

Silver Chef Limited

Corporate Governance Statement

1. Introduction

This statement describes Silver Chef's corporate governance framework, policies and practices as at 12 August 2010.

Framework and approach

Our approach to corporate governance is based on a set of values and principles that are paramount in our everyday business activities, provide transparency and fair dealing, and protect stakeholder interests.

This approach includes a commitment to excellence in governance standards and includes monitoring developments in corporate governance and their implications for Silver Chef.

In reporting on corporate governance, we have taken into account the revised Corporate Governance Principles and Recommendations (Recommendations) published in August 2007 by the ASX Corporate Governance Council (ASXCGC) and the Corporations Act 2001 (Corporations Act).

This statement addresses each of the eight Recommendations with an explanation of our practices, demonstrating our compliance with each Recommendation. A checklist summarising Silver Chef's compliance is included at the end of this statement which also provides commentary on departures from the Recommendations.

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, together with 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 2010, only one of our directors met this three year threshold.

The ASXCGC announced on 30 June 2010 amendments to their current Recommendations. Silver Chef will recognise the impact of these changes in their Statement of Corporate Governance and report on them as required by no later than 30 June 2012.

In respect of the gender diversity initiatives contained in these changes, Silver Chef will facilitate the introduction of an appropriate policy during the year ending 30 June 2011 and monitor progress towards the achievement of appropriate gender diversity in the Company. As part of this process, the Board will ensure that the policy contains measureable objectives for gender diversity but in doing so will need to recognise the nature and size of the Silver Chef business and ensure any policy objectives are realistic and achievable.

Websites

This Corporate Governance Statement is available on the Company's website at www.silverchef.com.au

2. Board, committee and oversight of management

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 to committees and management.

The roles and responsibilities delegated to the 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 – developing and 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

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. Details of their skills and knowledge are set out in the 2010 Directors' Report.

The Board assesses the independence of directors on appointment and 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) and who became Non-executive Chairman with effect from 1 July 2010 is not regarded as being independent according to the Recommendations.

The Chairman

The Board elected Allan English as Non – executive Chairman with effect from 1 July 2010, and at this time Andrew Kemp stood down as non-executive Chairman but remained a non-executive director.

Chief Executive Officer

The CEO is Charles Gregory and he has sole responsibility for the strategic and 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 executive's on a regular basis to ensure Company strategic targets are met.

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 \$120,000 per annum.

Nominations and appointment

Best practice Recommendations issued by ASXCGC recommend the establishment of a separate nominations committee to assist the Board and make recommendations to it in relation to the appointment of new directors (both executive and non-executive) and senior management.

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 is responsible for the appointment of the Company Secretary. He is responsible to the Board through the Chairman on all corporate governance issues.

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 or a remuneration committee and the full Board assumes the role of the functions of such committees.

Operating and reporting

Meetings of the Audit & Risk Management 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.

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. There was no performance review undertaken in the year ended 30 June 2010.

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.

3. 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.

Securities trading

Refer Separate Securities Trading policy released on 30 December 2010.

4. Corporate responsibility and sustainability

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.

5. Financial reporting

Approach to financial reporting

Silver 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 this 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 ASXCGC 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 in future years as the size of the Company and the Board increases.

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.

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 financial institutions.

The Committee invites the external auditors to attend each of its meetings along with the CEO and Chief Financial Officer.

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

Silver Chef's CEO and Chief Financial Officer report in writing to the ARM Committee that the consolidated financial statements of Silver Chef Limited and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

Internal audit

While Silver Chef has no in house internal audit function, WHK Horwath Chartered Accountants are engaged to carry out internal audit on a regular basis and to report directly to the ARM Committee on their findings.

External auditor

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

Our external auditor is PKF Chartered Accountants who were appointed by shareholders at the AGM in 2005. Our present PKF lead partner is Kim Colyer who assumed that responsibility in 2006. In accordance with the Corporations Act audit partners can only serve for a period of 5 years and accordingly Kim Colyer will stand aside at the conclusion of the 2010 audit assignment.

The ARM committee requires the external auditor to confirm every six months that they have maintained their independence and have complied with the independence standards required by Australian regulators and professional bodies.

6. Market 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. 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 Chairman.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information is subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

7. Shareholder communication and participation

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 prepared 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;
- shareholder access to communications through Silver Chef's website; and
- utilising 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.

8. 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 their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational 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.

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

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 (ARM Committee), which is responsible for developing and monitoring risk management policies. 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 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 CEO 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

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.

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 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 26.

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 at least 50 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps.

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 business unit. 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, convertible securities 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 not operating income by total shareholders 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.

Assurance to the ARM Committee

Prior to signing the Group's annual financial statements for the year ended 30 June 2010, Silver Chef's Chairman and Chief Financial Officer report in writing to the ARM Committee that:

- the statement given in accordance with ASXCGC 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.

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

The Group have established an allowance for impairment that represents their 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.

9. Remuneration

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

The Silver Chef Executive Share Option Plan was approved by shareholders in 2005.

Senior executives

Senior executive remuneration contains a high percentage of performance based pay which is aligned to the financial performance of the Company. The Board oversees the process of setting KPI's for each senior executive and monitors the performance of senior executives against those objectives

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 2009 annual general meeting to \$120,000.

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Checklist of Silver Chef's compliance with ASXCGC's recommendations

	ASXCGC's Recommendations	Annual report page reference	Compliance
Principle	1: Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	18,19	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	20	Comply
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i>	20	Comply
Principle	2: Structure the Board to add value		
2.1	A majority of the Board should be independent Directors.	19	Comply
2.2	The Chair person should be an independent Director.	19	See note 1
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	19	Comply
2.4	The Board should establish a nominations committee.	20	See note 2
2.5	Disclose the process for evaluating performance of the Board, its committee and individual Directors.	20	Comply
2.6	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	20	Comply
Principle	3. Promote ethical and responsible decision – making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:		
	3.1.1 The practices necessary to maintain confidence in the Company's integrity	21	Comply
	3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	21	Comply
	3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	21	Comply
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	21	Comply
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i>	21	Comply
Principle	4. Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee	22	Comply
4.2	Structure the audit committee so that it:		
	• Consists of only non-executive Directors;	22	Comply
	• Consists of a majority of independent Directors;	22	Comply
	• Is chaired by an independent chair, who is not chair of the Board; and	22	See note 3
	• Has at least three members	22	Comply
4.3	The audit committee should have a formal charter.	22	Comply
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	22	Comply
Principle	5. Make timely and balance disclosure		
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.	23	Comply
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	23	Comply
Principle	6. Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose the policy.	23	Comply
6.2	Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	23	Comply

Checklist of Silver Chef's compliance with ASXCGC's recommendations

	ASXCGC's Recommendations	Annual report page reference	Compliance
Principle	7. Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	23	Comply
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.	23	Comply
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.	23	Comply
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	23	Comply
Principle	8. Remunerate fairly and responsibly		
8.1	Establish a remuneration Committee	26	See note 4
8.2	Distinguish the structure of non-executive Directors' remuneration from that of executive directors and senior executives	26	Comply
8.3	Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	26	Comply

Departures from ASXCGC Recommendations

Non Compliance	CGC Para	Details
1	2.2	Silver Chef is unable to comply with the recommendation to have a chair person who is an independent director. Allan English, who became non-executive Chairman with effect from 1 July 2010, cannot be regarded as independent by virtue of his substantial shareholding. Further, and until the size of the Board numbers increases, Silver Chef will be unable to comply. 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 which Allan English has a beneficial interest.
2	2.4	Silver Chef, due to the size of the Board, has not established a nominations committee but deals with matters that would be the function of a nominations committee by the full Board. Also there is no requirement for such a committee, and the composition of the Board has remained unchanged since listing on the ASX in 2005.
3	4.2	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 ASXCGC recommendations, an independent member (who is also an alternate Director of Silver Chef) has been appointed to and is Chairman of the ARM Committee.
4	8.1	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 a remunerations committee by the full Board.