

SILVER LINING



SILVER CHEF INVESTOR NEWSLETTER
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2010 A Year of Silver Chef Success



CEO Charles Gregory out in the field

AGM Results

- Chairman Allan English and CEO Charles Gregory confirm positive outlook for 2011 financial year
- Allan English re-elected Director and continues as non-executive Chairman
- Provisions made for possible future appointment of two additional Directors
- A copy of the Chairman's and CEO's address can be found at www.silverchef.com.au/shareholders

2010 has been a year of accomplishments for Silver Chef.

It has been our most successful year since listing on the Australian Stock Exchange (ASX) five years ago.

Our financial performance tells a story of strong, sustained growth.

Silver Chef's revenues from rental income increased by 40.7 percent to \$49.1 million. The value of our rental assets increased 37 percent to \$109.5 million.

Our net profit before tax almost doubled, increasing by 91 percent to \$7.5 million. On an after-tax basis, profit increased by 53 percent to \$5.5 million.

Silver Chef shareholders have enjoyed increases in earnings per share through dividends.

Our Dividend

Our annual dividend increased to a fully-franked 18 cents per share from the previous year's 14 cents. Basic Earnings Per Share was 28 cents, a rise of 24.4 percent from the previous 22.5 cents per share. On a compounded annual basis, the growth rate in EPS has been 23.1 percent since the 2005 listing. Our Return on Average Shareholder Funds was 27.6 percent for the year, up from 25.6 percent.

These results build on our consistent, year-on-year growth since 2007.

There are key ingredients to this success.

Our business model is structured to achieve organic growth across the business – we have a strong product in Rent-Try-Buy®.

Silver Chef has already successfully established a strong position in the rental equipment market. While our Hospitality Division is our core business, the new GoGetta brand is showing our rental offer can create opportunities across other business sectors.

Silver Chef's business model spreads risk across a range of customers, contracts, dealers and assets while generating a highly predictive, annuity-style income.

Resilient Business Model

Our model is resilient. The high utilisation of our rental assets has meant we have continued to grow in times of economic difficulty and recovery. By renting, our customers can retain working capital for growing their businesses.

Another important ingredient in Silver Chef's recipe for success – is a secure and steady stream of funding.

We have achieved this through the impressive support from our shareholders. Last November we completed a \$6.53 million capital raising. This comprised a \$2.5 million share placement as a \$4.03 million entitlement offer. We also introduced a Dividend Reinvestment Plan to provide shareholders with an additional avenue of managing their shareholder returns. Those participating in the first DRP, at the end of the first half, received shares allotted at \$2.25 each, which included a five percent discount. For the final dividend, shares were allotted at \$2.87 each, which also included a five percent discount.

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Kelvin Marks – A Real GoGetta

In the past financial year 2009/2010 as GoGetta's Queensland Regional Sales Manager, Kelvin achieved the highest sales budget ever recorded in Silver Chef's 24 year history.

Silver Chef Chief Executive Officer Charles Gregory said the remarkable result had seen Kelvin appoint and manage in excess of 70 vendors and 50 financial brokers who have each promoted and sold the GoGetta product.

"Kelvin has been central to growing our business," Mr Gregory said. "Through GoGetta Kelvin has taken our product

to new sectors beyond hospitality to multiple industries and equipment types.

"From cleaning to excavating, trailers to compressors, Kelvin has driven the development of our business in Queensland."

Kelvin said he was thrilled to have contributed to the Company's strong and consistent growth.

"I first came to Silver Chef in 2006 as an Account Executive before taking on the challenge of a regional Sales Position," Kelvin said.



"I joined GoGetta in 2008 as the Regional Sales Manager and I have relished the opportunity to take our model to new markets.

"I love the challenge and the chance to help people build successful businesses across different industries."

2010 A Year of Silver Chef Success *continued*

DRP has been very effective in assisting us to preserve funds that can be used for purchasing rental assets. It also helps shareholders who wish to increase their equity in the company.

Cash Flow

Our cash flows and the new \$74.7 million debt facility with the Commonwealth Bank also allow us to purchase rental assets for immediate use by our business divisions to generate revenues.

Central to our 2010 success are **our people** – our management, our staff and our dealer network across the hospitality and GoGetta Divisions.

Our dealer network of more than 400 has delivered strong business relationships which continue to win new and repeat business and our incentive program continues to drive growth.

2010 saw Silver Chef find new ways to reach new customers and market segments. We appointed a National Franchise Manager to review opportunities in the franchise sector. And we are also establishing relationships with finance brokers to introduce new customers to our Rent-Try-Buy® product.

Silver Chef has also sought to apply **24 years industry experience** to give back to the industry in order to strengthen and promote awareness of the Silver Chef brand.

Through our launch of the inaugural Hospitality Industry Success Index (HISI) in July we delivered a valuable insight into trends in hospitality and confirmed the sector has a good risk profile.

In September, we also launched a publication to help new entrants to the restaurant trade; Starting a Restaurant for Dummies identifies the obstacles and opportunities facing restaurateurs as they establish and operate their business. We have received an excellent response to this publication which is supporting our sales and marketing initiatives.

Essential to demonstrating industry leadership is creating a workplace where the team feels valued and inspired to perform.

In 2010, Silver Chef Limited was included for the first time in a survey conducted by the Great Places to Work Institute. The survey is used to find Australia's top 50 workplaces and these workplaces are identified in BRW magazine's annual list of the Best Places to Work. We debuted at number 25 alongside some of the countries best known companies.

Experienced Board

The Board remains committed to growing our Company and increasing the value of Silver Chef for all shareholders.

In early November we announced our profit guidance for the 2011 financial year.

We expect our profit before tax to be in the range of \$9.5 million to \$10 million – an increase of between 26% and 33% over the June 2010 result.

We will announce our first half financial results in February and it is expected that on a pre-tax basis our profit will be approximately 8 percent higher than the previous corresponding first half.

Due to the introduction of **the Dividend Reinvestment Plan**, we have expanded our capital base.

Earnings per share for the full year will be in the order of 31.2 cents per share, up from 28 cents per share in 2010.

We have issued the guidance to keep the market fully informed of our progress. Our first quarter performance has been solid and we have achieved both our revenue and profit targets. Our rental assets under management have also increased. Due to additional demand for our equipment we have increased our asset base by almost \$10 million over the four months to a total of \$119 million as at October 31.

We are confident of achieving **a strong contribution to profit** from these additional assets as well as our pre-existing asset base. We will continue to expand these assets as new opportunities arise utilising our existing equity funds, internally generated cash flows and our CBA debt facility.

"Our financial performance tells a story of strong, sustained growth.

Silver Chef shareholders have enjoyed across-the-board increases in revenue, profit, earnings per share and dividends."

Charles Gregory – CEO



Guide Book Helps Master Chefs Cook Up Business Success

A guide book advising would-be restaurateurs inspired by the Master Chef craze has been launched by Silver Chef to help ensure new entrants to the hospitality sector cook up business success.

Silver Chef Limited launched the limited-edition book called *Starting a Restaurant for Dummies* (the latest in the "Dummies Guide" series) in Melbourne at Fine Food Australia.

Starting a Restaurant for Dummies identifies the obstacles and opportunities facing restaurateurs as they start up and run a restaurant, café or takeaway outlet.

It details the ingredients for success from preparing a business plan, to securing finance and equipment, menu selection, back of house processes and effective marketing.

Critically, it identifies the Top 10 Myths about running a restaurant. Silver Chef will be giving away, at no cost, a limited number of the books.

Silver Chef Chief Executive Officer Charles Gregory said the company sponsored the book because it wanted to make sure new entrants to the hospitality sector had realistic expectations about the industry and made the appropriate preparations for their venture.

"Interest in the hospitality industry is at an all time high following the emergence of the celebrity chef and the success of programs like *Master Chef* and *My Kitchen Rules*," Mr Gregory said.

"It is vital that people are educated about the challenges associated with establishing your own restaurant business.

"No restaurant is successful without a lot of behind-the-scenes hard work and planning."

He said it was logical for Silver Chef to support the development of the guide book and contribute to the industry.

"We have a unique and knowledgeable insight.

"At Silver Chef we specialise in helping hospitality entrepreneurs start up their business through our equipment financing model and after 24 years of operation, we are familiar with the difficulties posed by the industry."

Mr Gregory said solid research, innovation, passion and working capital were central to success.

"Know your competition, be clear in what makes your venture unique and use your passion to motivate and drive you," he said.

"Opening a restaurant, café or takeaway outlet always involves unexpected costs, so it is essential that owners preserve cash resources to protect themselves from unforeseen expenses."

While the restaurant business is renowned as risky, Mr Gregory said it was important to remember businesses could achieve success.

"In June we released the national Hospitality Industry Success Index (HISI) and it revealed a high percentage of hospitality businesses succeed in the first 12 months of operation," he said.

"All of these businesses were able to preserve cash by renting their equipment."

Silver Chef Targets Top Shelf Markets at Fine Food Australia

The Silver Chef team joined 1000 of Australia's top hospitality operators in Melbourne in September for Fine Food Australia, the nation's largest retail, food service and hospitality industry event.

The trade only event is dedicated to everyone involved in the running of a restaurant or café business, from the business owner to the front of house manager.

Silver Chef General Manager – Marketing & Distribution, Damien Guivarra said the event allowed the team to have direct contact with industry.

"Fine Food has earned the reputation as Australia's only truly international event for the food industry," Mr Guivarra said.

"It is rare that you have the opportunity to gather so many members of the sector in the one room at the one time.

"Participants are able to access the latest and best products and services on offer and stay ahead of the latest trends in the industry.

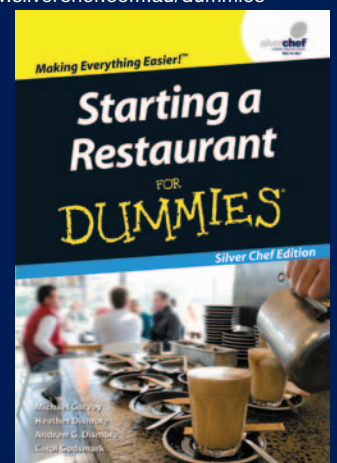
"Fine Food Australia gave us the chance to not just share the Silver Chef product with the key decision makers across a range of hospitality operators, but we were also able to listen and learn about the issues and opportunities that face the businesses we support.

The next Fine Food Australia show will be held in Sydney on 5-8 September 2011.

www.silverchef.com.au/dummies

Top 5 Myths About Running A Restaurant

1. Running a restaurant is easy – it's not all glamour, behind the scenes is hard work and grind
2. I'll have a place to hang out – a restaurant is a business, not a personal social centre
3. I can trust my brother-in-law – be careful including family interests in the business and be clear about the rules
4. The neighbours will love me – be sensitive to the needs of your business' neighbours, they may have preconceived, negative notions about you
5. I've been to TAFE/Culinary School so I'm ready to run the show – a qualification is a first step and needs to be backed by experience



DRP Delivers Equity

Silver Chef has introduced a Dividend Reinvestment Plan (DRP) to provide shareholders with an additional avenue for increasing their equity in the company.

Under the plan, shareholders receive additional shares rather than a cash dividend payment. The issue price of the shares is based on the current market price with no brokerage fee. Silver Chef also offers a five percent discount on the issue price of the DRP shares.

The company follows the ASX guidelines in this DRP and in setting the issue price.

Those participating in the first issue of shares under the DRP, following the announcement of the interim result,

received shares allotted at \$2.25 each. This included a five percent discount.

For the final dividend, shares were allotted at \$2.87 each, again including a five percent discount.

Chairman Allan English said the company was very pleased with the response to the DRP.

"It has been very effective in allowing shareholders to increase their equity in the company. It also allows the company to preserve cash which we can use to invest in the profitable rental business."

Dream Trip for Dream Team

The natural wonders of New Zealand were the perfect location for Silver Chef's annual Dream Team trip of a lifetime.

Each year Silver Chef takes its highest performing dealer sales reps on a trip of a lifetime to recognise and reward their tremendous sales efforts over the past financial year.

This year, Chief Executive Officer Charles Gregory joined the Dream Team for adventure activities in Queenstown.

Sustained by New Zealand's fine foods and beverages the team were treated to clay target shooting, quad biking and a spin in the renowned Shotover Jet followed by a more leisurely cruise of Milford Sound.

"Our Dream Team have delivered great performances across the Silver Chef Sales League this year," Mr Gregory said.

"The theme for this year's league table was Who Dares Wins.

"Each member of our Dream Team demonstrated drive and enthusiasm and a thirst for success that we really appreciate.

"And New Zealand was the perfect way to say thank you for your effort with a real dare devil adventure."



CBA Funds Company Growth

Silver Chef is pleased to have established a new \$74.7 million debt facility with Australia's largest bank, the Commonwealth Bank.

The Commonwealth was selected in August after tenders were received from a number of major banks with the final terms and conditions representing the current market for this type of funding.

Funds from this facility are being drawn down as required to purchase rental assets and these assets are immediately being utilised by our business divisions to generate revenues.

The debt facility is just one of the avenues Silver Chef has for funding growth. The company is also utilising its own capital, including funds on hand following the introduction of the Dividend Reinvestment Plan (DRP) early in 2010.

Silver Chef is also generating operating cash flows that are being used to purchase rental assets. Notably, in the 2010 financial year, more than 90 percent of funding for new rental equipment purchases was generated from internal cash flows.



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