,573	
<b>Dividend declared – after year-end</b>	11.0	2,547,362	30 September 2011

All franked dividends paid or declared by the Company since the end of the previous financial year were franked at 30%.

# DIRECTORS' REPORT

## Events subsequent to reporting date

### Properties

Subsequent to 30 June 2011 one investment property was contracted to be sold for \$370,000 (carrying value \$ 350,000).

### Dividends

Subsequent to 30 June 2011, a dividend of 11 cents per share, 100% fully franked was declared by the Directors on 22 August 2011. The dividend has not been provided for in the 30 June 2011 financial report.

## Likely developments

The outlook for the Company is promising, but is subject to the risks of operating in the rental finance industry.

## Directors' interests

The relevant interests of each director in the shares and options over such instruments issued by the Company as notified by the directors to Australian Securities Exchange in accordance with section 205G (1) of the Corporations Act 2001, at the date of this report is:

Name	Ordinary shares
<b>Allan English (Note 1)</b>	
Tessana Pty Ltd	8,143,955
English Family Foundation Pty Ltd <English Family Foundation A/c>	1,000,000
Tessana Pty Ltd < Tessana Superannuation Fund >	243,461
Tessana Pty Ltd < Tessana Superannuation Fund >	243,461
	9,387,416
<b>Andrew Kemp (Note 2)</b>	
Huntington Group Pty Ltd	107,403
Huntington Group Pty Ltd <S Account>	442,328
Huntington Investment Services Pty Ltd	260,309
Manco (Aust) Pty Ltd	5,654
A P & A Kemp	62,300
	877,994
<b>Bede King (Note 3)</b>	
BF King & HJ King <King Superannuation Plan>	57,681
<b>Don Mackenzie (Note 4)</b>	
Rotherby Pty Ltd <Rotherby Superannuation Fund>	23,188

Note 1 – Allan English holds a beneficial interest in shares registered in the name of Tessana Pty Ltd and Tessana Pty Ltd <Tessana Superannuation Fund> and the power to control voting and disposal of all shares.

Note 2 – Andrew Kemp holds a beneficial interest in the shares registered in the name of Huntington Group Pty Limited, Huntington Investment Services Pty Ltd, Huntington Group Pty Limited <S Account> and is a director of Manco (Aust) Pty Ltd.

Note 3 – Bede King holds a beneficial interest in the shares registered in the name of BF King & HJ King <King Superannuation Plan>.

Note 4 – Don Mackenzie holds a beneficial interest in shares registered in the name of Rotherby Pty Ltd <Rotherby Superannuation Fund>.

## Share options

### Options granted by Silver Chef Limited to directors and officers of the Company.

During the financial year, no options on ordinary shares were granted by the Company.

### Unissued ordinary shares under option's issued by Silver Chef Limited

Expiry date	Exercise price	Number of shares
31 December 2011	\$1.26	25,000
30 June 2012	\$1.41	25,000
30 June 2013	\$1.66	50,000
30 June 2014	\$1.96	50,000

All options expire on the earlier of their expiry date or termination of employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

# DIRECTORS' REPORT

## Remuneration Report (Audited) – 30 June 2011

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise the directors and senior executives for the Group including the five most highly remunerated Group executives.

### Details of key management personnel

#### (i) Directors

Allan English	(Non-executive chairman)
Andrew Kemp	(Non-executive)
Bede King	(Non-executive)

#### (ii) Alternate Director and Company Secretary

Don Mackenzie	(Non-executive)
---------------	-----------------

#### (iii) Executives

Charles Gregory	Chief Executive Officer
Neil Burton	Chief Financial Officer
Jim Quinn	National Sales Manager – Hospitality
Mike DeGruyter	National Sales Manager – GoGetta
Damien Guivarra	General Manager – Marketing and Distribution
Sylvia Po-Ching	General Manager – People

### Key management personnel emoluments

Remuneration levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board obtains independent advice on the appropriateness of remuneration packages of the Group given trends in employment market, and the objectives of the Group's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant divisions' performance
- the Group's performance including:
  - the Group's profit before tax
  - the growth in earnings per share.

Remuneration packages include a mix of fixed and variable remuneration, and short-term and long-term performance-based incentives.

#### Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

#### Performance-linked remuneration

Performance linked remuneration includes both short-term and long-term incentives, and is designed to reward senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is also provided in the form of cash.

#### Short-term incentive bonus

Each year the key performance indicators (KPIs) are set for the senior executives. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk measures.

The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objectives are 'profit before tax' compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

#### Long-term incentive

This incentive scheme is based on growth in earnings per share (EPS). For senior executives to obtain benefit from this scheme, earnings per share growth must exceed 10% per annum. Part of any benefit earned is payable each year after holding back a retention amount with the balance being earned and paid based on compound growth in EPS over a four year period. The level of bonus increases in steps between the minimum at 10% per annum and a maximum of 21% EPS growth.

# DIRECTORS' REPORT

## Remuneration Report (Audited) – (30 June 2011) (continued)

### Short-term and long-term incentive structure

The Board considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence for this is the growth in profits and earnings per share over a five year period. In the current year the Group exceeded its stretch targets, with each segment meeting budgeted results.

### Service agreements

#### Management agreement – Tessana Pty Ltd

For the period to 30 June 2010, the provision of management services to the Company by Allan English was provided under an agreement with Tessana Pty Ltd (an entity in which Allan English has a beneficial interest) but from this date it was terminated upon the cessation of his role as Managing Director. On the appointment of Allan English as Chairman from 1 July 2010, the Board agreed to enter into a new agreement with Tessana Pty Ltd for the provision of his services as Non-executive Chairman for a fixed director's fee of \$60,000 per annum but was increased to \$80,000 effective 1 January 2011.

#### Employment Contract – Chief Executive Officer

Charles Gregory, who was appointed Chief Executive Officer on 1 July 2010, entered into a contract of employment with the Company from that date with the principal terms including remuneration comprising a fixed annual salary of \$175,000, inclusive of any obligations under the superannuation guarantee legislation; subject to annual review, a fully maintained motor vehicle and a conditional cash bonus equal to 100 % of the fixed annual salary amount. The bonus components include the achievement of specific performance measures set by the Board for key performance indicators including customer satisfaction, sales and net profit achievement, project management and adherence to credit management targets. In addition to these terms, the contract term is ongoing at the discretion of the Board, and has a notice period of twelve months.

### Senior executives

Senior executives have service agreements which are capable of termination within one month. In the event of termination or resignation, employees are entitled to their statutory entitlements to annual leave and long service leave, if applicable.

### Non-executive directors

Total remuneration for Non-executive directors has been set at \$250,000, which was approved at the Annual General Meeting held on 18 November 2010.

Directors' fees cover all Board activities including attendance at committee meetings of the Board. Fees paid to the Chairman of the Audit and Risk Management Committee and part time Company Secretary are based on an hourly fee at commercial rates.

### Remuneration of key management personnel

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the most highly remunerated officers are as follows:

		Short Term			Long Term		Post Employment	Share Based Payments	Total	Proportion of remuneration performance related	S300A Value of options as proportion of remuneration %
		Salary & Fees	Non-Monetary	STI cash bonus	Long Service Leave	LTI cash bonus	Super annuation	Value of Options (2)			
		\$	\$	\$	\$	\$	\$	\$			
<b>Directors – Non executive</b>											
Allan English	(i) (ii) 2011	69,998	-	-	-	-	-	69,998	-	-	
	(i) 2010	184,673	-	121,416	-	-	-	306,088	40%	-	
Andrew Kemp	(i) 2011	37,500	-	-	-	-	-	37,500	-	-	
	(i) 2010	35,000	-	-	-	-	-	35,000	-	-	
Bede King	(i) 2011	36,480	-	-	-	-	-	36,480	-	-	
	(i) 2010	33,000	-	-	-	-	-	33,000	-	-	
<b>Alternate Director (non-executive)</b>											
Don Mackenzie	(i) 2011	63,156	-	-	-	-	-	63,156	-	-	
	2010	18,360	-	-	-	-	-	18,360	-	-	
Total directors remuneration	2011	207,134	-	-	-	-	-	207,134			
	2010	271,033	-	121,416	-	-	-	392,448			

# DIRECTORS' REPORT

## Remuneration Report (Audited) – (30 June 2011) (continued)

		Short Term			Long Term		Post Employment	Share Based Payments	Total	Proportion of remuneration performance related	S300A Value of options as proportion of remuneration %
		Salary & Fees \$	Non-Monetary \$	STI cash bonus \$	Long Service Leave \$	LTI cash bonus \$	Super annuation \$	Value of Options (2) \$			
<b>Senior Executives</b>											
Charles Gregory (ii)	2011	166,461	38,552	162,406	-	28,000	29,597	365	425,381	45%	0.08%
	2010	137,614	20,203	99,390	-	-	21,331	1,165	279,703	36%	0.41%
Neil Burton	2011	118,093	-	80,194	-	13,600	17,846	-	229,733	41%	-
	2010	110,090	-	78,918	-	-	17,011	-	206,019	38%	-
Jim Quinn	2011	74,278	14,338	69,348	2,259	13,600	12,926	-	186,749	44%	-
	2010	68,805	12,307	88,234	2,294	-	14,133	-	185,773	47%	-
Mike DeGruyter	2011	94,010	-	74,508	2,259	13,600	13,391	-	197,768	45%	-
	2010	87,807	-	76,802	12,041	-	13,105	-	189,755	40%	-
Damien Guivarra	2011	84,164	-	77,266	14,521	13,600	14,529	-	204,080	45%	-
	2010	77,874	-	88,715	-	-	14,992	274	181,855	49%	0.15%
Sylvia Po-Ching	2011	84,163	-	87,860	2,545	13,600	15,482	-	203,650	50%	-
	2010	79,487	-	33,811	15,670	-	10,196	190	139,354	24%	0.14%
Total senior executives remuneration	2011	621,169	52,890	551,582	21,584	96,000	103,771	365	1,447,361		
	2010	561,677	32,510	465,870	30,005	-	90,768	1,629	1,182,459		
Total remuneration	2011	828,303	52,890	551,582	21,584	96,000	103,771	365	1,654,495		
	2010	832,710	32,510	587,286	30,005	-	90,768	1,629	1,574,908		

(i) amounts paid to director related entities.

(ii) Allan English was appointed Chairman on 1 July 2010.

The fair value of the option is calculated at the date of grant using a Black Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the option market conditions have been taken into account since the ASX listing. Fair values of options granted as part of remuneration are only estimates.

### Equity instruments

All options refer to options over ordinary shares of Silver Chef Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan. The options will only vest while the person remains an employee of the Group. The Group prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

# DIRECTORS' REPORT

## Remuneration Report (Audited) – (30 June 2011) (continued)

### Options and rights over equity instruments holdings

The movements during the reporting period in the number of options over ordinary shares in Silver Chef Limited held, directly, indirectly or beneficially, by each director and senior executive, including their personally-related entities, are as follows:

2011	Held at 1 July 2010	Granted as remuneration	Exercised	Held at 30 June 2011	Vested at 30 June 2011	Vested & Exercisable at 30 June 2011	Vested & Un-exercisable at 30 June 2011
<b>Directors</b>							
Allan English	-	-	-	-	-	-	-
Andrew Kemp	-	-	-	-	-	-	-
Bede King	-	-	-	-	-	-	-
<b>Alternate Director</b>							
Don Mackenzie	-	-	-	-	-	-	-
<b>Senior executives</b>							
Charles Gregory	150,000	-	-	150,000	150,000	150,000	-
Neil Burton	-	-	-	-	-	-	-
Jim Quinn	-	-	-	-	-	-	-
Mike DeGruyter	-	-	-	-	-	-	-
Damien Guivarra	20,000	-	(20,000)*	-	-	-	-
Sylvia Po-Ching	10,000	-	(10,000)*	-	-	-	-
	180,000	-	(30,000)	150,000	150,000	150,000	-

\* Options were exercised at a value of \$1.96 per option

2010	Held at 1 July 2009	Granted as remuneration	Exercised	Held at 30 June 2010	Vested at 30 June 2010	Vested & Exercisable at 30 June 2010	Vested & Un-exercisable at 30 June 2010
<b>Directors</b>							
Allan English	-	-	-	-	-	-	-
Andrew Kemp	-	-	-	-	-	-	-
Bede King	-	-	-	-	-	-	-
<b>Alternate Director</b>							
Don Mackenzie	-	-	-	-	-	-	-
<b>Senior executives</b>							
Charles Gregory	150,000	-	-	150,000	100,000	100,000	50,000
Neil Burton	-	-	-	-	-	-	-
Jim Quinn	-	-	-	-	-	-	-
Mike DeGruyter	-	-	-	-	-	-	-
Damien Guivarra	20,000	-	-	-	20,000	20,000	-
Sylvia Po-Ching	10,000	-	-	10,000	10,000	10,000	-
	180,000	-	-	160,000	130,000	130,000	50,000

### Options and rights over equity instruments holdings

The options granted to the senior executives have various expiration dates and exercise prices, details of which are included in this remuneration report.

Since the end of the financial year, no share options have been granted to any Senior Executives.

Further details, including grant and exercise dates regarding options granted to employees under the Employee Share Option Plan are in Note 33.

# DIRECTORS' REPORT

## Remuneration Report (Audited) – (30 June 2011) (continued)

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following data in respect of the current financial year and the previous 4 financial years.

	2011	2010	2009	2008	2007
Net profit attributable to equity holders \$'000	6,691	5,216	3,592	2,634	1,676
EPS (cents per share)	29.7	26.6	22.5	17.5	12.2
Dividends paid \$'000	4,207	3,295	1,779	1,690	1,407
Closing share price at year end	\$3.46	\$2.27	\$0.95	\$1.11	\$1.58

Net profit is considered as one of the financial performance targets in setting short term incentives.

The overall level of key management personnel's compensation will be aligned from the 2011 financial year to the financial performance of the Group.

End of Remuneration Report

### Indemnification and insurance of officers

The Company has agreed to indemnify the following current directors of the Company, Allan English, Andrew Kemp, and Bede King, the Chairman of the Audit and Risk Management Committee, Alternate Director and Company Secretary Don Mackenzie and senior executives Charles Gregory, Neil Burton, Mike DeGruyter, Jim Quinn, Damien Guivarra and Sylvia Po-Ching against all liabilities to another person (other than the Company or a related body corporate) that may arise from their positions as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums of \$10,092 in respect of Directors' and Officers' liability and legal expense insurance contracts, for current and former Directors and Officers, including senior executives of the Company and Directors of its controlled entities. The insurance policies outlined above do not contain details of the premiums paid in respect of individual Officers of the Company.

The insurance premiums relate to:

- Costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving willful breach of duty or improper use of information or position to gain a personal advantage.

### Non – audit services

During the year KPMG, the Company's auditor, has not performed other services in addition to their statutory duties. In the previous year PKF had performed services which are detailed below.

In 2010 The Board and the Audit & Risk Management Committee was satisfied that the provision of those services was compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

	Consolidated	
	June 11	June 10
	\$	\$
The following amounts were paid by the Company for non-audit services provided during the year		
<b>KPMG</b>	-	-
<b>PKF</b>		
Due diligence report – share issue October 2009	-	6,920

# DIRECTORS' REPORT

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 75.

## Rounding

The group is an entity of a kind referred to in ASIC Class Order 98/100 10 July 1998, and in accordance with that Class Order, amounts in the financial report and Directors' Report are rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors



**Allan English**

Director

Brisbane

22 August 2011

# CORPORATE GOVERNANCE STATEMENT

Silver Chef Limited (the Company) and the Board of Directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 2nd edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) issued in August 2007, including the 2010 amendments.

The Company's Corporate Governance Charter is available on the Company website [www.silverchef.com.au](http://www.silverchef.com.au)

The table below summarises how the Company complies with the ASX Principles, and if not why not.

Principle Number	Best practice recommendations	Compliance (Yes/No)	Comments
<b>1.0</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	
1.2	Disclose the process for evaluating the performance of senior executives.	Yes	
1.3	Provide the information indicated in Guide to reporting on Principle 1	Yes	
<b>2.0</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the Board should be independent directors.	Yes	
2.2	The Chair person should be an independent director.	No	See note 1
2.3	The roles of Chair and Chief Executive Officer or similar roles should not be exercised by the same individual.	Yes	
2.4	The Board should establish a nominations committee.	No	See note 2
2.5	Disclose the process for evaluating performance of the Board, its committees and individual Directors.	Yes	
2.6	Provide the information indicated in Guide to reporting on Principle 2.	Yes	
<b>3.0</b>	<b>Promote ethical and responsible decision – making</b>		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>· The practices necessary to maintain confidence in the Company's integrity</li> <li>· The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>· The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes Yes Yes	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to assess measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress achieving them.	Yes	
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	
3.4	Disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.	Yes	
3.5	Provide the information indicated in the Guide to reporting on Principle 3	Yes	
<b>4.0</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	Yes	
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> <li>· Consists of only non-executive Directors</li> <li>· Consists of a majority of independent Directors</li> <li>· Is chaired by an independent chair, who is not chair of the Board; and</li> <li>· Has at least three members</li> </ul>	Yes Yes Yes Yes	See note 3
4.3	The audit committee should have a formal charter.	Yes	
4.4	Provide the information indicated in Guide to reporting on Principle 4.	Yes	
<b>5.0</b>	<b>Make timely and balance disclosure</b>	Yes	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	

# CORPORATE GOVERNANCE STATEMENT

Principle Number	Best practice recommendations	Compliance (Yes/No)	Comments
<b>6.0</b>	<b>Respect the rights of shareholders</b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose the policy.	Yes	
6.2	Provide the information indicated in Guide to reporting on Principle 6.	Yes	
<b>7.0</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
7.2	Board to direct management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided under s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	
<b>8.0</b>	<b>Remunerate fairly and responsibly</b>		
8.1	Establish a remuneration committee	No	See note 4
8.2	The committee should be structured so that it: <ul style="list-style-type: none"> <li>· Consists of a majority of independent Directors;</li> <li>· Is chaired by an independent chair</li> <li>· Has at least three members</li> </ul>		
8.3	Provide the information indicated in Guide to reporting on Principle 8.		

## Departures from ASX Principles

Note	Details
1	Silver Chef does not comply with ASX Principles to have a chair person who is an independent director. Allan English cannot be regarded as independent by virtue of his shareholding interests. Further, and until the size of the Board numbers increases, Silver Chef will be unable to comply with this recommendation. Notwithstanding these circumstances, and has been the case since the Company listed on the ASX in 2005, the Board has managed potential conflicts arising from the level of shareholding in which Allan English has a beneficial interest.
2	Silver Chef, due to the size of the Board, has not established a nominations committee but the full Board deals with matters in accordance that Committee's charter.
3	Silver Chef, due to the size of the Board, does not have an ARM Committee that is comprised of the requisite number of non-executive independent directors. To overcome this departure from the ASX Principles, an independent member (who is also an alternate Director of the Company) has been appointed to and is Chairman of the ARM Committee.
4	Silver Chef, due to the size of the Board, has not established a remuneration committee but deals with matters that would be the function of that committee by the full Board.

## Principle 1: Lay solid foundations for management and oversight

The Directors are responsible to the shareholders for promoting and managing the performance of the Company in both the short and longer term. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. The functions, powers and responsibilities of the Board are governed by the Corporations Act and the general law.

The Board has established the functions reserved for the Board and those delegated to senior executives and disclosure of those functions are included in the Corporate Governance Charter which can be found on the Company's website.

The Company's Constitution provides that the number of directors shall not be less than three or more than ten and currently there are three directors on the Board and one alternate director.

Silver Chef's Constitution states that at each Annual General Meeting one third of the directors and any other director who has held office for three or more years since their last election, must retire. In 2011, only one of our directors met this three year threshold.

# CORPORATE GOVERNANCE STATEMENT

## Principle 2: Structure the Board to add value

### Board of directors

#### Roles and responsibilities

- The Board Charter outlines the roles and responsibilities of the Board. Key responsibilities in summary include:
- determining Silver Chef's strategic direction;
- evaluating Board performance and determining Board size and composition;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO;
- evaluating the performance of the CEO;
- establishing goals for management and monitoring the achievement of these goals;
- reviewing and approving the Group's Business Plan;
- approving all significant business transactions including acquisitions, divestments.
- monitoring business risk exposures and risk management systems;
- approving and monitoring financial and other external reporting;
- approving changes to the Group's capital structure;
- reporting to shareholders; and
- promoting ethical conduct.

#### Delegated authority

The Constitution and the Board Charter enable the Board to delegate their responsibilities to Committees and management.

The roles and responsibilities delegated to Board Committees are captured in the Charters of each established committee which at the moment includes only the Audit & Risk Management Committee.

The Board has also delegated to the CEO, and through the CEO to other executives, responsibility for the day to day management of the business and includes:

- strategy – implementing corporate strategies and making recommendations on significant corporate strategic initiatives
- senior management selection – the appointment of senior management, determining their terms of appointment, evaluating performance and maintaining succession plans for senior management roles
- financial performance – developing the annual budget and managing day to day operations within the budget
- risk management – maintaining effective risk management frameworks
- continuous disclosure – keeping the Board fully informed about material developments to enable the Company to keep the market informed
- corporate responsibility – managing day to day operations in accordance with standards for social, ethical and environmental practices.

#### Skills and independence (including selection)

The Board takes into account, in the selection and appointment of proposed Board members, that steps are taken to ensure that a diverse range of candidates is considered and involve professional intermediaries to identify and / or assess candidates.

Together, the Board members have a broad range of relevant financial and other skills and knowledge combined with the extensive experience necessary to guide Silver Chef's business. The Board also aims for, as far as practicable given the size of the Company, a Board comprising of members with diverse backgrounds. Details of their skills and knowledge are set out in the 2011 Directors' Report.

The Board assesses the independence of directors on appointment and at least annually. Each director provides an annual attestation of their interests and independence. Directors are considered independent if they are independent of management and free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment.

At the date of this annual report Andrew Kemp and Bede King, who are both Non-executive directors, are considered to be independent whereas Allan English (founder and formerly Managing Director to 30 June 2010) who became Non-executive Chairman with effect from 1 July 2010 is not regarded as being independent according to the Recommendations.

#### Chief Executive Officer

The CEO is Charles Gregory and he has sole responsibility for the implementation of the Board's strategic plan and the operational management of the Company and reports to Board at monthly Board meetings or at other times as required.

The CEO evaluates the performance of senior executives on a regular basis to ensure Company strategic targets are met.

# CORPORATE GOVERNANCE STATEMENT

## Gender diversity

A gender diversity policy has also been adopted and is included as a separate policy together with the Corporate Governance Charter on the Company's website. The Board is currently considering suitable diversity targets to work towards achieving greater diversity at the Company at all levels of the workforce and the Board. The objectives will be adopted by the Board and will then be assessed by the Board on an annual basis.

Data which details the proportion of women employees in the Company and women in senior executive positions is detailed below.

Gender representation	30 June 2011		30 June 2010	
	Female %	Male %	Female %	Male %
Board representation	-	100%	-	100%
Key management personnel representation	17%	83%	17%	83%
Group representation	57%	43%	56%	44%

## Board meetings

Meetings are normally held monthly but will number not less than ten in any year, with meeting papers being circulated prior to the meeting. Minutes of meetings are circulated within ten days of the Board meeting.

The Company's non-executive directors receive only fees for their services and the reimbursement of reasonable expenses. The fees are competitively set to attract and retain appropriately qualified and experienced directors.

The directors' fees available to non-executive directors have been set at a maximum of \$250,000 per annum.

## Education

On appointment, directors are offered an induction program appropriate to their experience to familiarise them with the business, strategy and any current issues before the Board. The Company also promotes continuing education.

## Access to information and advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are to be borne by the Company.

## Company Secretary

The Board appoints, removes and has access to the Company Secretary who is accountable to the Board and through the Chairman, to the Board on all governance matters.

## Committees

### Composition and independence

The Board is empowered to establish committees of the Board to support it carry out its function effectively and where practical, will comprise Board members. In respect of the Audit & Risk Management Committee (ARM Committee), the Board has appointed a person outside the current Board who is independent, and who has the relevant experience, as Chairman.

Due to the size of the Board, there is neither a nominations committee nor a remuneration committee and the full Board assumes the role of the functions of such committees.

## Performance

### Board, Committees and individual Directors

Assessment of the Board's policies and procedures is conducted at intervals determined by the Board with such assessment also extending to the ARM Committee. The performance of individual Directors is reviewed and assessed each year by the Chairman against a range of criteria.

## Management

The CEO is responsible for evaluating senior management and these evaluations takes place annually. Full details of the remuneration policy are set out in the remuneration report contained in the Directors' report.

# CORPORATE GOVERNANCE STATEMENT

## Principal 3: Promote ethical and responsible decision making

### Code of conduct and principles for doing business

The Board encourages the highest standards of ethical conduct by all directors and employees of the group and has adopted a Code of Ethics that sets out the principles and standards with which all Group officers and employees are expected to comply in the performance of their respective functions and which include:

- comply with the law;
- act honestly and with integrity;
- reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- ensure there is responsibility and accountability for individuals for reporting and investigating reports of unethical practices;
- use Silver Chef's assets responsibly and in the best interests of Silver Chef shareholders; and
- be responsible and accountable for their actions.

Policies for reporting unethical practices and legal obligations are contained in the Company's Statement of Corporate Governance Charter.

### Employment Practices

The Company will employ the best available staff, both male and female, from a diverse background, with skills required to carry out their roles and will ensure that diversity objectives are adopted at all levels of the Company.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

### Trading in Silver Chef shares

Directors' shareholdings are shown in the Directors Report at page 11.

Under the Company's Securities Trading Policy (available on Silver Chef's internet site) all employees (including Directors) may only buy and sell Silver Chef shares in accordance with the Policy which specifically states that Silver Chef employees are prohibited from buying and selling Silver Chef shares at any time if they are aware of any price sensitive information that has not been made public.

All Silver Chef share dealings by directors are notified to the ASX within the required time.

Silver Chef views sustainable and responsible business practices as important for the business and to add shareholder value both of which requires conducting the business in a responsible, trustworthy and ethical manner. Silver Chef is committed to transparency and fair dealing, treating employees and customers responsibly and having solid links with the community and reports on their practices as part of their annual reporting obligations.

## Principle 4: Safeguard integrity in financial reporting

The Company's Chef's approach to financial reporting reflects three core principles:

- that the financial reports present a true and fair view
- that the accounting methods are comprehensive and relevant and comply with applicable accounting standards and policies; and
- that the external auditor is independent and serves security holder interests

### Audit & Risk Management Committee (ARM Committee)

The Board delegates oversight responsibility for risk management to the ARM Committee.

The purpose of the ARM committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of Silver Chef. The ARM Committee operates with the primary objective to assist the Board of directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Company.

The specific recommendation issued by ASX Principles recommends that an ARM Committee comprise at least three directors, all of whom are non-executive directors, and a majority of whom are independent. However, due to the size of the Silver Chef Board, these recommendations have not yet been implemented. It is anticipated that this policy will be reviewed when the Board numbers increase.

In these circumstances, but in the interests of good corporate governance, the Board has agreed that until such time as the policy is reviewed, Don Mackenzie, a Chartered Accountant and experienced company director, will serve as an independent member and Chairman of the ARM Committee. The other members of the Company's ARM Committee are Andrew Kemp and Bede King.

# CORPORATE GOVERNANCE STATEMENT

In fulfilling this objective, the ARM Committee meets at least four times each year. The main duties and responsibilities of the committee include:

- internal control framework including management information systems;
- assessing corporate risk compliance with internal controls;
- management processes supporting external reporting;
- review of financial statements and other financial information distributed externally;
- review of the effectiveness of the external audit function;
- review of the performance and independence of the external auditors;
- review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- review of the effectiveness and independence of the internal audit function;
- assessing the adequacy of external reporting for the needs of shareholders; and
- monitoring compliance with the Company's code of ethics.
- monitoring the procedures to ensure compliance with the Corporations Act 2001, the ASX Listing Rules and all other regulatory requirements.
- Addressing any matters outstanding with auditors, Australian Tax Office, ASX and regulators.

## Operating and reporting

Meetings of the ARM Committee are held quarterly with two meetings being focused on financial reporting to coincide with annual and half year financial reporting and other two meetings are dedicated to matters relating to risk management.

The CEO and the CFO attend the ARM Committee meetings in an ex-officio capacity, and external auditors are invited to attend all meetings. All Directors receive Committee papers and also attend meetings.

Prior to signing the Group's annual financial statements for the year ended 30 June 2011, Silver Chef's CEO and Chief Financial Officer report in writing to the ARM Committee that:

- the statement given in accordance with ASX Principles Recommendations best practice recommendation 7.2 and 7.3 and Section 295 of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control framework is operating efficiently and effectively in relation to financial risks.

## External auditor

The role of the external auditor is to provide an independent opinion that Silver Chefs financial reports are true and fair, and comply with applicable regulations.

KPMG are auditors of Silver Chef and were appointed by shareholders at the Annual General Meeting in 2010.

The ARM committee requires the external auditor to confirm at each reporting period that they have maintained their independence and have complied with the independence standards required by Australian regulators and professional bodies.

## Principle 5: Make timely and balanced disclosure

Silver Chef has in place documented procedures to ensure a level of disclosure that provides all investors with equal, timely, balanced and meaningful information.

The Company Secretary is accountable for the compliance with ASX Listing Rules and the CEO and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary discussing disclosure obligations with the Company Secretary and the Board.

## Principle 6: Respect the rights of shareholders

The Group encourages communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. A communications policy is currently being completed and will be available on the Company's website when completed.

Mechanisms employed in shareholder communications will include:

- regular shareholder communications such as half yearly reports, and the full financial report;
- financial results presentations at the Company's Annual General Meeting ("AGM");
- shareholder access to communications through Silver Chef's website; and
- utilising Boardroom Pty Limited (formerly Registries Limited, the Group's share registry service provider).

Shareholders are encouraged to attend and actively participate in Silver Chef's Annual General Meeting, and at the time of receipt of the Notice of Meeting, shareholders are invited to put forward questions that they would like addressed at that Meeting.

# CORPORATE GOVERNANCE STATEMENT

## Principle 7: Recognise and manage risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements

### Risk management approach

The approach to assessing risk is by identifying and managing risks that affect our business. This approach enables the risks to be balanced against appropriate rewards and reflects our values, objectives and strategies. We have established policies for the oversight and management of our material business risks. A summary of the policy is available on the Company's website.

### Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies and the committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities. Arrangements put in place by the Board to monitor risk management include:

- regular reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the ARM Committee and circulation to the Board of the minutes of each meeting held by the ARM Committee;
- presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any director may request that operational and project audits be undertaken by management

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short term deposits.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base and it has adopted a credit policy under which each new customer is analysed individually for creditworthiness. The Group's review includes external ratings, where available, and in some cases bank references.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains the lines of credit which are detailed in note 21.

### Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

The Group adopts a policy of ensuring that approximately 50 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest rate swaps.

# CORPORATE GOVERNANCE STATEMENT

## Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each division. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

## Capital management

The Board's policy is to maintain a strong capital base (which includes reserves and ordinary shares) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income over total shareholder's equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

## Compliance risk

The risk of failing to comply with our obligations under the law and the failure to meet of ethical standards.

## Principle 8: Remunerate fairly and responsibly

The Board, due to its size, does not have a remuneration committee, but the full Board undertakes the functions of the committee and ensures that remuneration policies for senior management and non-executive directors are designed to meet the needs of the Company and enhance corporate and individual performance.

The Board is responsible to ensure there is sufficient consideration to remuneration by gender

The Company's policies relating to Directors' and Senior Executives' remuneration are set out in the remuneration report.

## Non-executive directors

Non - executive directors are paid a fixed fee and not entitled to any bonus component. The aggregate level of fees able to be paid to Directors was increased at the 2010 annual general meeting to \$250,000.

# FINANCIAL STATEMENTS

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## SILVER CHEF LIMITED

### Consolidated statement of comprehensive income

Year ended 30 June 2011

	Note	June 11 \$000's	Re-stated * June 10 \$000's
Revenue	7	62,929	49,352
Expenses from ordinary activities	8	(45,911)	(36,165)
Finance costs	9	(4,204)	(2,994)
Change in fair value of derivative financial instruments		(376)	(21)
Change in fair value of properties	9	(303)	(560)
Loss on sale of plant and equipment	9	(2,416)	(2,041)
Loss on sale of properties	9	(4)	(66)
<b>Profit before income tax</b>		<b>9,715</b>	<b>7,505</b>
Income tax expense	11 (a)	(3,024)	(2,289)
<b>Profit for the year</b>		<b>6,691</b>	<b>5,216</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,691</b>	<b>5,216</b>
<b>Dividend per share</b>	25	19.0 cents	18.0 cents
<b>Earnings per share</b>			
Basic earnings per share	12	29.7 cents	26.6 cents
Diluted earnings per share	12	29.6 cents	26.6 cents

\* refer note 3 correction of error

The above consolidated statement of comprehensive income is to be read in conjunction with the attached notes.

## SILVER CHEF LIMITED

### Consolidated statement of changes in equity

Year ended 30 June 2011

#### Consolidated

2011	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance from 1 July 2010	16,940	7,470	24,410
Total comprehensive income for the year	-	6,691	6,691
<b>Transactions with owners in their capacity as owners.</b>			
Dividends recognised during the year	-	(4,207)	(4,207)
Share issue costs	(71)	-	(71)
Shares issued under dividend reinvestment plan	839	-	839
Shares issued under DRP shortfall agreement	3,374	-	3,374
Options exercised	75	-	75
Employee options expensed	-	-	-
Balance at 30 June 2011	21,157	9,954	31,111
2010	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance from 1 July 2009	9,392	5,716	15,108
Adjustment to opening retained earnings due to deferred tax asset adjustment	-	(167)	(167)
Total comprehensive income for the year	-	5,216	5,216
<b>Transactions with owners in their capacity as owners.</b>			
Dividends recognised during the year	-	(3,295)	(3,295)
New share issue – share placement	2,500	-	2,500
– rights issue	4,132	-	4,132
Share issue costs	(227)	-	(227)
Shares issued under dividend reinvestment plan	1,141	-	1,141
Employee options expensed	2	-	2
Balance at 30 June 2010	16,940	7,470	24,410

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

## SILVER CHEF LIMITED

### Consolidated statement of financial position

At 30 June 2011

			Re-stated *	Re-stated *
		June 11	June 10	1 July 2009
		\$000	\$000	\$000
	Note			
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,523	1,446	504
Trade and other receivables	15	3,384	3,670	3,127
Properties	17	1,464	1,721	-
Tax receivables		-	-	207
Derivative financial instruments	26	10	98	270
Other assets	16	290	131	124
<b>Total current assets</b>		<b>6,671</b>	<b>7,066</b>	<b>4,232</b>
<b>Non-current assets</b>				
Properties	17	1,590	2,299	6,182
Property plant and equipment	18	95,750	74,087	57,375
Intangibles	19	384	519	794
Deferred tax assets	11,3	2,277	1,780	764
Derivative financial instruments	26	-	98	535
<b>Total non-current assets</b>		<b>100,001</b>	<b>78,783</b>	<b>65,650</b>
<b>Total assets</b>		<b>106,672</b>	<b>85,849</b>	<b>69,882</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	20	21,066	16,358	12,208
Loans and borrowings	21	1,777	78	15
Current tax payable	22	1,825	1,842	-
Derivative financial instruments	26	77	-	318
Employee benefits	23	561	333	211
<b>Total current liabilities</b>		<b>25,306</b>	<b>18,611</b>	<b>12,752</b>
<b>Non-current liabilities</b>				
Loans and other borrowings	21	50,062	42,716	42,076
Derivative financial instruments	26	113	-	-
Employee benefits	23	80	112	113
<b>Total non-current liabilities</b>		<b>50,255</b>	<b>42,828</b>	<b>42,189</b>
<b>Total liabilities</b>		<b>75,561</b>	<b>61,439</b>	<b>54,941</b>
<b>Net assets</b>		<b>31,111</b>	<b>24,410</b>	<b>14,941</b>
<b>EQUITY</b>				
Share capital	24	21,157	16,940	9,392
Retained earnings		9,954	7,470	5,549
<b>Total equity</b>		<b>31,111</b>	<b>24,410</b>	<b>14,941</b>

\* refer note 3 correction of error

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

## SILVER CHEF LIMITED

### Consolidated statement of cash flows

Year ended 30 June 2011

		June 11	June 10
		\$000	\$000
	Note		
<b>Cash flows from operating activities</b>			
Receipts from customers		73,860	56,962
Payments to suppliers and employees		(23,311)	(18,263)
Finance costs paid		(3,751)	(2,334)
Interest received		58	56
Income taxes paid		(3,524)	(1,222)
GST recovered		144	52
Net cash from operating activities	30(a)	43,476	35,251
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(67,229)	(50,804)
Proceeds from sale of plant and equipment		14,755	10,154
Proceeds from sale of properties		659	1,805
Net cash used in investing activities		(51,815)	(38,845)
<b>Cash flows from financing activities</b>			
Proceeds from secured loans		53,271	339
Repayment of borrowings		(44,300)	-
Repayment of finance leases		(91)	-
Transaction costs paid in relation to loans and borrowings		(474)	(56)
Proceeds from share issue		3,456	6,632
Share issue costs		(78)	(227)
Payment of dividend		(3,368)	(2,152)
Net cash from financing activities		8,416	4,536
Net increase/(decrease) in cash held		77	942
Cash at beginning of year		1,446	504
Cash and cash equivalents at end of year	30(b)	1,523	1,446

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

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

### 1 Reporting entity

Silver Chef Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 14 Finchley Street Milton Qld 4064. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in the long term rental of commercial equipment.

### 2 Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 22 August 2011.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- properties are measured at fair value

At year end there existed a deficiency of current assets to current liabilities, which is summarised below.

	30-Jun-11 \$000's	30-Jun-10 \$000's
Current assets	6,671	7,066
Current liabilities	(25,306)	(18,611)
	(18,635)	(11,545)

Included in the consolidated current liabilities at 30 June 2011 is an amount of \$17.1 million of customer deposits (30 June 2010 \$14.1 million). Due to the growth of the rental contract portfolio and the average length of each contract, there is not expected to be any net cash requirements to repay security bonds in the next twelve months.

The Group is trading profitably with strong operating cash flows and has access to unused finance facilities as set out in note 21.

After considering the above and all available current information, the directors have concluded there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due and payable; and the basis of preparation of the financial report on a going concern basis is appropriate.

#### (c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

#### (d) Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 17 Properties
- note 18 Property plant and equipment

### 3 Correction of error

At 30 June 2010 the deferred tax asset balance included deferred tax assets arising from the unrealised loss on the decline in value of Properties recognised at fair value, the realised loss on sale of Properties and the write-off of an investment in a joint venture. The total recognised deferred tax asset relating to these items was \$454,000.

This deferred tax asset represents a capital loss and it is the Group's policy that capital losses are only recognised when it is probable that the Group would have future capital gains.

At 30 June 2009 and 30 June 2010 it was not probable that the Group would have future capital gains sufficient to offset the recognised capital losses.

Therefore the deferred tax asset account was incorrectly recognised and the error has the following effect:

- The deferred tax asset was overstated at 30 June 2009 by \$167,000 along with closing retained profits;
- The deferred tax asset was overstated at 30 June 2010 by \$454,000 along with closing retained profits. Income tax expense for the year ended 30 June 2010 was understated by \$287,000; and
- The earnings per share for the year ended 30 June 2010 was overstated by 1.4 cents per share.

These amounts have been corrected and the comparative information in these financial statements has been restated.

### 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Silver Chef Limited ("the Company") and its subsidiaries as at 30 June each year (the Group).

##### (i) Subsidiaries

Subsidiaries are entities controlled by Silver Chef Limited. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

##### (ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligation specified in the contract expire or are discharged or cancelled.

**4 Significant accounting policies (continued)**

Financial asset/(liabilities) at fair value through profit or loss

An instrument is classified as at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes are recognised in profit or loss.

Derivate financial instruments

The Group holds derivative financial instruments to hedge its interest rate exposures, however these derivative financial instruments are not currently designated in a hedge relationship that qualifies for hedge accounting. Accordingly, all changes in fair value are recognised immediately in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(c) Property plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in profit or loss.

**(ii) Leased assets**

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases.

Lease payments are accounted for as described in accounting policy (i) (ii).

**(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Rental equipment	2.5 to 5 years
Fixtures and fittings	5 years
Computer equipment	3 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(d) Intangibles**

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets are as follows:

**Software**

Useful life	Finite
Amortisation method used	Amortised over 5 years of expected future benefit on a straight line basis
Internally generated or acquired	Acquired
Impairment testing	The amortisation method and period is reviewed at each financial year-end

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Useful life	Finite
Amortisation method used	Amortised over 5 years of expected future benefit on a straight line basis
Internally generated or acquired	Acquired
Impairment testing	The amortisation method and period is reviewed at each financial year-end

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

## (e) Properties

Properties are properties which are held either to earn rental income. Properties are stated at fair value. The fair values are based on independent valuations and Directors Valuations, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from properties is accounted for as described in accounting policy (h) (ii).

## (f) Impairment of assets

### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than Properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (g) Employee benefits

### (i) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

### (ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black – Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

### (iii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

## (h) Revenue

### (i) Contract rental income

The Group derives revenue for operating leases. Revenue from operating leases is recognised in profit or loss on a straightline basis over the lease term.

Operating leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset remain with the lessor. Payments under operating leases are due and payable by the lessee on a weekly basis in advance.

### (ii) Investment property rental income

Rental income from Properties is recognised in profit or loss on a straight-line basis over the term of the lease.

### (iii) Interest Income

Interest income is recognised in profit or loss as it accrues.

## (i) Lease payments

### (i) Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

### (ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## (j) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings and are recognised in profit or loss using the effective interest method.

## (k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Silver Chef Limited.

**(l) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**(m) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(n) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(o) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Properties**

An independent valuation company values the Group's properties which have not been independently valued within the last 36 months or earlier if the Directors deem appropriate. The remaining Properties are valued using market sale information sourced from a third party. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

**(ii) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**(iii) Derivatives**

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

**(iv) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**(v) Share-based payment transactions**

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**6 Financial risk management**

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short term deposits.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Further quantitative disclosures are included throughout these consolidated financial statements.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Management (ARM) Committee, which is responsible for developing and monitoring risk management policies. The ARM Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARM Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities. Arrangements put in place by the Board to monitor risk management include:

- regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the ARM Committee and circulation to the Board of the minutes of each meeting held by the ARM Committee;
- presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any director may request that operational and project audits be undertaken by management.

## **Risk management approach**

The approach to assessing risk is by identifying and managing risks that affect our business. This approach enables the risks to be balanced against appropriate rewards and reflects our values, objectives and strategies. We have established policies for the oversight and management of our material business risks. A summary of the policy is available on the Group's website.

The following represent the key risks that management considers most likely to impact the Group's future profitability:

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers

#### **(i) Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base.

The ARM Committee has adopted a credit policy under which each new customer is analysed individually for creditworthiness. The Group's review includes external ratings, when available, and in some cases bank references. Credit limits are set for each individual customer in accordance with the Board approved Credit Policy.

Where necessary, personal guarantees and/or security over property is required. The Group holds security bonds from each customer ranging from an equivalent four to thirteen weeks rental payments. Once the contract has been completed, the security bonds are refunded and any personal guarantee or security over property is released. There is no effective way of valuing personal guarantees that are held.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

#### **(ii) Interest rate swaps**

The Group minimises risk the counterparty of default on interest rate swaps by transacting with large financial institutions with credit rating of AA or better to offset its credit exposure.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains the lines of credit which are detailed in note 21.

### **Market risk**

Market risk is the risk that changes in market prices such as interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group adopts a policy that approximately 50 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest rate swaps.

### **Capital management**

The Board's policy is to maintain a strong capital base (which includes reserves and ordinary shares) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income over total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders and the utilisation of the dividend reinvestment plan. There were no changes in the Group's approach to capital management during the year.

### **Assurance to the ARM Committee**

Prior to signing the Group's annual financial statements for the year ended 30 June 2011, Silver Chef's Chief Executive Officer and Chief Financial Officer report in writing to the ARM Committee that:

- the statement given in accordance with ASX Principles Recommendations best practice recommendation 7.2 and 7.3 and Section 295 of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control framework is operating efficiently and effectively in relation to financial risks.

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

<b>7 Revenue</b>		
	<b>Consolidated</b>	
	<b>June 11</b>	<b>June 10</b>
	<b>\$000</b>	<b>\$000</b>
Rental income	62,729	49,079
<b>Other revenue</b>		
Interest	58	56
Rent properties	142	215
Other	-	2
	200	273
<b>Total revenue</b>	<b>62,929</b>	<b>49,352</b>
<b>8 Expenses from ordinary activities</b>		
<b>Classification of expenses by function</b>		
Cost of sales – services	5,066	4,082
Administration	39,057	30,992
Sales and marketing	1,697	963
Properties (1)	91	128
	45,911	36,165
Direct operating expenses arising from properties that generated rental income.		
<b>9 Items included in profit</b>		
Profit includes:		
Finance costs	4,204	2,994
<b>Employee benefits expense</b>		
Wages and salaries	6,743	5,135
Other associated personnel expenses	516	390
Superannuation	543	403
Long service leave	49	44
Share-based payments	-	1
	7,851	5,973
Depreciation and amortisation expense	26,679	21,696
Bad and doubtful debts	1,663	1,604
Operating lease payments	17	11
Loss on revaluation of properties	303	560
Loss on sale of plant and equipment	2,416	2,041
Loss on sale of investment property	4	66
Impairment loss on rental equipment (refer note 18)	964	518

**10 Auditor remuneration**

	Consolidated	
	June 11	June 10
<b>Paid to KPMG</b>	\$	\$
Amounts received, or due and receivable, for:		
Audit and review of financial reports	97,500	-
Services other than audit work	-	-
	97,500	-
<b>Paid to PKF</b>	\$	\$
Amounts received, or due and receivable, for:		
Audit and review of financial reports	-	68,200
Services other than audit work	-	6,920
	-	75,120

**11 Income tax****(a) Income tax expense**

The major components of income tax expense comprise:

	Consolidated	
	June 11	Re-stated* June 10
	\$000	\$000
Current tax	3,520	3,059
Deferred tax	(467)	(922)
Prior year adjustment	(29)	151
	3,024	2,288

**(b) Numerical reconciliation of income tax expense to prima facie tax payables**

Profit before income tax expense	9,715	7,505
Prima facie tax payable on profit before income tax at 30%	2,914	2,252
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Prior year adjustment	(29)	28
Capital investment allowance	-	(263)
Other	139	272
Income tax expense	3,024	2,289

\* refer note 3 correction of error

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

### 11 Income tax (continued)

#### (c) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June 2011 related to the following:

	Consolidated	
	June 11	Re-stated*
	\$000	June 10 \$000
<b>(i) Deferred tax liabilities</b>		
Plant and equipment	158	211
Intangibles	71	151
Derivative financial instruments	-	59
Other	75	
	<b>304</b>	<b>421</b>
<b>(ii) Deferred tax assets</b>		
Rental assets	1,472	1,088
Provisions		
Doubtful debts	340	515
Employee entitlements	211	134
Rental asset impairment	323	159
Other	235	305
	<b>2,581</b>	<b>2,201</b>
<b>Net deferred tax asset</b>	<b>2,277</b>	<b>1,780</b>
Movements in deferred tax liability recognised in income tax expense:		
Plant and equipment	(54)	192
Intangibles	(80)	(18)
Derivatives	(59)	(6)
Other	75	-
Movements in deferred tax asset recognised in income tax expense:		
Rental assets	(384)	(647)
Provision for doubtful debts	175	(270)
Provision for employee entitlements	(77)	(37)
Rental asset impairment	(164)	(134)
Equity issues	30	93
Other	101	(94)
<b>Deferred tax expense</b>	<b>(497)</b>	<b>(921)</b>
<b>Movement in deferred tax asset recognised directly in equity.</b>	<b>(8)</b>	<b>(95)</b>

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2011	2010
	\$000	\$000
Capital tax losses	595	454

The capital losses do not expire under current tax legislation. A deferred tax asset has not been recognised in respect of these capital losses because it is not probable that future taxable gains will be available against which the Group can utilise the benefits there from.

\* refer note 3 correction of error

## 12 Earnings per share

### Classification of securities as ordinary shares

Ordinary shares are included in the basic earnings per share.

### Classification of securities as potential ordinary shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share for ordinary shares only:

- (a) options outstanding under the Employee Share Option Plan

Further details of these securities are contained in Note 33.

	Consolidated	
	June 11	Re-stated* June 10
	\$000	\$000
Earnings Reconciliation		
<b>Basic earnings</b>	6,691	5,216
<b>Diluted earnings</b>	6,691	5,216
	June 11	June 10
	No. Shares	No. Shares
Weighted average number of shares used as the denominator		
<b>Number for basic earnings per share</b>	22,507,628	19,640,560
<b>Number for diluted earnings per share</b>		
Ordinary shares	22,507,628	19,640,560
Effect of employee share option plan	115,735	8,824
	22,623,363	19,649,384
<b>Basic earnings per share</b>		
Ordinary shares (cents per share)	29.7	26.6
<b>Diluted earnings per share</b>		
Ordinary shares (cents per share)	29.6	26.6

\* refer to note 3 – correction of error

## 13 Operating segments

The principal operating activities of the Group comprised of the following business segments.

Hospitality – operations within Silver Chef Rentals Pty Ltd which comprise providing equipment rental finance predominantly to the hospitality industry.

GoGetta operations within GoGetta Equipment Funding Pty Ltd which comprise providing equipment rental finance to other industries.

	Hospitality \$'000	GoGetta \$'000	Total \$'000
<b>30 June 2011 Consolidated entity</b>			
<b>Revenue</b>			
External	48,117	13,396	
<b>Total segment revenue</b>	48,117	13,396	61,513
<b>Segment result</b>			
Reportable segment profit before tax	17,872	3,353	21,225
Depreciation and amortisation	(20,808)	(5,351)	(26,159)
Loss on sale of property plant and equipment	(1,279)	(1,137)	(2,416)
Bad and doubtful debt expense	(1,274)	(373)	(1,647)
Impairment on property plant and equipment	(601)	(385)	(986)
<b>Segment assets</b>	85,112	28,117	113,229
Property plant and equipment acquired during year	42,632	24,113	66,745
<b>Segment liabilities</b>	(77,599)	(26,551)	(104,150)

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

	Hospitality	GoGetta	Total
30 June 2010 Consolidated entity	\$'000	\$'000	\$'000
<b>Revenue</b>			
External	41,086	7,061	
<b>Total segment revenue</b>	41,086	7,061	48,147
<b>Segment result</b>			
Reportable segment profit before tax	13,538	2,250	15,788
Interest expense	(2,652)		(2,652)
Depreciation and amortisation	(18,397)	(2,842)	(21,239)
Loss on sale of property plant and equipment	(1,568)	(473)	(2,041)
Bad and doubtful debt expense	(1,846)		(1,846)
Impairment on property plant and equipment	(520)	-	(520)
<b>Segment assets</b>	75,944	16,846	92,790
Property plant and equipment acquired during year	36,813	13,637	50,450
<b>Segment liabilities</b>	(73,152)	(15,986)	(89,138)

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, properties and intangibles and exclude derivative assets and current and deferred tax assets.

The Group's operations are all based in Australia and all revenues are earned in Australia.

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items:

	Consolidated	
	June 11	June 10
	\$'000's	\$'000's
<b>Revenues</b>		
<b>Total revenue for reportable segments</b>	61,513	48,147
Other revenue	1,416	1,205
<b>Consolidated revenue</b>	62,929	49,352
<b>Profit or loss</b>		
<b>Total profit or loss for reportable segments</b>	21,225	15,788
Other profit or loss	(11,134)	(8,262)
Change in fair value of derivatives	(376)	(21)
<b>Consolidated profit or loss before income tax</b>	9,715	7,505
<b>Assets</b>		
<b>Total assets for reportable segments</b>	113,229	92,790
Other assets	6,981	6,597
Elimination of inter-segment assets	(13,538)	(13,538)
<b>Consolidated assets</b>	106,672	85,849

	Consolidated	
	June 11	June 10
	\$000's	\$000's
<b>Liabilities</b>		
<b>Total liabilities for reportable segments</b>	104,150	89,138
Other liabilities	52,104	4,682
Elimination of inter-segment liabilities	(80,692)	(32,381)
<b>Consolidated liabilities</b>	<b>75,562</b>	<b>61,439</b>

Other material items	2011			2010		
	Reportable segment totals	Other	Consolidated totals	Reportable segment totals	Other	Consolidated totals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation	26,159	520	26,679	21,239	457	21,696
Loss on sale of property plant and equipment	2,416	-	2,416	2,041	-	2,041
Property plant and equipment acquired	66,745	484	67,229	50,450	354	50,804

#### 14 Parent entity information

As at, and throughout, the financial year ended 30 June 2011 the parent company of the Group was Silver Chef Limited.

	Note	June 11	June 10
		\$000	\$000
<b>Result of the parent entity</b>			
Profit for the year		19	4,071
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>19</b>	<b>4,071</b>

#### Financial position of parent entity at year end

Current assets	3,943	2,838
<b>Total assets</b>	<b>87,607</b>	<b>41,316</b>
Current liabilities	2,041	2,234
<b>Total liabilities</b>	<b>65,522</b>	<b>18,162</b>

	Note	Consolidated	
		June 11	June 10
		\$000	\$000
<b>Total equity of the parent entity comprising of:</b>			
Share capital	24	21,157	16,940
Retained earnings		928	6,214
<b>Total equity</b>		<b>22,085</b>	<b>23,154</b>

#### Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

GST liabilities of other entities within the GST Group	103	106
Tax liabilities of other entities within the tax consolidated group	3,219	690

#### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity is part of the Group's fixed and floating charge registered by Commonwealth Bank of Australia which secures the Groups' assets against the current banking facilities.

#### Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 35.

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

	Consolidated	
	June 11	June 10
	\$000	\$000

### Parent entity commitments

#### Operating leases:

Rental of premises

Minimum lease payments under non-cancelable operating leases according to the time expected to elapse to the expected date of payment:		
Not later than one year	401	571
Later than one year not later than five years	667	1,010
	1,068	1,581

Other (office equipment)

Not later than one year	36	36
Later than one year not later than five years	50	86
	86	122

#### Hire purchase:

The Group has acquired rental equipment by means of hire purchase.

Time expected to elapse to expected date of payment:

Not later than one year	68	88
Future finance charges	(12)	(10)
Carrying amount of hire purchase liabilities	56	78
Later than one year and not later than five years	112	43
Future finance charges	(8)	(2)
Carrying amount of hire purchase liabilities	104	41
Total carrying amount of hire purchase liabilities	160	119

### 15 Trade and other receivables

Trade receivables	3,516	4,353
Other receivables	1,000	1,035
Allowance for impairment losses – see note (a) below	(1,132)	(1,718)
	3,384	3,670

(a) Trade receivables and impairment for losses

The ageing of trade receivables at 30 June 2011 is detailed below:

	Consolidated			
	2011		2010	
	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000
Not past due	-	-	-	-
Past due 1-4 weeks	773	-	63	-
Past due 5-7 weeks	208	-	284	-
Past due 8-12 weeks	256	(87)	452	(112)
Past due + 12 weeks	2,279	(1,045)	3,554	(1,606)
	3,516	(1,132)	4,353	(1,718)

Rental contracts require customers to pay weekly via direct debits to their nominated bank account in accordance with their rental agreement. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position.

In determining whether a balance is impaired, the Group takes into account the following criteria:

- whether the business is still operating;
- whether there is dialogue between the customer and the Group;
- whether the location of the rental assets is known and accessible;
- whether the Group can locate the customer; and
- whether any other form of security is held.

The Group holds security for a number of trade receivables in the form of guarantees and deeds of undertaking. Security deposits are required for all rental contracts.

The Group have used the following criteria to assess the allowance loss for trade receivables:

- An individual account by account assessment based on current arrears;
- Any knowledge of debtors' insolvency or other credit risk; and
- Type of rental assets held.

If there is no agreed payment schedule in place, the assets are repossessed where possible. Once the assets are repossessed, the final arrears position is finalised netting off the security bond and steps instigated to pursue recovery of remaining debt through various means.

Receivables past due but not considered impaired in the Group is \$ 2,384,000 (2010:\$ 2,635,000). Management is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received in full.

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

	<b>Consolidated</b>	
	<b>Year ended 30 June</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	(1,718)	(1,085)
- additional provisions	(1,663)	(1,846)
- amounts used	2,249	1,213
Closing balance	(1,132)	(1,718)

#### **Operating leases**

Plant and equipment is leased to various industries including hospitality

#### **Included in current receivables**

Lease commitments receivable	2,514	2,988
Less provision for impairment	(794)	(971)
	<b>1,720</b>	<b>2,017</b>

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

		Consolidated	
		June 11	June 10
		\$000	\$000
Future minimum lease receipts in respect of non-cancellable leases according to the time expected to elapse to the expected date of receipt:			
Rental equipment			
Not later than one year		27,327	20,559
Greater than one, less than five		-	-
		27,327	20,559
Rental contracts are normally for a minimum of twelve months duration.			
Rental properties			
Not later than one year		15	40
Greater than one, less than five		-	-
		15	40
<b>16 Other assets</b>			
<b>Current</b>			
Prepayments		290	131
<b>17 Properties</b>			
<b>Current</b>			
Properties – at fair value		1,464	1,721
<b>Non-current</b>			
Properties at fair value		1,590	2,299
Carrying amount of properties pledged as security for liabilities		3,054	4,020
<p>Three properties (2010: four properties) have been classified as a current asset. At 30 June 2011 it was the Group's intention to sell these assets in the 2012 financial year. Subsequent to 30 June 2011 one investment property was contracted to be sold for \$370,000 (carrying value \$ 350,000).</p> <p>The intention is to dispose of all properties in a 1-2 year time period. All properties other than those classified as current are leased for periods less than 12 months.</p> <p>The carrying amount of properties is the fair value of the property as determined by either independent valuers having recent experience in the location of the property being valued, or by director's valuations as at 30 June 2011. Fair values were determined having regard to recent market transactions of similar properties in similar locations.</p>			
Movements during the year:			
Beginning of year		4,020	6,452
Revaluation		(303)	(560)
Disposals		(663)	(1,872)
End of the year		3,054	4,020

Refer note 15 for lease information

## 18 Property plant and equipment

	Consolidated	
	June 11	June 10
	\$000	\$000
<b>Plant and equipment</b>		
At cost	2,127	1,645
Less accumulated depreciation	(1,161)	(940)
<b>Total</b>	<b>966</b>	<b>705</b>
Movements during the year:		
<b>Plant &amp; equipment</b>		
Beginning of year	705	550
Additions	550	410
Depreciation expense	(244)	(216)
Disposals	(45)	(39)
<b>End of the year</b>	<b>966</b>	<b>705</b>
<b>Rental assets</b>		
At cost	141,936	109,770
Less accumulated depreciation	(46,076)	(35,857)
Less provision for impairment	(1,076)	(531)
<b>Total</b>	<b>94,784</b>	<b>73,382</b>
Movements during the year:		
<b>Rental assets</b>		
Beginning of year	73,382	57,026
Additions	66,743	50,451
Depreciation expense	(26,159)	(21,205)
Disposals	(18,218)	(12,372)
Impairment loss (see note i below)	(964)	(518)
<b>End of the year</b>	<b>94,784</b>	<b>73,382</b>
<b>Total plant and equipment</b>	<b>95,750</b>	<b>74,087</b>
(i) Impairment of rental plant and equipment.		
Assessments are made monthly on the recoverable amount of idle rental assets. As a result impairment losses of \$964,000 (2010: \$518,000) were recognised throughout the year. No impairment losses have been reversed (2010: Nil)		
<b>Assets leased out under operating leases and included in rental assets (as detailed above):</b>		
Rental assets – at cost	135,207	101,560
Less accumulated depreciation	(43,711)	(32,298)
	<b>91,496</b>	<b>69,262</b>
Depreciation recognised as an expense	25,153	17,122
Carrying amount of rental equipment pledged as security for liabilities	91,496	69,262

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

	Consolidated	
	June 11	June 10
	\$000	\$000

19 Intangibles		
Intangibles – software at cost	1,510	1,371
Less accumulated amortisation	(1,126)	(852)
	384	519
Intangibles – trademarks	9	9
Less accumulated amortisation	(9)	(9)
	-	-
Total intangibles	1,519	1,380
Less accumulated amortisation	(1,135)	(861)
	384	519

Details of the individual intangible assets are:

Details	Cost \$000	Carrying value \$000	Remaining amortisation period
Financial accounting software	305	31	6 months
Rental contract software	1,066	217	12 months
Oracle software	139	136	48 months
	1,510	384	

Reconciliation of carrying amount at the beginning and end of the period.

Software		
Beginning of year	519	794
Additions	141	-
Amortisation	(276)	(275)
End of year	384	519

20 Trade and other payables		
<b>Current</b>		
Creditors and accruals (unsecured)	3,257	1,876
Deferred revenue and customer security bonds	17,809	14,482
	21,066	16,358

21 Loans and borrowings		
<b>Current</b>		
Secured:		
Hire purchase liabilities	53	78
Property Bank loans	1,724	-
	1,777	78

	Consolidated	
	June 11	June 10
	\$000	\$000

#### Non-current

##### Secured:

Hire purchase liabilities	104	41
Secured bank loans	50,300	43,053
CBA setup costs	(342)	(378)
	50,062	42,716

#### Bank loans

At 30 June 2011, the Group's bankers have provided funding to the Group under a facility which expires on 17 August 2013 except for the property bank facility which expired on 17 August 2011. Subsequent to year end the property facility was renewed to 17 August 2012.

Summary of loan facilities	Used	Unused
	\$	\$
Hire purchase liabilities	157	300
Commercial bills	50,300	19,700
Property facility	1,724	-

(i) The facility provided by CBA has an approved limit of \$70.0 million, excluding the property and other transactional facilities.

#### Details of security

- (i) Hire purchase and finance lease liabilities are secured by the respective plant and equipment.
- (ii) CBA facility is secured by way of a fixed and floating charge over the assets of the Group.

## 22 Tax assets & tax liabilities

Current liability tax payable	1,825	1,842
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## 23 Employee benefits

#### Current

Employee benefits annual leave	406	333
Employee benefits other	73	-
Employee benefits long service leave	82	-
	561	333

#### Non-current

Employee benefits long service leave	80	112
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## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

		Consolidated	
		June 11	June 10
		\$000	\$000

### 24 Share capital

#### Share capital

Ordinary shares fully paid	21,157	16,940
	<b>June 11</b>	<b>June 10</b>
(a) Ordinary shares (no par value)	<b>Number</b>	<b>Number</b>
<b>Movements during the year</b>		
Balance at the beginning of the year	21,757,495	15,944,465
Shares issued		
– Share placement	-	2,000,000
– Rights issue	-	3,305,567
– Shares issued dividend reinvestment plan	272,276	507,463
– Shares issued DRP shortfall agreement	1,088,069	-
– Options exercised	40,000	-
Balance at end of year	23,157,840	21,757,495

#### Terms and conditions

The Company does not have authorised capital or par value in respect of its issued shares.

Fully paid ordinary shares carry the right to one vote at a meeting of the Company. Shareholders also have the right to receive dividends as declared and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

Note 33 provides details of share options granted during the period.

Issuance of ordinary shares

In conjunction with the Dividend Reinvestment Plan and the DRP shortfall placement by RBS Morgan, 1,360,345 ordinary shares were issued during the period. (2010: 507,463 shares)

In addition 40,000 ordinary shares were issued as a result of the exercise of options. Options were exercised at an average price of \$1.96. (2010: Nil)

In the corresponding period last year 5,305,567 ordinary shares were issued in conjunction with a share placement and a 1 for 4 rights issue.

### 25 Dividends

The following dividends were declared and paid by the Group

	Cents per share	Total Amount \$'000	Franked / unfranked	Date of payment
<b>2011</b>				
Final dividend – 2010	10.0	2,177	Franked	30 September 2010
Interim dividend – 2011	9.0	2,030	Franked	31 March 2011
		4,207		
<b>2010</b>				
Final dividend – 2009	10.0	1,595	Franked	15 January 2010
Interim dividend – 2010	8.0	1,700	Franked	31 March 2010
		3,295		

All dividends paid or declared by the Company since the end of the previous financial year were fully franked.

#### Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final dividend – 2011	11.0	2,547	Franked	30 September 2011
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The financial effect of this fully franked dividend has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial reports.

Franking credit balance	Consolidated	
	2011	2010
	\$000	\$000
The amount of franking credits available for the subsequent financial year are:		
• franking account balance as at the end of the financial year at 30% (2010: 30%)	3,545	1,949
• franking (debits)/credits that will arise from the refund/ payment of income tax payable as at the end of the financial year	1,825	1,842
	5,370	3,791

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability.
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the yearend.
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidation group at the year-end.
- (b) franking credits that the entity may be prevented from distributing in subsequent years.

The impact on the franking account of dividends proposed after balance sheet date but not recognised as a liability is to reduce it by \$1,091,726.

The ability to utilise the franking credits is dependent upon there being sufficient available assets to declare dividends.

## 26 Financial and capital risk management

### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments. The Group's exposure to credit risk arises from potential default of the counter party. Exposure at balance date is addressed in note 15.

In addition, receivable balances are monitored on an ongoing daily basis to minimise the Group's exposure to bad debts.

The Group have established an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individual contracts that are in default and the likelihood of recovery is uncertain.

### Maximum exposure to credit risk

Trade and other receivables	3,384	3,670
Cash and cash equivalents	1,523	1,446
Interest rate swaps used for hedging	10	98
	4,917	5,214

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans and committed available credit lines.

### Contractual maturity analysis for financial liabilities:

30 June 2011	Less than 6 months	6-12 months	More than 1 and less than 5 years	More than 5 years	Total
			\$000	\$000	\$000
<b>Non derivative financial liabilities</b>					
Trade accounts payable	1,383	-	-	-	1,383
Customer security bonds	12,513	4,670	-	-	17,183
Secured bank facilities	-	1,724	50,300	-	52,024
Lease/HP liabilities	34	34	112	-	180
	13,930	6,428	50,412	-	70,770
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging	38	39	113	-	190
Interest payments	1,550	1,538	3,479	-	6,567
	15,518	8,005	54,004	-	77,527

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

30 June 2010	Less than 6 months	6-12 months	More than 1 and less than 5 years \$000	More than 5 years \$000	Total \$000
<b>Financial liabilities</b>					
Trade accounts payable	1,248	-	-	-	1,248
Customer security bonds	9,788	4,301	-	-	14,089
Secured bank facilities	-	-	43,053	-	43,053
Lease/HP liabilities	44	44	43	-	131
	11,080	4,345	43,096	-	58,521
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging	-	-	-	-	-
Interest payments	1,443	1,443	1,237	-	4,123
	12,523	5,788	44,333	-	62,644

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 21.

The Group adopts a policy of ensuring that a minimum 50% of its projected exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest rate swaps.

As at 30 June 2011, the Group has the following fixed interest rate swaps:

Amount	Fixed Rate	Start Date	Maturity
\$5 million	4.48%	25 November 2010	1 July 2011
\$25 million	4.46%	23 November 2010	1 July 2011
\$10 million	5.25%	1 July 2011	2 January 2013
\$10 million	5.25%	1 July 2011	2 April 2013
\$10 million	5.25%	1 July 2011	1 July 2013

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternate hedging positions and the mix of fixed and variable interest rate.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated	
	As at 30 June	
	2011 \$000	2010 \$000
<b>Financial assets-current</b>		
Cash	1,523	1,446
<b>Financial liabilities – non current</b>		
Secured bank facilities	22,024	13,053

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
<b>Consolidated</b>				
+0.5% (50 basis points)	(96)	(62)	-	-
-0.5% (50 basis points)	96	62	-	-

	Consolidated	
	June 11	June 10
	\$000	\$000
<b>Fived interest rate swap carrying values</b>		
Current financial asset	10	98
Current financial liability	(77)	-
Non-current financial asset	-	98
Non-current financial liability	(113)	-

As at 30 June 2011, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows

1-2 years	30,000	30,000
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#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs)

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
<b>30 June 2011</b>				
Derivative financial asset	-	10	-	10
Derivative financial liability	-	(190)	-	(190)
	-	(180)	-	(180)

#### 30 June 2010

Derivative financial assets	-	196	-	196
Derivative financial liabilities	-	-	-	-
	-	196	-	196

The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly into profit and loss.

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Interest bearing loans of the Group currently bear an average variable interest rate of 5.68%. In order to protect against anticipated rising interest rates the Group has entered into interest rate swap contracts under which it has a right to pay interest at fixed rates. Swaps in place as at 30 June 2011 cover approximately 57% (2010:69%) of the principal outstanding. The fixed interest rates range between 4.46% and 5.25% (2010: 4.46% and 4.48%).

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

	Consolidated	
	June 11	June 10
	\$000	\$000
Movement in fair value interest rate forward currency contracts		
Opening balance	196	217
Fair value adjustment to profit and loss	(376)	(21)
Closing balance	(180)	196

The closing balance of \$180,000 (2010: \$196,000) represents the maximum exposure to credit risk at balance date.

### 27 Commitments

#### Operating leases:

Rental of premises

Minimum lease payments under non-cancelable operating leases according to the time expected to elapse to the expected date of payment:

Not later than one year	401	571
Later than one year not later than five years	667	1,010
	1,068	1,581

Other (office equipment)

Not later than one year	36	36
Later than one year not later than five years	50	86
	86	122

#### Hire purchase:

The Group has acquired rental equipment by means of hire purchase.

Reconciliation of hire purchase commitments of the Group to the carrying amount of hire purchase liabilities:

Time expected to elapse to expected date of payment:

Not later than one year	68	88
Future finance charges	(12)	(10)
Carrying amount of hire purchase liabilities	56	78

Later than one year and not later than five years	112	43
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Future finance charges	(8)	(2)
Carrying amount of hire purchase liabilities	104	41

Total carrying amount of hire purchase liabilities	160	119
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#### Hire purchase liabilities

Current – refer note 21	56	78
Non-current – refer note 21	104	41
	160	119

	Consolidated	
	June 11	June 10
	\$000	\$000

### Employee remuneration commitment

Commitment under non-cancellable employment contract not provided for in the financial statements and payable:

Within one year	350	350
One year or later and no later than five years	-	-
	350	350

### 28 Contingent liabilities

Bank guarantees totaling \$149,370 exist as at 30 June 2011 (2010: \$149,370)

### 29 Controlled entities

	Balance Date	Country of Incorporation	% of shares held	
			30 June 11	30 June 10
Silver Chef Finance Company Limited	30 June	Australia	100	100
Silver Chef Rental Pty Ltd	30 June	Australia	100	100
GoGetta Equipment Funding Pty Ltd	30 June	Australia	100	100
Silver Chef Rentals Limited (1)	30 June	New Zealand	100	-
GoGetta Equipment Funding Limited (1)	30 June	New Zealand	100	-

(1) - New Zealand companies were incorporated on 7 June 2011 and did not trade in the year ended 30 June 2011.

### 30 Notes to the statement of cash flows

#### (a) Reconciliation of net profit to cash flows from operating activities

Net profit from ordinary activities	6,691	5,216
Add		
- depreciation	26,404	21,421
- amortisation – borrowing costs	518	330
- amortisation of intangibles	276	275
Movement in impairment for loss in receivables	(586)	633
Movement in interest payable	-	-
Movement in impairment provision	964	521
Loss (gain) on sale of fixed assets	2,416	2,041
Loss (gain) properties	4	66
Fair value adjustment to investment property	303	560
Movement in tax payable	(17)	2,046
Fair value of options included in share capital		-
Movement in deferred tax liability	(118)	336
Movement in deferred tax asset	(379)	(1,351)
Movement in assets/liabilities		
- trade accounts receivable	719	(1,176)
- other current assets	(160)	(15)
- derivative financial instruments	376	21
- creditors and accruals	2,401	804
- deferred revenue, advances and bonds	3,325	3,185
- provision employee benefits	195	121
- GST clearing	144	217
Net cash provided by operating activities	43,476	35,251

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

### (b) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	1,523	1,446
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### (c) Non-cash investing and financing activities

During the year ended 30 June 2011, the Group acquired property plant and equipment by means of hire purchase \$129,260 (2010: \$92,335).

The above transactions are not reflected in the statement of cash flows.

## 31 Key management personnel

### Remuneration of Directors and Senior Executives

#### Directors' and executive officers' emoluments

Remuneration levels for directors, secretaries and senior managers of the Group are determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice.

The remuneration structures in place in the Group are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account the following –

- The capability and experience of the directors and senior executives; and
- The directors and senior executive's ability to control the financial performance of its operations.

#### Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

#### Performance-linked remuneration

Performance linked remuneration includes both short-term and long-term incentives, and is designed to reward senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is also provided in the form of cash.

#### Short-term incentive bonus

Each year the key performance indicators (KPIs) are set for the senior executives. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objectives are 'profit before tax' compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety, customer satisfaction and staff development.

#### Long-term incentive

This incentive scheme is based on growth in earnings per share (EPS). For senior executives to obtain benefit from this scheme, earnings per share growth must exceed 10% per annum. Part of any benefit earned is payable each year after holding back a retention amount with the balance being earned and paid based on compound growth in EPS over a four year period. The level of bonus increases in steps between the minimum at 10% per annum and a maximum of 21% EPS growth.

#### Short-term and long-term incentive structure

The Board considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence for this is firstly, the growth in profits and earnings per share over the last five years. In the current year the Group exceeded its stretch targets, with most segments meeting budgeted results.

#### Equity and note holdings and transactions

The movement during the reporting period in the number of ordinary shares of Silver Chef Limited held, directly, indirectly or beneficially, or if no beneficial interest an ability to control, by each director and senior executive, including their related entities is as follows:

**31 Key management personnel (continued)**

Shares held in Silver Chef Limited (number)

2011	Balance 1 July 10	Purchased	Options exercised	Dividend reinvestment plan	Balance 30 June 11
<b>Directors</b>					
Andrew Kemp	829,816	6,900	-	41,278	877,994
Allan English	9,363,706	10,000	-	13,710	9,387,416
Bede King	45,823	9,000	-	2,858	57,681
<b>Alternate Director</b>					
Don Mackenzie	19,945	2,000	-	1,243	23,188
<b>Senior Executives</b>					
Charles Gregory	40,000	850	-	-	40,850
Neil Burton	1,500	-	-	93	1,593
Jim Quinn	-	-	-	-	-
Mike DeGruyter	266,983	53,136	-	9,242	329,361
Damien Guivarra	8,930	-	20,000	-	28,930
Sylvia Po-Ching	-	-	10,000	-	10,000
<b>Total</b>	<b>10,576,703</b>	<b>81,886</b>	<b>30,000</b>	<b>68,424</b>	<b>10,757,013</b>

2010	Balance 1 July 09	Purchased	Rights Issue	Placement	Dividend reinvestment plan	Balance 30 June 10
<b>Directors</b>						
Andrew Kemp	610,776	-	152,697	40,000	26,343	829,816
Allan English	8,242,200	-	800,000	-	321,506	9,363,706
Bede King	11,400	-	2,850	30,000	1,573	45,823
<b>Alternate Director</b>						
Don Mackenzie	7,408	-	1,853	10,000	684	19,945
<b>Senior Executives</b>						
Charles Gregory	500	-	7,500	32,000	-	40,000
Neil Burton	-	1,500	-	-	-	1,500
Jim Quinn	-	-	-	-	-	-
Mike DeGruyter	236,786	-	30,197	-	-	266,983
Damien Guivarra	4,499	-	4,125	-	306	8,930
Sylvia Po-Ching	-	-	-	-	-	-
<b>Total</b>	<b>9,113,569</b>	<b>1,500</b>	<b>999,222</b>	<b>112,000</b>	<b>350,412</b>	<b>10,576,703</b>

**Options and rights over equity instruments holdings**

2011	Held at 1 July 2010	Lapsed	Exercised	Held at 30 June 2011	Vested at 30 June	Vested & Exercisable at 30 June	Vested & Un- exercisable at 30 June
<b>Directors</b>							
Allan English	-	-	-	-	-	-	-
Andrew Kemp	-	-	-	-	-	-	-
Bede King	-	-	-	-	-	-	-
<b>Alternate Director</b>							
Don Mackenzie	-	-	-	-	-	-	-
<b>Senior executives</b>							
Charles Gregory	150,000	-	-	150,000	150,000	150,000	-
Neil Burton	-	-	-	-	-	-	-
Jim Quinn	-	-	-	-	-	-	-
Mike DeGruyter	-	-	-	-	-	-	-
Damien Guivarra	20,000	-	(20,000)	-	-	-	-
Sylvia Po-Ching	10,000	-	(10,000)	-	-	-	-
	<b>180,000</b>	<b>-</b>	<b>(30,000)</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>-</b>

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

2010	Held at 1 July 2009	Granted as remuneration	Exercised	Held at 30 June 2010	Vested at 30 June 2010	Vested & Exercisable at 30 June 2010	Vested & Un-exercisable at 30 June 2010
<b>Directors</b>							
Allan English	-	-	-	-	-	-	-
Andrew Kemp	-	-	-	-	-	-	-
Bede King	-	-	-	-	-	-	-
<b>Alternate Director</b>							
Don Mackenzie	-	-	-	-	-	-	-
<b>Senior executives</b>							
Charles Gregory	150,000	-	-	150,000	100,000	100,000	50,000
Neil Burton	-	-	-	-	-	-	-
Jim Quinn	-	-	-	-	-	-	-
Mike DeGruyter	-	-	-	-	-	-	-
Damien Guivarra	20,000	-	-	-	20,000	20,000	-
Sylvia Po-Ching	10,000	-	-	10,000	10,000	10,000	-
	180,000	-	-	160,000	130,000	130,000	50,000

### Key management personnel compensation.

The key management personnel compensation comprised:

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	1,432,775	1,452,506
Other long-term benefits	117,584	30,005
Post-employment benefits	103,771	90,768
Share-based payments	365	1,629
	1,654,495	1,574,908

## 32 Other related parties

### Other transactions with the Company or its controlled entities

A number of directors and senior executives, or their related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amount recognised during the year relating to directors, senior executives and their personally-related entities, were total expenses of \$ 35,469 (2010: \$9,487). Details of the transactions are as follows:

	Transaction	Note	2011	2010
Directors			\$000	\$000
Bede King	Legal advice	(i)	35	10
			35	10

(i) Legal fees paid to Tobin King Lateef, a law firm in which Bede King is a partner. Services provided were on normal commercial basis.

The classes of non-director related parties are:

- Wholly-owned controlled entities
- Associated entities

### Percentage of equity interest

Details of equity interests held in classes of related parties are set out as follows:

Controlled entities refer note 29

### Ultimate parent entity

The ultimate parent entity in the wholly owned group is Silver Chef Limited.

### 33 Employee share option plan

The Employee Share Option Plan is administered by the Board, which may make offers of Options to 'eligible employees' (including directors, senior managers and employees) for no consideration as a bonus component to their remuneration. Each Option entitles the Option holder to subscribe for one Share at a specified exercise price.

The options do not provide for any voting rights or rights to dividends prior to the option being exercised.

	2011	2011	2010	2010
	No.	WAEP*	No.	WAEP*
Outstanding at the beginning of the year	190,000	1.74	190,000	1.74
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(40,000)	1.96	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	150,000	1.57	190,000	1.74
Exercisable of the end of the year	150,000	1.57	140,000	1.57

\*WAEP weighted average exercise price

The details of options outstanding at 30 June 2011 are as follows:

Name of grantee	Tranche	Number of options	Exercise price	Exercise and vesting dates	Expiry date
Charles Gregory	1	25,000	\$1.26	31 December 2008	31 December 2011
	2	25,000	\$1.41	30 June 2009	30 June 2012
	3	50,000	\$1.66	30 June 2010	30 June 2013
	4	50,000	\$1.96	30 June 2011	30 June 2014

Options granted to Charles Gregory were issued on 1 July 2008. Options vested on the expiry of predetermined dates as detailed above.

### 34 Events subsequent to balance date

Dividend

Subsequent to 30 June 2011, a dividend of 11 cents per share, 100% fully franked was declared by the directors on 22 August 2011. The dividend has not been provided for in the 30 June 2011 financial report.

Properties

Subsequent to 30 June 2011 one investment property was contracted to be sold for \$370,000 (carrying value \$ 350,000).

### 35 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Silver Chef Rentals Pty Ltd
- GoGetta Equipment Funding Pty Ltd

## SILVER CHEF LIMITED

Notes to the financial statements for the year ended 30 June 2011

### 35 Deed of Cross Guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2011 is set out as follows:

#### Statement of comprehensive income

	June 11	Re-stated*
	\$000's	June 10 \$000's
Revenue	62,929	49,352
Expenses from ordinary activities	(45,911)	(36,165)
Finance costs	(4,204)	(2,994)
Change in fair value of derivative financial instruments	(376)	(21)
Change in fair value of properties	(303)	(560)
Loss on sale of plant and equipment	(2,416)	(2,041)
Loss on sale of properties	(4)	(66)
<b>Profit before income tax</b>	<b>9,715</b>	<b>7,505</b>
Income tax expense	(3,024)	(2,289)
<b>Profit attributable to members of the parent</b>	<b>6,691</b>	<b>5,216</b>
Other comprehensive income	-	-
<b>Total comprehensive income attributable to members of the parent</b>	<b>6,691</b>	<b>5,216</b>

\* refer note 3 correction of error

	Consolidated	
	June 11	June 10
	\$000	\$000
<b>35 Deed of Cross Guarantee (continued)</b>		
<b>Statement of financial position</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,523	1,446
Trade and other receivables	3,384	3,670
Properties held for sale	1,464	1,721
Derivative financial instruments	10	98
Other assets	290	131
<b>Total current assets</b>	<b>6,671</b>	<b>7,066</b>
<b>Non-current assets</b>		
Trade and other receivables	13,464	13,464
Properties	1,590	2,299
Property plant and equipment	95,750	74,099
Intangibles	384	519
Deferred tax assets	2,277	1,746
Derivative financial instruments	-	98
<b>Total non-current assets</b>	<b>113,465</b>	<b>92,225</b>
<b>Total assets</b>	<b>120,136</b>	<b>99,291</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	21,066	16,370
Loans and borrowings	1,777	78
Current tax payable	1,825	1,842
Derivative financial instruments	77	-
Employee benefits	561	333
<b>Total current liabilities</b>	<b>25,306</b>	<b>18,623</b>
<b>Non-current liabilities</b>		
Trade and other payables	13,409	13,409
Loans and other borrowings	50,062	42,716
Derivative financial instruments	113	-
Employee benefits	80	112
<b>Total non-current liabilities</b>	<b>63,664</b>	<b>56,237</b>
<b>Total liabilities</b>	<b>88,968</b>	<b>74,860</b>
<b>Net assets</b>	<b>31,166</b>	<b>24,431</b>
<b>EQUITY</b>		
Share capital	21,157	16,940
Retained earnings	10,009	7,491
<b>Total equity</b>	<b>31,166</b>	<b>24,431</b>

\* refer note 3 correction of error

## Directors' Declaration

- 1 In the opinion of the directors of Silver Chef Limited ('the Company'):
  - (a) the consolidated financial statements and notes that are set out on pages 36 to 71 and the Remuneration report in on pages 21 to 25 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in note 35 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.
- 4 The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



Allan English  
Director  
Brisbane  
22 August 2011



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

### *Report on the financial report*

We have audited the accompanying financial report of Silver Chef Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 35 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 year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### *Report on the remuneration report*

We have audited the Remuneration Report included on pages 21 to 25 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the Remuneration Report of Silver Chef Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

*KPMG*

KPMG

Simon Crane  
Partner

Brisbane  
22 August 2011

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**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 audit for the financial year ended 30 June 2011 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

Simon Crane  
Partner

Brisbane  
22 August 2011

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# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

## SHAREHOLDINGS AS AT 2 SEPTEMBER 2011

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of ordinary shares
Tessana Pty Ltd < A English Family Trust>	9,387,416
Contemplator Pty Ltd <ARG Pension Fund A/C>	2,544,666

## VOTING RIGHTS

### Ordinary shares

Every holder of ordinary shares has the right to receive notices of, to attend and to vote at the general meetings of the Company. On a show of hands every shareholder present at a meeting in person or by proxy, attorney or representative is entitled to one vote and upon a poll each share is entitled to one vote.

### Options

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

## DISTRIBUTION OF SECURITY HOLDERS

### Number of security holders

Category	Ordinary shares	Options
1 – 1,000	319	-
1,001 – 5,000	486	-
5,001 – 10,000	211	-
10,001 – 100,000	187	-
100,001 and over	18	1
	1,221	1

The number of shareholders with less than a marketable parcel of ordinary shares is 117.

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

# ASX ADDITIONAL INFORMATION

## TWENTY LARGEST SHAREHOLDERS AS AT 2 SEPTEMBER 2011

Name	Number of ordinary shares held	Percentage of capital held
Tessana Pty Ltd <Allan English Family A/C>	8,387,416	36.18
English Family Foundation Pty Ltd <English Family Foundation A/C>	1,000,000	4.31
Contemplator Pty Ltd <Arg Pension Fund A/C>	1,000,000	4.31
Ruminator Pty Ltd	1,000,000	4.31
Cogent Nominees Pty Limited	991,355	4.28
Huntington Group Pty Limited <S A/C>	442,328	1.91
Atkone Pty Ltd	384,034	1.66
Huntington Investment Services Pty Ltd <Huntington Investment A/C>	260,309	1.12
Stitching Pty Ltd <Ssg Superannuation Fund A/C>	250,000	1.08
Paraway Pty Ltd	226,285	0.98
National Nominees Limited	224,333	0.97
De Gruyter Pty Ltd <De Gruyter Super Fund A/C>	187,378	0.81
Illabarook Pty Ltd	179,112	0.77
De Gruyter Investments Pty Ltd <De Gruyter Family A/C>	141,983	0.61
Demandem Holdings Pty Ltd <Super Fund A/C>	137,520	0.59
Huntington Group Pty Limited	107,403	0.46
Mr Peter Mervyn Moon & Mrs Vicki Ann Moon <The Moon Super Fund A/C>	103,000	0.44
Harvels Pty Ltd	100,000	0.43
Ms Alison Irving	94,087	0.41
Jollycat Pty Ltd <The Kennedy Super Fund A/C>	92,588	0.40
	<b>15,309,131</b>	<b>66.04</b>

# CORPORATE DIRECTORY

Silver Chef Limited

ACN 011 045 828

## Company Directory

### Directors

Allan English (Non-executive chairman )  
Andrew Kemp (Non-executive director)  
Bede King (Non-executive director)

### Alternate Director

Don Mackenzie (Chairman of Audit and Risk Management Committee)

### Company Secretary

Don Mackenzie

### Chief Executive Officer

Charles Gregory B. Comm, MBA

### Chief Financial Officer

Neil Burton CPA, ACIS

### Registered Office and Principal Place of Business

14 Finchley Street  
Milton Qld 4064  
Telephone: 07 3335 3300  
Facsimile: 07 3335 3399  
[www.silverchef.com.au](http://www.silverchef.com.au)

### Auditors

KPMG

### Solicitors

McCullough Robertson  
Tobin King Lateef

### Share Register

Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001  
Phone: 1300 737 760  
Fax: 1300 653 459  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Brisbane.  
Code: Shares – SIV

### Other information

Silver Chef Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# NOTES

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**Silver Chef Limited**

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