Chalmers
When customer service counts
ABN 87 004 330 367
www.chalmers.net.au

29 August 2018

Australian Securities Exchange
Company Announcements Platform
Electronic transmission

Results for announcement to the market

The directors of Chalmers Limited provide Appendix 4E – Preliminary Final Report for release to the market which is presented in the following pages. Commentary of the year's performance can be found on page 11 – under Review of Operations.

Yours faithfully,

Kane Harnden
Company Secretary

Melbourne 20-28 Cawley Road Yarraville VIC 3013
T (03) 9316 2011 **F** (03) 9316 2066
E enquiries@vic.chalmers.net.au

Brisbane Wimbrel Street Fishermans Island QLD 4178
T (07) 3895 6000 **F** (07) 3895 6001
E enquiries@qld.chalmers.net.au

Appendix 4E
Preliminary final report

1. Company details

CHALMERS LIMITED			
ABN	Financial year ended ('current period')		Financial year ended ('previous period')
34 004 471 032	30 JUNE 2018		30 JUNE 2017

2. For announcement to the market

				$A'000
2.1 Revenue from continuing operations	**UP**	**2%**	**To**	**$67,877**
2.2 Profit (loss) from continuing operations after tax attributable to members	**DOWN**	**219%**	**To**	**($573)**
2.3 Net profit (loss) for the period attributable to members	**DOWN**	**219%**	**To**	**($573)**

2.4 Dividends	Amount per security	Franked amount per security
No final dividend was declared	-c	-c
No interim dividend was declared	-c	-c

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

2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Please refer to Review of Operations at 14.2 for a detailed explanation

3. Condensed consolidated Statement of Comprehensive Income

	Current period - $A'000	Previous corresponding period - $A'000
Revenue from continuing operations	67,877	66,659
Expenses from continuing operations	(68,225)	(65,536)
Finance costs	(373)	(346)
Profit (loss) from continuing operations before tax	**(721)**	**777**
Income tax (expense) / benefit	148	(296)
Profit (loss) from continuing operations after tax	**(573)**	**481**
Profit (loss) from extraordinary items after tax	-	-
Net profit (loss)	**(573)**	**481**
Net profit (loss) attributable to outside +equity interests	-	-
Net profit (loss) for the period attributable to members	**(573)**	**481**
Non-owner transaction changes in equity		
Increase in revaluation reserves	-	-
Net exchange differences recognised in equity	-	-
Other revenue, expense and initial adjustments recognised directly in equity (attach details)	-	-
Initial adjustments from UIG transitional provisions	-	-
Total transactions and adjustments recognised directly in equity	-	-
Total changes in equity not resulting from transactions with owners as owners	**(573)**	**481**

Notes to condensed consolidated Statement of Comprehensive Income

3.1 Revenue and expenses from continuing operations

	Current period - $A'000	Previous corresponding period - $A'000
Revenue from sales or services	67,790	66,571
Interest revenue	87	89
Other income:		
Profit/(Loss) on sale of non-current assets	221	272
Details of relevant expenses:		
Employee benefits	(25,000)	(26,689)
Property	(10,428)	(11,116)
Vehicle & Equipment	(10,016)	(8,605)
Other expenses	(8,279)	(6,289)
Subcontractor	(5,472)	(5,094)
Materials	(5,784)	(4,437)
Depreciation and amortisation	(3,467)	(3,579)
Finance costs	(373)	(346)

3.2 Significant features of operating performance

	Current period - $A'000	Previous corresponding period - $A'000
Revenue from continuing operations includes:		
Interest Revenue	87	89

3.3 Extraordinary Items

N/A

3.4 Other Disclosures in accordance with AASB 101

	Current period - $A'000	Previous corresponding period - $A'000
Net gain/(loss) on disposal of non-current assets	221	272
Net increment/(decrement) arising from revaluation of non-current assets		
Net revenue/(expense) since the beginning of the reporting period resulting from deductions from the carrying amounts of assets:		
- depreciation of non-current assets	(3,467)	(3,579)
- doubtful and bad debts	(47)	-

4. Condensed consolidated Statement of Financial Position

	At end of current period $A'000	As shown in last annual report $A'000
Current assets		
Cash and cash equivalents	2,305	2,975
Trade and other receivables	12,902	11,909
Inventories	392	302
Current tax asset	363	-
Total current assets	**15,962**	**15,186**
Non-current assets		
Property, plant and equipment (net)	35,576	36,294
Intangible assets	7	25
Deferred tax assets	520	372
Total non-current assets	**36,103**	**36,691**
Total assets	**52,065**	**51,877**
Current liabilities		
Trade and other payables	6,916	5,640
Borrowings	1,624	1,804
Current tax liabilities	-	104
Provisions exc. tax liabilities	2,845	2,935
Total current liabilities	**11,385**	**10,483**
Non current liabilities		
Borrowings	7,256	7,155
Provisions exc. tax liabilities	445	420
Total non-current liabilities	**7,701**	**7,575**
Total liabilities	**19,086**	**18,058**
Net assets	**32,979**	**33,819**
Equity		
Capital/contributed equity	8,226	8,226
Retained profits / (accumulated losses)	24,753	25,593
Equity attributable to members of the parent entity	**32,979**	**33,819**
Total equity	**32,979**	**33,819**

4.1 Condensed consolidated Statement of Changes in Equity

	At end of current period $A'000	As shown in last annual report $A'000
Total Equity at beginning of year	33,819	33,338
Add: Net Profit/(loss) for the year	(573)	481
Add: Share Issue	-	-
Less: Share issue Costs	-	-
Less: Dividends paid during year	(267)	-
Total Equity at end of year	**32,979**	**33,819**

5. Condensed consolidated Statement of Cash Flow

	Current period $A'000	Previous corresponding period - $A'000
Cash flows related to operating activities		
Receipts from customers	72,495	71,428
Payments to suppliers and employees	(69,555)	(66,616)
Interest and other items of similar nature received	87	89
Interest and other costs of finance paid	(375)	(345)
Income taxes paid	(467)	(320)
Net operating cash flows	**2,185**	**4,236**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment and intangible assets	(1,303)	(1,566)
Payment for assets acquired as part of business acquisition	-	-
Proceeds from sale of property, plant and equipment	488	992
Net investing cash flows	**(815)**	**(574)**
Cash flows related to financing activities		
Repayment of borrowings	-	-
Finance lease payments	(1,773)	(1,892)
Dividends paid	(267)	-
Net financing cash flows	**(2,040)**	**(1,892)**
Net increase (decrease) in cash held	**(670)**	**1,770**
Cash at beginning of period	2,975	1,205
Cash at end of period	2,305	2,975

5.1 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

Acquisition of plant & equipment by means of chattel mortgage contracts (A'000). Current period - $1,694 (Previous period - $2,596)

5.2 Reconciliation of cash and cash equivalents

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period $A'000	Previous corresponding Period - $A'000
Cash on hand and at bank	2,305	2,975
Total cash at end of period	**2,305**	**2,975**

5.3. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Current period $A'000	Previous corresponding period - $A'000
Operating profit/(loss) after income tax	(573)	480
Depreciation and amortisation	3,467	3,579
Net (profit)/loss on sale of non-current assets	(221)	(272)
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	(1,322)	(805)
Decrease in inventories	(91)	103
(Increase) in deferred tax assets	(148)	(214)
(Increase) in other operating receivables	330	(782)
Decrease in current tax assets	(467)	189
Increase in trade creditors	2,648	241
Increase/(Decrease) in other payables	(1,373)	1,582
(Decrease) in deferred tax liabilities	-	-
Increase in provisions	(65)	135
Net cash inflow from operating activities	**2,185**	**4,236**

6. Dividends

6.1 Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend: Current year	-¢	-¢	-¢
Previous year	3.5¢	3.5¢	-¢
Interim dividend: Current year	-¢	-¢	-¢
Previous year	-¢	-¢	-¢

6.2 Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	-¢	3.5¢

7. Dividend Reinvestment Plans

At 30 June 2018 there was no dividend reinvestment plan in operation for Chalmers Limited

Any other disclosures in relation to dividends.

N/A

8. Consolidated retained profits

	Current period - $A'000	Previous corresponding period - $A'000
Retained profits (accumulated losses) at the beginning of the financial period	25,593	25,112
Net profit (loss) attributable to members	(573)	481
Dividends and other equity distributions paid	(267)	-
Retained profits (accumulated losses) at end of financial period	**24,753**	**25,593**

9. NTA backing per ordinary security

Current period	Previous corresponding Period
$4.33	$4.44

10. Control gained over entities having material effect

Name of entity (or group of entities)	N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired	$
Date from which such profit has been calculated	
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	$

10.1 Loss of control of entities having material effect

Name of entity (or group of entities)	N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	$
Date to which the profit (loss) in item 14.2 has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	$

11. Details of associates and joint venture entities

N/A

12. Other significant information

N/A

13. Accounting standards used in foreign entities

N/A

14. Commentary on results for the period

14.1 Earnings per security (EPS)

	Current period	Previous corresponding Period
Basic EPS	(7.53)	6.31
Diluted EPS	(7.53)	6.31

14.2 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 labour 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.

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 co-ordinated. 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 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.

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

15. This report is based on +accounts to which one of the following applies.

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
✓	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below

N/A

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

N/A

By electronic lodgement

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Company Secretary - Kane Harnden – 29 August 2018