



Annual Report

2018

Chalmers
When customer service counts

This financial report covers the consolidated entity consisting of Chalmers Limited and its subsidiaries. The financial report is presented in the Australian currency.

Chalmers Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Chalmers Limited
20-28 Cawley Road
Yarraville Vic 3013

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 2-3.

The financial report was authorised for issue by the directors on 13 September 2018. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. Press releases and financial information are available at **www.chalmers.net.au**



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A.B.N. 34 004 471 032

20-28 Cawley Road,
Yarraville VIC 3013
Incorporated in Australia
www.chalmers.net.au

Directors

Graham Mulligan
Peter Brannighan
Gary Chalmers
Layton Daglish

Bankers

Bank of Melbourne

Level 2
525 Collins Street
Melbourne VIC 3000

Auditors

Grant Thornton Audit Pty Ltd
Chartered Accountants
Tower 1
727 Collins Street
Melbourne VIC 3008

Secretary

Kane Harnden

Subsidiaries

Chalmers Industries Pty Ltd
Chalmers (Australia) Pty Ltd
Chalmers Industries (Brisbane) Pty Ltd
Chalmers 20 Cawley Road Pty Ltd

Divisions

Chalmers Transport
Chalmers Containers Services
Chalmers Tank Services

Stock Exchange Listing

Australian Securities Exchange

Share Register

Link Market Services Limited
Securities Registration Services
Tower 4
727 Collins Street
Melbourne VIC 3008
T 1300 554 474

**Registered Office & Melbourne
Transport & Logistics Operations**

20-28 Cawley Road
Yarraville VIC 3013

PO Box 50
Yarraville VIC 3013

T: 03 9316 2011
F: 03 9316 2066
E: admin@chalmers.net.au

**Melbourne Empty Container Park
Operations**

Cnr Francis Street & Hardie Road
Brooklyn VIC 3025

PO Box 50
Yarraville VIC 3013

T: 03 9314 1244
F: 03 9314 2686

**Brisbane Container, Freight
Station, Tank & Transport
Operations**

25, 26 & 31 Whimbrel Street
Port of Brisbane QLD 4178

PO Box 667
Hamilton Central QLD 4007

T: 07 3895 6000
F: 07 3895 6060

Five Year Performance

\$1000s	2014	2015	2016	2017	2018
Revenue from continuing operations	61,843	60,746	58,502	66,659	67,877
Earnings before interest, tax, depreciation	5,590	3,500	4,730	4,702	3,119
less: interest paid	(660)	(583)	(409)	(346)	(373)
less: depreciation & amortisation	(3,352)	(3,869)	(3,842)	(3,579)	(3,467)
Profit/(loss) before tax	1,578	(952)	479	777	(721)
less: income tax (expense)/benefit	(494)	213	(227)	(296)	148
Profit/(loss) after tax	1,084	(739)	252	481	(573)
less: dividends paid/provided	(761)	(190)	–	–	(227)
Retained profits/(losses)	323	(929)	252	481	(800)
EBITDA/Revenue	9.0%	5.8%	8.1%	7.1%	4.6%
Profit/(loss) before tax/Revenue	2.6%	(1.6%)	0.8%	1.2%	(1.1%)
Profit/(loss) on sale/acquisition of assets	375	39	(25)	272	221
EBITDA - excl POSA	5,215	3,461	4,754	4,430	2,898
Profit/(loss) after tax/Revenue	1.8%	(1.2%)	0.4%	0.7%	(0.8%)
Profit/(loss) after tax/Equity	3.2%	(2.2%)	0.8%	1.4%	(1.7%)
Earnings per share (cents)	14.23	(9.71)	3.30	6.31	(7.53)
Dividends per share (cents)	7.5	–	–	3.5	-
Net Tangible Assets per share	\$4.43	\$4.32	\$4.37	\$4.44	\$4.33
Average issued shares	7,614,000	7,614,000	7,614,000	7,614,000	7,614,000
Equity - share capital & reserves	34,016	33,087	33,338	33,819	32,979

Directors' Report

Your Directors present their report on the consolidated entity consisting of Chalmers Limited and the entities it controlled at the end of, or during the year ended 30 June 2018.

Directors

The following persons were directors of Chalmers Limited during the whole of the financial year and up to the date of this report:

GD Mulligan (Chairman Non-Executive)

PT Brannighan (Deputy Chairman
Non-Executive)

GW Chalmers (Executive)

LA Daglish (Non-Executive)

Mr Murrowood was a director from the beginning of the financial year until his resignation on 29 November 2017.

Mr Carew was a director from the beginning of the financial year up until his resignation on 29 August 2018.

Principal Activities

The principal continuing activities of the consolidated entity during the year consisted of road transport, logistic services, warehousing, tank services and container storage, repairs and sales.

Consolidated Results

	2018 \$	2017 \$
Profit/(loss) from continuing operations after income tax expense	(573,389)	480,720

Earnings per Share

	Cents	Cents
Basic earnings per share	(7.53)	6.31
Diluted earnings per share	(7.53)	6.31
Share base on which above earnings per share calculated	7,614,000	7,614,000

Review of Operations

For the financial year just completed, Chalmers achieved an improved revenue performance over the previous year, with a \$0.7M increase on the 2016/17 year, resulting in a revenue figure of \$67M. However, this revenue increase did not result in an improved operating profit performance. Indeed, for the 2017/18 financial year, Chalmers recorded a loss of \$721K, this is a disappointing performance when viewed against the previous year's operating profit of \$777K.

As stated above, revenue increased by \$0.7M, the failure of this revenue increase to result in an improved financial performance, is due to a changed sales mix when comparing the 2017 financial year to 2018.

As reported in the release of the Chalmers half year results in February 2018, the performance of the empty container parks in both Melbourne and Brisbane have been well below historical levels. This year, the combined revenues of both the two empty container parks was \$13M, for the 2017 financial year it was \$19M, a year on year reduction of \$6M. Due to the nature of empty container park operations, they are a relatively high fixed cost type of business, much of the cost to run a container park is tied up in equipment leasing costs and property costs. Neither of which can be rapidly downsized to an appropriate scale to fit the level of business activity.

As a consequence of their cost structure, the revenue reductions impact to profitability, has been beyond what would be the norm when comparing to a business operation with a higher variable cost. The combined financial impact from the deteriorating operating performance of the two empty container parks, is a \$3.5M reduction in profit contribution. Combined, the two parks made a \$1.2M loss for the 2018 financial year versus, a \$1.3M profit for the 2017 financial year.

While the empty container parks in both states saw a similar scale of revenue reduction, the reasons behind the reduced performance is particular to the individual state. In Brisbane, it is believed that the impact of the storm that hit the park in November 2016, toppling in excess of 900 containers, adversely impacted our customer retention more than first realised. Chalmers lost two of its larger clients and a third significantly reduced their volumes at the Chalmers park to spread their risk.

In Melbourne, as reported in the February 2018 release of the half year accounts, the shipping lines have directed that empty containers should be de-hired directly at the terminal. Due to this directive from the shipping lines, all Melbourne empty container parks have seen a significant drop in volumes coming through their gates, thereby missing out on handling and storage revenue. Consequently, repair work performed at the Chalmers' Melbourne park has also been adversely affected.

It is the view of Chalmers that this change transfers an unfair cost burden to transport operators. Chalmers has formed this view based on the necessity to hub the de-hired containers in its compound, normally used for storing full containers, additional container lifts using lifting equipment designed for full containers, hence much more expensive to operate and adding labor costs. These costs are incurred as the de-hired containers still require a time slot at the terminal before they can be de-hired, therefore they must be transferred to the Chalmers transport facility before they can be taken to the terminal. To compensate for this, Chalmers charges a fee for empty de-hires. While this fee compensates our transport operation for additional costs, it does not offset the lost revenue due to the reduced throughput our Melbourne container park receives.

Directors' Report

Both the Melbourne and the Brisbane empty container park operations have sought to achieve efficiencies and cost reductions where they can. However, these initiatives have not been enough, and will not be enough, to offset the reduced throughput. The Chalmers executive are prosecuting new opportunities in order to improve the financial performance of the Chalmers container parks.

Undoubtedly the performance of the empty container park has had a significant impact on the Chalmers financial performance, however the following business units have sought to mitigate this;

- As reported previously the Brisbane Transport operations lost one of its largest clients to a competitor. The Brisbane management team were able to replace the lost revenue with a number of new clients, while still having a number of major customers, its economic dependency by relying disproportionately on one client has been reduced.
- Chalmers Tank Services continued to demonstrate an improved financial performance. This was mostly driven by the work resulting from a major chemical clean up. As a result, revenue increased by \$7M and profitability by \$1.9M. Chalmers has an extensive environmental authority and in-house expertise, that gives its Tank Services operation wide ranging capabilities to service various industrial needs.
- The Brisbane Warehousing and Logistics operation again improved its financial performance. By onboarding new clients, garnering operational efficiencies and reducing its property burden, profit for this business unit improved by \$800K.
- Despite revenue reducing by \$500K year on year, the Melbourne Transport and Logistics operations managed to maintain profit levels. The two main causes of the revenue reduction were due to lower storage levels in our warehouses and reduced grain cartage.

These reductions were offset by strong cost control and diversifying into cotton storage and packing. This diversification into cotton has a twofold impact; firstly, there is the value add of storing and packing the cotton, secondly, this allows us to control the transport of the cotton and achieve substantial synergies by having the packing and the transport coordinated. The cotton facility has only been in operation during the last quarter of the 2018 financial year, it is exceeding expectations and we look forward to a full year of operation.

- Due to the growth in value of the land holdings in Yarraville and Brooklyn being driven by significant urban encroachment in the area. The company has been extensively engaged with its neighbours and government to bring forward the opportunity this gives for Chalmers.

To meet the changing dynamics of the transport market Chalmers operates in, the company has restructured its management. New management has been appointed for both Brisbane and Melbourne transport operations. This is expected to introduce new lines of business, diversify its operations, increase efficiency and better able to service customers. New business initiatives are emerging.

On Wednesday 29th August 2018, Mr John Carew the Managing Director of Chalmers Industries Pty Ltd, tendered his resignation, Mr Carew also resigned from the Chalmers Limited Board. Mr Graham Mulligan, the Chairman of Chalmers Limited, will assume the role of Executive Chairman immediately to ensure an orderly transition to Chalmers' next phase.

Dividends – Chalmers Limited

In respect of the current year, no interim dividend was paid (2017: Nil).

Directors have not recommended a final dividend out of retained profits at 30 June 2018 (2017: \$266,490 – 4 October).

Environmental Regulations

Chalmers Industries Pty Ltd, a wholly owned subsidiary of Chalmers Limited, is subject to environmental regulations by aspects of its road transport, bulk commodities, container/goods importation and property ownership operations and is focused on achieving and ensuring compliance with all relevant legislative requirements. Chalmers is not subject to the reporting requirements of the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007. To the best of Directors' knowledge, Chalmers has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report. A Pollution Abatement Notice was received under the Environment Protection Act 1970 in respect of its Brooklyn property. Chalmers understands that a number of other entities in the area have also received similar notices. The Notice concerns airborne dust. Chalmers have progressed measures to remedy this issue with the work completed satisfying the EPA.

Chalmers received a revocation notice from the EPA on the 30th July 2018 declaring that the works carried out satisfy the EPA's dust abatement requirements thereby closing out this matter.

Directors' Report

Likely Developments

Chalmers board and management remain confident of the immediate future for Chalmers Limited. While trading conditions for Chalmers traditional markets experienced cyclical decline due to climatic conditions, Chalmers has expanded the scope of offering and expertise to mitigate this impact in the future. Chalmers is well advanced in a process of reviewing its pricing strategies and existing contracts, with the view to improve overall profitability.

The most pressing challenge Chalmers faces in the short term is the financial performance of its empty container parks. As explained in the review of operations, both the Melbourne and Brisbane empty parks are experiencing severe declines in patronage. While every effort is being made to replace the reduced throughput with volumes from other carriers, the reality is that the recent consolidation that has occurred within the shipping industry means that there are limited options.

Therefore, management is pursuing alternative uses for the space previously used for storing empty containers. In Melbourne, some excess capacity has been utilised to store full containers. Due to the lower weight ratings for the ground at the empty container parks, there is some limitation to what can be stored, however, out of gauge product such as piping or mining equipment, can be safely stored. The Chalmers management team in both states is actively engaged with the market place to secure clients and storage of this type. Some success has already been achieved with some pipe and other equipment being stored. The management team and the sales force are confident that more work will be secured once Chalmers' engagement with the market deepens.

In Chalmers' recent history, it has been heavily exposed to agribusiness exports; in Brisbane this has included meat, chickpeas and cotton, while in Melbourne the exposure has been predominantly grain. As a result, Chalmers has been susceptible to the effects of changing climatic conditions, this year we are seeing drought conditions in much of Queensland and New South Wales with less than average rain fall in Western Victoria, both of which have impacted the amount of export wharf cartage work performed by Chalmers. Despite both the Port of Melbourne and Port of Brisbane experiencing year on year growth in TEU volumes, Chalmers has seen the TEU volume it handles decline.

This risk and exposure to climate and cropping commodities has been apparent to Chalmers management, who have sought to diversify its customers and commodity spread. Some success has been achieved with this objective, of note Chalmers is handling large quantities of timber, windows, aluminium, FMCG and FAK (freight of all kinds). Due to this diversification, Chalmers is now having capacity issues with its Queensland logistics business.

This has required that Chalmers consider its property strategy in Queensland. Presently, Chalmers is leasing a 6,000m² facility in Brisbane, while this facility has proven useful for the short term, it will prove to be insufficient for future needs. Chalmers is negotiating with the Port of Brisbane to secure additional space. The increased space will also allow Chalmers to vertically integrate some of the services currently outsourced and commercialise these services to sell them to the market as a Chalmers service.

The Tank Services operation in Brisbane has enjoyed its best year since Chalmers acquired it. The boost to its financial performance has been the provision of and management of, a large number of ISO tanktainers to assist in a large chemical clean-up operation. Chalmers involvement in this project has demonstrated both externally and internally an array of expertise and capability that can be further exploited. Chalmers is well advanced in pursuing several options that include the use of its fabrication and engineering expertise and the capability to process many types of waste product.

Recently in Melbourne, Chalmers has branched out to offer warehousing, packing and transport of cotton. This program has vastly exceeded our expectations in its early stages. It is an objective of Chalmers that the role out of this project be used as a template for the onboarding of similar activities for other commodities or product. This, and the Tank Services chemical clean up referred to above, are examples that demonstrate Chalmers agility of mind and action to quickly role out a new venture successfully. Chalmers will also be seeking to replicate this project with the client in other locations.

A focus of Chalmers has been to ramp up and drive efficiencies. In a largely commoditised environment with continuing downward pressure on prices, Chalmers is looking to see the benefit of doing more with less in the future. For the next financial year Chalmers is seeking to formalise this approach with the formation of the Chalmers Efficiency Group. This group will seek to achieve ongoing and continuing efficiencies across operations, labor and purchasing activities.

During the course of the year a great deal of time and effort was dedicated to the review of the future use of the Chalmers' property holdings located in Melbourne's inner west. By considering combining with the adjoining properties the location and land size offer the possibility of leveraging the ever increasing change and gentrification demand by creation of a new development precinct. The changes occurring in this area will be hastened with the completion of the West-Gate tunnel project (WGT), the action of residents to remove trucks from Francis Street and the opportunities the precinct creates for employment and housing growth.

Once the West-Gate tunnel project is completed, trucks headed to the Port of Melbourne will be required to access the port precinct via the WGT, the closest access for Chalmers trucks will be Millers Road. While this change will not put Chalmers at a competitive disadvantage, it does signal a significant shift to the potential land use that these properties exist in.

Within the near vicinity, former industrial sites are being redeveloped into residential precincts. This can be seen at the former Bradmill site where there are plans to build 1,500 dwellings. Chalmers is working with local property owners and various local and state government planning authorities to ensure shareholder value for this site is maximised.



Directors' Report

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the Financial Year

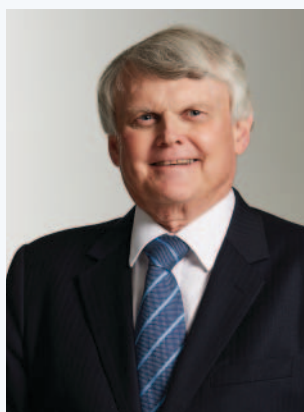
At the date of this report, there is no matter or circumstance which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

- (a) the operations in financial years subsequent to 30 June 2018 of the consolidated entity constituted by Chalmers Limited and the entities it controls from time to time; or
- (b) the operational results; or
- (c) the state of affairs of the consolidated entity in financial years subsequent to 30 June 2018.



Directors' Report

Information on Directors' Director experience and special responsibilities held in Parent Entity.



GD Mulligan

- Mr Mulligan was appointed Chairman November 2017 and has been non-executive director for 9 years.
- He has considerable expertise and experience in ports and infrastructure and resources as a chief executive and public company director both in Australia and overseas.
- Mr Mulligan attended all of the year's Board meetings.

Shares held in Chalmers Limited by Director or Director-related Entity
1,333



GW Chalmers

- Mr Chalmers has worked in varied roles with Chalmers over the last 36 years and holds the executive role of Director – Container Services.
- Director for 28 years.
- Mr Chalmers attended all of the year's Board meetings
- Member of the Health, Safety and Environment Committee.

Shares held in Chalmers Limited by Director or Director-related Entity
4,360,000



PT Brannighan

- Mr Brannighan joined the Chalmers Board in February 2015 as a non-executive director.
- Mr Brannighan has financial expertise in a range of industries – in predominantly a financial role.
- Mr Brannighan attended all of the year's Board meetings.
- Chairman of the Audit and Remuneration Committees and a member of the Health, Safety and Environment Committee.

Shares held in Chalmers Limited by Director or Director-related Entity
1,000



LA Daglish

- Mr Daglish joined the Chalmers board in February 2015 as a non-executive director.
- Mr Daglish has significant experience in logistics, warehousing and primary industries.
- Mr Daglish attended all of the year's Board meetings.
- Chairman of the Health, Safety and Environment Committees, member of Audit and Remuneration Committees.

Shares held in Chalmers Limited by Director or Director-related Entity
39,870

None of the Directors have held directorships of listed public companies during the last 3 years.

Directors' Report

Company Secretary

The company secretary is Kane Harnden BBus (Acc) and member of Certified Practising Accountants Australia. Mr Harnden was appointed to the position of Company Secretary in March 2016. Mr Harnden's previous experience includes holding senior finance roles in public transport, manufacturing, construction and shipping.

Indemnification of Officers and Auditors

During the financial year, the company paid a premium to insure officers of the company and related bodies corporate. The officers of the company covered by the insurance policy included all Directors. A confidentiality clause in the insurance policy prohibits disclosure of the sum insured, the premium paid and policy coverage details. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or related bodies corporate.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an auditor of the company or any of its subsidiaries against a liability incurred as such by an auditor. During the year, the company entered into a Deed of Indemnity, Insurance and Access with each of its officers.

Audit and Remuneration and Health, Safety and Environment Committees

Meetings of director committees, of which all Directors are members, were held during the year as follows.

Committee	No of meetings	Chairman
Audit	2	PT Brannighan
Remuneration	1	PT Brannighan
Health, Safety & Environment	3	LA Daglish

All members attended all meetings except Mr. Carew who was absent from one Health, Safety and Environment Committee meeting.

The Health, Safety and Environment Committee is chaired by Mr Daglish. The Board considers matters of risk at each of the regular director meetings held to specifically deal with substantially detailed issues. Further information is available in the Corporate Governance Statement – please refer sections G. Remuneration Committee; H. Health, Safety and Environment Committee and I. Audit Committee.

Audited Remuneration Report

The names of all key management personnel and other executives are as follows:

PT Brannighan	Non-executive director
JP Carew	Managing Director (Resigned 29 August 2018)
GW Chalmers	Container Services director
P Cusack	Queensland Manager (Resigned 31 January 2018)
LA Daglish	Non-executive director
KS Harnden	CFO/Company Secretary
GD Mulligan	Chairman
AJ Murrowood	Non-executive Chairman (Resigned 29 November 2017)
M Shenton	Victoria State Manager (Commenced 19 February 2018)
G Smith	Queensland State Manager (Commenced 15 January 2018)

“ The Board considers matters of risk at each of the regular director meetings held to specifically deal with substantially detailed issues.

Directors' Report

The Remuneration Committee advises the Board on remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive and non-executive directors and salaried staff. Salaried staff comprise employees from management and administration.

Principles underlying determination of remuneration

Three basic principles underlie the determination of executive remuneration:

- (a) the performance of the division(s) for which the executive has responsibility and/or works within;
- (b) remuneration practices of the industry within which Chalmers operates, and;
- (c) Australian economic conditions, particularly international trade flows.

Performance is judged on the basis of prior and current period profitability. Absolute results are considered in the light of the relative improvements made over prior periods.

Specific factors used in assessing executive performance include:

- contributions to profitability;
- process refinement and simplification;
- teamwork;
- the acceptance and promotion of a customer first philosophy, and;
- specific capability and experience.

The nature of the industry together with Chalmers' size predominantly dictate flexible short to medium term strategies. It is broadly considered that all remuneration is performance related on the basis that continued positive performance will likely be rewarded through increased remuneration. Conversely, continued under-performance may result, where appropriate, with counselling and possibly termination. Reference may be made to external advice in support of the determination of senior management remuneration.

Non-executive director remuneration

Following the 2017 Annual General Meeting and the resulting General Meeting to re-elect each of the directors of the company, Chalmers has taken note of shareholder concerns with respect to the number of the directors of the company, Chalmers has taken note of shareholder concerns with respect to the number of directors on the Board. Accordingly, following the two resignations from the Board over 2017/2018, the Board has determined not to appoint additional directors, resulting in a decrease in Board size from 6 to 4.

However, taking note of the increased responsibilities of each of the remaining directors, as well as to bring non-executive directors fees in line with competitive market practices, there were increases to directors' base fees over 2017/2018.

Response to second strike

At the company's 2017 Annual General Meeting, Chalmers' 2017 Remuneration Report was not passed by shareholders resulting in the company receiving a second strike. The Board considered the issues raised at the meeting and has addressed these.

Outcomes for 2017/2018

The performance for the financial year ended 30 June 2018 has seen a decline in the after-tax result with a loss of \$573K.

Senior management remuneration has increased by 1% on average since 2010. The rate of remuneration growth has reduced significantly, no increase of remuneration was awarded to senior management during 2017/18.

Data in respect of earnings per share, dividends, share prices and Net Tangible Assets per share, is presented below.

	2018	2017	2016	2015	2014
EPS (cents)	(7.53)	6.31	3.30	(9.71)	14.23
Dividends (cents) paid / to be paid					
-Interim	-	-	-	-	5
-Final	-	3.5	-	-	2.5
-Total	-	3.5	-	-	7.5
Share price – June 30	\$3.60	\$3.10	\$3.26	\$3.10	\$2.66
Average issued shares	7,614,000	7,614,000	7,614,000	7,614,000	7,614,000
NTA per share	\$4.33	\$4.44	\$4.37	\$4.32	\$4.43
Total Dividends paid/provided in respect of the financial year (\$'000s)	-	\$266	-	-	\$571

Directors' Report

Audited Remuneration Report (continued)

Details of remuneration

Details of the nature and amount of each element of remuneration of the directors and other key management personnel of the company and the consolidated entity are set out below. Please note that where some components are salary sacrificed into superannuation, they are shown under the Post-Employment Benefits category.

Directors of Chalmers Limited 2018 (with 2017 shown in italics)

Name	Year	Position	Short term benefits			Long term benefits	Post-Employment Benefits	Termination Benefit	TOTAL	Proportion of remuneration that is Performance Based	
			Salary & Fees	Cash Bonus	Other	LSL	Superannuation				
JP Carew*	2018	Managing Director	302,226	–	62,804	4,411	28,711	–	398,152		–
	2017		295,753	–	62,804	4,411	27,667	–	391,604		–
GW Chalmers	2018	Director Container Services	203,036	–	20,000	2,765	27,200	–	253,001		–
	2017		196,563	–	20,000	2,766	26,585	–	245,914		–
GD Mulligan	2018	Chairman non-executive	76,189	–	–	–	7,238	–	83,427		–
	2017		55,000	–	–	–	5,225	–	60,225		–
PT Brannighan	2018	Director non-executive	65,535	–	–	–	6,226	–	71,761		–
	2017		55,000	–	–	–	5,225	–	60,225		–
LA Daglish	2018	Director non-executive	65,535	–	–	–	6,226	–	71,761	–	
	2017		55,000	–	–	–	5,225	–	60,225	–	
AJ Murrowood**	2018	Chairman non-executive	27,083	–	–	–	2,573	–	29,656	–	
	2017		65,000	–	–	–	6,175	–	71,175	–	
TOTAL 2018			739,604	–	82,804	7,176	78,174	–	907,758	–	
2017			722,316	–	82,804	7,177	76,531	–	888,828	–	

* JP Carew resigned 29 August 2018.

** AJ Murrowood ceased as director on 29 November 2017.

Directors' Report

Audited Remuneration Report (continued)

Other Key Management Personnel of the consolidated entity 2018 (with 2017 shown in italics)

Name	Year	Position	Short term Benefits			Long term Benefits	Post Employment Benefits	Termination Benefit	TOTAL	Proportion of remuneration that is Performance Based
			Salary & Fees	Cash Bonus	Other	LSL	Superannuation			
KS Harnden	2018	CFO/Company Secretary	246,575	–	–	4,094	23,425	–	274,094	–
	2017		245,053	–	–	4,366	23,280	–	272,699	–
M Shenton*	2018	State Manager Victoria	46,125	–	–	958	4,382	–	51,465	–
	2017		–	–	–	–	–	–	–	–
P Cusack**	2018	Queensland Manager	105,146	–	8,167	–	14,270	164,968	292,551	–
	2017		180,250	–	14,000	2,992	17,124	–	214,366	–
G Smith***	2018	State Manager Queensland	85,201	–	6,830	1,637	8,094	–	101,762	–
	2017		–	–	–	–	–	–	–	–
TOTAL 2018			483,047	–	14,997	6,689	50,171	164,968	719,872	–
2017			485,332	–	20,667	7,358	47,564	66,658	627,579	–

* M Shenton commenced on 19 February 2018

** P Cusack ceased on 31 January 2018

*** G Smith commenced on 15 January 2018

All non-director executives are employed by Chalmers Industries Pty Ltd. There are no share-based payments in respect of directors and key management personnel.

Retirement benefits have been previously provided for in respect of directors. This provision totals \$76,300 for Mr Chalmers.

Remuneration and other terms of employment for Mr Carew, Mr Harnden, Mr Smith and Mr Shenton are formalised under service agreements. Mr Chalmers does not have a service agreement. Termination of employment by the employer of Mr Carew requires six months or payment in substitution of all or part of the period in lieu of notice. Mr Harnden, Mr Smith and Mr Shenton termination requires four weeks' notice. Some remuneration components have been salary sacrificed into superannuation, and as such are shown under Post-Employment Benefits – Superannuation. There are no guaranteed pay increases in any of the above service agreements.

The number of shares in the company held during the financial year by each director, director related-entity and key management personnel of Chalmers are as follows:

	Balance at start of year	Movement / Recognition	Balance at end of year
GW Chalmers	4,360,000	–	4,360,000
LA Daglish	39,870	–	39,870
JP Carew	1,333	–	1,333
GD Mulligan	1,333	–	1,333
PT Brannighan	1,000	–	1,000

This marks the end of the Audited Remuneration Report.

Directors' Report

Retirement, election and continuation in office of directors

Mr. Mulligan retires by rotation in accordance with the Articles of Association and the Australian Securities Exchange Listing Rules and being eligible, offers himself for re-election.

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience are important.

The following fees were paid/payable to the external auditors during the year ended 30 June 2018:

	Consolidated	
	2018	2017
	\$	\$
Amounts paid/ payable to Grant Thornton for audit and review work under Corporations Act 2001:		
Auditing or reviewing the financial report	93,000	90,000
Taxation compliance	20,000	14,000
Other Services		
· project consultation	39,260	-
· taxation advice	24,000	-
Total paid or payable	176,260	104,000

In accordance with advice received from the audit committee, the Board of directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board have reached this conclusion for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Proceedings on behalf of Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the court under section 237 of the *Corporations Act 2001*.

Auditor

Grant Thornton continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed at Yarraville on 13 September 2018 in accordance with a resolution of the directors.

 Chairman
GD Mulligan

 Director
GW Chalmers



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Auditor's Independence Declaration

To the Directors of Chalmers Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Chalmers Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 13 September 2018

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Corporate Governance Statement

Chalmers' corporate governance framework

Chalmers' governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles) throughout the reporting period. This statement is current as at 13 September 2018 and has been approved by the board.

Broadly speaking, corporate governance revolves around the creation and ongoing implementation of core values to underscore the company's activities so that the virtues of transparency, probity and accountability prevail.

Unless otherwise stated, these practices were in place for the entire year.

A. The Board of Directors

The Board has a broad range of management, financial and other skills, experience and expertise to meet its responsibilities. Details of Board composition and each director's background, are provided as part of the Information on directors section in the Directors' Report.

The role and responsibilities of the Board are formalised in a Charter which in summary include:

- **Overviewing and fine-tuning the ultimate direction of the Chalmers enterprise as put forward by senior management.**
- **Ensuring the appropriateness of risk management & internal compliance & control systems, codes of conduct & legal compliance.**
- **Monitoring the enterprise through appropriate reporting**
- **Promotion of adherence to corporate governance principles for both internal and external stakeholders.**
- **Review and approval of major capital expenditure.**
- **Appointment and review of the Managing Director.**
- **Endorsement of the appointment or removal of the Company Secretary / CFO.**

In parallel, senior management roles are defined formally in each manager's job description and are refined and further directed, as required, by the Board and the Managing Director. These job descriptions are reviewed and updated as necessary. Senior management may be asked to attend Board meetings and are also available for discussions with directors at any time.

The Board of directors assumes responsibility for corporate governance and operates in accordance with the following broad principles:

- **The Board should comprise between three and seven members**
- **Non-executive directors should number at least two of the total Board composition**
- **Each member needs to hold at least 1000 shares as a qualification to membership**
- **Up to one-third of directors (excluding directors filling a casual vacancy) are required to retire at each AGM.**

There are currently four directors on the Board – two non-executive independent directors and two executive directors.

The company's constitution currently allows up to seven directors to be appointed to the Board. There is currently no intention by the Board to appoint another director. However, this will be kept under review. At the company's 2017 AGM, shareholders approved a declaration that there were no vacant board positions.

To assist in carrying out its responsibilities, the Board has established remuneration, audit and Health Safety and Environment committees which each have their charter setting out the authority delegated by the Board and detailing the manner in which the committees are to function. The committees allow each series of matters to be dealt with effectively and separately from the conduct of regular Board meetings.

New directors are inducted into their role on the same basis as any new employee with required sign-offs on corporate policies and other similar matters together with director-specific induction in respect of Corporations Law and the duties and responsibilities of directors.

B. Chairman

The Chairman of the board is a director who is elected annually by the Board. The Chairman's role includes:

- **Leading the development of the Board's strategy for the overall management of the enterprise.**
- **Briefing of all directors in relation to issues arising at Board meetings.**
- **Ensuring that the Board meets at regular intervals throughout the year and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual directors.**
- **Guiding the agenda and conduct of all Board meetings.**

Due to the departure of the Managing Director, the Chairman of the Board has temporarily assumed the role of Executive Chairman.

C. Review of Board performance

The Board is responsible for reviewing its own performance, as well as the performance of individual directors and executive management. This is led by the Chairman.

The performance of executive directors is reviewable by the Board on an ongoing basis.

The performance of non-executive directors is reviewed by the Chairman on an ongoing basis. Any director whose performance is considered unsatisfactory may be asked to resign.

D. Nomination and appointment of new directors

The Board considers the benefits of additional non-executive directors by reference to specific individuals on an ongoing basis. Review includes assessment against a number of criteria including background, experience, industry & professional skills, personal qualities, the degree of augmentation and/or new skills that potential directors may bring.

Corporate Governance Statement

E. Director independence

An “independent” director is broadly considered to be one that is independent of management and free from any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment.

Prima facie, independence will be challenged if there is a business or other relationship with Chalmers, either directly or as a shareholder or officer of an entity that has an interest or business relationship with Chalmers.

Independence is considered to be challenged in the following scenarios:

- (a) holding / having recently held an executive management position at Chalmers.
- (b) being a substantial shareholder of Chalmers, directly or indirectly.
- (c) being / having been in the last two years, a senior executive of, or the direct provider of consulting / audit services to; a supplier to; or a customer of, Chalmers, in a substantial manner.
- (d) being a member of the Board for a period in excess of 10 years which, having regard to all the circumstances could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Chalmers
- (e) having an interest or business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Chalmers.

Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances.

It is the Board's view that its non-executive directors are independent.

F. Board access to information and advice

All directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from senior management.

Non-executive directors have direct access to Chalmers employees without reference to the executive directors.

Directors have the right, in connection with their duties and responsibilities as directors, to seek professional independent advice which is of reasonable cost. These costs are reimbursable by the company.

G. Remuneration Committee

The Remuneration Committee consists of the following directors:

PT Brannighan (non-executive), LA Daglish (non-executive)

The Remuneration Committee considers recommendations on remuneration packages and other terms of employment for executive and non-executive directors and salaried personnel. Remuneration and other terms of employment are reviewed at least annually by the committee having regard to performance, relevant comparative information and where necessary, independent advice. The committee recognises remuneration should also be linked to the company's profitability and with respect to each divisional manager, divisional performance and profitability. As well as a base salary, remuneration packages currently include superannuation, retirement/termination entitlements and fringe benefits.

Remuneration consultants have not been engaged at any time during the financial year.

Director remuneration is currently set at:

Chairman	\$100,000
Non-executive directors	\$80,000
Executive directors	\$45,000

Further information in respect of director and executive remuneration is contained in the Directors' Report and notes 22 and 23 in the notes to the Financial Statements.

Assessment and review of management and support staff is guided by a common set of principles and approach which allows ample scope to tailor assessment to divisional goals and requirements. Equity based reward is not used as a component of any remuneration package.

“ Divisional managers have front-line responsibility in identifying and improving the methods of control of such risks with appropriate reference to internal and external resources.

Corporate Governance Statement

H. Health Safety and Environment Committee

The Health, Safety and Environment Committee consists of the following directors:

LA Daglish (non-executive), PT Brannighan (non-executive), GW Chalmers (executive)

The safety of Chalmers personnel, customers and the community are the first priority of Chalmers management and board. Chalmers acknowledges that it operates in a high-risk environment. With this knowledge, it is the obligation of Chalmers that all risks be identified and that all necessary action is taken to mitigate them.

In addition to the high standards for health and safety the company sets itself, Chalmers is cognisant that it operates in a highly regulated environment. Chalmers must ensure that it satisfies various legal and statutory regulations and requirements. Chalmers must comply with a multitude of federal, state and local government agencies. This regulatory framework covers all aspects of Chalmers' activities, from transport operations, management of and relations with employees and various environmental standards.

During the year, Chalmers underwent a review of its risk management process. The resulting review found that the previous Risk Management Group, while effective in managing and identifying risk, had perhaps a too narrow term of reference. In that, by referencing and focusing on risk, and not the wider operating environment, the company's management may have been more focused on managing incidents and events, instead of promoting a framework that creates a better equipped and trained workforce that anticipates and avoids disruptive occurrences.

As a result of this review the company set up a new board sub-committee, the Health, Safety and Environment Committee (HSEc).

It is the mission of the HSEc to develop, promote sustainable health, safety and environmental (HSE) practices for all employees through education, communication and safe work practices.

It is the purpose of the HSEc to assist the board with a risk management framework to achieve operational effectiveness while ensuring the company's governing policies seek to ensure compliance with Chalmers' legal obligations.

The HSEc oversees and ensures that adequate HSE practices are implemented across all Chalmers' operations. Initially, a gap analysis was prepared and from that a RHAT matrix was developed. This matrix served to identify and prioritise actions that need to be taken to ensure HSE best practice and ensure that these tasks were

allocated to the right individual, as well as clarify an individual's responsibility to take appropriate action.

As part of this process, the HSEc seeks to identify what training needs are required to ensure that each individual who is tasked with an action, has the appropriate qualifications, training and resources to complete the required task.

With implementation of the HSEc's mission, the committee is committed to enhancing a safer workplace for all employees.

This committee is enabled by the authority of the board. This authority allows it to seek any information required from any employee. The HSEc is also authorised to seek external advice when and as needed. Members of the HSEc are directed to attend meetings as required.

Organisation of the HSEc

The HSEc is comprised of a minimum of three directors, including at least one non-executive director and the Managing Director. Both the Victorian and Queensland State Managers, along with park managers and external professional's may attend. It is the HSEc's prerogative to invite other employees as required.

Directors appointed to the HSEc oversee the framework through which the company applies all Health, Safety & Environmental rules and procedures. It is the responsibility of directors to promote a culture where HSE issues are proactively managed. It is a function of the HSEc to be a conduit between company management and the board on all safety and environmental matters. The director members drive the HSEc's agenda and ensure that committee's mission is effectively implemented.

The State Manager members of the HSEc, like the directors, are obligated to foster a culture that is receptive to the HSE objectives of the committee and the company. It is the responsibility of the State Managers to chair the Health Safety Representative Committees (HSR). From an operational perspective, it is the State Managers' responsibility to conduct regular health and safety inspections, to raise concerns with the HSRs and to listen to their issues also. When incidents arise, it is the State Managers' role to investigate and report on such events.

Any material or significant event must be reported through to the wider HSEc and the board promptly.

To ensure that the HSEc's objectives reach all employees, it is a requirement of the management group to ensure that regular toolbox meetings take place. These toolbox meetings both provide an opportunity to promulgate the HSEc's policies and objectives, but also provide employees the opportunity to raise issues with management.

The described HSEc organisational structure aids in ensuring an unbroken chain of command, so that the responsibilities of the company's board and management can be cascaded through to all employees. Conversely, the roles and responsibilities contained within the HSEc, demand that management are aware of their responsibility of stewardship to ensure the Company's various HSE obligations are met, as well as ensuring the board is fully informed.

Internal Audit

Internal audit is predominantly performed as part of senior and middle management roles and more specifically, from a financial perspective, by the Chief Financial Officer and the Group Financial Controller. There is no separate internal audit function. A high level of transactional involvement by all Managers ensures exposure across many aspects of the business and this, in conjunction with a problem identification, review, resolution and improvement approach serves to test and improve the company's procedures and risk profile.

Material exposure to economic, environmental and social sustainability risks

The primary risks which can have a material effect on the company are as follows:

- Consumer confidence, economic flows and more specifically trade flows.
- The variability of commodity markets and global weather patterns given the company's involvement in primary industry.
- Market power and changing nature of competition – both direct and indirect.
- Cost of Infrastructure.
- Government Policy.

A key tenet of Chalmers is to be able to respond quickly to changing circumstances, to effectively deal with situations as they arise while maintaining a close watch on industry players and their positioning - and to use its reputation as a customer-centric provider, to succeed when other like-operators fail to deliver on their service offering. This assists in dealing with the third point above. However, in respect of the first two points, there is little that can be done other than dealing with the opportunity or threat as promptly as possible. The final point, cost of infrastructure, is monitored with a view to seeking alternatives in the medium term given the fixed nature and long lead-times involved with infrastructure

Corporate Governance Statement

I. Audit Committee

The Audit Committee consists of the following directors:

PT Brannighan (Chairman non-executive),
LA Dalglish (non-executive)

The main responsibilities of the Audit Committee are to:

- Review and report to the Board on the annual report, half year report and financial statements.
- Provide assurance to the Board that it is receiving adequate, up to date and reliable information.
- Assist the Board in reviewing the effectiveness of the company's internal controls.
- Make appointment, removal and remuneration recommendations in respect of the external auditors and review the terms of engagement, scope and quality of the audit.

The committee also considers whether the accounting methods applied by management are consistent and comply with accounting standards and concepts. It does so by reference to the Grant Thornton partner who presents their report to the committee. Members have the option of receiving this report without the presence of the CFO. Attendance by persons other than committee members or external audit staff requires sanctioning by the committee Chairman.

Whilst the committee is not comprised solely of non-executive directors, the committee can convene without the attendance of the CFO. In such circumstance, the committee will comprise three members – of all whom are non-executive directors. The majority of the committee are considered to be independent. The committee is chaired by an experienced director with a substantial financial background. Committee members have the option to discuss matters directly with auditors and management without reference to executive directors. These factors provide assurance to the broad aim of safeguarding financial reporting integrity.

The audit committee specifically considers and discusses issues as raised by the ASX Corporate Governance Council. Its membership and chair are the same as for the audit committee.

Attendance of the meetings of the audit and remuneration committees are detailed in the Directors' Report. No specific corporate governance meetings were conducted during the year. However, board discussion occurred in respect of corporate governance matters.

J. External Auditors

It is policy of the Audit Committee to appoint external auditors who demonstrate quality and independence. The performance of the external auditor is reviewed annually, taking into consideration assessment of performance and existing value. In accordance with the policy, Grant Thornton were appointed as the external auditors in 2012. In line with the Corporations Act it is Grant Thornton's policy to rotate audit engagement directors on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 21 to the financial statements. It is policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The Grant Thornton audit partner or representative will attend the Chalmers AGM and will be available to answer shareholder questions.

K. Executive Chairman and CFO assurance

The Executive Chairman and the CFO provide a formal written statement to the Board each year which declare, in all material respects, that:

- the company's financial statements during and, as at the end of the financial year, present a true and fair view of Chalmers financial condition and operational results.
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

L. Diversity

Presently Chalmers does not have a specific policy addressing gender diversity. However, it is an area where the company is seeking to be more proactive. As of writing Chalmers has assessed its remuneration practices for gender equality. While this review did not require any intervention, it has prompted management to enlist external professional assistance to review Chalmers recruitment, remuneration and other policies to assist in the recruitment and promotion of women within the Chalmers workforce

Chalmers is aware that there is an imbalance in regard to male/female ratios in the workforce generally and in particularly management. That notwithstanding, this year two women have been promoted to management roles that were previously occupied by men. As a company we have engaged in industry initiatives and events that promote the advancement of women and seek to do more.

There are currently no specific objectives for the employment of women.

The gender proportions at the end of the year are as follows:

Broad Job Category	Females	Males
Board	0%	100%
Managers	15%	85%
Administration	65%	35%
Service	1%	99%
Total Company	22%	78%



Corporate Governance Statement

M. Ethical Standards and Legal Compliance

Chalmers Code of Conduct defines how the company conducts its business and manages and treats its customers and colleagues. It conveys a commitment to upholding the highest standards of integrity, honesty and ethical behavior in all interactions and applies to all employees including volunteers, directors, officers, managers, supervisors/leading hands and other employees. Each person is required to bring any potential breaches to the attention of their manager. All suspected instances of non-compliance are investigated and may involve disciplinary action and/or termination of employment.

The Code addresses each of the following:

- Workplace Behavior and Personal Conduct
- Conflict of Interest
- Gifts and Hospitality
- Functions & Entertainment
- Company Assets
- Confidentiality
- Media and Advertising
- Business Records
- Licences/MSIC
- Fit for Duty (Drug & Alcohol)
- Dress Standards
- Technology and Social Media
- Health and Safety
- Upon Leaving Chalmers
- False or Misleading Claims or Complaints

Furthermore, additional policies are implemented on the company's behalf in respect of such matters as occupational health and safety, equal employment opportunity and harassment.

Senior manager responsibility in respect of legal compliance is also formalised by a written Compliance Officer statement which assigns primary responsibility for statutory and contractual obligations to specific managers. A number of broad areas of responsibility are defined and include corporations law, health safety and environment, trade practices and roads/traffic/mass management. The Compliance Officer statement aims to provide a structure with which Chalmers can move to satisfy itself as to statutory and contractual compliance.

N. Continuous Disclosure

The company secretary is the person primarily responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and coordinating disclosure to appropriate parties. The company's information disclosure policy apprises staff of their obligations regarding continuous disclosure of information where such information, in a reasonable person's view, would be expected to have a material effect on the company's share price.

Chalmers disseminates information on its web site www.chalmers.net.au

All information provided to the ASX is promptly referenced on the company's web site. Additional information is provided on the web for the benefit of all stakeholders. Any subsequent changes to this Corporate Governance Statement are made available on the company's website.

All shareholders are welcome to participate in the AGM.





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Independent Auditor's Report

To the Directors of Chalmers Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Chalmers Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Chalmers Limited is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key audit matters

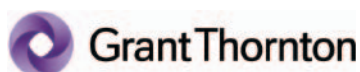
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
<p>The Group recognises revenue in accordance with AASB 118 Revenues when either a delivery has been performed or a service has been provided.</p> <p>In the financial year ended 30 June 2018 the Group recorded net revenue of \$67,876,509.</p> <p>There is a risk of potential overstatement of revenue given there is pressure place on the performance of the Group against market expectations.</p> <p>This is a key audit matter because of the high level of management judgement involved in the development and application of appropriate accounting policies that are complicit with accounting standards and appropriately determine the timing of amounts to be recognised.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 118 <i>Revenue</i>; • Documenting and testing the operating effectiveness of the internal controls in respect to revenue from the rendering of services; • Testing a sample of revenue recognised during the year to supporting documentation to verify the occurrence; • Performance of substantive analytical procedures on revenue balances; and <p>Reviewing relevant disclosures in the financial statements including assessing the adequacy of disclosures on the application of AASB 15 when it is first adopted.</p>

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors for the Financial Report

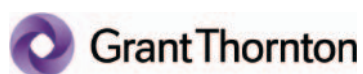
The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this 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 audit of the financial report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Chalmers Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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

A handwritten signature in black ink, appearing to read "Grant Thornton", positioned above the company name.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink, appearing to read "B L Taylor", positioned above the name.

B L Taylor
Partner – Audit & Assurance

Melbourne, 13 September 2018

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes, are in accordance with the *Corporations Act 2001*, and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001.
 - (b) give a true and fair view of the financial position as at 30 June 2018, and of the performance for the year ended on that date of the consolidated entity.
2. Chalmers has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included on pages 8 to 11 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2018, comply with section 300A of the *Corporations Act 2001*.
5. The Directors have been given the declaration by the Executive Chairman and Chief Financial Officer required by section 295A.

Signed at Yarraville on 13 September 2018 in accordance with a resolution of the directors.

 Chairman
GD Mulligan

 Director
GW Chalmers



Statement Of Profit Or Loss And Other Comprehensive Income

for the year ended 30 June 2018

		Consolidated	
		2018	2017
		\$	\$
	Notes		
Revenue from continuing operations	2	67,876,509	66,659,217
Other Income	3	220,725	272,414
Employee benefits expense		(24,999,554)	(26,689,050)
Property expense		(10,428,171)	(11,116,423)
Vehicle and equipment expense		(10,016,402)	(8,605,273)
Other expenses		(8,279,065)	(6,289,123)
Subcontractor expense		(5,471,881)	(5,092,840)
Materials expense		(5,783,577)	(4,437,423)
Depreciation and amortisation expense	3	(3,466,783)	(3,578,790)
Finance costs	3	(372,998)	(345,820)
Profit/(loss) from continuing operations before income tax expense		(721,197)	776,889
Income tax (expense)/benefit	4	147,808	(296,169)
Profit/(loss) for the year		<u>(573,389)</u>	<u>480,720</u>
Total comprehensive income for the year attributable to owners of the parent entity		<u>(573,389)</u>	<u>480,720</u>
Basic earnings per share	27	(7.53 cents)	6.31 cents
Diluted earnings per share	27	(7.53 cents)	6.31 cents

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement Of Financial Position

as at 30 June 2018

		Consolidated	
		2018	2017
		\$	\$
	Notes		
CURRENT ASSETS			
Cash and cash equivalents	5, 28	2,304,873	2,974,806
Trade and other receivables	6, 28	12,901,794	11,910,014
Inventories	7	392,340	301,930
Current tax assets	12	363,102	–
		15,962,109	15,186,750
NON-CURRENT ASSETS			
Property, plant & equipment	8	35,575,805	36,293,773
Intangible assets	9	7,500	25,500
Deferred tax assets	15	519,599	371,791
		36,102,904	36,691,064
TOTAL ASSETS		52,065,013	51,877,814
CURRENT LIABILITIES			
Trade and other payables	10, 28	6,915,635	5,640,532
Borrowings	11, 28	1,624,513	1,803,977
Current tax liabilities	12	–	104,070
Provisions	13	2,844,590	2,934,618
		11,384,738	10,483,197
NON-CURRENT LIABILITIES			
Borrowings	14, 28	7,256,451	7,155,661
Provisions	16	444,588	419,841
		7,701,039	7,575,502
TOTAL LIABILITIES		19,085,777	18,058,699
NET ASSETS		32,979,236	33,819,115
EQUITY			
Contributed equity	17, 29	8,225,847	8,225,847
Retained earnings		24,753,389	25,593,268
TOTAL EQUITY		32,979,236	33,819,115

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement Of Changes In Equity

for the year ended 30 June 2018

	Attributable to owners of Chalmers Limited			
	Contributed equity	Retained earnings	Total	Total equity
	\$	\$	\$	\$
CONSOLIDATED 2018				
Balance at 1 July 2017	8,225,847	25,593,268	33,819,115	33,819,115
Net profit for the year	–	(573,389)	(573,389)	(573,389)
Total comprehensive income for the year	–	(573,389)	(573,389)	(573,389)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	–	(266,490)	(266,490)	(266,490)
Balance at 30 June 2018	8,225,847	24,753,389	32,979,236	32,979,236
CONSOLIDATED 2017				
Balance at 1 July 2016	8,225,847	25,112,548	33,338,395	33,338,395
Net Profit for the year	–	480,720	480,720	480,720
Total comprehensive income for the year	–	480,720	480,720	480,720
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	–	–	–	–
Balance at 30 June 2017	8,225,847	25,593,268	33,819,115	33,819,115

The above Statement of Change in Equity should be read in conjunction with the accompanying notes.

Statement Of Cash Flows

for the year ended 30 June 2018

	Notes	Consolidated	
		2018	2017
		Inflows (Outflows) \$	Inflows (Outflows) \$
Cash flows from operating activities			
Receipts from customers (inc GST)		72,495,586	71,428,137
Payments to suppliers & employees (inc GST)		(69,554,820)	(66,616,141)
		2,940,766	4,811,996
Interest received		87,124	88,575
Borrowing costs		(375,394)	(344,606)
Income taxes paid		(467,172)	(320,395)
Net cash inflow from operating activities	25	2,185,324	4,235,570
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(1,303,597)	(1,565,922)
Proceeds from sale of property, plant and equipment		487,967	991,717
Net cash (outflow) from investing activities		(815,630)	(574,205)
Cash flows from financing activities			
Finance lease payments		(1,773,137)	(1,891,875)
Dividends paid		(266,490)	–
Net cash (outflow) from financing activities		(2,039,627)	(1,891,875)
Net increase/(decrease) in cash and cash equivalents		(669,933)	1,769,490
Cash and cash equivalents at the beginning of the year		2,974,806	1,205,316
Cash and cash equivalents at the end of the financial year	5	2,304,873	2,974,806

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity consisting of Chalmers Limited and its subsidiaries (forthwith referred to as "Chalmers").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Chalmers is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements of Chalmers also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by Chalmers Limited ("Parent Entity") as at 30 June 2018. Chalmers Limited together with its subsidiaries is the consolidated entity referred to in these financial statements. The effects of all transactions between entities in the consolidated entity are eliminated.

Subsidiaries are all entities (including structured entities) over which Chalmers has control. Chalmers controls an entity when Chalmers 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Chalmers. They are deconsolidated from the date that control ceases. There are no such subsidiaries within Chalmers.

Intercompany transactions, balances and unrealised gains on transactions between Chalmers companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Chalmers.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any provision for impairment in the Parent Entity information note 29.

(d) Property plant and equipment

Land and buildings, motor vehicles, furniture and equipment and plant and equipment are recorded at cost less accumulated depreciation with impairment testing conducted, as required, at the end of each reporting period. Where impairment exists, and cost is above the recoverable amount (higher of fair value net of selling costs or value-in-use) the difference will be debited to the profit or loss (refer note 1(m)).

Land is not depreciated. Depreciation is calculated at straight line excepting some motor vehicles which are on a diminishing basis, so as to write off the net cost of each item of property, plant and equipment over its expected useful life. Leasehold improvements depreciation is based over the term of the lease. Estimates of remaining useful lives and residual values are made on a regular basis for all assets, with annual reassessments for major items.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

The expected useful lives are as follows:

Buildings	5 - 40 years
Motor vehicles	5 - 15 years
Furniture and equipment	3 - 13 years
Plant and equipment	3 - 15 years

(e) Leases

Leases of property, plant and equipment where Chalmers has substantially all the risks and rewards of ownership are classified as finance leases. These are also referred to in this Annual Report as hire purchases/ chattel mortgage agreements. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased item and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short and long term borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Notes to the Financial Statements

30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Critical accounting estimates and judgements

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

Unrecognised tax losses

The company has unused tax losses of a capital nature, for which no deferred tax asset has been recognised in the financial statements. Management believes that these do not meet the recognition requirement for deferred tax assets contained in AASB 112 Income Taxes, as it is not believed probable that future taxable profits of a capital nature will be available against which to apply the losses. Under current taxation law, capital losses can only be applied against capital gains. Refer to note 4(b).

Make Good Provision

Chalmers is required to restore the leased premises of its Tank division to its original condition at the end of the respective lease terms. A provision has been recognised of the estimated expenditure required to remove any leasehold improvements.

(g) Inventories

Inventories which consist of fuel, spare parts, containers, engineering materials and container materials, are stated at the lower of cost or net realisable value. Cost is generally determined on a "first-in-first-out" basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 4(b).

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Chalmers Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation.

The head entity, Chalmers Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Chalmers Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in Chalmers. Details of the tax funding agreement are disclosed in note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(i) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled including on-costs.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected accrued benefit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligation are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Employee payroll on-costs

Employee payroll on-costs are recognised and included as part of employee benefit provision.

Notes to the Financial Statements

30 June 2018

(j) Retirement benefit obligations

Employee superannuation contributions made by Chalmers in order to provide retirement, disability or death benefits for employees and their dependents, are charged to the profit or loss as incurred. References to "employees" encompass directors.

(k) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

(l) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to owners of Chalmers Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At the end of each reporting period Chalmers assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the profit and loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value net of selling costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately

identifiable cash flows (cash generating units). Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(n) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

(o) Trade and other payables

These amounts represent unpaid liabilities for goods and services provided to Chalmers prior to the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and taxes paid.

Chalmers recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to Chalmers and, when specific criteria have been met for each type of activity described below. Revenue is not considered to be reliably measurable until all contingencies relating to the service have been resolved. Chalmers bases its estimates on historical results, taking into consideration the type of customer and transaction and the specifics of each arrangement.

Revenue is recognised for major business activities as follows:

(i) Transport

Transport revenue is recognised on an accrual basis, as and when the delivery is performed.

(ii) Containers

Container revenue is recognised on an accrual basis, as and when the service is provided.

(iii) Interest Income

Interest income is recognised on a time proportionate basis using the effective interest rate.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(q) Dividends

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at the end of the financial year. Refer note 18.

(r) Trade Receivables

All trade receivables are recognised at the amounts receivable and are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful debts is established where there is objective evidence that Chalmers will not be able to collect all amounts due.

The amount of the allowance for doubtful debts is recognised in the Statement of Profit and Loss and Other Comprehensive Income as part of "Other Expenses". When a trade receivable for which an allowance for doubtful debts had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against Other Expenses in the Statement of Profit and Loss and Other Comprehensive Income.

Notes to the Financial Statements

30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid in the establishment of loan facilities, which are not incremental costs relating to the draw-down of the facility, are written off at the time they are paid.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in Other Expenses.

All borrowings are classified as current liabilities unless Chalmers has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(t) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the lesser of the unexpired period of the lease or the estimated useful life of the improvement.

(u) Repairs and maintenance

Chalmers equipment is required to be maintained on a regular basis. This is managed as part of ongoing maintenance programs. The costs of maintenance are charged as expenses as incurred, except where they relate to improvement of an asset, in which case costs are capitalised and depreciated in accordance with note 1(d). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(v) New accounting standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by Chalmers. Chalmers assessment of the impact of these new standards and interpretations is set out below.

AASB 9 financial Instruments (effective from 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

(i) Financial assets that are instruments will be classified on (1) the objective of Chalmers Business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

(ii) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit and loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(iii) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(iv) The fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
- The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction contracts and some revenue related interpretations:

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The main changes are:

(i) establishes a new revenue recognition model.

(ii) changes the basis for deciding whether revenue is to be recognised over time or at a point in time.

(iii) provides new and more detailed guidance on specific topics.

(iv) expands and improves disclosure about revenue.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements per management's detailed assessment.

AASB 16 Leases (effective from 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity is yet to undertake a detailed

Notes to the Financial Statements

30 June 2018

assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the Statement of Financial Position.
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses.
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker (CODM). The (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and Board of directors. Refer note 24.

Chalmers operates within one geographical area – Australia.

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If Chalmers reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(y) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis in the Statement of Cash Flows. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow, included in receipts from customers or payments to suppliers, as appropriate.

(z) Financial Instruments

Recognition and derecognition

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which Chalmers commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Regular purchases and sales of

financial assets and financial liabilities are recognised on trade date - the date on which Chalmers commits to purchase or sell the financial assets or financial liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Chalmers has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Non-current loans and receivables include loans due from related parties repayable within 365 days of the end of the reporting date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited on initial recognition to the investment account.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in the profit or loss.

Investments in subsidiaries

Investments in subsidiaries are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial information in Note 29 at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

(aa) Intangible Assets

IT development and software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generating and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service spent on the project. Amortisation is calculated on a straight-line basis over 5 years. Refer note 9.



Notes to the Financial Statements

30 June 2018

2. REVENUE

	Consolidated	
	2018	2017
	\$	\$
Revenue from continuing operations		
Services	67,789,385	66,570,642
Other Revenue		
Interest	87,124	88,575
	<u>67,876,509</u>	<u>66,659,217</u>

3. PROFIT FROM CONTINUING OPERATIONS

Other Income and Expenses

Profit/(loss) from continuing activities before income tax includes the following other income and expenses:

Other Income

Net gain on disposal of non-current assets	220,725	272,414
	<u>220,725</u>	<u>272,414</u>
Total other income		

Expenses

Depreciation & Amortisation

Buildings	872,953	862,994
Plant and equipment	2,575,830	2,672,645
Software	18,000	43,151
	<u>3,466,783</u>	<u>3,578,790</u>

Other charges against assets

Bad and doubtful debts – trade debtors	47,402	336
Total depreciation and other charges against assets	<u>3,514,185</u>	<u>3,579,126</u>

Finance Costs

Interest paid/payable to other persons and/or corporations	132,886	126,424
Finance charges relating to hire purchase/chattel mortgage contracts	240,112	219,396
	<u>372,998</u>	<u>345,820</u>

Operating lease rental expense	11,082,840	11,015,259
Superannuation contribution expense	1,388,581	1,407,559

Notes to the Financial Statements

30 June 2018

4. INCOME TAX

	Consolidated	
	2018	2017
	\$	\$
(a) Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	(721,197)	776,889
Income tax expense/(benefit) calculated at 30% (2017: 30%)	(216,359)	233,067
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income:		
Non-deductible depreciation	48,786	48,786
Sundry items	20,252	13,929
	(147,321)	295,782
Under provision in previous year	(487)	387
Income tax expense/(benefit)	(147,808)	296,169
(b) Tax losses		
Deferred tax assets have not been recognised in the Statement of Financial Position for the following items:		
Unused tax losses – capital losses	2,057,913	2,057,913
Potential tax benefit at 30% (2017: 30%)	617,374	617,374
(c) Income Tax Expense		
Current tax	–	508,936
Deferred tax (net movement) (note 15)	(147,321)	(213,154)
Under provision in previous year	(487)	387
Income tax expense/(benefit)	(147,808)	296,169

All income tax expense is attributable to profit from continuing operations.

No deferred tax asset in respect of capital losses has been recognised in the financial statements. Management believes that these do not meet the recognition requirement for deferred tax assets contained in AASB 112 *Income Taxes*, as it is not considered probable that future taxable profits of a capital nature will be available against which to offset these losses.

Tax consolidation legislation

Chalmers Limited and its subsidiaries accounting policy on tax consolidation legislation is set out in note 1(h).

Under the terms of the tax sharing and funding agreements, the wholly-owned entities reimburse Chalmers Limited for any current income tax payable by Chalmers Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due. The reimbursement amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. In the opinion of directors, the tax sharing agreement is a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of default by Chalmers Limited.

Notes to the Financial Statements

30 June 2018

5. CURRENT ASSETS – Cash and Cash Equivalents

	Consolidated	
	2018 \$	2017 \$
Cash at bank and on hand	2,304,873	2,974,806
The above figure equals cash at the end of the financial year as shown in the Statement of Cash Flows.		

Risk exposure

Chalmers exposure to interest rate risk is discussed in note 28.

6. CURRENT ASSETS – Trade and Other Receivables

Trade receivables	10,817,573	9,495,487
Less: Allowance for Doubtful Debts	–	–
	10,817,573	9,495,487
Other receivables	1,051,074	1,567,733
Prepayments	1,033,147	846,794
	12,901,794	11,910,014

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired. There were no doubtful debts for the consolidated group in 2017 and 2018.

Movements in doubtful debt allowances are as follows:

At 1 July	–	–
Bad debt allowance	47,402	336
Receivables written off during the year as uncollectible	(47,402)	(336)
Unused amount reversed	–	–
	–	–

The creation and release of receivables has been included in 'Other Expenses' in the Statement of Profit or Loss and Other Comprehensive Income. Amounts charged to the account are generally written off when there is no expectation of recovery.

Notes to the Financial Statements

30 June 2018

6. CURRENT ASSETS – Trade and Other Receivables (continued)

Past due but not impaired

As of 30 June 2018, trade receivables of \$4,830,714 (2017: \$3,420,273) were past due but not impaired. These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2018	2017
	\$	\$
Up to 2 months	4,584,751	3,394,001
Over 2 months	245,963	26,272
	<u>4,830,714</u>	<u>3,420,273</u>

Other receivables

These amounts represent accrued operating revenue normally due no more than 30 days once invoiced.

Credit risk

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 28 for more information on Chalmers risk management policy and the credit quality of its trade receivables.

7. CURRENT ASSETS – Inventories

Finished goods – at cost	392,340	301,930
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Notes to the Financial Statements

30 June 2018

8. NON-CURRENT ASSETS – Property, plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Land and Buildings		
Freehold land - at cost	12,320,430	12,320,430
	12,320,430	12,320,430
Buildings and property improvements - at cost	16,727,763	16,297,376
Less: accumulated depreciation	(6,681,195)	(5,809,288)
	10,046,568	10,488,088
Total land and buildings	22,366,998	22,808,518
Plant and Equipment		
Motor vehicles - at cost	28,958,382	29,672,347
Less: accumulated depreciation	(17,249,628)	(17,458,975)
	11,708,754	12,213,372
Furniture and equipment – at cost	6,301,879	5,890,081
Less: accumulated depreciation	(4,801,450)	(4,618,198)
	1,500,429	1,271,883
Total plant and equipment	13,208,807	13,485,255
Total property, plant and equipment	35,575,805	36,293,773

Notes to the Financial Statements

30 June 2018

8. NON-CURRENT ASSETS – Property, plant and equipment (continued)

Reconciliations

Reconciliations of the consolidated carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year, are set out below:

2018	Freehold Land	Buildings & associated assets	Plant & Equipment	Total
	\$	\$	\$	\$
Carrying amount at beginning of year	12,320,430	10,488,088	13,485,255	36,293,773
Additions	–	431,433	2,566,624	2,998,057
Disposals	–	–	(267,242)	(267,242)
Depreciation/amortisation expense	–	(872,953)	(2,575,830)	(3,448,783)
Carrying amount at end of year	12,320,430	10,046,568	13,208,807	35,575,805

2017	Freehold Land	Buildings & associated assets	Plant & Equipment	Total
	\$	\$	\$	\$
Carrying amount at beginning of year	12,320,430	10,848,944	13,217,471	36,386,845
Additions	–	502,138	3,659,732	4,161,870
Disposals	–	–	(719,303)	(719,303)
Depreciation/amortisation expense	–	(862,994)	(2,672,645)	(3,535,639)
Carrying amount at end of year	12,320,430	10,488,088	13,485,255	36,293,773

9. NON-CURRENT ASSETS – Intangible Assets

	Consolidated	
	2018	2017
	\$	\$
Software		
At cost	581,605	581,605
Less: accumulated amortisation and Impairment	(574,105)	(556,105)
	7,500	25,500
Year ended 30 June 2018		
Balance at beginning of the year	25,500	68,651
Additions	–	–
Disposals	–	–
Amortisation charge	(18,000)	(43,151)
Impairment losses	–	–
Closing value at 30 June 2018	7,500	25,500

Notes to the Financial Statements

30 June 2018

10. CURRENT LIABILITIES – Trade and Other Payables

	Consolidated	
	2018	2017
	\$	\$
Unsecured		
Trade payables	4,783,870	2,135,288
Other payables	2,131,765	3,505,244
	<u>6,915,635</u>	<u>5,640,532</u>

Risk Exposure

Details of Chalmers exposure to risk is set out in note 28.

11. CURRENT LIABILITIES – Borrowings

Secured

Hire purchase liabilities (note 20(a))	149,624	195,204
Chattel mortgages (note 20(a))	1,474,889	1,608,773
	<u>1,624,513</u>	<u>1,803,977</u>

Security

Information about the security relating to each liability is disclosed in note 14.

Risk Exposure

Details of Chalmers exposures to risks arising from current and non-current borrowings are set out in note 28.

12. CURRENT TAX

Current tax assets/(liabilities)	<u>363,102</u>	<u>(104,070)</u>
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13. CURRENT LIABILITIES – Provisions

Employee benefits

Annual leave/RDOs	1,492,517	1,569,813
Long service leave	1,275,773	1,288,505
Retirement benefits	76,300	76,300
	<u>2,844,590</u>	<u>2,934,618</u>

Notes to the Financial Statements

30 June 2018

14. NON-CURRENT LIABILITIES – Borrowings

	Consolidated	
	2018 \$	2017 \$
Secured		
Bank bills (note 28)	4,000,000	4,000,000
Hire purchase liabilities (note 20(a))	–	149,623
Chattel mortgages (note 20(a))	3,256,451	3,006,038
	<u>7,256,451</u>	<u>7,155,661</u>

Assets pledged as security

Bank overdraft and bills are secured by a first mortgage over property located at Brooklyn, a fixed and floating charge over the assets of Chalmers Industries Pty Ltd and Chalmers Limited, and a guarantee given by Chalmers Limited and Chalmers (Australia) Pty Ltd. The carrying amount of property located at Brooklyn, pledged as security for current and non-current borrowings, is \$13,965,451 (2017: \$14,012,501).

Hire purchase liabilities and chattel mortgages are effectively secured, as the rights to the financed assets recognised in the financial statements revert to the financier in the event of default.



Notes to the Financial Statements

30 June 2018

14. NON-CURRENT LIABILITIES – Borrowings (continued)

Financing Arrangements

Unrestricted access was available at the end of the reporting period to the following lines of credit.

	Consolidated	
	2018	2017
	\$	\$
Total facilities		
Bank overdraft	250,000	250,000
Bank bill facility	4,000,000	4,000,000
Asset finance facility	4,000,000	4,000,000
Bank guarantee	4,200,000	4,200,000
Credit card facility	40,000	40,000
	<u>12,490,000</u>	<u>12,490,000</u>
Used at the end of the reporting period		
Bank overdraft	–	–
Bank bill facility	4,000,000	4,000,000
Asset finance facility	1,734,156	1,835,338
Bank guarantee	3,066,792	3,596,048
Credit card facility	23,000	36,000
	<u>8,823,948</u>	<u>9,467,386</u>
Unused at the end of the reporting period		
Bank overdraft	250,000	250,000
Bank bill facility	–	–
Asset finance facility	2,265,844	2,164,662
Bank guarantee	1,133,208	603,952
Credit card facility	17,000	4,000
	<u>3,666,052</u>	<u>3,022,614</u>

The fair values of borrowings at the end of the reporting period are the same as carrying value. Subject to the continuance of a satisfactory credit rating, finance facilities may be drawn at any time and may be terminated by the bank giving notice on the occurrence of specified events. The option of drawing and/or arranging a floating, fixed, capped or any combination thereof, interest rate structure exists on the bank bill facility.

Notes to the Financial Statements

30 June 2018

14. NON-CURRENT LIABILITIES – Borrowings (continued)

Movement in Total of Current & Non-current Liabilities - Borrowings

	Consolidated	
	2018	2017
	\$	\$
Balance of beginning of year	8,959,638	8,255,565
Add: Acquisition of plant & equipment by means of hire purchase contracts and chattel mortgages (Note 26)	1,694,463	2,595,948
Less: Repayment of Borrowings	(1,773,137)	(1,891,875)
Balance of end of year	8,880,964	8,959,638

15. DEFERRED TAXES

Deferred income tax asset/(liability)	519,599	371,791
The balance comprises temporary differences attributable to:		
Property, Plant and Equipment	(238,802)	(389,048)
Employee Benefits	892,561	927,829
Inventories & Prepayments	(250,441)	(253,952)
Carry forward losses	63,157	–
Other	53,124	86,962
	519,599	371,791

The above deferred tax asset/(liability) account represents the net of all deferred tax assets and liabilities.

Movements

Balance at beginning of year	371,791	158,190
Net (debited)/credited to the Statement of Comprehensive Income in respect of current year (note 4(c))	147,321	213,154
(Under)/over provision in prior year	487	447
Balance at end of year	519,599	371,791

Notes to the Financial Statements

30 June 2018

15. DEFERRED TAXES (continued)

2018

Movement in Deferred Tax Assets/(Liabilities)	Opening Balance 1 July 2017	(Debited)/ credited to profit or loss in respect of prior year	(Debited)/ credited to profit or loss in respect of current year	Closing Balance 30 June 2018
	\$	\$	\$	\$
Property, Plant and Equipment	(389,048)	–	150,247	(238,802)
Employee Benefits	927,829	–	(35,268)	892,561
Inventories & Prepayments	(253,952)	–	3,511	(250,441)
Carry forward losses	–	–	63,157	63,157
Other	86,962	487	(34,325)	53,124
	<u>371,791</u>	<u>487</u>	<u>147,321</u>	<u>519,599</u>

2017

Movement in Deferred Tax Assets/(Liabilities)	Opening Balance 1 July 2016	(Debited)/ credited to profit or loss in respect of prior year	(Debited)/ credited to profit or loss in respect of current year	Closing Balance 30 June 2017
	\$	\$	\$	\$
Property, Plant and Equipment	(533,279)	–	144,231	(389,048)
Employee Benefits	914,762	–	13,067	927,829
Inventories & Prepayments	(246,764)	–	(7,188)	(253,952)
Carry forward losses	–	–	–	–
Other	23,471	448	63,043	86,962
	<u>158,190</u>	<u>448</u>	<u>213,153</u>	<u>371,791</u>

Consolidated

	2018 \$	2017 \$
Timing of Net Deferred Tax Assets/(Liabilities)		
Expected to be settled within next 12 months	348,995	278,844
Expected to be settled after more than 12 months	170,604	92,947
	<u>519,599</u>	<u>371,791</u>

16. NON-CURRENT LIABILITIES – Provisions

Employee benefits – long service leave	197,313	230,466
Make good provision	247,275	189,375
	<u>444,588</u>	<u>419,841</u>

Notes to the Financial Statements

30 June 2018

17. CONTRIBUTED EQUITY – CHALMERS LIMITED

	Parent Entity	
	2018 Shares	2017 Shares
(a) Share capital	7,614,000	7,614,000

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The shares have no par value. Every shareholder present at a meeting either in person or by proxy, is entitled to one vote on a show of hands or one vote per share where a poll is conducted.

(c) Capital risk management

Chalmers objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Chalmers may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, Chalmers monitors capital on the basis of the gearing ratio. This ratio is calculated as Borrowings net of cash as a proportion of Equity and Borrowings net of Cash as shown in the Statement of Financial Position. During 2018 Chalmers strategy, which was unchanged from 2017, was to maintain a gearing ratio within 10% to 50%. The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Consolidated	
	2018	2017
	\$	\$
Borrowings	8,880,964	8,959,638
Less: Cash and cash equivalents	(2,304,873)	(2,974,806)
	6,576,091	5,984,832
Total equity	32,979,236	33,819,115
Borrowings	8,880,969	8,959,638
Less: Cash and cash equivalents	(2,304,873)	(2,974,806)
	39,553,332	39,803,947
Gearing Ratio	17%	15%

Notes to the Financial Statements

30 June 2018

18. DIVIDENDS

	Consolidated	
	2018	2017
	\$	\$
Fully franked (30% tax) final dividend 2017 of 3.5 cents paid during the reporting period (2016: Nil)	266,490	–
Fully franked dividends paid during the reporting period.	266,490	–

(a) Dividends not recognised at the end of the reporting period

Since the end of the reporting period and in addition to the above dividends, directors have not recommended the payment of a final dividend. The franked portions of the final dividends if recommended after 30 June 2018 are franked out of existing franking credits or out of franking credits arising from the payment of income tax during the year ending 30 June 2019. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2018, but not recognised as a liability at the end of the reporting period, is:

–	266,490
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(b) Franking credits available for subsequent financial years based on a tax rate of 30% represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of current tax liability
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (iii) franking credits that may be prevented from being distributed in the subsequent financial year.

7,464,546	7,578,756
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19. CONTINGENT LIABILITIES

As referred in the director's report under environmental regulations a pollution abatement notice was received under the Environmental Protection Act 1970 in respect of the Brooklyn property. Notice concerns airborne dust. Chalmers have progressed measures to remedy this issue with the work completed satisfying the EPA.

Chalmers received a revocation notice from the EPA on the 30 July 2018 declaring that the works carried out satisfy the EPA's dust abatement requirements thereby closing out this matter.

There are no other contingent liabilities as at 30 June 2018. (2017: NIL)

Notes to the Financial Statements

30 June 2018

20. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2018	2017
	\$	\$
(a) Hire purchase/chattel mortgage commitments		
The total contracted amounts are capitalised in the Statement of Financial Position in accordance with policies set out in note 1(e).		
Details of commitments are:		
Total Hire Purchase/Chattel Mortgage Liability		
Current (note 11)	1,624,513	1,803,977
Non-current (note 14)	3,256,451	3,155,661
	<u>4,880,964</u>	<u>4,959,638</u>
Hire Purchase/Chattel Mortgage Payments		
Not later than one year	1,825,299	1,990,674
Later than one year but not later than five years	<u>3,560,648</u>	<u>3,414,980</u>
Minimum payments	5,385,947	5,405,654
Less: Future finance charges	<u>(504,983)</u>	<u>(446,016)</u>
Provided for in the financial statements	<u>4,880,964</u>	<u>4,959,638</u>
(b) Operating lease commitments		
Total contracted amount not provided for in the financial statements:		
Not later than one year	9,365,593	9,558,464
Later than one year but not later than five years	<u>11,120,035</u>	<u>5,715,956</u>
	<u>20,485,628</u>	<u>15,274,420</u>

Notes to the Financial Statements

30 June 2018

20. COMMITMENTS FOR EXPENDITURE (continued)

Chalmers leases various machinery and property under non-cancellable operating leases expiring within one to five years. Leases have varying terms, escalation clauses and renewal rights. Chalmers also leases equipment on a month to month basis. Chalmers is not required to provide notice of termination for these leases.

	Consolidated	
	2018	2017
	\$	\$
(c) Capital Commitments		
Total contracted amount not provided for in the financial statements:		
Not later than one year	325,728	513,059

21. REMUNERATION OF AUDITOR

During the year, the following fees were paid or payable for services provided by the auditor of the Parent Entity and its related practices.

(a) Assurance services

Audit services

Audit or review of financial statements of entities in the consolidated group

93,000	90,000
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(b) Non assurance services

Taxation compliance

20,000	14,000
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(c) Other services

Project consultation

39,260	-
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Taxation advice

24,000	-
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176,260	104,000
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Notes to the Financial Statements

30 June 2018

22. KEY MANAGEMENT PERSONNEL

Details of remuneration of the persons who represent directors and key management personnel of Chalmers during the financial year are represented in the Directors' Report. The following table summarises the remuneration of directors and key management personnel.

	Consolidated	
	2018	2017
	\$	\$
Short term Benefits		
-Salary & Fees	1,222,651	1,207,648
-Bonus	—	—
-Other	97,801	103,471
Long term benefits - LSL	13,865	14,535
Post-employment benefits - Superannuation	128,345	124,095
	<u>1,462,662</u>	<u>1,449,749</u>
Termination benefits	164,968	66,658
	<u>1,627,630</u>	<u>1,516,407</u>

Information on the remuneration of directors is set out in the Directors' Report.

There were no director-related transactions with Chalmers Limited and its subsidiaries.

All director-related transactions are on normal commercial terms and conditions.

All directors received or were entitled to receive dividends from Chalmers Limited during the years ended 30 June 2018 and 2017 on shares held in the company.

There are no other related party disclosures to be made in respect of the key management personnel.

Notes to the Financial Statements

30 June 2018

23. RELATED PARTIES

Directors

A summary of director-related transactions is provided below. This does not include any reimbursements for costs of travel and accommodation in respect of Chalmers meetings.

	Consolidated	
	2018	2017
	\$	\$
Summary of related party transactions with directors and their director-related entities (ex GST):		
Dividends Paid		
GW Chalmers	152,600	—
JP Carew	47	—
GD Mulligan	47	—
PT Brannighan	35	—
LA Daglish	1,395	—
	<hr/> 154,124	<hr/> —
Total of above		
GW Chalmers	152,600	—
JP Carew	47	—
GD Mulligan	47	—
PT Brannighan	35	—
LA Daglish	1,395	—
	<hr/> 154,124	<hr/> —



Notes to the Financial Statements

30 June 2018

24. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of a company that are regularly reviewed by the chief operating decision makers, being the board of Chalmers Limited, in order to allocate resources to, and assess the performance of, each segment.

Transport consists of road transport, predominantly import/export FCL containers and the interface with logistics/warehousing/hubbing services.

Containers represent the empty container park operations concerned with handling, storage, repairs, upgrades and pretrips of empty containers on behalf of shipping and leasing company customers and tank services.

Administration was introduced from 1 July 2017 this segment represents administrative overheads not directly related to operational activity. These changes have been reflected in last year's figures to allow more appropriate comparison.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, being the board of Chalmers Limited.

All non-current assets are located in Australia.

No single customer represents more than 10% of revenue.

Some revenue is derived from customers located overseas, predominantly shipping companies and container leasing companies.

Segment results included profit of sale of assets.



Notes to the Financial Statements

30 June 2018

24. SEGMENT INFORMATION (continued)

	Transport	Containers	Administration	Total
2018	\$	\$	\$	\$
Total segment revenue	44,272,408	23,516,977	–	67,789,385
Revenue from external customers	44,272,408	23,516,977	–	67,789,385
Total segment results	2,306,048	1,364,802	(4,479,171)	(808,321)
Total segment assets	33,036,032	16,093,775	630,333	49,760,140
Unallocated assets – Cash				2,304,873
Total assets				52,065,013
Total liabilities	13,105,951	5,730,627	249,199	19,085,777
Depreciation and amortisation	2,615,917	774,897	75,969	3,466,783
Acquisition of property plant & equipment, intangibles & other non-current segment assets	2,110,702	441,389	445,966	2,998,057
2017	\$	\$	\$	\$
Total segment revenue	44,531,826	22,038,816	–	66,570,642
Revenue from external customers	44,531,826	22,038,816	–	66,570,642
Total segment results	2,648,434	2,291,761	(4,251,881)	688,314
Total segment assets	31,611,516	17,119,842	171,650	48,903,008
Unallocated assets – Cash				2,974,806
Total assets				51,877,814
Total liabilities	11,443,293	6,302,972	312,434	18,058,699
Depreciation and amortisation	2,718,531	768,541	91,718	3,578,790
Acquisition of property plant & equipment, intangibles & other non-current segment assets	3,017,082	1,078,164	66,624	4,161,870

Notes to the Financial Statements

30 June 2018

24. SEGMENT INFORMATION (continued)

	Consolidated	
	2018	2017
	\$	\$
Reconciliation of adjusted segment revenue to revenue from continuing operations:		
Total segment revenue	67,789,385	66,570,642
Inter-segment eliminations	–	–
Interest revenue	87,124	88,575
Total revenue from continuing operations	67,876,509	66,659,217
Reconciliation of adjusted segment result to operating profit before income tax:		
Total segment results	(808,321)	688,314
Interest revenue	87,124	88,575
Profit/(loss) from continuing operations before income tax expense	(721,197)	776,889

25. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Profit/(Loss) for the year	(573,389)	480,720
Depreciation and amortisation	3,466,783	3,578,790
Net (profit)/loss on sale of non-current assets	(220,725)	(272,414)
Change in operating assets and liabilities		
(Increase) in trade debtors	(1,322,086)	(805,926)
(Increase)/decrease in inventories	(90,410)	103,007
(Increase) in deferred tax asset	(147,808)	(213,601)
Decrease/(increase) in other operating assets	330,307	(782,443)
Increase in trade creditors	2,648,582	240,426
(Decrease)/increase in other operating liabilities	(1,373,477)	1,582,736
(Decrease)/increase in provision for income tax payable	(467,172)	189,375
(Decrease)/increase in other provisions	(65,281)	134,900
Net cash inflow from operating activities	2,185,324	4,235,570

26. NON-CASH FINANCING AND INVESTING ACTIVITIES

Acquisition of plant and equipment by means of hire purchase and chattel mortgage contracts	1,694,460	2,595,948
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Notes to the Financial Statements

30 June 2018

27. EARNINGS PER SHARE

	Consolidated	
	2018 \$	2017 \$
Basic earnings per share (note 1(I)).	(7.53 cents)	6.31 cents
Diluted earnings per share (note 1(I)).	(7.53 cents)	6.31 cents
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	7,614,000	7,614,000
Reconciliations of earnings used in calculating basic earnings per share		
Profit/(loss) for the year	(573,389)	480,720
Earnings used in calculating basic earnings per share	(573,389)	480,720

28. FINANCIAL INSTRUMENTS

Chalmers activities expose it to financial risks such as credit risk, market risk and liquidity risk. The parent is not subject to any of these risks as it does not engage in transactions in its own right. The Board is responsible for Chalmers risk management strategy and management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and minimise risk across Chalmers operations. A risk management program focuses on the unpredictability of finance markets and seeks to minimise potential adverse effects on financial performance. Chalmers uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk. Chalmers does not use derivatives.

(a) Credit Risk

Credit risk is the risk that a party to a financial instrument will cause financial loss to Chalmers by failing to meet its contractual obligations. Chalmers has no significant concentrations of credit risk due to a large number of its customers operating in a number of industries. No particular customer or group of customers within these categories makes a proportion of total debtors that management would consider significant. There are policies in place to ensure that services are only provided to customers with an appropriate credit history. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Compliance with terms and credit limits is regularly monitored by senior management. Sales to one-off customers are required to be settled in cash or using major credit cards. Such circumstances mitigate credit risk.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets. For customers who default under the terms of agreement, Chalmers generally has a lien over the goods and any related documents until full payment is received. Cash transactions are limited to high credit quality financial institutions with a minimum independent rating of 'A'. The policies also limit the amount of credit exposure to any one financial institution.

Notes to the Financial Statements

30 June 2018

28. FINANCIAL INSTRUMENTS (continued)

The carrying amount of Chalmers financial assets represents the maximum credit exposure. Chalmers maximum exposure to credit risk at the end of the reporting period was:

	Consolidated	
	2018 \$	2017 \$
Trade and Other receivables	11,868,647	11,063,220
Cash and cash equivalents	2,304,873	2,974,806
	<u>14,173,520</u>	<u>14,038,026</u>

Chalmers maximum exposure to credit risk for Trade Receivables at the end of the reporting period was \$10,817,573 (2017: \$9,495,487). The majority of exposure was attributable to customers located in Australia, and all customers were of the same type (transport or container customers).

(b) Market Risks

(i) Cash Flow and Fair Value Interest Rate Risk

As there are no significant interest-bearing assets which Chalmers currently intends to hold beyond the medium term, income and operating cash flow are not materially exposed to changes in market interest rates.

Chalmers interest rate risk arises from borrowings. Borrowings issued at variable rates expose it to cash flow interest rate risk. The normal policy is to fix the rates for majority of its borrowings. However floating rate borrowings were maintained during the year to take advantage of declining interest rates.

Interest rate sensitivity

As at 30 June 2018, if interest rates changed by +/-100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have changed by \$28,000 (2017 – \$28,000 lower/higher). Equity would have changed by \$28,000 (2017: \$28,000 lower/higher).

(ii) Foreign currency risk and other price risk

Chalmers has no exposure to foreign currency risk or other price risk.

(c) Interest Rate Risk Exposures

Interest rate risk exposures arise predominantly from some assets and liabilities bearing variable rates of interest. Chalmers intends to hold fixed rate assets and liabilities to maturity. Interest bearing financial assets represents cash held in bank accounts. Interest on bank accounts is earned at the standard bank rates. The weighted average interest rate earned during the year was 0.40% (2017: 0.72%).

Financial liabilities, to which an interest rate risk attaches, are represented by bank bills and hire purchase/chattel mortgage contracts. Financial liabilities in respect of hire purchase/chattel mortgage contracts are incurred for fixed terms ranging from three to five years depending on the nature of the item being financed. The weighted average cost of interest in respect of fixed term financial liabilities was 5.05% (2017: 5.09%). The weighted average cost of interest for short term floating financial liabilities that is, those incurred for periods of less than one year was 4.88%

Notes to the Financial Statements

30 June 2018

28. FINANCIAL INSTRUMENTS (continued)

(c) Interest Rate Risk Exposures - (continued)

2018

2018		Fixed interest maturing in				
	Notes	Floating interest Rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total
		\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	5	2,304,873	–	–	–	2,304,873
Receivables	6	–	–	–	11,868,647	11,868,647
		2,304,873	–	–	11,868,647	14,173,520
Financial liabilities						
Bank bills	14	4,000,000	–	–	–	4,000,000
Trade and other payables	10	–	–	–	6,915,635	6,915,635
Hire purchase/ chattel liabilities	11,14	–	1,624,513	3,256,451	–	4,880,964
		4,000,000	1,624,513	3,256,451	6,915,635	15,796,599
Weighted average interest rate of financial liabilities		5.53%	4.88%	5.18%	–	–
Net financial assets (liabilities)		(1,695,127)	(1,624,513)	(3,256,451)	4,953,012	(1,623,079)

2017

2017		Fixed interest maturing in				
	Notes	Floating interest Rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total
		\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	5	2,974,806	–	–	–	2,974,806
Receivables	6	–	–	–	11,063,220	11,063,220
		2,974,806	–	–	11,063,220	14,038,026
Financial liabilities						
Bank bills	14	4,000,000	–	–	–	4,000,000
Trade and other payables	10	–	–	–	5,640,532	5,640,532
Hire purchase/ chattel liabilities	11,14	–	1,803,977	3,155,661	–	4,959,638
		4,000,000	1,803,977	3,155,661	5,640,532	14,600,170
Weighted average interest rate of financial liabilities		5.26%	4.95%	4.78%	–	–
Net financial assets (liabilities)		(1,025,194)	(1,803,977)	(3,155,661)	5,422,688	(562,144)

Notes to the Financial Statements

30 June 2018

28. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity Risk

Liquidity risk is the risk that Chalmers will encounter difficulty in raising funds to meet its financial obligations as they fall due.

Chalmers aims to ensure it has sufficient liquidity to meet its obligations on short term and long term bases. Chalmers manages its cash position on a daily basis. If cash is not available, Chalmers will use its overdraft facility to fund short term needs. Chalmers also uses long term finance (various financiers) and bank bill facilities (Bank of Melbourne) to fund new equipment and long term projects. Details of financing facilities are included in note 14.

The following are the contractual maturities of financial liabilities for Chalmers:

2018	Carrying Amount	Contract C/Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$	\$
Non-Derivative Financial Liabilities							
Trade payables	4,783,870	4,783,870	4,783,870	–	–	–	–
Bank Bills	4,000,000	4,676,603	70,575	69,425	140,000	4,396,603	–
Hire Purchase/ chattel liabilities	4,880,964	5,385,947	968,301	856,999	951,425	2,609,222	–
Derivative Financial Liabilities							
None	–	–	–	–	–	–	–
	13,664,834	14,846,420	5,822,746	926,424	1,091,425	7,005,825	–
2017							
	\$	\$	\$	\$	\$	\$	\$
Non-Derivative Financial Liabilities							
Trade payables	2,135,288	2,135,288	2,135,288	–	–	–	–
Bank Bills	4,000,000	4,256,603	70,575	69,425	116,603	4,000,000	–
Hire Purchase/ chattel liabilities	4,959,638	5,405,654	1,129,858	860,817	1,410,088	2,004,891	–
Derivative Financial Liabilities							
None	–	–	–	–	–	–	–
	11,094,926	11,797,545	3,335,721	930,242	1,526,691	6,004,891	–

Chalmers Limited has no other financial liabilities with contractual maturities.

(e) Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of Chalmers approximates their carrying value.

Notes to the Financial Statements

30 June 2018

29. PARENT ENTITY INFORMATION

The individual financial statements for the Parent Entity showing the following aggregate amounts:

	Parent	
	2018	2017
	\$	\$
Statement of Financial Position		
Current assets	7,678,016	7,441,117
Total assets	9,004,978	9,368,620
Current liabilities	287,342	76,300
Total liabilities	287,342	76,300
<i>Shareholders Equity</i>		
Issued capital	8,225,847	8,225,847
Retained earnings	1,066,473	1,066,473
	<u>9,292,320</u>	<u>9,292,320</u>
Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year	266,490	–
Other comprehensive income	–	–
Total Comprehensive income	<u>266,490</u>	<u>–</u>

The Parent Entity has capital commitments of Nil (2017:Nil).

The Parent Entity has not yet entered into a deed of cross guarantee nor are there any contingent liabilities at year end.

Shareholder Information

as at 16 August 2018

The number of shareholdings in the issued ordinary share capital are categorised as follows:

1	-	1,000	ordinary shares	78
1,001	-	5,000	ordinary shares	59
5,001	-	10,000	ordinary shares	15
10,001	-	100,000	ordinary shares	20
100,001	-	or more	ordinary shares	9
				<hr/> 181

Number of shareholdings of less than a marketable parcel: 23

One voting right (with no operative restriction) is attached to each ordinary share issued.

Shares held in Chalmers Limited by director or director-related entity:

GW Chalmers	4,360,000
LA Daglish	39,870
JP Carew	1,333
GD Mulligan	1,333
PT Brannighan	1,000

The twenty largest shareholders holdings hold an aggregate of 94.54% of the issued ordinary share capital of Chalmers Limited and are detailed as follows:

Name	Ordinary Shares Number Held	% of issued shares
Significant Shareholders		
Mr GW Chalmers	1,948,333	25.59%
Alljet Investments Pty Ltd	1,605,040	21.08%
Mr SA Chalmers	1,125,000	14.78%
WFDC Nominees Pty Ltd	1,050,000	13.79%
Mrs C Stubbs	250,000	3.28%
Est Joyce F. Chalmers	236,667	3.11%

Other Shareholders

Angueline Investments Pty Limited	210,000	2.76%
G & H Handbury Foundation Pty Limited	192,416	2.53%
JP Morgan Nominees Australia Limited	144,593	1.90%
Mr DS Whyte	100,000	1.31%
One Management Invt Fund	85,437	1.12%
CEP Pty Ltd	40,000	0.53%
East Coast Solutions Pty Ltd	39,870	0.52%
Mr AA Weigall & Ms LE Weigall	31,722	0.42%
Netwealth Investments Limited	30,923	0.41%
Mr DG Portbury	22,482	0.30%
Mr GI Portbury	22,481	0.30%
Mr PJ Portbury	22,481	0.30%
Mr D Scicluna & Mr A Scicluna	20,991	0.28%
Mr M Cordona & Mrs S Cordona	20,000	0.26%

Total	7,198,436	94.54%
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Shareholder Information

as at 16 August 2018

Chalmers Limited share registry functions are out-sourced to Link Market Services Limited.

A number of registry services are available on Link Market Services website www.linkmarketservices.com.au and include functionality which allows you to:

- Check your current and previous holding balances
- Choose your preferred annual report option
- Update your address details (for individual holders)
- Update your bank details (for individual holders)
- Confirm lodgement of your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- Check transaction and distribution history
- Enter your email address
- Check the share prices and graphs
- Download a variety of instruction forms
- Subscribe to email announcements.

You can access this information via a security login using your Security holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname or company name and postcode.

Please bank your dividend cheques promptly as cheques that remained uncleared for a statutory period of time are required to be handed over to the State Trustee under the Unclaimed Monies Act.

Link Market Services can arrange dividends to be credited directly into any nominated bank, building society or credit union account in Australia. You can do this by using the internet as mentioned above, writing to postal address Locked Bag A14, Sydney South NSW 1235, calling Link Market Services on 1300 554 474 or faxing (02) 9287 0303.

Chalmers

When customer service counts

Chalmers Limited
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www.chalmers.net.au

