

CHALMERS LIMITED

ACN 004 471 032

CHAIRMAN'S ADDRESS – AGM 27 OCTOBER 2015

Good morning shareholders, and welcome to Chalmers AGM today.

The financial year ended June 2015 resulted in a pre-tax loss of \$952K – a significant deterioration from last year's \$1,578K profit. The result contains a provision of \$357K for “*onerous contracts*” to cover anticipated future losses relating to leased warehouse space in Brisbane. This external warehouse facility remains under-utilised in a market that has seen significant deterioration in prices coupled with an equally significant increase in available vacant warehousing space in the Port of Brisbane precinct. This under-utilised warehouse space represents almost half of the year-on-year profitability decline. Exclusion of this provision shows an operating loss for the year of \$595K.

Revenues overall did not grow falling by over \$1M from the previous year and this decline coupled with increased operating costs – predominantly labour and property – led to the poor result.

An additional draw on profitability occurred with the newly acquired Tanks facility. The leasehold improvements for this business were acquired in June 2014 and while it was known prior to purchase that incremental investment and work would be required to bring the facility up to best practice, significantly more time and investment than forecast was required. The delay in offering a fully operational tank wash service resulted in the loss of some customers contributing to higher than anticipated losses and while profitability improved towards the end of the financial year, the overall loss - representing approximately one-fifth of the variation on year-on-year results - was still significant. Marketing efforts are now focussed in the Tanker area and the business continues to improve. It should be noted that were strong operational factors relating to the balance of business contributing to the decision to acquire the Tanks site.

Performance of the two Container Parks in Melbourne and Brisbane was patchy. The on-going malaise in world container shipping trade continues to push shipping companies to eke out every possible saving and with some stevedores and other competitors providing excess park capacity, pressure on yields in this sector is strong. The Brisbane Container Park is an excellent location but an expensive footprint and discussions are underway with the Port of Brisbane to review Chalmers' costs and space requirements moving forward.

Historically, Brisbane has been a strong contributor to Chalmers' performance but this was not the case for FY15. The Queensland economy - with the collapse of mining investment and ongoing drought contributing to lower agricultural exports - has seen a previous "can-do" attitude change to a "wait and see" environment. For Chalmers, it has been significantly harder to secure new customers at acceptable yields given the lower levels of business activity and attendant competitive pressures.

In both Queensland and Victoria, Chalmers is strongly reliant on agricultural exports and specifically grain. FY15 saw poor grain seasons in both Queensland and Victoria and it is too early to predict likely market volumes for this year.

The Transport sector performed reasonably with better returns than the corresponding previous period in both Queensland and Melbourne. However, lower volumes had a significant impact on profitability, particularly in Queensland. This reduced level of activity in Brisbane also impacted the logistics operation.

The Board is undertaking a wide-ranging review of all aspects of the business with underperforming assets a key focus of the work. This is particularly important given the returns a significant asset base is generating for the business. Operational costs are also a key focus of management attention, particularly in the Brisbane businesses in which Chalmers operates.

Thank you for attending our AGM today. Both John Carew and I would now be happy to address any questions you may have.