Appendix 4E
Silver Chef Limited
Preliminary Final Report
FINANCIAL YEAR ENDED 30 JUNE 2019

1 Details of the reporting period and the previous corresponding period

Current period: 1 July 2018 to 30 June 2019
Previous corresponding period: 1 July 2017 to 30 June 2018

2 Results for announcement to the market

		Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000	Change from previous corresponding period $'000	Change from previous corresponding period %
2.1	Total revenue	235,396	287,138	(51,742)	(18.0)
2.2	Profit/(loss) from ordinary activities after tax	(64,912)	(48,814)	(16,098)	(33.0)
2.3	Net profit attributable to members	(64,912)	(48,814)	(16,098)	(33.0)

2.4	Dividends per ordinary shares	Amount per security	Franked amount per security
	Interim 2019 – no interim dividend declared in relation to 30 June 2019		
	Final 2019 – no final dividend declared in relation to 30 June 2019		

2.5 Record date for determining entitlements to the final dividend N/A

2.6 Brief explanation of revenue, net profit and dividends
Refer to the 2019 financial report

3 Statement of comprehensive income
Refer to the 2019 financial report

4 Statement of financial position
Refer to the 2019 financial report

5 Statement of cash flows
Refer to the 2019 financial report

6 Statement of changes in equity
Refer to the 2019 financial report

7	Details of dividend payments	Amount per security	Total amount paid $'000	Date of payment
	Year ended 30 June 2019			
	Final 2018			N/A
	Interim 2019			N/A

8 Dividend or distribution plan details
The Company's Dividend Reinvestment Plan remains in place.

9	Net tangible assets per security	Year ended 30 June 2019 (cents)	Year ended 30 June 2018 (cents)
	Ordinary shares	74	254

10 Details of entities over which control has been gained or lost during the period
Nil

11 Investment in associates and joint venture entities
Not applicable

12 Other significant information
Refer to the 2019 financial report

13 Foreign entities, applicable accounting standards used
Refer to the 2019 financial report

14 Commentary on the results for the financial year
Refer to the 2019 financial report

15 Statement as to whether the report has been audited
The report is based on accounts which have been audited.

16 Statement if the financial report is not audited
Not applicable as the financial report has been audited.

17 Statement if the financial report is audited
The financial report has been audited and is not subject to disputes or qualifications.

Contents

The Directors present their report together with the consolidated financial statements of the Group comprising of Silver Chef Limited ("the Company") and its controlled entities, for the year ended 30 June 2019 and the Auditor's Report thereon.

1 Directors

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

Name and qualifications	Experience, special responsibilities and other Directorships
Allan English Non-Executive Chairman	Allan is the founder of Silver Chef Limited. He was the Company's Managing Director from 1986 to 2010, after which he was appointed the Non-Executive Chairman. He was reappointed as the Executive Chairman from February 2014 until November 2016, when he resumed the Non-Executive Chairman position. Allan's career has been in the hospitality and rental industries, specialising in equipment sales and service. He is a Director of The English Family Foundation, currently sits on the QUT Australian Center for Philanthropy and Nonprofit Studies Advisory Board.
Andrew Kemp B.Comm, CA	Appointed a Director and Chairman in February 2005 at the time of listing and resigned as Chairman on 30 June 2010. Andrew heads Huntington Group Pty Limited, a Brisbane-based corporate advisory company. His experience includes 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 also a director of PTB Group Limited (appointed August 2006). Andrew is an independent Non-Executive Director, Chairman of the Audit & Risk Management Committee and a member of the Remuneration Committee and Finance Committee.
Bede King	Appointed a Director in March 2005. Bede is the senior partner at Tobin King Lateef, Solicitors & Notaries. Bede is a fellow of the Financial Services Institute of Australasia, a Director of several non-listed companies and a member of various compliance committees for property, infrastructure and equity investment funds. He is the former National Chairman of YHA Australia, having occupied that position for over 10 years and a former board member of St. Aidan's Foundation Limited, a not-for-profit organization and recently retired as a Trustee of the Board of Trustees of the State Public Sector Superannuation Scheme (QSuper) and as a director of QSuper Limited and QInvest Limited. Bede is an independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit & Risk Management Committee and Finance Committee.
Sophie Mitchell B Econ, GAICD, SF Fin.	Appointed a Director in September 2011. Sophie's career has been in the financial sector and she was until 30 June 2019, a Director of Morgans Corporate Limited. She was a previous member of the Takeovers Panel and a Trust Member of the Queensland Performing Arts Trust. She currently sits on the Queensland Advisory Board for Australian Super, is a board member of the Australia Council for the Arts, a non-executive director of Morgans Holdings (Australia) Limited and a Director of the Morgans Foundation. In addition, she is Non-Executive director of ASX-listed entities Flagship Investments Limited (appointed June 2008), Apollo Tourism & Leisure Limited (appointed September 2016), and Corporate Travel Limited (appointed 2 September 2019). Sophie is an independent Non-Executive Director and Chairman of the Finance Committee and is a member of the Audit & Risk Management Committee and Remuneration Committee.
Patrick Tapper FAICD	Appointed a Director in July 2015. Patrick is also a member of the Remuneration Committee, Finance Committee and a Non-Executive Director of the Silver Chef Foundation Pty Ltd. He has had over 25 years' experience in the telecommunications, technology, media, and entertainment industries, most notably as Executive Director and Chief Executive Officer of national broadband company, Internode. He commenced with Internode in 1998 when it was a small business and was appointed Chief Executive Officer in 2008. He is also Chairman of BenchOn - a Queensland startup that solves the problem of employee underutilisation. Patrick is also a non-executive director of Service to Youth Council Limited (SYC), a non-government, not-for-profit community service organisation established in 1958.

2 Company Secretary

Graeme Fallet

Graeme was appointed Company Secretary on 6 March 2019. Graeme is a Chartered Accountant with over 20 years of accounting and finance experience, having worked as the CFO of ASX listed public companies in Australia including Lovisa Holdings Limited, Australian Pharmaceutical Industries Limited, Ventracor Ltd and GasNet Australia Group. Graeme also has previous experience as the Company Secretary of Ventracor Ltd and Lovisa Holdings Ltd.

Graeme is also the Chief Financial Officer of Silver Chef Limited and the Secretary to all Board committees.

Cherie O'Riordan

Cherie was appointed Company Secretary on 18 April 2018 and resigned on 6 March 2019.

3 Directors' meetings

The number of Directors' meetings (including meetings of Committees) and number of meetings attended during the financial year are:

Director	Board meetings		Audit and risk management committee meetings		Remuneration committee meetings		Finance committee meetings*	
	A	B	A	B	A	B	A	B
Allan English	15	16	-	-	-	-	-	-
Andrew Kemp	16	16	5	5	2	2	12	12
Bede King	15	16	5	5	2	2	12	12
Sophie Mitchell	16	16	5	5	2	2	12	12
Patrick Tapper	14	16	-	-	2	2	12	12

A – number of meetings attended **B** – number of meetings held during the year

* During the year, the Finance Committee also facilitated the functions of the Independent Board Committee (IBC) which was formed in December 2018 for the sole purpose of managing all aspects of co-ordinating and managing the functions associated with the Capital Management Plan.

4 Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council (Recommendations), unless otherwise stated.

The Company's Corporate Governance Charter which provides detailed information about governance is available on the Company's website at www.silverchefgroup.com.au

Silver Chef does not comply with ASX Corporate Governance Council's Recommendations that require a chairperson to be an independent Director. Allan English cannot be regarded as independent by virtue of his shareholding interests; however the Board has processes in place to manage any potential conflicts arising from this issue.

Silver Chef has not established a nominations committee but the full Board deals with nomination matters in accordance with the Nomination Committee's charter.

4.1 Board of Directors

Role of the Board

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 Chief Executive Officer;
- evaluating the performance of the Chief Executive Officer;
- 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 and 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 includes the Audit & Risk Management Committee, Remuneration Committee and Finance Committee and a summary of their activities is included in this report.

The Board Charter also provides for the Board to delegate to the Chief Executive Officer, who is responsible for the day to day management of the business and the following:

- strategy – implementing corporate strategies and making recommendations on significant 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; and
- corporate and social responsibility – including compliance with social, ethical and environmental practices.

4.1 Board of Directors (continued)

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 only receive 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 were approved by shareholders at a maximum of $455,000 per annum in the aggregate on the 3 November 2016.

Skills and independence

The Board ensures, in the selection and appointment of proposed Board members, that a diverse range of candidates is considered and may 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. Details of their skills and knowledge are set out in section 1 of this report.

The Board assesses the independence of Directors on appointment and at least annually. Each Director provides a regular 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 financial report all Non-Executive Directors are considered to be independent except for Allan English, founder and substantial shareholder.

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 Non-Executive 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.

Composition of the Board

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

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. The Constitution also provides that where a Director is appointed by the Board to fill a casual vacancy, that person will stand for election at the Annual General Meeting following their appointment.

The Board is empowered to establish committees of the Board to support it in carrying out its function effectively and where practical, will comprise Board members.

4.2 Remuneration Committee

On behalf of the Board, the Remuneration Committee (Committee) oversees the remuneration of Non-Executive Directors and key management personnel. The Committee has no authority independent of the function delegated to it by the Board and is to report its findings and recommendations to the Board.

The Charter states that the Committee is to comprise at least three Non-Executive Directors. In the period under review the Committee members were Bede King, Andrew Kemp, Patrick Tapper and Sophie Mitchell.

The Charter provides that the Chief Executive Officer attends all Committee meetings except at times where his own arrangements are considered.

In addition to matters dealing with remuneration, the Committee has a broader role including oversight of diversity objectives and succession planning.

External advisors

In performing its role, the Board and the Committee directly commission and receive information, advice and recommendations from independent external advisors to ensure the appropriateness of remuneration packages and contracts of employment for the key management personnel to reflect trends in employment markets, and to achieve the objectives of the Group's remuneration strategy.

4.3 Remuneration report – audited

This Remuneration Report sets out the remuneration information relating to the Company's Directors and Senior Executives who comprise the key management personnel of the Group for the year ended 30 June 2019.

Non-Executive Directors

Allan English	Chairman
Andrew Kemp	
Bede King	
Sophie Mitchell	
Patrick Tapper	

Senior Executives

Damien Guivarra	Chief Executive Officer
Graeme Fallet	Chief Financial Officer and Company Secretary

Principles of compensation

Key management personnel (who comprise the Directors and Senior Executives for the Group) have the authority and responsibility for planning, directing and controlling the activities of the Group.

Remuneration levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. 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 consider:

- the capability and experience of the key management personnel; and
- the key management personnel's ability to control the Group's performance including:
- the Group's profit before tax; and
- 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.

4.3 Remuneration report – audited (continued)

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes employer contributions to superannuation funds).

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants (where appropriate) provide analysis and advice to ensure the Directors' and Senior Executives' remuneration is competitive in the market place.

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 corporate financial and personal performance objectives and to create alignment with the creation of shareholder value. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash.

Short-term incentive bonus

Each year the Remuneration Committee reviews key performance indicators (KPIs) for the broader leadership team. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk, with the measures chosen to align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objectives are 'profit after tax' compared to budgeted amounts and earnings per share. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety performance, customer satisfaction and staff development. In respect of financial years ending 30 June 2018 and 30 June 2019, no discretionary STI was awarded to the Senior Executives.

Long-term incentive

A Long Term Incentive (LTI) plan commencing in FY19 was announced at the Annual General Meeting. This plan was based on Return on Assets (ROA) and growth in Earnings Per Share (EPS) of the Company. The weighting is 60 percent to ROA and 40 percent to EPS growth and will (if earned based on Company performance) be in the form of Performance Rights which will not vest until three years after the end of the year in which they are earned.

No LTI was granted or earned in respect to the 30 June 2019 financial year.

Consequences of performance on shareholder wealth

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

	2019	**2018**	**2017**	**2016**	**2015**
Net profit (loss) after tax $'000	**(64,912)**	(48,814)	20,245	22,356	15,531
Basic earnings per share (EPS) (cents)	**(165.3)**	(124.5)	55.3	68.6	51.4
Dividends paid $'000	**-**	13,727	13,437	11,566	9,458
Closing share price at year end	**$0.31**	$3.78	$7.47	$10.72	$8.03

4.3 Remuneration report – audited (continued)

Share based incentive

Subject to Board discretion each year, a share based incentive scheme is in place for all eligible employees of the Group where employees are gifted shares in Silver Chef subject to meeting profit targets set by the Board. In the FY19 year, no shares were gifted in respect of the FY18 financial year as FY18 profit targets were not met.

All full-time and permanent part-time employees, including the Senior Executives, who are employed by Silver Chef or its subsidiaries at the date set by the Board in respect of each share offer may participate in the Plan subject to minimum service requirements including twelve months employment with the Company.

Shares issued under the incentive scheme are allotted for a price equal to the volume weighted average price of shares on ASX on the five trading days up to and including the day of issue. The number of shares issued is rounded down to the nearest whole number.

No share based incentive was earned in respect of the 2019 financial year.

Employment contracts – Senior Executives

On 3 November 2016, Damien Guivarra (previously Chief Operating Officer) commenced in the role of Chief Executive Officer. The Chief Executive Officer has a service agreement which can be terminated with six months' notice by either party. In the event of termination or resignation, he is entitled to be paid any statutory entitlements to annual and long service leave, if applicable.

On 20 June 2018, Graeme Fallet commenced in the role of Chief Financial Officer. The Chief Financial Officer has a service agreement which can be terminated with six months' notice by either party. In the event of termination or resignation, he is entitled to be paid any statutory entitlements to annual and long service leave, if applicable.

Damien Guivarra was a member of the LTI scheme which ended on 30 June 2018.

Non-Executive Directors

Total remuneration for Non-Executive Directors is set at a maximum of $455,000 in the aggregate, which was approved at the Annual General Meeting held on 3 November 2016. At the Annual General Meeting on 29th November 2018, it was announced that the Board agreed to a 50% reduction in Board fees for 12 months commencing December 2018.

Directors' fees cover all Board activities including attendance at committee meetings of the Board.

4.3 Remuneration report – audited (continued)

Remuneration of key management personnel

Details of the nature and amount of each major element of remuneration for each of the key management personnel are:

In dollars		Short-term			Long-term		Post-employment		Shared based			
		Salary & fees	Non-monetary benefits	STI cash bonus	Long service leave	LTI cash bonus	Super-annuation	Termination benefits	Options and rights	Total	Proportion of remuneration performance related	S300A Value of options as proportion of remuneration %
Non-Executive Chairman												
Allan English *	**2019**	**86,149**	**-**	**-**	**-**	**-**	**8,184**	**-**	**-**	**94,333**	**-**	**-**
	2018	118,722	-	-	-	-	11,279	-	-	130,001	-	-
Non-Executive Directors												
Andrew Kemp	**2019**	**46,042**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46,042**	**-**	**-**
	2018	65,000	-	-	-	-	-	-	-	65,000	-	-
Bede King	**2019**	**46,042**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46,042**	**-**	**-**
	2018	65,000	-	-	-	-	-	-	-	65,000	-	-
Sophie Mitchell	**2019**	**43,306**	**-**	**-**	**-**	**-**	**4,114**	**-**	**-**	**47,420**	**-**	**-**
	2018	59,361	-	-	-	-	5,639	-	-	65,000	-	-
Patrick Tapper	**2019**	**43,306**	**-**	**-**	**-**	**-**	**4,114**	**-**	**-**	**47,420**	**-**	**-**
	2018	59,361	-	-	-	-	5,639	-	-	65,000	-	-
Non-Executive Chairman	**2019**	**86,149**	**-**	**-**	**-**	**-**	**8,184**	**-**	**-**	**94,333**	**-**	**-**
	2018	118,722	-	-	-	-	11,279	-	-	130,001	-	-
Non-Executive Directors	**2019**	**178,696**	**-**	**-**	**-**	**-**	**8,228**	**-**	**-**	**186,924**	**-**	**-**
	2018	248,722	-	-	-	-	11,278	-	-	260,000	-	-

** Due to an administrative error, Allan English was overpaid during the 2019 financial year by an amount of $38,250, inclusive of superannuation. The overpayment will be corrected during the 2020 financial year through recoupment.*

4.3 Remuneration report – audited (continued)

		Short-term			Long-term		Post-employment		Shared based				
In dollars		**Salary & fees**	**Non-monetary benefits**	**STI cash bonus**	**Long service leave**	**LTI bonus**	**Super-annuation**	**Termination benefits**	**Options and rights**	**Shares and units**	**Total**	**Proportion of remuneration performance related**	**S300A Value of options as proportion of remuneration %**
Senior Executives													
Damien Guivarra CEO	**2019**	**552,167**	**-**	**-**	**-**	**-**	**20,531**	**-**	**-**	**-**	**572,698**	**0%**	**-**
	2018	562,393	-	-	-	-	20,049	-	-	-	582,442	0%	-
Graeme Fallet CFO	**2019**	**388,240**	**48,072**	**-**	**-**	**-**	**20,531**	**-**	**-**	-	**456,843**	**0%**	-
(appointed 20 June 2018)	2018	10,229	-	-	-	-	972	-	-	-	11,201	0%	-
Total Senior Executives	**2019**	**940,407**	**48,072**	**-**	**-**	**-**	**41,062**	**-**	**-**	**-**	**1,029,541**	**-**	**-**
Remuneration	2018	572,622	-	-	-	-	21,021	-	-	-	593,643	-	-

4.3 Remuneration report – audited (continued)

Analysis of bonuses included in remuneration - audited

	Short-term incentive bonus	Long-term incentive bonus	Total
	Vested in year	*Deferred*	
Damien Guivarra	-	-	-
Graeme Fallet	-	-	-

Due to the financial performance of the Company for the year ended 30 June 2019, no Senior Executives earned incentives under either the STI or LTI schemes described above.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Silver Chef Limited held, directly, indirectly or beneficially, by each key management person, included their related parties, is as follows:

2019	Held 1 July 2018	Purchased	Transfers In[1]	Employee share scheme	Sold	Dividend reinvest-ment plan	Rights Issue	Held 30 June 2019
Directors								
Allan English	**8,852,798**	23,809	140,593	-	-	-	-	**9,017,200**
Andrew Kemp	**1,021,509**	56,000	-	-	-	-	-	**1,077,509**
Bede King	**126,302**	5,000	-	-	-	-	-	**131,302**
Sophie Mitchell	**43,500**	27,000	-	-	-	-	-	**70,500**
Patrick Tapper	**22,032**	-	-	-	-	-	-	**22,032**
Senior Executives								
Damien Guivarra	**33,500**[2]	-	-	-	-	-	-	**33,500**
Graeme Fallet	**-**	-	-	-	-	-	-	**-**

[1]Includes holdings transferred via power of attorney

[2]An adjustment to the opening balance was made to include employee exempt plan shares issued

Individual Directors and Executives compensation disclosures

Apart from the details disclosed in this report, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Key management personnel and Director transactions

Directors, or their related entities, hold or held positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities transacted with the Group in the reporting period in relation to legal advice and reflect long standing relationships between the Group and the entity. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

In the view of the Company, these transactions do not compromise the independence of the named directors.

4.3 Remuneration report – audited (continued)

The aggregate amount recognised during the year relating to Directors and their personally-related entities, amounted to $11,622 (2018: $15,910). Details of the transactions are as follows:

	Transaction	Note	2019 $	2018 $
Bede King	Legal advice	(i)	11,622	15,910
Sophie Mitchell	Management and underwriting fees	(ii)	-	-
			11,622	**15,910**

(i) Legal fees paid to Tobin King Lateef, a law firm in which Bede King is a partner. Services provided were on commercial terms as one of the Company's panel of legal firms.

(ii) Per note 7.4, Commitments and Contingencies, a break fee totaling $300,000 plus GST is payable to Morgans Corporate Limited should the Sale of the Hospitality business go ahead or another alternative transaction not requiring Morgans lead manager and underwriting services. Sophie Mitchell who is on the Silver Chef Limited Board of Directors is a former Director of Morgans Corporate Limited, and a non-executive Director of Morgans Holdings (Australia) Limited. A legal firm was engaged by Morgans for legal services to provide underwriting advice totaling $12,145 ex GST which was paid during FY19.

4.4 Audit and risk management committee

The Board delegates oversight responsibility for risk management to the Audit and Risk Management Committee ("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 the ASX Corporate Governance Council specifies that an ARM Committee comprise at least three Directors, all of whom are Non-Executive Directors, and a majority of whom are independent.

At the date of this report, the members of the Company's ARM Committee were Andrew Kemp, Bede King and Sophie Mitchell. In fulfilling their objectives, 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 and the oversight of the internal audit function;
- 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;
- assessing the adequacy of external reporting for the needs of shareholders;
- 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; and
- addressing any matters arising with auditors, Australian Tax Office, Australian Securities Exchange, Australian Securities and Investments Commission and other regulators.

4.4 Audit and risk management committee (continued)

Operating and reporting

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

The Charter provides that the Chief Executive Officer and the Chief Financial Officer 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 may also attend meetings on an ad hoc basis.

Prior to signing the Group's 2019 annual financial statements, 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 Corporate Governance Council's principles 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.

4.5 Finance Committee

At the date of this report, the members of the Company's Finance Committee are Sophie Mitchell, Andrew Kemp, Bede King and Patrick Tapper. Other directors attend on an adhoc basis.

During the year, the Finance Committee also facilitated the functions of the Independent Board Committee (IBC) which was formed in December 2018 for the sole purpose of managing all aspects of co-ordinating and managing the functions associated with the Capital Management Plan.

Members of the Finance Committee are required to be financially literate and include at least one, and preferably two, member(s) with past employment experience in finance.

The Charter provides that the Chief Executive Officer and the Chief Financial Officer attend all meetings of the Committee together with such other executives and management as may be invited by the Committee.

The Finance Committee has responsibility for the following in respect of Silver Chef and its subsidiaries from time to time, or as required:

(a) considering and making recommendations to the Board concerning the formulation and monitoring of the Company's capital management strategy, including dividend payment strategies;

(b) considering the Company's funding requirements and making recommendations to the Board concerning specific funding proposals;

(c) monitoring borrowings from financial institutions and compliance with borrowing covenants;

(d) formulating, approving and monitoring policies in relation to capital structure, treasury practices (cash management, payments processing and bank account administration) and the management of credit, debt structure, liquidity and market risks (interest rates, currency and commodity) assumed by the Company in the course of carrying on its business;

(e) reviewing and making recommendations to the Board in relation to financial risks and exposure resulting from movements in interest rates and exchange rates, including the extent and methods of financial risk mitigation through hedging;

(f) considering and reporting to the Board on such other matters as the Board may refer to the Committee from time to time; and

(g) reviewing all ASX releases, broker presentations and releases containing any financial results or indicative forecasts.

4.6 Risk management

Quantitative disclosures are included throughout these consolidated financial statements in relation to the Group's exposure to risks, their objectives, policies and processes for measuring and managing risk and their management of capital.

Risk management approach

The approach to assessing risk is by identifying and managing risks that affect the business and enables the risks to be balanced against appropriate rewards and reflects our values, objectives and strategies. The Company has established policies for the oversight and management of our material business risks.

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 ARM 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, set appropriate risk limits and controls, and monitor risks and adherence to limits which 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 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;
- reports to the Board from the internal auditor on internal controls;
- presentations made to the Board throughout the year by appropriate members of the Group's Leadership 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 financial instruments comprise receivables, payables, bank loans, finance leases, cash and interest rate swaps. Further details of the Group's policies relating to interest rate management, liquidity risk management, market risk management and credit risk management are included in note 5.0 to the consolidated financial statements.

Operational risk

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

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

4.6 Risk management (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management and 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 in all jurisdictions;
- 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; and
- risk mitigation, including insurance.

4.7 Ethical standards

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 Corporate Governance Charter.

4.8 Diversity

The Board is committed to having an appropriate blend of diversity in all levels of the organisation including for its Key Management Personnel. The Board has established a policy regarding gender, age, ethnic and cultural diversity. The key elements of the diversity policy are to work towards:

- ensuring that the most suitable candidate for the role is appointed while ensuring that no gender or other bias influences the appointment of any candidate to any role; and
- an annual assessment by the Board of performance against the objectives.

Gender representation	**June 2019**		**June 2018**	
	Female %	**Male %**	**Female %**	**Male %**
Board representation	20%	80%	20%	80%
Leadership Team representation	17%	83%	25%	75%
Group representation	51%	49%	53%	47%

4.9 Trading in Silver Chef shares

Under the Company's Securities Trading Policy 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 and during periods when a trading blackout applies.

4.10 Communication with shareholders

Silver Chef has in place 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 Chief Executive Officer 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.

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.

Mechanisms (particularly digitally driven forums) are employed to ensure open and timely communications and include:

- financial reports;
- financial results presentations as presented at the Company's Annual General Meeting;
- shareholder access to all communications through Silver Chef's website; and
- utilising Boardroom Pty Limited, the Group's share registry service provider, with an online portal.

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.

5 Principal activities

The principal activity of the Group is the rental and financing of commercial equipment. Other than that referred to in the Chairman's Report, there have been no changes in the nature of those activities during the year.

6 Operating and financial review

Silver Chef Limited (referred to in this report as either "the Company" or "the Group") is a commercial equipment rental and financing company which provides flexible equipment funding solutions to small and medium sized businesses in the hospitality industry. Customer sectors in the hospitality business include coffee shops, takeaway stores, independently owned restaurants and franchises. Silver Chef operates in Australia, New Zealand and Canada.

6 Operating and financial review (continued)

Financial performance

The Group reported delivered a net statutory loss after tax of $64.9 million. The result is largely driven by the costs associated with implementation of the company's capital management plan, a deliberate reduction in Hospitality origination, restructuring costs and additional provisioning arising from change to the Company's credit management policies and adoption of AASB9 Financial Instruments. In addition deferred tax assets of $44.7 million have been derecognised and $1.9 million of unamortised borrowing costs have been written off.

Key financial performance information	**2019 $'000's**	**2018 $'000's**	**2017 $'000's**	**2016 $'000's**
Rental income	**207,630**	**257,814**	263,259	203,608
Lease interest	**27,288**	**29,189**	22,614	17,393
Other income	**478**	**135**	152	81
Total revenue	**235,396**	**287,138**	286,025	221,082
Depreciation and amortisation expense	**(111,172)**	**(137,999)**	(134,223)	(94,914)
Loss on sale of rental assets	**(16,735)**	**(17,999)**	(9,181)	(9,128)
Impairment of rental assets	**(21,133)**	**(39,369)**	(16,290)	(8,807)
Bad debt expense	**(19,932)**	**(52,969)**	(12,623)	(6,248)
Expenses from ordinary activities	**(38,090)**	**(43,937)**	(34,049)	(26,779)
Employee expenses	**(35,480)**	**(42,167)**	(38,063)	(32,211)
Finance costs	**(19,845)**	**(21,084)**	(13,254)	(11,155)
Profit/(loss) before income tax expense	**(26,991)**	**(68,386)**	28,342	31,840
Income tax (expense)/benefit	**(37,921)**	**19,572**	(8,097)	(9,484)
Profit/(loss) for the year	**(64,912)**	**(48,814)**	20,245	22,356
Basic earnings/(loss) per share	**(165.3) cents**	**(124.5) cents**	55.3 cents	68.6 cents

Rental asset base

The key drivers of the Group's revenue are the growth and high utilisation of its rental assets and the growth of its long term rental contracts, recognised as finance leases, as illustrated below:

Rental assets and lease receivables	**2019 $'000's**	**2018 $'000's**	**2017 $'000's**	**2016 $'000's**
Hospitality rental assets at cost*				
- Australia	266,537	269,318	259,605	219,185
- New Zealand	37,786	32,797	24,996	18,105
- Canada	38,667	30,191	25,340	14,544
Hospitality lease receivables	79,015	97,044	72,316	46,205
Total hospitality rental assets and lease receivables	**422,005**	**429,350**	**382,257**	**298,039**
GoGetta rental assets at cost*	57,020	170,008	247,798	222,110
GoGetta lease receivables	8,943	24,897	27,210	19,096
Total GoGetta rental assets and lease receivables	**65,963**	**194,905**	**275,008**	**241,206**
Total Group rental assets and lease receivables	**487,968**	**624,255**	**657,265**	**539,245**

*Rental assets at costs include capitalised upfront costs of lease origination

The hospitality rental asset base and lease receivables reduced during the year following the reduction in originations. The Company continues a steady wind down of the GoGetta business.

Cash flows and working capital

The Group continues to generate strong operating cash flow which is primarily reinvested in the Group's asset base.

Working capital materially increased during the year due to the deliberate slowdown in originations however following noncompliance with certain securitisation reporting covenants the cash balance at year end included $54.2 million of restricted cash.

Key cash flow information	**2019 $'000's**	**2018 $'000's**	**2017 $'000's**	**2016 $'000's**
Net operating cash flow	**173,521**	165,930	152,870	119,741
Cash from the sale of rental assets	**76,664**	93,939	78,732	58,272
Cash paid for new rental assets	**(150,655)**	(245,839)	(309,472)	(305,003)
Dividends paid	**-**	(12,301)	(12,128)	(10,877)
Net proceeds from/ (repayment of) borrowings	**(50,541)**	28,882	65,474	110,636
Proceeds from the issue of shares	**-**	-	28,508	35,358

Capital management

The Group has been in breach of its debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility since 30 June 2018. Waivers were extended during the year conditional on a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the Syndicated Lenders' Hospitality net debt to net rental asset ratio is no greater than 65%.

Subsequent to year end, the waiver was extended to 30 November 2019 on the condition that a minimum capital requirement of $65.2 million be available to repay the Syndicate Debt Facility. Refer to note 8 of the Directors' Report, Events subsequent to reporting date.

Risks

The Company is subject to the risks of operating in the rental finance industry including general economic conditions, competitive pressures, credit risk, residual asset equipment risk and capital availability.

Credit risk is the risk that customers will not pay amounts due on time and will default. The Group uses a combination of product design and business process to manage this risk. These include:

- Receiving rental payments weekly in advance, by direct debit. This allows the credit teams to identify issues early if a customer begins to default.
- Receiving a security bond from the majority of customers at the beginning of the contract. This bond is used to offset any overdue amounts owed if the customer defaults.
- The Group seeks to work with small business and their cash flow commitments. However, if a contract remains in arrears for over six weeks, appropriate recovery action is implemented.
- The Group works with the preferred third party outsourced collection agency to enhance processes and systems while developing their understanding of our business and customers.

Residual asset risk is the risk that assets cannot be recovered from defaulting contracts and are written off or where the assets are returned from contracts and cannot be effectively remarketed. The Group uses a number of means to manage this risk including:

- Retaining title over its rental assets and registering its rental assets on the Personal Property Securities Register.
- Managing any returned hospitality assets through one of the Group's service facilities, where assets are cleaned, serviced and remarketed through direct sale or placing the asset back onto a new rental contract.
- The Group works with the preferred third party outsourced collection agency to enhance processes and systems while developing their understanding of our business and customers.
- All GoGetta assets which are returned or repossessed are sold through a preferred auction house under agreed terms.

Fraud and Cyber Crime

The Company is subject to the risk of identity and credit application fraud with such events leading to the Company's ability to realise its rights under rental contracts and may impact the recoverability of capital. To mitigate this risk, the Company:

- Uses third party customer evaluation software to give insight into financial behaviour and to verify customer identity information against an existing bank account.
- Conducts a comprehensive assessment of equipment vendor partners prior to settling transactions documents with customers.
- Uses internal audit and risk resources to review and make regular recommendations to improve risk control processes.
- Works with underwriters on an ongoing basis to improve responsiveness of fraud/crime insurance coverage.

Compliance with Regulatory Obligations

Silver Chef is committed to acting ethically and applying responsible lending practices as part of its business to business lending model so that it continues to successfully support its customers. The regulatory environment for financial services businesses changes rapidly and with the assistance of its advisors, the Company assesses the relevance of those changes to the Company's business model, contracts and work processes. Silver Chef must also monitor the wider legal and regulatory frameworks applicable to its people, taxation, workplace health and safety and the environment, in all of the geographic jurisdictions in which the business operates. Accountability for mitigation of this risk rests with the senior leadership team and the Company's risk management function.

7 Dividends

There were no dividends paid or declared by the Company since the end of the previous year.

8 Events subsequent to reporting date

Sale of Hospitality Segment

On 3 July 2019 the Company announced it had entered into a binding Scheme Implementation Arrangement with a consortium of investors investing under the leadership of Next Capital to acquire all the shares in the Company (except those shares elected to be retained by the Founder Shareholders) and provide additional working capital to the Company. The amount of additional capital was sufficient to remedy the debt covenant breaches under the Syndicated Debt Facility and its Securitisation Warehouse Facility and provide working capital to meet the Company's current growth projections.

On 27 August 2019, the Company received an alternative proposal from Blue Stamp Company (BSC), which holds a 19.99% interest in Silver Chef Limited. The proposal was for the Company to undertake a fully underwritten, accelerated, renounceable pro rata entitlement offer to raise approximately $50 million at $0.31 per share. On the 5 September 2019 this proposal was increased to $60m. The new equity funds would be used to repay $45 million of the Syndicated Debt Facility, and fund the transaction costs and working capital of the Company. On 31 August 2019, the Scheme Implementation Agreement with Next Capital was terminated.

On 10 September 2019, the Company received a conditional proposal from Next Capital to acquire Silver Chef's Hospitality business by acquiring certain operating subsidiaries of the Company for a consideration of $15 million (the "Hospitality segment"). The Company's shareholders would also retain the full benefit of the GoGetta run-off. The Next Proposal was subject to Silver Chef shareholder approval.

A revised offer was received from Next Capital on 23 September 2019 to acquire the Hospitality segment for $18 million. Concurrently, negotiations with the Company's Banking Syndicate failed to achieve a result that was acceptable to all stakeholders regarding the Blue Stamp Company $60 million recapitalisation proposal. Consequently, the Board determined not to proceed with BSC's proposal, and reached an in-principle agreement with Next Capital for the sale of the Hospitality business.

On 30 September 2019, the Company announced it had entered into a binding Share Purchase Agreement with a consortium of investors investing under the leadership of Next Capital to acquire the Group's subsidiaries that operate the Hospitality segment ("the Proposed Transaction") for $18.25 million.

Silver Chef has agreed to undertake a restructure prior to completion of the Proposed Transaction so that all of the assets (including cash) and liabilities of the Hospitality segment are transferred to the Hospitality subsidiaries subject to the Share Purchase Agreement. In particular, Silver Chef's existing Syndicated Debt Facility and Warehouse Securitisation Facility will be novated to the Hospitality segment and amended so that Silver Chef and its subsidiaries (excluding the Hospitality segment) will be released from completion, other than the 'Facility B' under the Syndicated Debt Facility relating to GoGetta. Facility B is expected to be repaid in full by Silver Chef on completion of the Proposed Transaction, so that Silver Chef will have no material debt following completion. Silver Chef will retain all of the assets (including cash) and liabilities in relation to the GoGetta business and will continue to operate to support the existing GoGetta leases and rental agreements until they mature or the assets are returned.

All employees of Silver Chef (other than directors) will transfer to the Hospitality Business as part of the Restructure. Next Capital has agreed for Silver Chef Rentals Pty Ltd to provide certain transitional services to Silver Chef following completion of the Proposed Transaction to run the GoGetta business on a direct cost recovery basis for a period of up to two years, including management of the GoGetta business, preparation of financial accounts, information technology services and other administrative and support services.

8 Events subsequent to reporting date (continued)

The Proposed Transaction is subject to a number of conditions which must be satisfied or waived for completion to occur, including:

- approval by Silver Chef shareholders by ordinary resolution in accordance with ASX listing rule 11.2;
- Next Capital obtaining approval from the Foreign Investment Review Board;
- Silver Chef and Next Capital agreeing on the steps of the Restructure;
- implementation of the Restructure;
- no material adverse effect in relation to Silver Chef;
- each party to the finance facilities has agreed and entered into amendments and waivers with respect to the finance facility documents on terms acceptable to Next Capital; and
- no default under Silver Chef's credit facilities or circumstances occurring which results in any waivers received from financiers being revoked or ceasing to apply which are not waived or remedied within 10 business days on terms acceptable to Next Capital,

The binding Share Purchase Agreement entered into by the Company at 30 September 2019 to divest the Hospitality segment is expected to result in the Hospitality segment being classified as held for sale subsequent to 30 June 2019 when the conditions precedent have been satisfied and the sale is highly probable. The financial impact of the sale is currently being determined however it is expected to lead to an accounting loss on sale whereby the Company will sell the net assets of the Hospitality segment for less than the carrying value of the assets at sale date.

Financing Waivers

The Group has been in breach of its debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility since 30 June 2018. Waivers were extended through the period conditional on a minimum capital requirement of $65.2 million to be prepaid to the Syndicated Debt Facility. As a further condition of the waiver for the Securitisation Warehouse facility, $35.9 million of the Securitised Debt Facility was repaid in July 2019 and the Securitised Facility Limit was reduced to $140 million and the Syndicated Debt Facility was reduced to $150 million.

The termination of the Scheme Implementation Agreement (SIA) on 31 August 2019 to pursue the Blue Stamp Company (BSC) proposal triggered a "waiver review event". The Company had 30 days to determine the effect that the termination of the SIA would have on Silver Chef and its ability to comply with its obligations under the finance facilities.

As announced on 23 September 2019, negotiations with the Company's Banking Syndicate failed to achieve a result that was acceptable to all stakeholders regarding the Blue Stamp Company $60 million recapitalisation proposal. Consequently, the Board determined not to proceed with BSC's proposal, and reached an in-principle agreement with Next Capital for the sale of the Hospitality segment.

The waivers have been extended until 30 November 2019 conditional on shareholder approval of the sale of the Hospitality segment, which requires 50% or more of shareholders to approve. The Company's two major shareholders, representing approximately 43% shares on issue, along with the directors of the Company have agreed to support the sale of the Hospitality segment. Should the sale of the business not be approved, the Company has 15 days to reach an agreed alternative proposal with its financiers.

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

9 Directors' interests

The relevant interests of each Director in the shares 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
Allan English	
- English Family Foundation Pty Ltd <English Fam Foundation A/C>	4,550,000
- Tessana Pty Ltd <A English Family A/C>	3,999,956
- Mr AJ English & Mrs TW English < Tessana Super Fund A/C>	326,651
- Mrs Maureen Janette English	140,593
	9,017,200
Andrew Kemp	
- Huntington Group Pty Limited	171,130
- Huntington Super Pty Ltd <Huntington SP Super PLN A/C>	431,267
- Huntington Investment Services Pty Ltd <Huntington Investment A/C>	227,159
- Huntington Group Pty Limited <Huntington GP P/L Super A/C>	124,400
- Manco Aust Pty Ltd	15,068
- Mr Andrew Peter Kemp & Mrs Ann Kemp	108,485
	1,077,509
Bede King	
- Mr BF King & Mrs HJ King <The King Super Plan A/C>	**131,302**
Sophie Mitchell	
- JW Mitchell and SA Dangar <Dangar Mitchell S/Fund A/C>	8,500
- Mitchelldangar Pty Ltd	62,000
	70,500
Patrick Tapper	
- Tapper Super Fund Pty Ltd <Tapper SMSF A/C>	22,032
	22,032

Each of the persons listed above has a beneficial interest or an interest through an association in the shares registered in entities associated with each of the Directors.

10 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

At the date of this report there were no unissued shares of the Company under option.

11 Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the Directors and Senior Executives of the Company and its controlled entities 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.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Insurance premiums

The Company pays insurance premiums 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 premium and level of cover of this policy is deemed to be confidential and not disclosed in this report.

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.

12 Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- 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 Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 7.3 to the financial statements.

13 Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 80.

14 Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in accordance with a resolution of Directors

Allan English
Non-Executive Chairman

Brisbane

30 September 2019

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Silver Chef Limited

Consolidated financial statements

For the year ended 30 June 2019

Contents

Silver Chef Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $000's	2018 $000's
Revenue	2.2	235,396	287,138
Depreciation and amortisation expense		(111,172)	(137,999)
Loss on sale of rental assets		(16,735)	(17,999)
Impairment of rental assets	3.1	(21,133)	(39,369)
Bad debt expense	5.0	(19,932)	(52,969)
Employee expenses	2.3	(35,480)	(42,167)
Expenses from ordinary activities	2.3	(38,090)	(43,937)
Interest expense	2.3	(16,975)	(15,530)
Amortisation of capitalised borrowing costs	2.3	(2,870)	(5,554)
Profit/(loss) before income tax		**(26,991)**	**(68,386)**
Income tax benefit/(expense)	2.5	(37,921)	19,572
Profit/(loss) after income tax		**(64,912)**	**(48,814)**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge revaluation	4.1	(53)	243
Foreign currency translation differences – foreign operations	4.1	1,134	(394)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**(63,831)**	**(48,965)**
Total comprehensive income/(loss) for the year attributable to owners of the Company arise from:			
Dividend paid per share			
Current year interim dividend paid	4.2	-	10.0 cents
Prior year dividend paid	4.2	-	25.1 cents
Earnings per share			
Basic earnings/(loss) per share	2.4	(165.3) cents	(124.5) cents
Diluted earnings/(loss) per share	2.4	(165.3) cents	(124.5) cents

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

Silver Chef Limited

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Number of shares on issue 000's	Share capital $000's	Retained earnings $000's	Reserves $000's	Total equity $000's
Balance at 1 July 2018	**39,268**	**120,742**	**(16,573)**	**(377)**	**103,792**
Adjustment on initial application of AASB9 (net of tax)	-	-	(6,842)	-	**(6,842)**
Restated total equity at 1 July 2018	**39,268**	**120,742**	**(23,415)**	**(377)**	**96,950**
Total comprehensive income for the year					
Profit/(loss) for the year	-	-	(64,912)	-	**(64,912)**
Foreign currency translation differences	-	-	-	1,134	**1,134**
Cash flow hedge reserve	-	-	-	(53)	**(53)**
Total comprehensive income/(loss) for the year	-	-	(64,912)	1,081	**(63,831)**
Transactions with owners of the Company					
Dividends recognised (and paid) during the year	-	-	-	-	**-**
Share issue costs	-	-	-	-	**-**
Shares issued under dividend reinvestment plan	-	-	-	-	**-**
Total contributions by (and distributions to) owners of the Company	-	-	-	-	**-**
Balance at 30 June 2019	**39,268**	**120,742**	**(88,327)**	**704**	**33,119**

	Number of shares on issue 000's	Share capital $000's	Retained earnings $000's	Reserves $000's	Total equity $000's
Balance at 1 July 2017	**39,043**	**119,330**	**45,968**	**(226)**	**165,072**
Total comprehensive income for the year					
Profit for the year	-	-	(48,814)	-	**(48,814)**
Foreign currency translation differences	-	-	-	(394)	**(394)**
Cash flow hedge reserve	-	-	-	243	**243**
Total comprehensive income for the year	-	-	(48,814)	(151)	**(48,965)**
Transactions with owners of the Company					
Dividends recognised (and paid) during the year	-	-	(13,727)	-	**(13,727)**
Share issue costs	-	(13)	-	-	**(13)**
Shares issued under dividend reinvestment plan	225	1,425	-	-	**1,425**
Total contributions by (and distributions to) owners of the Company	225	1,412	(13,727)	-	**(12,315)**
Balance at 30 June 2018	**39,268**	**120,742**	**(16,573)**	**(377)**	**103,792**

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

As at 30 June 2019

	Note	2019 $000's	2018 $000's
ASSETS			
Current assets			
Cash and cash equivalents	7.1	76,654	29,265
Trade and other receivables	3.3	24,861	49,140
Inventories	3.5	92	3,320
Current tax assets	2.5	477	4,344
Other assets	3.6	1,807	2,192
Total current assets		**103,891**	**88,261**
Non-current assets			
Trade and other receivables	3.3	49,807	72,953
Rental assets	3.1	215,467	296,395
Property, plant and equipment	3.1	1,575	2,477
Intangible assets	3.2	4,271	4,054
Deferred tax assets	2.5	-	33,435
Total non-current assets		**271,120**	**409,314**
Total assets		**375,011**	**497,575**
LIABILITIES			
Current liabilities			
Trade and other payables	3.7	15,023	16,245
Provisions	3.8	6,078	3,800
Current tax payable	2.5	668	640
Customer security bonds payable		20,232	21,691
Loans and borrowings	4.3	295,151	342,711
Employee benefits	6.1	2,209	2,313
Total current liabilities		**339,361**	**387,400**
Non-current liabilities			
Provisions	3.8	362	-
Customer security bonds payable		1,126	5,145
Employee benefits	6.1	241	382
Other liabilities		418	548
Derivatives	5.0	384	308
Total non-current liabilities		**2,531**	**6,383**
Total liabilities		**341,892**	**393,783**
Net assets		**33,119**	**103,792**
EQUITY			
Share capital		120,742	120,742
Retained earnings		(88,327)	(16,573)
Reserves	4.1	704	(377)
Total equity		**33,119**	**103,792**

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

For the year ended 30 June 2019

	Note	2019 $000's	2018 $000's
Cash flows from operating activities			
Receipts from customers		338,619	348,920
Payments to suppliers and employees		(148,867)	(157,897)
Finance costs paid		(16,653)	(13,614)
Interest received		107	59
Income taxes recovered / (paid)		2,297	(12,495)
GST recovered / (paid)		(1,982)	957
Net cash from operating activities	**7.2**	**173,521**	**165,930**
Cash flows from investing activities			
Payments for other investing activities		-	(204)
Payments for rental equipment		(150,655)	(245,839)
Payments for internal and intangible assets		(1,600)	(2,219)
Proceeds from sale of plant and equipment		76,664	93,939
Net cash used in investing activities		**(75,591)**	**(154,323)**
Cash flows from financing activities			
Proceeds from borrowings		20,366	126,121
Repayment of borrowings		(70,907)	(97,239)
Repayment of finance leases		-	-
Transaction costs paid in relation to loans and borrowings		-	(6,217)
Transaction costs paid in relation to issue of shares		-	(13)
Dividends paid		-	(12,301)
Net cash from financing activities		**(50,541)**	**10,351**
Net increase in cash held		47,389	21,958
Cash at beginning of year		29,265	7,307
Cash and cash equivalents at end of year*	**7.1**	**76,654**	**29,265**

*The end of financial year cash balance includes restricted cash of $54.2 million at 30 June 2019 (2018: $10.9 million) representing securitised cash flows held by the SIV Equipment Trust No. 1.

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

1.0 Introduction to the report

Reporting entity

Silver Chef Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Park Tower, 20 Pidgeon Close West End Qld 4101. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and is primarily involved in the rental of commercial equipment.

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 30 September 2019.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

In preparing these consolidated financial statements, management has made 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.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2019 relate primarily to potential impairment against financial and non-financial assets. Information about these risks is in notes 3.1, 3.3 and 5.0.

Judgement has been applied to the recognition of a deferred tax asset arising from deductible temporary differences and the Company's assessment of its probability of being able to realise these tax losses against taxable profits in future periods (refer note 2.5).

In addition, the Group is required to assess the use of the going concern basis in the preparation of financial information. The Board and Management apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, together with the assumptions and estimates used to calculate future cash flow projections (refer below).

Going Concern

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which contemplates that there is no intention to liquidate the Group or to cease trading, or there is a realistic alternative other than to liquidate or cease trading.

The Group has been in breach of its debt covenants since 30 June 2018. Waivers have been extended through the period conditional on a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the syndicated Lenders' Hospitality net debt to net rental asset ratio is no greater than 65%.

On 30 September 2019, the Company announced it had entered into a binding Share Purchase Agreement with a consortium of investors investing under the leadership of Next Capital Pty Limited to acquire the Group's subsidiaries that operate the Hospitality segment. As disclosed in note 7.9, the transaction is subject to certain conditions precedent, including shareholder approval and Foreign Investment Review Board approval. Under the terms of the Share Purchase Agreement, the investors will acquire all of the assets (including cash) and liabilities of the Hospitality segment.

1.0 Introduction to the report (continued)

In particular, Silver Chef's existing Syndicated Debt Facility and Warehouse Securitisation Facility will be novated to the Hospitality segment and amended so that Silver Chef and its subsidiaries (excluding the Hospitality segment) will be released from all debt facilities from the Acquisition Completion Date, other than 'Facility B' under the Syndicated Debt Facility relating to GoGetta. Facility B is expected to be repaid in full by Silver Chef on completion of the Proposed Transaction, so that Silver Chef will have no material debt following completion. Silver Chef will retain all of the assets (including cash) and liabilities in relation to the GoGetta business and will continue to operate to support the existing GoGetta leases and rental agreements until they mature or the assets are returned.

The bank waivers have been extended until 30 November 2019 conditional on a minimum capital requirement of $65.2 million to be prepaid on or prior to the Acquisition Completion Date to the Syndicated Debt Facility and shareholder approval of the sale of the Hospitality segment, which requires 50% or more of shareholders to approve. The Company's two major shareholders, representing approximately 43% shares on issue, along with the directors of the Company have agreed to support the sale of the Hospitality segment. Should the sale of the business not be approved, the Company has 15 days to reach an agreed alternative with the financiers. The Directors are of the view that realistic alternatives would be limited and include an equity solution, a continued reduction in originations with an orderly repayment of its borrowings to its financiers, or an orderly wind down of the business.

The continuing viability of the Group and its ability to continue as a going concern is critically dependent upon approval of the sale of the Hospitality segment, with Next Capital providing $65.2 million prepayment to the Syndicated Debt Facility, or the acceptance by the Company's financiers of an alternative. Should the shareholders vote against the Sale of the Hospitality segment and after the 15 day consultation period the Company and the financiers are unable to agree on a viable alternative proposal, as discussed above, the Group's financiers will have the right to seek repayment of the Group's outstanding borrowings. If this occurs, there is significant uncertainty that the Group will continue as a going concern and it may be required to realise assets at amounts different to their carrying amounts and settle liabilities other than in the ordinary course of business.

While the Directors have no certainty that the sale of the Hospitality segment will be approved by Shareholders, or if the Group's financiers will consent to any alternatives, the Directors have prepared the preliminary financial report on a going concern basis, on the basis of the Directors' recommendation to shareholders to accept the Sale of the Hospitality segment. As a consequence, no further adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are set out below. Other significant accounting policies are contained in the notes to the financial report to which they relate to.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Structured entities (SE) are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Critical judgments are applied in determining whether a SE is controlled and consolidated by the Group. An SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main type of SE established by the Group is the securitisation trust. The securitisation trust is controlled by the Group and is consolidated in the consolidated financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.0 Introduction to the report (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Foreign currency translation differences arising on re-translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the foreign currency translation reserve in equity.

(c) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(d) New standards and interpretations adopted

AASB 15 Revenue from Contracts with Customers

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

AASB 9 Financial Instruments

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

Classification and measurement

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

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

General hedge accounting

AASB 9 introduces general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. AASB 9 provides an accounting policy choice to continue with AASB 139 Hedge Accounting given the International Accounting Standards Board's ongoing project on macro hedge accounting. The Group has chosen to continue to apply AASB 139. The fair value of the derivative financial instrument used for hedging purposes is disclosed in note 5(iv).

1.0 Introduction to the report (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Transitional impact on implementation of AASB 9

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

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

1.0 Introduction to the report (continued)

(e) 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 2019 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 was released by the AASB in early March 2016 and applies to financial reporting periods beginning on or after 1 January 2019 with early adoption permitted if an entity is applying or has already applied AASB 15 *Revenue from Contracts with Customers* at the same time.

The new standard does away with the current operating/finance lease distinction with respect to lessees, requiring entities to recognise all but the lowest value leases on the balance sheet.

Estimated impact of the adoption of AASB 16

The Group is required to adopt AASB 16 Leases from 1 July 2019. The Group has chosen the modified retrospective application of AASB 16 and has assessed the estimated impact that the initial application of AASB 16 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity as at 1 July 2019 is based on the assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at 1 July 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

$000's	30 June 2019 As originally presented	Estimated impact of adopting AASB 16 on opening balance	1 July 2019 Restated
Right-of-use asset	-	5,766	5,766
Right-of-use liability	-	(7,151)	(7,151)
Straight-line Lease Accrual	(418)	418	-
Onerous lease provision	(697)	697	-
Deferred tax assets	335	80	415
Retained earnings/ (Accumulated losses)	(780)	(190)	(970)

2.0 Business Result for the Year

2.1 Segment Information

The Group has two reportable segments based on the strategic management of the Group's underlying brands, being Hospitality and GoGetta. The brands are managed separately because they target distinctly different markets. For each of the strategic divisions, the Group's Chief Executive Officer (the chief operating decision maker) and other Executive Managers review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Hospitality*: Providing equipment rental finance predominantly to the hospitality industry; and
- *GoGetta*: Providing equipment rental finance to other industries (now in run down).

Information about reportable segments

	Hospitality		GoGetta		Unallocated		Total	
	2019 $000's	**2018 $000's**	**2019 $000's**	**2018 $000's**	**2019 $000's**	**2018 $000's**	**2019 $000's**	**2018 $000's**
External revenue	185,397	178,390	47,170	104,230	2,829	4,518	**235,396**	287,138
Depreciation and amortisation	(83,372)	(80,413)	(25,951)	(55,657)	(1,849)	(1,929)	**(111,172)**	(137,999)
Interest expense	(16,747)	(10,860)	(3,098)	(10,224)	-	-	**(19,845)**	(21,084)
Loss on sale of property, plant and equipment	(5,871)	(5,308)	(10,860)	(12,689)	(4)	(2)	**(16,735)**	(17,999)
Impairment of receivables	(17,373)	(22,767)	(2,559)	(30,161)	-	(41)	**(19,932)**	(52,969)
Impairment of rental assets	(16,737)	(11,899)	(3,661)	(27,470)	(735)	-	**(21,133)**	(39,369)
Employee expenses	(22,063)	(19,456)	(2,044)	(8,020)	(11,373)	(14,691)	**(35,480)**	(42,167)
Expenses from ordinary activities	(14,781)	(15,776)	(6,766)	(13,484)	(16,543)	(14,677)	**(38,090)**	(43,937)
Reportable segment profit before tax[1]	**8,453**	11,911	**(7,769)**	(53,475)	**(27,675)**	(26,822)	**(26,991)**	(68,386)
Reportable segment assets	333,394	314,122	31,711	146,293	9,906	37,160	**375,011**	497,575
Rental equipment acquired during year	150,655	177,166	-	68,673	-	-	**150,655**	245,839
Reportable segment liabilities	(308,722)	(283,736)	(24,709)	(105,133)	(8,461)	(4,914)	**(341,892)**	(393,783)

[1]Reportable profit before tax for comparative year revised to reflect interest expense attributable to each segment.

The geographic information below analyses the Group's revenue and non-current assets based on their geographical location.

	2019 $000's		**2018 $000's**	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Australia	199,258	216,336	257,669	354,193
New Zealand	18,022	24,003	14,960	25,535
Canada	18,116	30,781	14,509	29,586
Total	**235,396**	**271,120**	**287,138**	**409,314**

2.2 Revenue

(i) Contract rental income

The Group recognises revenue from its Rent.Try.Buy and Rent.Grow.Own contracts as rental income. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term as it falls due.

Operating leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset remain with the Group. Receipts from operating leases are due and payable by the lessee on a weekly, or in some cases monthly, basis in advance.

(ii) Finance lease interest

The Group recognises finance lease interest by applying discount rates implicit in the lease balances receivable at the beginning of each payment period.

(iii) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues.

Foreign currency gains are reported on a net basis as finance income when a foreign currency movement is in a net gain position.

(iv) Other income

Other income comprises subscription and consulting revenue earned through its Profitable Hospitality business.

	2019 $000's	2018 $000's
Rental income	207,630	257,814
Lease interest	27,288	29,189
Other income	478	135
Total revenue	**235,396**	**287,138**

2.3 Expenses from ordinary activities

	2019 $000's	2018 $000's
Cost of rental services	12,492	15,759
Other administrative expenses	23,268	22,549
Sales and marketing	2,330	5,629
Total expenses from ordinary activities	**38,090**	**43,937**

Expenses from ordinary activities comprise legal fees (including $1.9 million ASIC provision per Note 3.8), bad debt and asset recovery costs, travel and occupancy costs.

Employee benefits expense

	2019 $000's	2018 $000's
Wages and salaries	30,260	36,389
Other associated personnel expenses	2,901	2,771
Superannuation expense	2,284	2,941
Long service leave	35	66
Total employee benefits expense	**35,480**	**42,167**

2.3 Expenses from ordinary activities (continued)

Finance costs

Finance costs comprise interest expense on borrowings and are recognised in profit or loss using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency losses are reported as finance costs if foreign currency movements are in a net loss position.

	2019 $000's	2018 $000's
Interest expense on financial liabilities measured at amortised cost	16,975	15,530
Amortisation of capitalised borrowing costs	2,870	5,554
Total finance costs	**19,845**	**21,084**

2.4 Earnings per share

Basic earnings/(loss) per share

The calculation of basic earnings per share at 30 June 2019 was based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Profit/(loss) attributable to ordinary shareholders

	2019 $000's	2018 $000's
Profit/(loss) for the year	(64,912)	(48,814)

	2019 000's	2018 000's
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	39,268	39,043
Effect of shares issued under the dividend reinvestment plan	-	167
Weighted average number of ordinary shares at 30 June	**39,268**	**39,210**

Diluted earnings/(loss) per share

The calculation of diluted earnings per share at 30 June 2019 was based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares:

Profit/(loss) attributable to ordinary shareholders (diluted)

	2019 $000's	2018 $000's
Profit/(loss) for the year	(64,912)	(48,814)

Weighted average number of ordinary shares (diluted)	**000's**	**000's**
Weighted average number of ordinary shares (basic)	39,268	39,210
Weighted average number of ordinary shares at 30 June	**39,268**	**39,210**

2.5 Taxes

Recognition and measurement

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 a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses relating to the Australian and Canadian operations, tax credits and 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. As at 30 June 2019, the deferred tax assets of the Group have been derecognised as the future realisation of these assets is not considered probable.

Tax consolidation legislation

The Company and its wholly-owned Australian operating resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Silver Chef Limited. Foreign entities are taxed individually within their respective tax jurisdictions.

Current tax expense on continuing operations	**2019 $000's**	**2018 $000's**
Tax recognised in profit or loss		
Current year	4,486	1,244
Increase in deferred tax asset posted from equity	-	70
Deferred tax expense	33,435	(20,886)
	37,921	**(19,572)**

2.5 Taxes (continued)

Reconciliation of effective tax rate	%	2019 $000's	%	2018 $000's
Profit/(loss) for the year		(64,912)		(48,814)
Total tax (benefit)/expense		37,921		(19,572)
Profit/(loss) before tax		**(26,991)**		**(68,386)**
Tax using the Company's domestic tax rate	30.00%	(8,097)	30.00%	(20,516)
Non-deductible expenses	(10.80)%	2,915	(1.31)%	893
Derecognise deferred tax asset	(165.72)%	44,731	-	-
Other	6.03%	(1,628)	(0.07)%	51
	(140.49)%	**37,921**	**28.62%**	**(19,572)**

Unrecognised deferred tax assets	2019 $000's	2018 $000's
Deferred tax assets have not been recognised in respect of the following items:		
Capital tax losses	-	579
Deductible temporary differences	30,245	
Carried forward tax losses	14,486	-
	44,731	**579**

Deferred tax assets in respect of the above items have not been recognised because it is not probable that future taxable profit or future taxable capital gains will be available against which the Group can utilise the benefits there from.

Tax losses carried forward	2019 $000's	Expiry date	2018 $000's	Expiry date
Tax losses for which no deferred tax asset was recognised expire as follow:				
Never expire	11,687	-	-	-
Expire	2,799	2034-2039	-	-

2.5 Taxes (continued)

Recognised deferred tax assets and liabilities	**2019 $000's**	**2018 $000's**
Deferred tax liabilities		
Lease receivables	11,357	16,000
Deferred upfront costs	1,077	1,914
Plant and equipment	-	2
Intangibles	195	-
Other	-	-
Total deferred tax liabilities	**12,629**	**17,916**
Deferred tax assets		
Rental assets	21,232	23,191
Plant and equipment	408	356
Intangibles	6	17
Allowance for impairment of receivables	11,740	10,108
Employee entitlements	2,670	864
Rental asset impairment	5,734	11,187
Other	1,084	1,048
Carried forward tax losses	14,486	4,580
Total deferred tax assets	**57,360**	**51,351**
Total net deferred tax assets before derecognition	**44,731**	**33,435**
Derecognise deferred tax assets	(44,731)	-
Total net deferred tax assets	**-**	**33,435**

2.5 Taxes (continued)

Movement in deferred tax balances during the year	2019 $000's	2018 $000's
Deferred tax liabilities		
Lease receivables	(4,643)	3,009
Intangibles	(837)	4
Deferred upfront costs	(2)	(744)
Other	195	145
Deferred tax assets		
Rental assets	1,959	(6,109)
Plant and equipment and intangibles	(43)	(74)
Allowance for impairment of receivables	(1,632)	(5,901)
Employee entitlements	(1,806)	(11)
Rental asset impairment	5,454	(7,694)
Tax losses	(9,906)	(3,615)
Accrued expenses	(35)	104
Derecognise deferred tax asset	44,731	-
Deferred tax expense	**33,435**	**(20,886)**
Movement in deferred tax asset recognised directly in equity	-	282
Net movement in deferred tax balances during the year	**33,435**	**(20,604)**

Current tax balances	2019 $000's	2018 $000's
Current income tax receivable	477	4,344
Current income tax payable	(668)	(640)
Total current tax receivable/(payable)	**(191)**	**3,704**

3.0 Operating Assets and Liabilities

3.1 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the period of time that management estimates it can utilise the leased assets to generate income.

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- rental assets 1 to 5 years
- fixtures and fittings 5 to 10 years
- computer equipment 2 to 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Deferral of upfront costs

Under AASB 117 Leases, a lessor shall recognise in the carrying amount of an asset subject to an operating lease the initial direct costs incurred in negotiating and arranging the operating lease and amortise such upfront costs as an expense over the lease term on the same basis as the lease income.

(v) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

Rental assets that will be recovered primarily through sales rather than through subsequent rental are classified as inventory. Rental assets classified as inventory are measured at net realisable value.

3.1 Property, plant and equipment (continued)

(vi) Impairment

Rental and idle assets

The carrying amounts of the Group's rental and idle 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. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Idle assets have been returned to the Group and have been warehoused for reconditioning or are being held by external vendors. The recoverable amount for each asset is estimated by management based on expected re-leasing rates and historical sales information. Impairment assessments are made on assets linked to rental contracts where there is significant doubt on the ability of the customer to meet rental payments and the asset has been flagged for recovery. The assets are grouped by risk profile and assigned an expected loss rate reflective of historical experience and management estimates. Impairment losses are recognised in profit or loss and 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.

	2019 $000's	2018 $000's
Plant and equipment		
At cost	11,214	11,105
Less accumulated depreciation	(9,639)	(8,628)
Carrying amount of property, plant and equipment	**1,575**	**2,477**
Movements during the year		
Balance at 1 July	2,477	2,982
Additions	208	851
Depreciation expense	(1,118)	(1,340)
Disposals	(10)	(18)
Effect of movement in exchange rates	18	2
Balance at 30 June	**1,575**	**2,477**
Rental assets		
At cost	399,561	502,314
Less accumulated depreciation	(164,701)	(180,067)
Less provision for impairment	(19,393)	(25,852)
Carrying amount of rental assets	**215,467**	**296,395**

3.1 Property, plant and equipment (continued)

Movements during the year		
Balance at 1 July	296,395	374,544
Additions	137,976	219,191
Capitalised upfront costs of lease origination	7,925	15,416
Assets reclassified as inventory	(450)	(11,181)
Depreciation and amortisation expense	(108,521)	(131,119)
Impairment loss[1]	(20,978)	(35,910)
Effect of movement in exchange rates	1,636	(119)
Assets converted to lease receivables	(17,712)	(34,767)
Disposals	(80,804)	(99,660)
Balance at 30 June	**215,467**	**296,395**
Total property, plant and equipment	**217,042**	**298,872**

[1]Impairment of rental assets: assessments are made monthly on the recoverable amount of returned assets and assets on contracts which have defaulted. Recoverable amount is determined on a value in use basis and assumes that the estimated cash flows will be received within twelve months. Impairment loss movement above does not reconcile to impairment expense in Statement of Profit or Loss due to reclassification of impairment booked on GoGetta idle assets to Inventory.

	2019 $000's	**2018 $000's**
Assets leased out under operating leases and included in rental assets above		
At cost	373,096	478,926
Less accumulated depreciation and amortisation	(155,130)	(179,458)
Less provision for impairment	(17,225)	(24,711)
Balance at 30 June	**200,741**	**274,757**
Depreciation and amortisation expense recognised in year	104,404	128,888

3.2 Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired or internally developed by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition or development of the asset.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives from the date that they are available for use.

The estimated useful lives for the current and comparative years of significant intangible assets are as follows:

- software 4 to 5 years
- intellectual property 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.2 Intangible assets (continued)

	2019 $000's	2018 $000's
Intangible assets		
Intangible assets at costs	10,542	8,942
Less accumulated amortisation	(6,271)	(4,888)
Carrying amount of intangible assets	**4,271**	**4,054**
Movements during the year		
Balance at 1 July	4,054	3,834
Additions	1,576	1,356
Disposals	-	-
Amortisation expense	(1,367)	(1,137)
Effect of movement in exchange rates	8	1
Balance at 30 June	**4,271**	**4,054**

3.3 Trade and other receivables

	2019 $000's	2018 $000's
Included in current receivables		
Trade receivables	25,174	46,769
Allowance for impairment losses	(19,337)	(33,755)
Finance lease receivables	38,151	48,988
Allowance for impairment losses	(20,197)	(12,998)
Other receivables	1,070	136
Current receivables	**24,861**	**49,140**
Included in non-current receivables		
Finance lease receivables	49,807	72,953
Non-current receivables	**49,807**	**72,953**
Total receivables	**74,668**	**122,093**

Impairment – Trade and other receivables

In accordance with AASB 9 Financial Instruments, provisions for impairment are recognised in relation to financial assets and reflect the expected credit losses of those assets. AASB 9 was implemented by the Group on 1 July 2018. The accompanying accounting policy and implementation effect on retained earnings has been outlined under Note 1(d). The main non-derivative financial assets held by the Group are contract debtors and lease receivables.

3.3 Trade and other receivables (continued)

Operating leases – Group is lessor	2019 $000's	2018 $000's
Plant and equipment is leased to various industries		
Included in current receivables		
Lease commitments receivable	23,486	44,167
Less provision for impairment	(18,626)	(33,751)
Net operating lease commitments receivable	**4,860**	**10,416**

Future minimum lease receipts in respect of non-cancellable operating leases according to the time expected to elapse to the expected date of receipt:

Rental equipment		
Not later than one year	66,092	84,888
Total future minimum lease receipts	**66,092**	**84,888**

Rental contracts are normally for a minimum of twelve months duration.

Finance Leases – Group is lessor

The Group has classified its long-term contracts as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the Group to the lessees. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of any unguaranteed residual value expected to accrue to the Group at the end of the lease term.

Finance leases – Group is lessor	2019 $000's	2018 $000's
Less than one year	75,079	74,464
Between one and five years	64,231	91,323
	139,310	**165,787**
Unearned interest income	(51,352)	(43,846)
Net finance lease receivables	**87,958**	**121,941**
The net investment in finance leases comprise:		
Less than one year	38,151	48,988
Between one and five years	49,807	72,953
Total net finance lease receivables	**87,958**	**121,941**

3.4 Transfer of financial assets

In April 2018, the Group commenced drawing down on its Securitisation Warehouse Facility (SWF) whereby operating and finance lease receivables are sold to SIV Equipment Trust No.1 (the Trust), a special purpose securitisation trust. The Trust funds its purchase of the receivables by issuing pass-through debt securities. The Group receives residual income from the Trust after all payments to security holders and costs of the program have been met. The Group does not guarantee the capital value or the performance of the securities or the assets of the Trust, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The operating and finance lease receivables subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Group cannot use these assets to settle the liabilities of the Group. The Group is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the Consolidated Statement of Financial Position, the operating and finance lease receivables transferred are included in 'Trade and other receivables' and the securitisation securities issued are included in 'Loans and borrowings'.

The following table sets out the carrying amount of the transferred financial assets and the associated liability at the reporting date:

	2019 $000's	2018 $000's
Carrying amount of transferred financial assets	87,612	102,556
Carrying amount of associated financial liabilities – external investors	95,595	76,317
Carrying amount of associated financial liabilities – due to controlled entities	26,790	25,948
For those liabilities that have recourse only to the transferred assets:		
Fair value of transferred assets	87,612	102,556
Fair value of transferred liabilities	96,119	76,580
Net position	**(8,507)**	**25,976**

At reporting date, a controlled entity holds securitisation notes in the Trust which are eliminated on consolidation. At 30 June 2019, $54.2 million of restricted cash was held in the Trust. Subsequent to year end $35.9 million was repaid, see note 7.9, Events Subsequent to balance date.

3.5 Inventories

	2019 $000's	2018 $000's
Current		
Idle assets held for sale	92	3,320
	92	**3,320**

Inventory disclosed represents GoGetta idle assets which will be disposed of through sale rather than secondary rental contracts as part of the winding down of the GoGetta business. This reclassification does not impact hospitality idle assets as these are held for the purpose of re-renting.

3.6 Other assets

	2019 $000's	2018 $000's
Current		
Prepayments	1,807	2,192
	1,807	**2,192**

3.7 Trade and other payables		
Current		
Creditors and accruals (unsecured)	12,428	13,244
Net GST payable	-	414
Deferred rental revenue	2,595	2,587
	15,023	**16,245**

3.8 Provisions		
Current		
Customer remediation provision	5,743	3,800
Onerous lease provision	335	-
	6,078	**3,800**
Non-Current		
Onerous lease provision	362	-
	362	**-**

The Company continues to work through an investigation with ASIC on its GoGetta light commercial asset book. The above provision is an estimate of expected customer remediation and related costs.

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions – movement analysis	**2019 $000's**	**2018 $000's**
Current		
Balance 1 July	**3,800**	**-**
Provisions recognised during the year	2,278	3,800
Balance at 30 June	**6,078**	**3,800**
Non-Current		
Balance 1 July	**-**	**-**
Provisions recognised during the year	362	-
Balance at 30 June	**362**	**-**

4.0 Capital Management

The Group has been in breach of its debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility since 30 June 2018. Waivers have been extended through the period conditional on a minimum capital requirement of $45 million to be available to repay the Syndicate Debt Facility and to ensure the Syndicated Lenders' Hospitality net debt to net rental asset ratio is no greater than 65%.

Subsequent to year end, the waiver was extended to 30 November 2019 on the condition that a minimum capital requirement of $65.2 million be available to repay the Syndicate Debt Facility.

On 30 September 2019, the Company announced it had entered into a binding Share Purchase Agreement with a consortium of investors investing under the leadership of Next Capital Pty Ltd to acquire the Group's subsidiaries that operate the Hospitality segment. Under the terms of the Share Purchase Agreement, the investors will acquire all the assets and liabilities of the Hospitality segment inclusive of all the Company's finance facilities inclusive of the Securitisation facility and except for Tranche B of the Syndicated Facility relating to the GoGetta segment. Refer note 7.9, Events subsequent to balance date.

The Group's target has historically been to fund no more than 70% of the carrying amount of the Group's rental assets and lease receivables by interest bearing debt. At 30 June 2019 this was calculated as follows:

	2019 $000's	**2018 $000's**
Interest bearing debt (current and non-current)[1]	295,151	342,711
Carrying amount of rental assets and lease receivables	283,320	408,658
Ratio of interest bearing debt to carrying amount of rental assets	**104%**	**84%**

[1]Interest bearing debt disclosed does not include restricted cash of $54.2 million and reserve accounts totaling $7.5 million within the Securitisation Trust.

The Group historically aimed to maintain shareholder equity at around 30% of total assets. At 30 June 2019 this was calculated as follows:

	2019 $000's	**2018 $000's**
Total equity	33,119	103,792
Total assets	375,011	497,161
Ratio of total equity to total assets	**9%**	**21%**

The Group historically maintained an adjusted debt to adjusted debt plus equity ratio of between 60% to 65%. For the purposes of this calculation, adjusted debt is calculated as interest bearing debt less cash. At 30 June 2019 this was calculated as follows:

	2019 $000's	**2018 $000's**
Interest bearing debt	295,151	342,711
Less cash and cash equivalents	(76,654)	(29,265)
Adjusted debt	**218,497**	**313,446**
Total equity	33,119	103,792
Adjusted debt plus total equity	**251,616**	**417,238**
Adjusted debt to adjusted debt plus equity	**87%**	**75%**

4.1 Capital and reserves

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.

Share capital	2019 000's	2018 000's
On issue at 1 July	39,268	39,043
Issued under dividend reinvestment plan	-	225
On issue at 30 June	**39,268**	**39,268**

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fu paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share meetings of the Company.

Issue of ordinary shares

During the period, there were no shares issued (2018: 225,135 shares issued under the dividend reinvestment plan).

Shares issued under employee share scheme

All full-time and permanent part-time employees that are employed by Silver Chef Limited or its subsidiaries at the d set by the Board in respect of each Offer may participate in the employee share scheme. No shares were issued dur 2019 or 2018.

Shares are allotted for a price equal to the closing price of shares on ASX on the trading day prior to issue. Issue pric is based on the five day VWAP (being the period commencing one day after the results are released to the ASX and tl offer is despatched to eligible employees). The number of shares issued will be rounded down to the nearest whole number.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of foreign operations.

Translation reserve	2019 $000's	2018 $000's
Opening balance	(162)	232
Movements	1,134	(394)
Closing balance 30 June	**972**	**(162)**

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the fair value movement in the Company's interest rate swaps.

Cash flow hedge reserve	2019 $000's	2018 $000's
Opening balance	(215)	(458)
Movements	(53)	243
Closing balance 30 June	**(268)**	**(215)**

4.2 Dividends

No dividends were declared and paid by the Group during the current financial year.

The following dividends were declared and paid by Group during the prior financial year.

	Cents per share	Total Amount $000's	Franked/ unfranked	Date of payment
2018				
Final dividend – 2017	25.1	9,800	Fully franked	3 October 2017
Interim dividend – 2018	10.0	3,927	Fully franked	20 April 2018
	35.1	**13,727**		

Subsequent event

No final dividend has been declared in relation to the year ended 30 June 2019.

Franking account balance

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as head entity in the tax consolidated group has also assumed the benefit of $25,571,000 (2018: $33,780,000) franking credits. The amount of franking credits available to shareholders for subsequent financial years is as follows:

	2019 $000's	2018 $000's
Franking account balance as at the end of the financial year at 30% (2018: 30%)	25,571	33,780
Franking (debits)/credits that will arise from the (refund)/payment of income tax payable as at the end of the financial year	(477)	(4,344)
	25,094	**29,436**

4.3 Loans and borrowings

	2019 $000's	2018 $000's
Current		
Secured:		
Bank loans – hospitality tranches[1]	183,979	178,361
Bank loans – GoGetta tranche[1]	15,577	88,033
Securitisation debt facility[2]	95,595	76,317
	295,151	**342,711**

[1] In March 2018, the Group amended its Syndicated Facility Agreement (originally entered into in August 2015). The facility had a limit of $350 million and a term of three years. The limits were amended to reflect the revised funding and reporting requirements of the Company post the decision to exit its GoGetta business. A separate amortising non-revolving tranche B was set aside for the GoGetta run off. The facility has been subsequently amended by the waiver and amendment letters, most recently on the 31 May 2019. The debt is classified as current as the Company has breached its debt covenants. A waiver was obtained before 30 June 2018 and has subsequently been extended to 30 November 2019 subject to shareholder approval, the Sale of the Hospitality Business and a reduction of $65.2 million to be paid on or prior to the sale of the Acquirer.

[2] The securitised debt is classified as current as the Company has breached its Securitisation Facility covenants. As at 30 June 2019 $54.2 million of restricted cash was held within the Securitisation Facility. Subsequent to year end $35.9 million of the Securitisation facility was repaid. Refer Note 7.9, Events subsequent to balance date.

4.3 Loans and borrowings (continued)

	2019 $000's	2018 $000's
Summary of undrawn syndicated debt facilities		
Opening undrawn syndicated debt facility	78,913	81,277
Facility extension/(reduction) during year	(100,938)	(50,000)
Debt drawn during the year	(1,087)	(49,708)
Debt repaid during the year	70,907	97,344
Closing undrawn syndicated debt facility	**47,795**	**78,913**

The above undrawn Syndicated Debt Facility limit will be reduced by approximately $15.6 million upon full repayment of the GoGetta debt Tranche B. Approximately $48 million of headroom is available under the Facility, however the Company is currently not able to draw on this debt during the waiver period without the syndicated Lenders' approval.

Reconciliation of movements of liabilities to cash flows arising from financing activities	Senior secured bank facility	Securitisation debt facility	Capitalised costs	Total
Balance as at 1 July 2018	**269,376**	**76,317**	**(2,982)**	**342,711**
Changes from financing activities:				
Proceeds from borrowings	1,087	19,279	-	20,366
Repayment of borrowings	(70,907)	-	-	(70,907)
Total changes from financing cash flows	**(69,820)**	**19,279**	**-**	**(50,541)**
Other changes:				
Amortisation of capitalised borrowing costs	-	-	1,084	**1,084**
Write off capitalised borrowing costs	-	-	1,898	**1,898**
Total other changes	**-**	**-**	**2,982**	**2,982**
Balance as at 30 June 2019	**199,556**	**95,595**	**-**	**295,151**

5.0 Financial instruments

Financial instruments

(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognises finance leases and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives (including interest rate swaps) are recognised initially at fair value. Any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are remeasured to their fair value at each reporting date. The Group documents at the inception of the hedging transaction the relationship between the hedging instrument and hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

(a) Financial risk management

(i) Overview

The Group's principal financial instruments comprise receivables, payables, loans, interest rate swaps, borrowings, cash and cash equivalents.

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

- credit risk;
- liquidity risk; and
- 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.

(ii) Risk management framework

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

The Group's 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.

5.0 Financial instruments (continued)

The Group, through its training and management standards and procedures, aims 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;
- reports to the Board from the internal auditor on internal controls;
- presentations made to the Board throughout the year by appropriate members of the Group's leadership 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.

(b) 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) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 $000's	2018 $000's
Cash and cash equivalents	76,654	29,265
Trade and other receivables	26,244	46,905
Finance lease receivables	87,958	121,941
	190,856	**198,111**

5.0 Financial instruments (continued)

(ii) Expected credit loss measurement

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

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

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

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

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

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

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

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

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

Significant increase in credit risk
The Group considers assets to have experienced a significant increase in credit risk based on qualitative and quantitative information. Assets with a hardship flag or where the asset is more than 30 days past due would be considered to have a significant increase in credit risk and be classified as Stage 2.

Macroeconomic Scenarios
The model for calculation of expected credit losses incorporates forward-looking information. The model which is based on historical performance of the Group also includes overlayed macro-economic conditions to ensure forward looking conditions are considered in the estimate of expected credit losses.

The expected credit loss model incorporates a base, high and low case scenario based on economic variables relevant to the Group. The macroeconomic adjustments are only taken up to the extent that they provide a more conservative position relevant to the assets recoverability.

(iii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Each customer is assessed for creditworthiness and on their potential to service their rental agreement. The credit approval process is tiered depending on the total contract exposure of each customer.

The Group's exposure to credit risk is minimised through the nature of its business model. Rental payments are received in advance by direct debit which provides opportunities to identify delinquent customers early. Security is held against most contracts by a security bond paid by the customer at the beginning of the contract and the Group maintains title over the rental assets. In some cases, where the individual client exposure is higher than the average contract, personal guarantees or other collateral may be obtained.

In monitoring customer credit risk, customers who are in arrears are grouped together according to the likelihood of successful repayment or recovery. An estimate for expected credit losses is then made after taking into account the bond held to offset any losses.

The Group has established an allowance for impairment that represents the estimate of expected credit losses in respect of trade and other receivables.

5.0 Financial instruments (continued)

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

	2019 $000's		2018 $000's	
	Gross	**Allowance**	**Gross**	**Allowance**
Not past due	1,028	-	2,772	-
Past due 1-4 weeks	665	(102)	2,383	(625)
Past due 5-7 weeks	794	(164)	1,562	(720)
Past due 8-12 weeks	701	(207)	2,047	(1,223)
Past due + 12 weeks	21,986	(18,864)	38,005	(31,187)
Total trade receivables	**25,174**	**(19,337)**	**46,769**	**(33,755)**

The above gross receivables and allowances do not include bonds held against the underlying contracts. These bonds further reduce the above exposures and reduce the exposure of receivables aged over 12 weeks to nil.
Receivables past due but not considered impaired in the Group is $4.809 million (2018: $10.242 million). Management is satisfied that payment will be received in full or holds sufficient bond to offset amounts owed.
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:

	2019 $000's	2018 $000's
Balance at 1 July under AASB 139	**33,755**	**12,354**
Adjustment on initial application of AASB 9	945	-
Balance at 1 July under AASB 9	34,700	-
Impairment loss recognised	7,147	39,553
Write-back of provisions no longer required[1]	(22,510)	(18,152)
Balance at 30 June	**19,337**	**33,755**

[1] Write-back of provisions no longer required includes write backs relating to assets written off, and write backs relating to contracts which are no longer credit impaired.

5.0 Financial instruments (continued)

(iv) Bonds

Included in the consolidated total liabilities at 30 June 2019 is an amount of $21,358,000 of customer security bonds (30 June 2018: $26,836,000). The security bonds are an important part of the Group's business model and in commercial terms, perform as follows:

- The bonds are taken as a cash deposit from the customer at the inception of the contract;
- The bonds are used by the Group as security over any defaults, excessive repatriation costs or damaged assets;
- The Group retains control over the bonds and they form a part of the Group's operating cash flows;
- Bond refunds occur in two instances: when the customer returns the asset at the completion of the contract (after deducting any amounts for arrears and repatriation expenses), or when the customer purchases the asset from the Group (after deducting any amounts for arrears). In the majority of cases where the customer purchases the asset, their bond will be refunded once the Group has received payment for the asset, making the transaction net cash flow positive; and
- Those bonds attached to a long-term contract remain payable until the maturity date of the contract. If the customer takes the option to purchase the asset it will form part of the purchase price.

Except for those security bonds which are attached to a rental contract with a maturity date greater than 12 months, customer security bonds are classified as current as the Group does not have the unconditional right to defer repayment of the bonds for a period greater than 12 months in the majority of cases. In practice, not all customer security bonds are refunded within 12 months.

The balance of the bond liability is affected by movements in the rental asset base. Any decrease in the bond liability will usually be timed with the disposal of rental assets.

(v) Finance lease receivables

The Group also provides longer term asset rentals which are recognised as finance leases. To qualify for one of the long-term rental arrangements, a customer must have rented their assets for a period of 12 months on an operating lease with a good payment history before converting to a long-term rental contract or be eligible for a long term franchise finance lease. The Group has recourse to the underlying asset which provides additional credit risk protection in the event of customer default.

The ageing of finance lease receivables at 30 June is detailed below:

	2019 $000's		2018 $000's	
	Gross	**Allowance**	**Gross**	**Allowance**
Not past due	60,713	(1,435)	90,093	-
Past due 1-4 weeks	4,765	(992)	7,891	(620)
Past due 5-7 weeks	1,367	(564)	1,124	(326)
Past due 8-12 weeks	1,454	(742)	2,507	(545)
Past due + 12 weeks	19,659	(16,464)	20,326	(11,507)
Total finance lease receivables	**87,958**	**(20,197)**	**121,941**	**(12,998)**

Finance lease receivables past due but not considered impaired in the Group is $8.483 million (2018: $18.85 million).

The effect of initially applying AASB 9 in the Group's financial instruments is described in Note 1. Due to the transition method chosen in applying AASB 9, comparative information has not been restated to reflect the new requirements.

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

5.0 Financial instruments (continued)

	2018 $000's
Balance at 1 July	1,718
Impairment loss recognised	13,416
Amounts written off	(2,136)
Balance at 30 June	**12,998**

2019 $000's	12-month ECL $000's	Lifetime ECL: Not credit-impaired $000's	Lifetime ECL: Credit-impaired $000's	2019 Total $000's
Balance at 1 July under AASB 139	-	-	-	12,998
Adjustment on initial application of AASB 9	-	-	-	8,762
Balance at 1 July under AASB 9	3,538	1,500	16,722	21,760
New Provisions	8,406	-	-	8,406
Transferred to Stage 2	(3,773)	3,773	-	-
Transferred to Stage 3	-	(7,454)	7,454	-
Write-back of provisions no longer required[1]	(2,226)	(871)	(15,320)	(18,417)
Net remeasurement of loss allowance on assets not past due	(798)	-	-	(798)
Net remeasurement of loss allowance excluding assets not past due	(2,720)	4,358	7,608	9,246
Balance at 30 June	**2,427**	**1,306**	**16,464**	**20,197**

[1] Write-back of provisions no longer required' includes write backs relating to assets written off, and write backs relating to contracts which are no longer credit impaired.

2019 $000's	Gross Finance Lease Receivables $000's	ECL $000's
Stage 1	65,009	(2,427)
Stage 2	3,250	(1,306)
Stage 3	19,699	(16,464)
Total	**87,958**	**(20,197)**

5.0 Financial instruments (continued)

(vi) Cash and cash equivalents

The Group held cash and cash equivalents of $76,654,000 at 30 June 2019 (2018: $29,265,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank counterparties with a credit rating of AA- or better.

The cash balance includes restricted cash of $54.2 million at 30 June 2019 (2018: $10.9 million) representing securitised cash flows held by the SIV Equipment Trust No.1. Per the Trust Agreement, these funds are reconciled and distributed according to the predetermined cash flow waterfall. Until certain reporting and other requirements are resolved, distributions have not occurred out of the Trust to the Group since November 2018 and asset sell-ins have been restricted.

(c) 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.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected net cash outflows over the succeeding 30 days. In addition, the Group maintains a level of undrawn finance facilities which are detailed in note 4.3.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

30 June 2019	Less than 6 months $000's	6-12 months $000's	More than 1 and less than 5 years $000's	More than 5 years $000's	Total $000's
Non-derivative financial instruments					
Trade accounts payable	15,023	-	-	-	15,023
Customer security bonds	14,488	5,744	1,126	-	21,358
Securitisation debt facility[1]	95,595	-	-	-	95,595
Senior secured bank facility[1]	199,556	-	-	-	199,556
	324,662	**5,744**	**1,126**	**-**	**331,532**

[1] The debt is reclassified as current as the Company has breached its debt covenants. A waiver has been extended to 30 November 2019. Refer to Note 7.9, Events subsequent to balance date.

30 June 2018	Less than 6 months $000's	6-12 months $000's	More than 1 and less than 5 years $000's	More than 5 years $000's	Total $000's
Non-derivative financial instruments					
Trade accounts payable	17,458	-	-	-	17,458
Customer security bonds	16,845	4,846	5,145	-	26,836
Securitisation debt facility[1]	2,006	78,586	-	-	80,592
Senior secured bank facility[1]	7,372	275,570	-	-	282,942
	43,681	**359,002**	**5,145**	**-**	**407,828**

5.0 Financial instruments (continued)

The Group's secured bank facilities contain debt covenants, a breach of which may require the Group to repay the facility earlier than indicated in the above table. Details of the current breaches and waiver conditions of the Company's debt facilities can be found in the Capital Management Note 4.0.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or by significantly different amounts.

As disclosed in Note 5.0(b)(iii), the Group holds customer security bonds as part of its business model. The repayment of these security bonds will normally be timed with the paying out of a contract and/or the return of rental assets.

(d) 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.

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

	2019 $000's	2018 $000's
Financial assets – current		
Cash and cash equivalents	76,654	29,265
Financial liabilities – current		
Secured bank facilities	199,556	269,376
Securitised debt facility	95,595	76,580

At 30 June 2019, 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 Higher/(lower)		Equity Higher/(lower)	
	2019 $000's	2018 $000's	2019 $000's	2018 $000's
+0.5% (50 basis points)	(1,245)	(873)	-	-
-0.5% (50 basis points)	1,245	873	-	-

(i) Derivatives

	2019 $000's	2018 $000's
Interest rate swap at fair value – senior debt facility	-	147
Interest rate swap at fair value – securitised debt facility	384	161
Total derivatives	**384**	**308**

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

5.0 Financial instruments (continued)

During the year, Silver Chef had an interest rate swap agreement to fix the floating interest rate component for $100 million of its syndicated facility agreement for three years and which matured on December 2018. The interest rate swap agreement entitled the Company to receive monthly interest at a floating rate on the notional value of $100 million and had obligated it to pay monthly interest at a fixed rate. After maturity of the interest rate swap agreement, Silver Chef has not entered into new hedging arrangements for the syndicated facility agreement portion of its funding.

The Company currently has an amortising interest rate swap against the fixed cash flows on the long-term rental contracts sold into the securitisation trust. The hedging instrument is comprised of three tranches with notional amount totalling $48.3 million as at the 30 June 2019 that roll on a staggered three-monthly basis until April 2022.

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

(ii) Fair value hierarchy

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. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of finance leases, the market rate of interest is determined by reference to similar lease agreements.

Derivative financial instruments

Derivatives such as interest rate swaps, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The table below analyses recurring fair value measurements for financial assets and financial liabilities.

	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Derivatives				
Interest rate swaps used for hedging – 30 June 2018	-	384	-	**384**
Interest rate swaps used for hedging – 30 June 2019	-	384	-	**384**
Total financial liabilities carried at fair value	**-**	**384**	**-**	**384**

5.0 Financial instruments (continued)

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

Cash and cash equivalents
The carrying amount is an approximation of fair value as they are short term in nature or are receivable on demand.

Lease and trade Receivables
The fair value of lease receivables is estimated by recalculating the receivable at the current effective rental rate as if the contract were entered into as at 30 June 2019.
The carrying value of trade receivables is an approximation of fair values as they are short term in nature.

Payables
The carrying amount of payables is an approximation of fair values as they are short term in nature.

Borrowings
The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities as at 30 June 2019 and 30 June 2018.

	30 June 2019		30 June 2018	
	Carrying amount $000's	Fair value $000's	Carrying amount $000's	Fair value $000's
Financial assets				
Cash and cash equivalents	76,654	76,654	29,265	29,265
Trade and other receivables	6,907	6,907	13,150	13,150
Lease receivables	67,761	67,761	108,943	108,943
Financial liabilities				
Payables	15,023	15,023	20,045	20,045
Customer security bonds payable	21,358	21,358	26,836	26,836
Securitised debt facility	95,595	95,595	76,580	76,580
Secured bank facilities	199,556	199,556	269,376	269,376
Derivatives	384	384	308	308

(iii) Currency risk

The Group's exposure to currency risk was minimised by setting up facility limits to be drawn in all three functional currencies of the Group under its syndicated debt facility – Australian dollars (AUD), New Zealand dollars (NZD) and Canadian dollars (CAD). The existing limits are comprised of AUD$170 million, AUD$20 million drawable in either NZD or AUD, and a limit of CAD$40 million. The currency of borrowings can now be matched to the cash flows underlying the operations of the Group but the currency in which borrowings are primarily denominated is the AUD.

The Group monitors its exposure to currency risk and considers existing positions, obtaining loans in currencies that match the cash flows generated by the operations of the Group and alternate hedging positions.

6.0 Employee Remuneration and Benefits

Employee benefits

(i) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6.1 Employee benefits

	2019 $000's	2018 $000's
Current		
Annual leave payable	1,835	2,050
Long service leave payable	362	247
Other employee benefits payable	12	16
	2,209	**2,313**
Non-current		
Long service leave payable	241	382
	241	**382**

7.0 Other

7.1 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Cash is held in operating bank accounts with financial institutions with a credit rating of AA- or better. The current year balance below includes restricted cash of $54.2 million at 30 June 2019 (2018: $10.9 million) representing cash reserves held by the SIV Equipment Trust No.1 that are subject to the Trust's waterfall calculations.

	2019 $000's	2018 $000's
Bank balances	76,654	29,265
Cash and cash equivalents in the statement of cash flows	**76,654**	**29,265**

7.2 Reconciliation of cash flows from operating activities

	2019 $000's	2018 $000's
Profit for the year	(64,912)	(48,814)
Adjustments for:		
Depreciation	99,052	119,067
Amortisation of deferred upfront costs	10,752	17,793
Amortisation of borrowing costs	2,870	5,554
Amortisation of intangible assets	1,368	1,138
Impairment loss on receivables	(16,279)	24,270
Impairment provision on rental assets	31,973	48,091
Loss on sale of fixed assets	16,735	17,999
Deferral of commissions	(7,943)	(15,421)
Change in tax assets and liabilities	40,219	(32,066)
Change in trade receivables	24,180	2,161
Change in lease receivables	39,346	27,831
Change in other current assets	379	735
Change in creditors and accruals	1,495	6,311
Change in deferred revenue, advances and bonds	(5,470)	(8,814)
Change in provision for employee benefits	(244)	95
Net cash from operating activities	**173,521**	**165,930**

7.3 Auditor remuneration

	2019 $	2018 $
Audit and review of financial reports	194,000	169,425
Services other than audit work:		
– taxation services	183,940	38,706
– other services (including due diligence)	207,807	39,463
Total	**585,747**	**247,594**

7.4 Commitments and contingencies

Contingent liabilities

Bank guarantees totalling $610,426 exist at 30 June 2019 (2018: $804,218).

A break fee totaling $1,800,000 is payable to Next Capital should the conditions under the Share Purchase Agreement not be met. Refer note 7.9.

A break fee totaling $300,000 plus GST is payable to Morgans Corporate Limited should the Sale of the Hospitality business go ahead or another alternate transaction not requiring Morgans lead manager and underwriting services.

A break fee totaling $250,000 plus GST is payable to Blue Stamp Company Pty Ltd should the Sale of the Hospitality business go ahead.

Leases – Group is lessee

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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.

Operating leases – Group is lessee	**2019 $000's**	**2018 $000's**
Leases as lessee		
Not later than one year	1,992	2,019
Later than one year not later than five years	4,431	3,816
More than five years	1,808	-
	8,231	**5,835**

The Group leases its office and warehouse facilities under operating leases. The leases run for up to 10 years, with an option to renew after the expiry date. The total operating lease expense recognised in profit or loss for the year ended 30 June 2019 was $2,253,000 (2018: $2,237,000).

7.5 Parent entity information

As at, and throughout the financial year ended 30 June 2019, the parent company of the Group was Silver Chef Limited.

	2019 $000's	**2018 $000's**
Result of the parent entity		
Profit for the year	(46,649)	(19,716)
Other comprehensive income	53	243
Total comprehensive income for the period	**(46,596)**	**(19,473)**

7.5 Parent entity information (continued)

	2019 $000's	2018 $000's
Financial position of the parent entity at year end		
Current assets	59,806	52,404
Total assets	341,436	481,524
Current liabilities	257,730	102,467
Total liabilities	258,994	352,379

	2019 $000's	2018 $000's
Total equity of the parent entity comprising of:		
Share capital	120,740	120,740
Retained earnings	(38,029)	8,620
Cash flow hedge reserve	(269)	(215)
Total equity	**82,442**	**129,145**

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity is part of the Group loan arrangement for the syndicated banking facility which secures the Group's assets against that facility.

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 7.6.

7.6 Controlled entities

	Balance date	Country of incorporation	% of shares held 2019	% of shares held 2018
Silver Chef Finance Company Limited	30 June	Australia	100	100
Silver Chef Rentals Pty Ltd	30 June	Australia	100	100
GoGetta Equipment Funding Pty Ltd	30 June	Australia	100	100
Silver Chef Rentals Limited	30 June	New Zealand	100	100
Silver Chef Rentals Inc	30 June	Canada	100	100
Silver Chef Foundation Pty Ltd (Trustee for Silver Chef Foundation)	30 June	Australia	100	100
Silver Chef US PBC	30 June	USA	100	100
Silver Chef US LLC	30 June	USA	100	100
SIV Equipment Trust No.1	30 June	Australia	100	100

7.7 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed above 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 the Australian subsidiaries (excluding Silver Chef Foundation Pty Ltd and SIV Equipment Trust No. 1) 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 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.

Silver Chef Finance Company Limited, Silver Chef Rentals Pty Ltd and GoGetta Equipment Funding Pty Ltd were subject to the Deed.

A consolidated statement of profit or loss and other 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 2019 is set out as follows:

Statement of profit or loss and other comprehensive income	**2019 $000's**	**2018 $000's**
Revenue	212,218	262,948
Expenses from ordinary activities	(190,078)	(287,689)
Finance costs	(34,571)	(25,578)
Loss on sale of plant and equipment	(15,773)	(16,702)
Profit/(loss) before income tax	**(28,204)**	**(67,021)**
Tax (expense)/ benefit	(32,728)	19,235
Profit/(loss) after income tax	**(60,932)**	**(47,786)**
Other comprehensive income	53	243
Total comprehensive income/(loss) attributable to members of the parent	**(60,879)**	**(47,543)**

7.7 Deed of cross guarantee (continued)

Statement of financial position

	2019 $000's	2018 $000's
Assets		
Cash and cash equivalents	11,361	10,096
Trade and other receivables	68,433	80,722
Current tax receivable	477	4,344
Inventory	92	3,320
Other assets	1,249	1,735
Total current assets	**81,612**	**100,217**
Trade and other receivables	69,242	90,651
Property plant and equipment	171,053	256,567
Intangibles	4,125	3,862
Deferred tax assets	-	30,156
Total non-current assets	**244,420**	**381,236**
Total assets	**326,032**	**481,453**
Liabilities		
Trade and other payables	112,864	130,086
Loans and borrowings	165,901	235,376
Provisions	6,078	3,800
Employee benefits	1,937	2,138
Total current liabilities	**286,780**	**371,400**
Non-current liabilities		
Trade and other payables	1,541	5,672
Provisions	362	-
Employee benefits	241	382
Derivative financial instruments	384	308
Total non-current liabilities	**2,528**	**6,362**
Total liabilities	**289,308**	**377,762**
Net assets	**36,724**	**103,691**
Equity		
Share capital	120,742	120,742
Retained earnings	(83,654)	(16,740)
Reserves	(364)	(311)
Total equity	**36,724**	**103,691**

7.8 Related parties

(a) Key management personnel compensation The key management personnel compensation comprised:	**2019** **$**	**2018** **$**
Short-term employee benefits	1,205,252	1,208,418
Non-monetary benefits	48,072	-
Post-employment benefits	57,474	57,877
	1,310,798	**1,266,295**

(b) Individual Directors and executives' compensation disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

The aggregate amount recognised during the year relating to Directors and their personally-related entities, amounted to $11,622 (2018: $15,910). Details of the transactions are as follows:

	Transaction	**Note**	**2019** **$**	**2018** **$**
Bede King	Legal advice	(i)	11,622	15,910
Sophie Mitchell	Management and underwriting fees	(ii)	-	-
			11,622	**15,910**

(i) Legal fees paid to Tobin King Lateef, a law firm in which Bede King is a partner. Services provided were on commercial terms as one of the Company's panel of legal firms.

(ii) Per note 7.4, Commitments and Contingencies, a break fee totaling $300,000 plus GST is payable to Morgans Corporate Limited should the Sale of the Hospitality business go ahead or another alternative transaction not requiring Morgans lead manager and underwriting services. Sophie Mitchell who is on the Silver Chef Limited Board of Directors is a former Director of Morgans Corporate Limited, and a non-executive Director of Morgans Holdings (Australia) Limited. A legal firm was engaged by Morgans for legal services to provide underwriting advice totaling $12,145 ex GST which was paid during FY19.

7.9 Events subsequent to balance date

No final dividend has been declared in relation to the year ended 30 June 2019.

On 3 July 2019 the Company announced it had entered into a binding Scheme Implementation Arrangement with a consortium of investors investing under the leadership of Next Capital to acquire all the shares in the Company (except those shares elected to be retained by the Founder Shareholders) and provide additional working capital to the Company. The amount of additional capital was sufficient to remedy the debt covenant breaches under the Syndicated Debt Facility and its Securitisation Warehouse Facility and provide working capital to meet the Company's current growth projections.

On 27 August 2019, the Company received an alternative proposal from Blue Stamp Company (BSC), which holds a 19.99% interest in Silver Chef Limited. The proposal was for the Company to undertake a fully underwritten, accelerated, renounceable pro rata entitlement offer to raise approximately $50 million at $0.31 per share. On the 5 September 2019 this proposal was increased to $60m. The new equity funds would be used to repay $45 million of the Syndicated Debt Facility, and fund the transaction costs and working capital of the Company. On 31 August 2019, the Scheme Implementation Agreement with Next Capital was terminated.

On 10 September 2019, the Company received a conditional proposal from Next Capital to acquire Silver Chef's Hospitality business by acquiring certain operating subsidiaries of the Company for a consideration of $15 million (the "Hospitality segment"). The Company's shareholders would also retain the full benefit of the GoGetta run-off. The Next Proposal was subject to Silver Chef shareholder approval.

A revised offer was received from Next Capital on 23 September 2019 to acquire the Hospitality segment for $18 million. Concurrently, negotiations with the Company's Banking Syndicate failed to achieve a result that was acceptable to all stakeholders regarding the Blue Stamp Company $60 million recapitalisation proposal. Consequently, the Board determined not to proceed with BSC's proposal, and reached an in-principle agreement with Next Capital for the sale of the Hospitality business.

On 30 September 2019, the Company announced it had entered into a binding Share Purchase Agreement with a consortium of investors investing under the leadership of Next Capital to acquire the Group's subsidiaries that operate the Hospitality segment ("the Proposed Transaction") for $18.25 million.

Silver Chef has agreed to undertake a restructure prior to completion of the Proposed Transaction so that all of the assets (including cash) and liabilities of the Hospitality segment are transferred to the Hospitality subsidiaries subject to the Share Purchase Agreement. In particular, Silver Chef's existing Syndicated Debt Facility and Warehouse Securitisation Facility will be novated to the Hospitality segment and amended so that Silver Chef and its subsidiaries (excluding the Hospitality segment) will be released from completion, other than the 'Facility B' under the Syndicated Debt Facility relating to GoGetta. Facility B is expected to be repaid in full by Silver Chef on completion of the Proposed Transaction, so that Silver Chef will have no material debt following completion. Silver Chef will retain all of the assets (including cash) and liabilities in relation to the GoGetta business and will continue to operate to support the existing GoGetta leases and rental agreements until they mature or the assets are returned.

All employees of Silver Chef (other than directors) will transfer to the Hospitality Business as part of the Restructure. Next Capital has agreed for Silver Chef Rentals Pty Ltd to provide certain transitional services to Silver Chef following completion of the Proposed Transaction to run the GoGetta business on a direct cost recovery basis for a period of up to two years, including management of the GoGetta business, preparation of financial accounts, information technology services and other administrative and support services.

The Proposed Transaction is subject to a number of conditions which must be satisfied or waived for completion to occur, including:

- approval by Silver Chef shareholders by ordinary resolution in accordance with ASX listing rule 11.2;
- Next Capital obtaining approval from the Foreign Investment Review Board;
- Silver Chef and Next Capital agreeing on the steps of the Restructure;
- implementation of the Restructure;
- no material adverse effect in relation to Silver Chef;

7.9 Events subsequent to balance date (continued)

- each party to the finance facilities has agreed and entered into amendments and waivers with respect to the finance facility documents on terms acceptable to Next Capital; and
- no default under Silver Chef's credit facilities or circumstances occurring which results in any waivers received from financiers being revoked or ceasing to apply which are not waived or remedied within 10 business days on terms acceptable to Next Capital,

The binding Share Purchase Agreement entered into by the Company at 30 September 2019 to divest the Hospitality segment is expected to result in the Hospitality segment being classified as held for sale subsequent to 30 June 2019 when the conditions precedent have been satisfied and the sale is highly probable. The financial impact of the sale is currently being determined however it is expected to lead to an accounting loss on sale whereby the Company will sell the net assets of the Hospitality segment for less than the carrying value of the assets at sale date.

Financing Waivers

The Group has been in breach of its debt covenants under its Syndicated Debt Facility and its Securitisation Warehouse Facility since 30 June 2018. Waivers were extended through the period conditional on a minimum capital requirement of $65.2 million to be prepaid to the Syndicated Debt Facility. As a further condition of the waiver for the Securitisation Warehouse facility, $35.9 million of the Securitised Debt Facility was repaid in July 2019 and the Securitised Facility Limit was reduced to $140 million and the Syndicated Debt Facility was reduced to $150 million. The termination of the Scheme Implementation Agreement (SIA) on 31 August 2019 to pursue the Blue Stamp Company (BSC) proposal triggered a "waiver review event". The Company had 30 days to determine the effect that the termination of the SIA would have on Silver Chef and its ability to comply with its obligations under the finance facilities.

As announced on 23 September 2019, negotiations with the Company's Banking Syndicate failed to achieve a result that was acceptable to all stakeholders regarding the Blue Stamp Company $60 million recapitalisation proposal. Consequently, the Board determined not to proceed with BSC's proposal, and reached an in-principle agreement with Next Capital for the sale of the Hospitality segment.

The waivers have been extended until 30 November 2019 conditional on shareholder approval of the sale of the Hospitality segment, which requires 50% or more of shareholders to approve. The Company's two major shareholders, representing approximately 43% shares on issue, along with the directors of the Company have agreed to support the sale of the Hospitality segment. Should the sale of the business not be approved, the Company has 15 days to reach an agreed alternative proposal with its financiers.

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

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 27 to 72 and the Remuneration report in section 4.3 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 2019 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 7.6 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 2019.

4. The Directors draw attention to note 1.0 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
Non-Executive Chairman
Brisbane

30 September 2019

Independent Auditor's Report

To the shareholders of Silver Chef Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Silver Chef Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- the Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 (section titled "Going Concern") in the Financial Report. The conditions disclosed in the Going Concern section of Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern.

Our approach to this involved:

- analysing documentation relating to the status of the proposal announced by the Company for the sale of the hospitality segment to Next Capital Pty Limited, on behalf of its managed funds and certain co-investors (collectively "Next"). Based on this documentation we evaluated the feasibility of achieving the sale in compliance with the waivers that have been received from the Group's financiers, the impact of the sale to the Group's financial position, cash flow forecasts for the remaining business and the forecast capacity to meet the Group's obligations. We used our knowledge of the client and the current status of conditions relating to the sale to assess the level of associated uncertainty;
- reading correspondence with financiers to understand the current position, the waivers obtained, including conditions set out in the waivers, and assessing the Group's ability to comply with the conditions in addition to the sale for the hospitality segment to Next, and the level of associated uncertainty; and
- reading Directors minutes and making enquiries of Directors' and management to understand their plans to address going concern in the event the sale of the hospitality segment does not occur, and evaluating the feasibility of these plans and associated cash flow projections based on our understanding of the Group's intentions and past results and practices; and
- evaluating the completeness and accuracy of the Group's going concern disclosures by comparing them to our understanding of the principal matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the ***Key Audit Matters***:

- Expected credit loss provisions for trade and finance lease receivables held at amortised cost
- Impairment of rental assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for expected credit loss for trade and finance lease receivables held at amortised cost (AUD$39.5m)	
Refer to Note 3.3 and 5.0 (b) to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The allowance for Expected Credit Loss (ECL) for trade and finance lease receivables held at amortised cost is a key audit matter due to the high degree of complexity and judgement applied by the Group in estimating the allowance and the judgement required by us in challenging these estimates. The Group adopted AASB 9 *Financial Instruments* (AASB 9) on 1 July 2018. In applying AASB 9, considerable judgement is required to: • determine an approach that complies with the requirements of AASB 9 for each portfolio of receivables; • define indicators that represent a significant increase in credit risk from which a 12 month and lifetime loss is estimated and incorporating forward looking assumptions representing the Group's view of future economic variables; and • design collective ECL models to calculate the allowance for trade and lease receivables. This estimation is inherently challenging due to the use of complex models based on the Group's historical loss experience to predict probability of default (PD) and loss given default (LGD).	Our procedures included: • Assessing the appropriateness of the Group's provisioning methodology against the requirements of accounting standards and industry practice; • Working with our credit risk specialists, we assessed the methodology and assumptions, including PD and LGD estimates, used in the ECL models against the requirements of Australian Accounting Standards and industry practice; • Testing the completeness and accuracy of a sample of relevant data used within ECL models, such as checking year end balances to the general ledger, repayment history to source systems and historical losses; • Working with our credit risk specialists to re-perform the ECL calculation for a sample of ECL models using the Group's provisioning methodology and relevant data used within the ECL models. We compared our results to the amount recorded by the Group; • Assessing the appropriateness of the application of any post-model adjustments applied by the Group to the ECL estimates.

Impairment of rental assets (AUD$19.4m)	
Refer to Note 3.1 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Impairment assessments relating to rental assets are a key audit matter due to the significant value of these assets, being 57% of the Group's total assets, and the estimates applied by the Group to assess the assets' recoverable amounts. Our audit focused on the recoverable amount estimates for rental assets categorised as idle and suspended assets due to the increased risk of impairment associated with these assets. Idle assets are those assets returned to the Group and warehoused for reconditioning or are being held by external vendors. The recoverable amount for each asset is estimated by the Group based on expected re-leasing rates and historical sales information. Suspended assets represent equipment currently leased to customers where there is significant doubt on the ability of the customer to meet rental payments and the asset is in the process of recovery. The impairment assessments relating to suspended assets are challenging to audit as the assets are not in the physical possession of the Group and therefore the location and physical condition of the asset is in the process of being determined by the Group. The Group segments suspended assets based on the length of time since the last repayment was received from the lessee. For each segment the recoverable amount is based on an impairment loss rate calculated using historical loss experience relating to the recovery of suspended assets.	Our procedures included: • Testing key internal controls such as those identifying contracts where a scheduled payment has not been received and whether the contract has been recorded as suspended in accordance with the Group's policy; • Attending counts of idle assets at the Group's warehouse facilities. We tested a sample of these for physical existence and asset condition. We considered the recoverable amount for consistency with the age, condition and recovery strategy assigned to it; • Assessing the recoverable amount of idle assets against patterns of historical sales and re-leasing rates; • Testing the completeness and accuracy of a sample of relevant data used in the impairment model for suspended assets, such as checking year end balances to the general ledger, repayment history and historical losses; • Assessing the methodology for calculating loss rates; • Recalculating the impairment provision based on the impairment percentage and the value of idle and suspended contract assets.

Other Information

Other Information is financial and non-financial information in Silver Chef Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Silver Chef Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 6 to 12 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Jillian Richards

Jillian Richards

Partner

Brisbane

30 September 2019

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

To the Directors of Silver Chef Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Silver Chef Limited for the financial year ended 30 June 2019 there have been:

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

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

KPMG

KPMG

Jillian Richards

Jillian Richards

Partner

Brisbane

30 September 2019

Silver Chef Limited

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 23 September 2019

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

Shareholder	Number of ordinary shares
Blue Stamp Company Pty Ltd <Blue Stamp A/C>	7,853,583
English Family Foundation Pty Ltd <English Fam Foundation A/C>	4,550,000
Tessana Pty Ltd < A English Family A/C>	3,999,956

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.

Distribution of security holders

Category	Holders	Ordinary shares
1 – 1,000	1,307	479,935
1,001 – 5,000	1,047	2,578,461
5,001 – 10,000	301	2,231,812
10,001 – 100,000	332	8,969,577
100,001 and over	37	25,008,131
	3,024	**39,267,916**

The number of shareholders with less than a marketable parcel of ordinary shares is 1,086.

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders as at 23 September 2019

Name	Number of ordinary shares held	Percentage of capital held
BLUE STAMP COMPANY PTY LTD <BLUE STAMP A/C>	7,853,583	19.99%
ENGLISH FAMILY FOUNDATION PTY LTD <ENGLISH FAM FOUNDATION A/C>	4,550,000	11.59%
TESSANA PTY LTD <A ENGLISH FAMILY A/C>	3,999,956	10.19%
RUMINATOR PTY LTD	755,500	1.92%
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	750,000	1.91%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	661,438	1.68%
CITICORP NOMINEES PTY LIMITED	608,272	1.55%
HUNTINGTON SUPER PTY LTD <HUNTINGTON SP SUPER PLN A/C>	431,267	1.10%
MORESROOM PTY LIMITED	375,000	0.95%
MR ALLAN JOHN ENGLISH & MRS TESSA WINIFRED ENGLISH <TESSANA SUPER FUND A/C>	326,651	0.83%
NATIONAL NOMINEES LIMITED	300,013	0.76%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	289,401	0.74%
MR PETER MERVYN MOON & MRS VICKI ANN MOON <THE MOON SUPER FUND A/C>	281,667	0.72%
HUNTINGTON INVESTMENT SERVICES PTY LTD <HUNTINGTON INVESTMENT A/C>	227,159	0.58%
PARAWAY PTY LTD	221,121	0.56%
CASTLEREAGH EQUITY PTY LTD	210,000	0.53%
ILLABAROOK PTY LTD	200,000	0.51%
INVESKO PTY LTD <INVESKO PRIV INV FUND A/C>	200,000	0.51%
TALMAL PTY LTD <TALMAL A/C>	200,000	0.51%
FIVE TALENTS LIMITED	194,503	0.50%
	22,635,531	**57.63%**

Silver Chef Limited

ACN 011 045 828

Company directory

Non-Executive Chairman

Allan English

Non-Executive Directors

Andrew Kemp
Bede King
Sophie Mitchell
Patrick Tapper

Chief Executive Officer
Damien Guivarra

Chief Financial Officer and Company Secretary

Graeme Fallet

Registered office and principal place of business

20 Pidgeon Close
West End Qld 4101
Telephone: 07 3335 3300
Facsimile: 07 3335 3399

Website: www.silverchefgroup.com.au

Auditors

KPMG

Solicitors

Jones Day

Share Register

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Phone: 1300 737 760
Fax: 1300 653 459

Website: www.boardroomlimited.com.au

Securities Exchange

The Company is listed on the Australian Securities Exchange.

Code: Shares – SIV

Other information

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