SubZero Group Limited
ASX Preliminary final report – 30 June 2013

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

				$'000
Revenue from ordinary activities		N/A	to	84,903
Profit/(loss) from ordinary activities after tax attributable to members		N/A	to	(2,596)
Net profit/(loss) for the period attributable to members		N/A	to	(2,596)
Net Tangible Assets per Security As at 30 June 2013 As at 30 June 2012				 0.04c (1.73c)
Basic Earnings per share For the year ending 30 June 2013				(1.71c)

Commentary on the Results

The SubZero Group was formed by the acquisition of the group's entities by SVC Group Limited on the 10 April 2013 and its subsequent reinstatement on the ASX on the 22 April 2013. For accounting purposes the entities were consolidated from September 2011, thus providing comparative numbers for FY12 for 9 months from October 2011 to June 2012 in the statutory results. Therefore comparisons to the statutory FY12 results are not meaningful.

SubZero Group Limited's (SZG) statutory net loss after tax for the year ended 30 June 2013 was $2.596 million, underlying net loss after tax was $0.134 million as per the attached reconciliation.

Underlying EBITDA of $6.215 million was within the range of guidance provided on 2 July 2013 of $6 million to $7 million.

The underlying sales and profit results in FY13 were negatively impacted by the general downturn in the sector and in particular by;

a) Unrecovered personnel costs incurred in maintaining a labour pool in anticipation or normally scheduled labour hire requirements
b) Delays in occupying the new workshop at Muswellbrook due to sewerage and water mains issues which impacted SZG's ability to carry out mining equipment refurbishment and maintenance works
c) Deferral of start dates of planned contract works by customers which has led to underutilisation of SZG people and plant
d) Delays in corporate restructuring, refinancing and ASX listing process

Gross debt at 30 June 2013 was $16.585 million, a reduction of $7.1 million from 30 June 2012. The debt is represented by finance leases of $12.475 million for equipment purchases, $3.277 million from the factoring of invoices and $0.833 million from loans. This represents 2.7 times the underlying EBITDA. The Company is currently pursuing refinancing initiatives to provide facilities to better fund the Company's working capital and growth.

SubZero Group Limited
Preliminary consolidated statement of comprehensive income
For the year ended 30 June 2013

	12 months to June 2013 $'000	9 months to June 2012 $'000
Revenue from continuing operations	**84,903**	64,325
Cost of sales	**(55,463)**	(38,941)
Gross profit	**29,440**	25,384
Other income	**593**	430
Administration and costs	**(3,721)**	(2,189)
Vehicle & Equipment costs	**(9,364)**	(7,554)
Finance costs	**(2,253)**	(1,940)
Employment costs	**(14,879)**	(9,424)
Occupancy costs	**(1,959)**	(1,202)
Profit before income tax	**(2,143)**	3,505
Income tax expense	**(453)**	199
Profit for the year	**(2,596)**	3,704
Profit is attributable to:		
Owners of SubZero Group Limited	**(2,596)**	3,552
Non-controlling interests	**-**	152
	(2,596)	3,704
Other comprehensive income for the year net of tax	**-**	-
Total comprehensive income for the year	**(2,596)**	3,704
Total comprehensive income for the year is attributable to:		
Owners of SubZero Group Limited	**(2,596)**	3,552
Non-controlling interests	**-**	152
	(2,596)	3,704

The above consolidated income statement should be read in conjunction with the accompanying notes.

SubZero Group Limited
Preliminary consolidated statement of financial position
As at 30 June 2013

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	**125**	320
Receivables	**14,961**	16,496
Inventories	**2,601**	1,308
Total current assets	**17,687**	18,124
Non-current assets		
Property, plant and equipment	**17,431**	18,529
Deferred tax assets	**730**	643
Intangible assets	**1,391**	833
Total non-current assets	**19,552**	20,005
Total assets	**37,239**	38,129
Current liabilities		
Payables	**18,011**	15,351
Borrowings	**8,917**	11,635
Current tax liabilities	**421**	192
Total Current Liabilities	**27,349**	27,178
Non-current liabilities		
Borrowings	**7,591**	12,095
Deferred tax liabilities	**563**	253
Provisions	**272**	156
Total non-current liabilities	**8,426**	12,504
Total liabilities	**35,775**	39,682
Net assets	**1,464**	(1,553)
Equity		
Share & Unit Capital	**6,811**	556
Reserves	**(643)**	-
Retained earnings	**(4,704)**	(2,261)
Capital and reserves attributable to owners of SubZero Group Limited	**1,464**	(1,705)
Non-controlling interests	**-**	152
Total equity	**1,464**	(1,553)

The above consolidated financial position should be read in conjunction with the accompanying notes.

	2013 $'000	2012 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**94,906**	65,463
Payments to suppliers and employees (inclusive of goods and services tax)	**(87,581)**	(59,582)
Other revenue	**531**	332
Interest paid	**(2,416)**	(2,237)
Income taxes paid	**(1)**	-
Net cash (outflow) inflow from operating activities	**5,439**	3,976
Cash flows from investing activities		
Payment for non-controlling interest	**(659)**	-
Payment for capitalised R&D costs	**(558)**	-
Payment for property, plant and equipment	**(3,076)**	(3,102)
Payment for purchase of subsidiary, net of cash acquired	-	(850)
Proceeds from sale of property, plant and equipment	**62**	95
Net cash (outflow) inflow from investing activities	**(4,231)**	(3,857)
Cash flows from financing activities		
Distributions to unit holders	**-**	(1,759)
Proceeds from capital raising	**6,262**	-
Repayment of borrowings	**(7,665)**	-
Proceeds from borrowings	**-**	1,058
Net cash (outflow) inflow from financing activities	**(1,403)**	**(701)**
Net increase (decrease) in cash and cash equivalents	**(195)**	(582)
Cash and cash equivalents at the beginning of the year	**320**	902
Cash and cash equivalents at the end of the year	**125**	320

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

SubZero Group Limited
Preliminary consolidated statement of changes in equity
For the year ended 30 June 2013

	Attributable to owners of SubZero Group Limited					
	Contributed Equity	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year 1 October 2011	**556**	**-**	**(2,307)**	**(1,761)**	**-**	**(1,751)**
Profit for the year	**-**	**-**	3,551	3,551	152	3,703
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year as reported in the 2012 financial statements	**-**	**-**	**3,551**	**3,551**	**152**	**3,703**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	-	-	-	**-**	-	**-**
Dividends provided for or paid	-	-	(3,506)	(3,506)	-	(3,505)
Transactions with non-controlling interests	-		-	**-**	-	**-**
Balance at 30 June 2012	**556**	**-**	**(2,261)**	**(1,705)**	**152**	**(1,552)**
Profit for the year	**-**	**-**	(2,596)	(2,596)	-	(2,596)
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**(2,596)**	**(2,596)**	**-**	**(2,596)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	6,255	(643)	-	5,612	-	5,612
Distributions Paid	-	-	153	153	(152)	**1**
Changes in equity	6,255	(643)	153	5,765	(152)	5,613
Balance at 30 June 2013	**6,811**	**(643)**	**(4,704)**	**1,464**	**0**	**1,464**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Note 1 Segment information

The SubZero Group operates in a single segment, Mining Services, in Australia.
The various products and services all relate to the same economic characteristics and are sold to a common set of customers. Based on the operation of a single segment and geography separate segment numbers have not been provided as the financial statements represent the one segment.

Note 2 Profit from ordinary activities

	12 months to 2013 $'000	9 months to June 2012 $'000
Revenue		
From continuing operations		
Sales revenue	84,903	64,325
	(84,903)	(64,325)
Other revenue		
Other	(593)	(430)
	(593)	(430)
Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation		
Motor Vehicles	**1,322**	957
Plant & equipment	**2,662**	2,223
Leasehold improvements	**8**	5
Office furniture & equipment	**159**	102
Other	**54**	**-**
Total depreciation	**4,205**	3,287
Amortisation		
Borrowing costs	**17**	-
Other	**1**	-
Total amortisation	**18**	-

Note 3 Reconciliation of income tax expense

	June 2013 $	June 2012 $
(a) Income tax expense		
Current tax	229	191
Deferred tax	224	(390)
Prior year adjustment	-	-
	453	(199)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	(86)	(643)
(Decrease) increase in deferred tax liabilities	310	253
	224	(390)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	(2,143)	1,734
Tax at tax rate of 30% (2012 - 30%)	(643)	520
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	16	15
Fines	2	1
Research & development rebate	(54)	-
Legal fees	-	13
Distribution	-	56
Trust Distribution taxed outside of group		(634)
	(679)	(29)
Under (over) provision in prior years	-	-
Recognition of deferred tax balances previously not recognised	-	(170)
Current year revenue losses not recognised as DTA	1,132	-
Income tax expense	**453**	(199)
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity	-	**-**

Note 4 Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

	2013 $'000	2012 $'000
Profit for the year	**(2,142)**	3,505
Share of profits of associates	**-**	-
Depreciation and amortisation	**4,105**	3,301
Bad Debts Expense	**21**	85
Net (gain) loss on sale of non-current assets	**7**	19
(Increase) / decrease in trade debtors	**1,513**	(5,295)
(Increase) / decrease in inventories	**(1,293)**	406
(Increase) / decrease in deferred tax assets	**(87)**	-
Increase / (decrease) in trade creditors	**2,660**	1,801
Increase / (decrease) in provision for income taxes payable	**229**	-
Increase / (decrease) in provision for deferred income tax	**310**	-
Increase / (decrease) in other provisions	**116**	155
Net cash inflow from operating activities	**5,439**	3,976

Note 5 Business Combinations

(i) Acquisition of SubZero Holdings Pty Limited by SVC Group Limited

On 10 April 2013, SubZero Holdings Pty Limited and its control entities were acquired by SVC Group Limited and subsequently changed its name to SubZero Group Limited. SVC Group Limited entered a Share Purchase Agreement with the shareholders of SubZero Holdings Pty Limited to acquire all of the issued capital in SubZero Holdings Pty Limited for consideration of $30m to be satisfied by the issue of 120million shares in SVC Group Limited at a price of $0.25 each in accordance with a prospectus dated 7 February 2013. The acquisition of SubZero Holdings Pty Limited has been treated as a reverse acquisition in accordance with AASB 3 *Business Combinations*. Consequently the consolidated financial statements reflect a continuation of the existing business and the financial statements of SubZero Holdings Pty Limited (the legal subsidiary of SubZero Group Limited) for the whole of the financial year and comparative period since incorporation on 1 October 2011.

Note 6 Transactions with non-controlling interests

On 30 June 2013, SubZero Holdings Pty Limited acquired the remaining 26% of the issued shares of Harness Master Wiring Systems (NSW) Pty Limited and DMST Pty Ltd that it did not already own for a purchase consideration of $809,000. The carrying amount of the non-controlling interests in Harness Master Wiring Systems (NSW) Pty Limited and DMST Pty Ltd on the date of acquisition was $166,258. The group recognised a decrease in non-controlling interests of $166,258 and a decrease in equity attributable to owners of the parent of $642,272.

Note 7 Contributed equity

a) Share capital

	Parent entity		Parent entity	
	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Ordinary shares				
Fully paid	**165,900,455**	137,639,069	84,944	46,737
Total Contributed equity			84,944	46,737

b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Parent entity $'000**
1 July 2012	**Opening Balance**	**137,639,069**	**46,737**
28 November 2012	Share Issue	2,272,728	50
7 December 2012	Share Issue	7,142,858	150
10 April 2013	Consolidation of shares (147,054,655 at 10.6:1)	(133,181,400)	-
10 April 2013	Share Issue	151,427,200	37,857
30 June 2013	Issue of shares as part of the purchase consideration of DMST & Harness Master Pty Limited	600,000	150
30 June 2013	**Balance**	**165,900,455**	**84,944**

(c) 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.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Audit

This report is based on accounts, which are in the process of being audited.

The Audit will be made available with the Company's financial report as part of the Company's Annual Report which is still be completed and will be released before the end of September 2013.

Other significant information

Reconciliation of Underlying Profit to Statutory Profit

	EBITDA	Net Profit/(loss) After tax
Statutory financial Statements	4,315	(2,596)
Consulting costs- restructure & listing	333	233
Legal costs - restructure & listing	804	563
Other costs - restructure	405	283
One off costs (includes redundancies)	358	251
Tax losses unable to be utilised	-	1,132
	6,215	(134)