



ASX Announcement

Monday 30 September 2013

Financial Report – Year Ended 30 June 2013

SubZero Group Limited (ASX code: SZG) is pleased to attached its Financial Report for the period ended 30 June 2013.

There is a material change to the Appendix 4E lodged with the ASX on 29 August 2013 being an increase in Contributed equity and an increase in Loss after tax for the period of \$3.458m arising from the application of Reverse acquisition accounting under the accounting standards, AASB2 and AASB3. There is no change to EBITDA or underlying profit for the period.

For further information:

Jacalyn McIntosh

Marketing & Investor Relations

SubZero Group Limited

P: +61 2 6540 9400 **F:** +61 2 6540 9444

M: +61 0417 096 502 **E:** jmcintosh@subzeroservices.com.au

About SubZero Group Limited

The SubZero Group carries on an established mining service business based in the Hunter Valley, New South Wales. Its clients are almost exclusively involved in the Hunter Valley thermal coal mining industry. SubZero Group's services include Mechanical Support (on and off-site mining machinery support), Structural Support (on and off-site engineering support) and Production Support (mining production support). SubZero has a presence in over 25 coal mines and over 90 clients including Rio Tinto, BHP Billiton and Xstrata. Further information can be found at the SubZero website: www.subzeroservices.com.au

SubZero Group Limited

ABN 68 009 161 522

Full Financial Report - 30 June 2013

Contents

	Page
Corporate directory	1
Directors' report	2
Financial Report	9
Directors' declaration	44
Independent auditor's report to members	45

Directors	Mr Malcolm Jackman <i>Independent Non Executive Chairman</i> Mr Scott Farrell <i>Managing Director and Chief Executive Officer</i> Mr Bruce Arnott <i>Independent Non Executive Director</i> Mr Graeme Clayton <i>Independent Non Executive Director</i> Mr Glenn Molloy <i>Independent Non Executive Director</i>
Secretary and CFO	Mr Jury Wowk (Joint Co. Secretary) Mr Andrew Cooke (Joint Co. Secretary)
Divisional Managers	Jonathan McTaggart <i>Divisional Manager Structural</i> David Hales <i>Divisional Manager Mechanical</i> Filipe Da Cruz <i>Divisional Manager Production</i>
Notice of annual general meeting	The annual general meeting of Subzero Group Limited Will be held at Level 10, Darling Park Tower 2 201 Sussex Street, Sydney Time 3:00pm Date 25 November 2013
Principal registered office in Australia	Level 1, 39/43 Bridge Street Muswellbrook NSW 2333 Telephone: +61 2 6540 9400
Share registry	Gould Ralph Pty Limited Level 42, AAP Centre, 259 George Street Sydney NSW 2000 Telephone: +61 2 9032 3000
Auditor	PwC 26 Honeysuckle Drive Newcastle NSW 2300
Stock exchange listings	Subzero Group Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.
Web site address	www.subzeroservices.com.au

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of SubZero Group Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

The report has been divided into five sections as follows:

- | | |
|-------------------------|------------------------|
| A. General information | C. Remuneration report |
| B. Review of operations | D. Other information |

Corporate governance policies will be available within the Annual Report to members.

A. General information

Principal activities

During the year the principal activities of the Group consisted of providing the following services to the Mining industry:

- Mechanical support (heavy machinery repairs)
- Structural support (on and offsite engineering and fabrication)
- Production support (mining project support and equipment hire)

There were no major changes in the nature of the activities of the Group during the period.

Directors

The following persons were directors of SubZero Group Limited during the financial year and up to the date of this report. Directors we in office for this entire period unless otherwise noted:

Name	Period of Directorship
Mr Malcolm Jackman	Appointed Director and Chairman 30 July 2013
Mr Scott Farrell	Appointed Director and Managing Director 10 April 2013
Mr Glenn Molloy	Appointed Director 10 April 2013
Mr Graeme (Joe) Clayton	Appointed Director 10 April 2013
Mr Bruce Arnott	Appointed Director and Chairman of the Audit Committee 10 April 2013

Information on directors

Malcolm Jackman, BSc, BCom. *Independent Non-Executive Chairman. Age 61*

Experience and expertise

Malcolm Jackman is currently the Chief Executive and Managing Director of Elders Limited (formerly Futuris Corporation), one of Australia's largest Agribusinesses, servicing primary producers and regional communities across the country. Malcolm has over 20 years experience managing large distribution sales networks in a business to business environment including ADIA (now ADECCO) New Zealand/Australia/USA, Manpower Australia/New Zealand and Coates Hire. With these companies, Malcolm demonstrated the ability to grow business profitability and to do so through the retention of key executives and creating the right culture.

Other current directorships

Managing Director Elders Limited

Former directorships in the last three years

None

Special responsibilities

Member of the Audit Committee

Interest in shares

1,344,525 ordinary shares in SubZero Group Limited.

Scott Farrell. *Managing Director. Age 41.*

Experience and expertise

Scott is the founder and Managing Director of SubZero. He has over 15 years experience in the mining and engineering services sector and over 20 years of total engineering maintenance sector experience, including power generation and factory training and infield experience with Bucyrus Ltd, a dragline & shovel OEM (original equipment manufacturer). Scott's day-to-day responsibilities include: the formulation and oversight of SubZero's corporate strategies, monitoring and execution of strategic initiatives via key personnel, identifying and maintaining sustainable community programs and identifying new client and business development initiatives.

Other current directorships

None.

Former directorships in the last three years

None

Special responsibilities

Managing Director.

Interest in shares and rights

54,751,200 ordinary shares in SubZero Group

A. General information (continued)

Glenn Molloy. *Independent Non-Executive Director.* Age 58.

Experience and expertise

Glenn Molloy has over 30 years experience as an investor and company director. In 1979, Glenn was the founder of a plastics packaging business, which in 1994 listed on the ASX as Plaspak Group Limited and grew the business until its ultimate sale in 2006. Glenn has extensive experience as a public company director and has been actively involved in numerous mergers, acquisitions and divestments. Glenn is currently a director of PPK Group Limited (ASX Code: PPK) and as such has worked closely with mining services providers such as Industrea Limited and the PPK subsidiary, Rambor Pty Ltd.

Other current directorships

Non-executive director PPK Group Limited

Former directorships in the last three years

None

Special responsibilities

None

Interest in shares

7,060,144 ordinary shares in SubZero Group Limited.

Graeme (Joe) Clayton, BE (Min) Hons. *Independent Non-Executive Director.* Age 55.

Experience and expertise

Graeme (Joe) Clayton is the principal of BDM Resources a privately owned mining services company which specialises in assisting mine owners and operators to address environmental and community issues. Joe has been involved in the mining industry for 36 years including managing mining operations in coal, copper, iron ore, quarrying and gold in Australia, Indonesia and PNG. He has overseen the management of 25 contract mining operations, developed 4 greenfield gold mining operations, managed 2 coal mine operations in the Hunter Valley and managed the development and approvals process for 2 large scale coal mine developments in the Hunter Valley and Gunnedah Basin.

Other current directorships

None

Former directorships in the last three years

None

Special responsibilities

Member of Audit Committee

Interest in shares

1,344,525 ordinary shares in SubZero Group Limited.

Bruce Arnott, B.Com. *Independent Non-Executive Director.* Age 57.

Experience and expertise

Bruce Arnott currently works as an independent consultant providing accounting and finance services to a Newcastle based ship repair, general engineering and ship building company. Bruce has 38 years experience working in various finance roles in a broad range of industries including manufacturing, engineering and distribution. Bruce's positions have included six years as Group Controller of OneSteel and most recently six years as Chief Financial Officer of Bradken Limited (ASX Code BKN) where his responsibilities included finance/accounting, treasury, taxation, supply, investor relations, investments, risk management, audit and insurance.

Other current directorships

None

Former directorships in the last three years

None.

Special responsibilities

Chairman of Audit Committee.

Interest in shares

250,000 ordinary shares in SubZero Group Limited.

Company Secretary

Mr Andrew J Cooke, LLB, FCIS was appointed as joint company secretary on 12 April 2013. Andrew has extensive experience in law, corporate finance and as company secretary of a number of ASX listed companies. He is responsible for corporate administration together with ASX and regulatory compliance. Mr Jury Wowk, BALLB, was appointed company secretary on 30 July 2013. Jury is an experienced public company director and secretary having held positions as such with a number of public companies over many years.

A. General information (continued)

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

Director	Full meetings of directors *		Audit and Risk Committee	
	A	B	A	B
Glenn Molloy	3	4	***	***
Scott Farrell	4	4	***	***
Graeme Clayton	4	4	-	-
Bruce Arnott	4	4	-	-
Jury Wowk	1	1	***	***

Alternate for Glenn Molloy

A Number of meetings attended

B Number of meetings held during the time the director held office during the period

* SubZero Group Limited does not have a fully constituted Remuneration or Nominations Committee, however, as and when required the full Board participates as these Committees in order to fulfill its corporate governance responsibilities

** The first Audit Committee meeting after the 10 April 2013 was 22 August 2013.

*** Not a member of the relevant committee

B. Operational and Financial Review

On 10th April 2013, SVC Group Limited (a non-operating public shell corporation) acquired 100% of the voting shares of SubZero Holdings Pty Limited. The acquisition of SubZero Holdings Pty Limited was not considered a business combination (reverse acquisition) under AASB 3 Business Combinations because SVC Group Limited (the accounting acquiree) does not meet the definition of a business under the standard. As a result, the fair value of the interest issued to existing SVC Group Limited Shareholder in Subzero Holdings Pty Limited to effect the combination (the consideration for the acquisition of the public shell company) was recognised as an expense in the income statement. The impact of this one-off transaction to the Group was a increase in the Group's loss by \$3.4M.

SubZero Group Limited (ASX:SZG) reported a statutory net loss after tax for the year ended 30 June 2013 of \$6.064 million and underlying net loss after tax of \$0.134 million.

Reconciliation of underlying profit to statutory

	EBITDA	Net/Profit/(loss) After tax
Statutory financial statements	847	(6,064)
Cost of listing	3,468	3,468
Consulting costs - restructure and listing	333	233
Legal costs - restructure and listing	804	563
Other costs - restructure	405	283
One-off costs (includes redundancies)	358	251
Tax losses unable to be utilised	-	1,132
	<u>6,215</u>	<u>(134)</u>

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 of 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
- (c) Deferral in start dates of planned contract works by customers which has led to under utilisation of SZG people and plant.
- (d) Delays in corporate restructuring, refinancing and the ASX listing process.

SZG's business strategy is to provide a broad range of essential mining services and products to resource companies in the Hunter Valley region under a 'one-stop-shop' model. It is focused on providing critical tasks and services, which involve preventative, regular and planned maintenance activities. The majority of these services are non-discretionary in nature and critical to clients in maximising production and minimising downtime. This approach delivers low execution risk and provides certainty over revenue.

Even as mining capital investment slows, production levels continue to rise and SZG is strongly positioned to take advantage of the emerging maintenance boom as the market leader due to its long-term investment in both infrastructure and personnel.

SZG expects expansion into Queensland and Western Australia to have a positive impact on its FY14 and FY15 earnings.

Since listing, SZG has been awarded a number of contracts that secure an estimated \$130 million in additional revenue over the next 3 years. The majority of these contracts have an option to extend for a further 2 years and secure SZG a strong base workload in the coming years. In response to this increase in workload, SZG has increased its maintenance facility capacity by over 200%. SZG's total capacity now stands at 17,283 sqm of climate controlled workshop facilities.

We expect to see maintenance services spend in SZG's areas of expertise to increase in NSW by 36% annually through to FY17.

Accordingly, SZG will remain focussed on a growth strategy over the next three years.

A. General information (continued)

Dividends

No dividend has been declared or paid by the Company during the period

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in the Review of Operations in this report or the consolidated financial statements.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the group are included in this annual report under the Operating and Financial Review section on page 4. Further disclosure on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

C. Remuneration report

The remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation

The information provided under headings (a) to (d) includes the remuneration disclosures that are required under the Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act*

(a) Principles used to determine the nature and amount of remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and the executives for the Company and Group.

The Company's policy in respect of senior executives is to remunerate them on the basis of their job function, taking into account their qualifications and experience. This level of remuneration is determined by the Executive Management in consultation with the Board taking into account the position and responsibilities for which each senior executive is charged.

Non executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

(i) Directors' fees

Directors' base fees are presently \$50,000 per annum. The Chairman's fee is currently \$75,000 per annum. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of any board committee.

Executive pay

(i) Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion and includes contributions to employee superannuation funds.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. No long term incentive plan is presently in place.

(ii) At risk short term salary

Short term bonuses are paid quarterly to senior managers based on a range of measures include Health and Safety, and financial targets such as revenue and WIP targets. The maximum incentive available is 50% of the annual salary spread over four quarters

(b) Details of remuneration

The key management personnel of SubZero Group Limited and the Group are the directors of SubZero Group Limited (see page 2), and the senior Managers of the SubZero business units who report directly to the Managing Director. The executives are:

- David Hales - *Divisional Manager Mechanical (commenced 25 February 2013)*
- Jonathon McTaggart - *Divisional Manager Structural*
- Filipe Dacruz - *Divisional Manager Production*
- Steven Gill - *Group Commercial Executive*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of SubZero Group Limited and the SubZero Group are set out in the following tables.

C. Remuneration report (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

2013 Name	Short-term employee benefits			Post-employment benefits	Long-term benefits
	Cash salary and fees \$	At risk short term salary \$	Non-monetary benefits \$	Super-annuation \$	Long service leave accrued \$
<i>Non-executive directors</i>					
Glenn Molloy	12,500	-	-	-	-
Graeme Clayton	12,500	-	-	-	-
Bruce Arnott	12,500	-	-	-	-
Sub-total non-executive directors	37,500	-	-	-	-
<i>Executive directors</i>					
Scott Farrell	380,000	-	-	34,300	-
<i>Other key management personnel</i>					
Jonathon McTaggart	147,725	30,000	-	13,300	-
Filipe Dacruz	186,300	29,656	-	16,785	-
David Hales*	59,500	-	-	5,885	1,051
Steven Gill**	259,280	-	-	23,335	-
Total key management compensation (group)	1,070,305	59,656	-	93,605	1,051

* Employed from 25 February 2013

** Contract terminated 2 July 2013

Comparison numbers have not been provided for 2012 as there was no executive directors or other key management personnel of the individual trusts.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	2013	
	Fixed	At risk
<i>Executive directors</i>		
Scott Farrell	100%	-
<i>Other key management personnel</i>		
Jonathon McTaggart	81%	19%
Filipe Dacruz	85%	15%
David Hales	100%	-
Steven Gill	100%	-

Remuneration and other terms of employment for the Managing Director and key management personnel required to be disclosed under the *Corporations Act 2001* are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including, but not limited to, motor vehicles.

All contracts with executives may be terminated early by either party with three months notice subject to termination payments. No terminations occurred during the period.

Name	Term of Agreement	* Base salary including superannuation
Scott Farrell, Managing Director	Ongoing commencing 10 April 2013	\$442,500
Jonathan McTaggart, Divisional Manager Structural	Ongoing commencing 10 April 2013	\$174,400
Filipe Da Cruz, Divisional Manager Production	Ongoing commencing 10 April 2013	\$196,200
David Hales, Divisional Manager Mechanical	Ongoing commencing 10 April 2013	\$218,000

* Base salaries quoted are as at 30 June 2013; they are reviewed annually by the Board.

(d) Share-based compensation

Share-based compensation is not presently provided

D. Other information

Environmental regulation

No significant environmental regulations apply to the group.

Insurance of officers

During the year, the Company paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities, the general managers of each of the businesses, all executive officers of the Group and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

D. Other information (continued)

Scott Farrell, Managing Director, has been provided an indemnity by SubZero Group Limited in relation to security he previously provided to ANZ for a loan of \$850,000 to a subsidiary of the group and in respect of any liabilities which he may incur arising out of, or in connection with, personal guarantees given by him in favour of CBA in respect of the obligations of the group or Diesel and Plant Services Pty Ltd (atf DPS Trust) under certain Hire Purchase Facilities provided by CBA to those entities.

Proceedings on behalf of the 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 these 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.

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 with the Company and/or Group are important.

Details of the amounts paid to auditors for audit and non-audit services provided during the year are set out on the following page.

The Board of directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013	2012
	\$	\$
PwC Australia		
1. Audit services and assurance services		
Audit of financial services	161,862	138,252
Total remuneration for audit and assurance services	161,862	138,252
2. Other services		
Accounting services	15,495	-
Agreed upon procedures	-	10,000
Non statutory review	15,000	-
Total remuneration for other services	30,495	10,000
Total remuneration of PwC Australia	192,357	148,252

E. Other information (continued)

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

This report is made in accordance with a resolution of the directors:



Mr Malcolm Jackman
Chairman



Mr Scott Farrell
Managing Director

Sydney
30 September 2013



Auditor's Independence Declaration

As lead auditor for the audit of SubZero Group Limited for the year ended 30 June 2013, 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.

This declaration is in respect of SubZero Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'D A Turner'.

Darren Turner
Partner
PricewaterhouseCoopers

Newcastle
30 September 2013

Contents

	Page
Financial report	
Consolidated statement of comprehensive income	10
Consolidated balance sheet	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the financial statements	14
Directors' declaration	44
Independent auditor's report to the members	45

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

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

Level 1, 39/43 Bridge Street
Muswellbrook NSW 2333

A description of the nature of the consolidated entity's principal activities and a review of operations is included on page 2 and page 4 of the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2013. The company has the power to amend and reissue the financial report.

Consolidated statement of comprehensive income

For the year ended 30 June 2013

		2013 \$'000	9 months to June 2012 \$'000
	Notes		
Revenue from continuing operations	5	84,903	64,325
Cost of sales		<u>(55,463)</u>	(38,941)
Gross profit		<u>29,439</u>	25,384
Other income	5	593	430
General and administration expenses		(3,712)	(2,182)
Vehicle and equipment costs		(5,144)	(4,263)
Depreciation and amortisation		(4,230)	(3,297)
Finance costs	5	(2,253)	(1,940)
Employee benefits expense	5	(14,879)	(9,424)
Rental expense	5	(1,957)	(1,202)
Costs of listing	25	<u>(3,468)</u>	-
Profit/(loss) before income tax		<u>(5,611)</u>	3,505
Income tax (expense)/benefit	6	<u>(453)</u>	199
Profit/(loss) for the year		<u>(6,064)</u>	3,704
Profit/(loss) is attributable to:			
Owners of SubZero Group Limited	19	(6,064)	3,550
Non-controlling interests	26	<u>-</u>	154
		<u>(6,064)</u>	3,704
Other comprehensive income			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		<u>(6,064)</u>	3,704
Total comprehensive income for the year is attributable to:			
Owners of SubZero Group Limited		(6,064)	3,550
Non-controlling interests		<u>-</u>	154
		<u>(6,064)</u>	3,704
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per ordinary share: (cents per share)	29	<u>(3.9)</u>	2.3
Diluted earnings per ordinary share: (cents per share)	29	<u>(3.9)</u>	2.3

As set out in note 25 to these financial statements, as a result of the reverse acquisition of SVC Limited and its controlled entities (SVC) by SubZero Holdings Pty Limited and its controlled entities (SubZero) the comparative information for 30 June 2012 represents results for SubZero only for the 9 months to 30 June 2012. The consolidated statement of comprehensive income for the year ended 30 June 2013 represents the results of SubZero from 1 July 2012 to 30 June 2013 and SVC from 10 April 2013 to 30 June 2013.

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

Consolidated balance sheet

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	7	125	320
Trade and other receivables	8	14,961	16,495
Inventories	9	2,601	1,308
Total current assets		17,687	18,123
Non-current assets			
Property, plant and equipment	10	17,431	18,524
Deferred tax assets	11	166	390
Financial assets	12	300	-
Intangible assets	13	1,391	833
Total non-current assets		19,288	19,747
Total assets		36,975	37,871
Current liabilities			
Trade and other payables	14	18,012	15,351
Borrowings	16	9,297	11,709
Current tax liabilities		424	187
Provisions	15	44	24
Total current liabilities		27,777	27,270
Non-current liabilities			
Borrowings	16	7,511	12,021
Provisions	15	227	131
Total non-current liabilities		7,739	12,151
Total liabilities		35,515	39,422
Net assets		1,460	(1,551)
Equity			
Share capital	18	10,286	556
Reserves	19(a)	(502)	-
Retained earnings	19(b)	(8,324)	(2,261)
Capital and reserves attributable to owners of SubZero Group Limited		1,460	(1,705)
Non-controlling interests		-	154
Total equity		1,460	(1,551)

As set out in note 25 to these financial statements, as a result of the reverse acquisition of SVC Limited and its controlled entities (SVC) by SubZero Holdings Limited and its controlled entities (SubZero), the comparative information for 30 June 2012 represents that of SubZero as at 30 June 2012. The consolidated balance sheet as at 30 June 2013 represents that of the consolidated group which consolidates the SVC and SubZero balance sheets as at that date.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 2013

	Attributable to owners of SubZero Group Limited						
	Note	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)	(1,751)	-	(1,751)
Profit for the year		-	-	3,550	3,550	154	3,704
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year as reported in the 2012 financial statements		-	-	3,550	3,550	154	3,704
Transactions with owners in their capacity as owners:					-		
Contributions of equity, net of transaction costs		-	-	-	-	-	-
Dividends provided for or paid		-	-	(3,504)	(3,504)	-	(3,504)
Balance at 30 June 2012		556	-	(2,261)	(1,705)	154	(1,551)
Profit for the year		-	-	(6,064)	(6,064)	-	(6,064)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(6,064)	(6,064)	-	(6,064)
Transactions with owners in their capacity as owners:					-		
Contributions of equity, net of transaction costs and tax	18	9,730	-	-	9,730	-	9,730
Transactions with non-controlling interests	26	-	(502)	-	(502)	(154)	(655)
Balance at 30 June 2013		10,286	(502)	(8,324)	1,460	-	1,460

As set out in note 25 to these financial statements, as a result of the reverse acquisition of SVC Limited and its controlled entities (SVC) by SubZero Holdings Pty Limited and its controlled entities (SubZero), the comparative information for 30 June 2012 represents the changes in equity of SubZero only for the 9 months period to 30 June 2012. The consolidated statement of changes in equity for the period 1 July 2012 to 30 June 2013 comprises the equity balances of SubZero at 1 July 2012, the profit for the year and transactions with equity holders of SubZero including the impact of the reverse acquisition, and the equity balances of the consolidated group comprising SubZero and SVC at 30 June 2013.

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

Consolidated statement of cash flows

For the year ended 30 June 2013

		2013	2012
	Notes	\$'000	\$'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)		(87,932)	(59,800)
Other revenue		531	335
Interest paid		(2,416)	(2,237)
Income taxes paid		-	199
Net cash (outflow) inflow from operating activities	27	5,089	3,960
Cash flows from investing activities			
Payment for non-controlling interest	26	(659)	-
Payment for capitalised R&D & patent costs	13	(558)	-
Payment for property, plant and equipment	10	(3,186)	(2,885)
Payment for purchase of subsidiary, net of cash acquired		-	(850)
Proceeds from sale of property, plant and equipment		64	95
Net cash (outflow) inflow from investing activities		(4,339)	(3,640)
Cash flows from financing activities			
Distributions to unitholders		-	(1,759)
Proceeds from capital raising, net of transaction costs		6,262	-
Repayment of borrowings		(7,507)	-
Proceeds from borrowings		300	857
Net cash (outflow) inflow from financing activities		(945)	(902)
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	7	125	320
Financing arrangements	28		
Non-cash financing and investing activities			

As set out in note 25 to these financial statements, as a result of the reverse acquisition of SVC Limited and its controlled entities (SVC) by SubZero Holdings Pty Limited and its controlled entities (SubZero), the comparative information for 30 June 2012 represents the cash flows of SubZero only for the 9 months to 30 June 2012. The consolidated statement of cash flows for the period 1 July 2012 to 30 June 2013 comprises the cash balance of SubZero at 1 July 2012, the cash transactions for the year of SubZero including the impact of the reverse acquisition and the cash balance of the consolidated group comprising SubZero and SVC as at 30 June 2013.

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

Contents to the notes to the consolidated financial statements

	Page	
1	Summary of significant accounting policies	15
2	Financial risk management	24
3	Critical accounting estimates and judgements	26
4	Segment information	26
5	Profit from ordinary activities	27
6	Income tax expense	28
7	Cash and cash equivalents	29
8	Trade and other receivables	29
9	Inventories	30
10	Property, plant and equipment	31
11	Deferred tax assets	32
12	Financial assets	32
13	Intangible assets	33
14	Trade and other payables	33
15	Provisions	33
16	Borrowings	34
17	Deferred tax liabilities	36
18	Contributed equity	36
19	Reserves and retained profits	37
20	Key management personnel disclosures	37
21	Remuneration of auditors	38
22	Contingent liabilities	39
23	Commitments	39
24	Related party transactions	40
25	Reverse Acquisition	41
26	Transactions with non-controlling interests	41
27	Reconciliation of profit after income tax to net cash inflow from operating activities	41
28	Non cash investing and financing activities	42
29	Earnings per share	42
30	Parent entity financial information	43
31	Events occurring after balance sheet date	43

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Subzero Group Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Subzero Group Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRSs

The consolidated financial statements of the Subzero Group Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Historical cost convention

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

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(v) Going Concern

The financial statements have been prepared on a going concern basis which is based on the assumption that assets and liabilities are recorded on the basis that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

As at 30 June 2013, the Group has incurred a loss after tax for the year of \$6.064m after non-cash cost of listing of \$3.468m (2012: profit \$3.703m), the Group has a deficiency in net current assets of \$9.670m (2012: deficiency of net current assets of \$9.147m). The Group has a net asset position at 30 June 2013 of \$1.461m (2012: deficiency of net assets of \$1.551m) following share capital raising of \$6.262m during the year. As a result of these matters, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However the Group is currently pursuing refinancing initiatives to provide facilities to better fund the companies working capital and growth, specifically it is pursuing;

1. Refinance on the majority of existing finance leases which will also provide an additional \$4m of funds to cover working capital. In addition following this refinance monthly repayments under the leases will reduce by over \$300,000.

2. The Group has launched an issue of a Redeemable Convertible Notes to raise between \$5m and \$12m

While these initiatives are well advanced they have not been finalised at the time of signing.

3. Since year end the Group has been successful in negotiating deferred settlement terms on a obligation of \$4.8m owing at year end.

The directors believe that the company and Group will be successful in the above matters and have prepared the financial report on a going concern basis. The directors are also of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report. Accordingly, no adjustments have been made to the financial report relating to the carrying amounts and classifications of assets and liabilities that might be necessary should the Group not continue as a going concern.

(vi) Group Reorganisation

SubZero Holdings Pty Limited was incorporated as a proprietary company on 1 October 2011. On 1 January 2013, SubZero Holdings Pty Limited became the holding Company for various entities. The substance of the transactions were evaluated with reference to Australian Accounting Standard AASB 3 *Business Combinations* and has been considered a business combination under common control. The accounting treatment adopted for recognising the new group structure was on the basis that the transaction is a form of group reorganisation involving entities or businesses under common control (controlled by the same parties both before and after the combination) and that control was not transitory and as a consequence was undertaken at book value.

The effect of the common control transaction is that the assets and liabilities of the entities, were consolidated by SubZero Holdings Pty Limited for accounting purposes as if the entities have been consolidated from the date of incorporation of 1 October 2011.

1 Summary of significant accounting policies (continued)

(vii) Reverse Acquisition

SVC Group Limited is listed on the Australian Securities Exchange. SVC Group Limited completed the legal acquisition of SubZero Holdings Pty Limited on 10 April 2013.

SubZero Holdings Pty Limited was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer. Accordingly, the consolidated financial statements of SVC Group Limited have been prepared as a continuation of the financial statements of SubZero Holdings Pty Limited. SubZero Holdings Pty Limited (as the deemed acquirer) has accounted for the acquisition of SVC Group Limited from 10 April 2013. The comparative information presented in the consolidated financial statements is that of SubZero Holdings Pty Limited.

The impact of the reverse acquisition on each of the primary statements is as follows:

Consolidated statement of comprehensive income:

- The statement for the year to 30 June 2013 comprises 12 months of SubZero Holdings Pty Limited and 3 months of SVC Group Limited.
- The statement for the period to 30 June 2012 comprises 9 months of SubZero Holdings Pty Limited.

Consolidated statement of financial position:

- The consolidated statement of financial position at 30 June 2013 represents both SubZero Holdings Pty Limited and SVC Group Limited as at that date.
- The consolidated statement of financial position at 30 June 2012 represents SubZero Holdings Pty Limited as at that date.

Statement of changes in equity:

- The consolidated statement of changes in equity for the year ended 30 June 2013 comprises SubZero Holdings Pty Limited's balance at 1 July 2012, its loss for the year and transactions with equity holders for 12 months. It also comprises SVC Group Limited's transactions with equity holders in the past 3 months and the equity balances of SubZero Holdings Pty Limited and SVC Group Limited at 30 June 2013.
- The consolidated statement of changes in equity for the period ended 30 June 2012 comprises 9 months of SubZero Holdings Pty Limited's changes in equity.

Statement of cash flows:

- The consolidated cash flow statement for the year ended 30 June 2013 comprises the cash balance of SubZero Holdings Pty Limited, as at 1 July 2012, the cash transactions for the 12 months (12 months for SubZero Holdings Pty Limited and 3 months for SVC Group Limited) and the cash balance of SubZero Holdings Pty Limited and SVC Group Limited at 30 June 2013.
- The consolidated cash flow statement for the period ended 30 June 2012 comprises 9 months of SubZero Holdings Pty Limited's cash transactions.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Subzero Group Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Subzero Group Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

1 Summary of significant accounting policies (continued)

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Subzero Group Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Service revenue

Revenue from services is recognised in the accounting period in which the services are rendered.

(ii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(l).

1 Summary of significant accounting policies (continued)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, the 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 end of the reporting period 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 10). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement 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 shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

1 Summary of significant accounting policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within Administration costs. When a trade receivable for which an impairment allowance 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 Administration and financial costs in profit or loss.

(k) Inventories

(i) Raw materials and consumables

Raw materials and consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(ii) Work in progress

Work in progress comprises unbilled labour incurred to date less progress billings.

(iii) Stock Obsolescence

All inventory items are reviewed on a regular basis during the year and a provision raised for products where a sale is not likely to occur.

(l) Investments and other financial assets

Classification

The group classifies its financial assets as loans and receivables and held to maturity investments. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

1 Summary of significant accounting policies (continued)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Recognition and derecognition

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

Measurement

At initial recognition, the group measures a financial asset at its fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment testing of trade receivables is described in note 1(i).

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of property improvements and certain leased plant and equipment, the shorter lease term as follows:

Property improvements	25 years
Plant and equipment	5 to 10 years
Vehicles	5 to 10 years
Furniture, fittings and equipment	5 years
Low value pooled assets	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

1 Summary of significant accounting policies (continued)

(ii) *Research and development*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(o) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(q) **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) **Provisions**

A provision is recognised in the accounts when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) **Employee Benefits**

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled 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. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) *Other long-term employee benefit obligations*

The liability for long service leave and annual leave not expected to be within 12 months after the end of the period in which the employees render the related service is 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 unit credit 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 on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations 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 date, regardless of when the actual settlement is expected to occur.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1 Summary of significant accounting policies (continued)

(iv) Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owner of SubZero Group Limited.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, 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.

(ii) Diluted earnings per share

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.

(w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. 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 the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(x) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Amended accounting standards and UIG interpretations

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The group's and the parent entity's assessment of the impact of these amended standards and interpretations is set out below.

AASB 119 - Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (effective for annual periods beginning on or after 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. While the group does not expect the new standard to have a significant impact, it has yet to perform detailed analysis. The group will adopt the new standard in the financial statements for the year ended 30 June 2014.

1 Summary of significant accounting policies (continued)

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for annual periods beginning on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments. The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective for annual periods beginning on or after 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective for annual periods beginning on or after 1 January 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 July 2014.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The group does not expect that any adjustments will be necessary as the result of applying the revised rules.

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

(z) Parent entity financial information

The financial information for the parent entity, SubZero Group Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of SubZero Group Limited.

2 Financial risk management

The group's activities expose it to a variety of financial risks; market risk (including cash flow and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out centrally by the Managing Director and finance function under policies approved by the Board of Directors.

The group holds the following financial instruments by category:

Financial Assets	Financial assets at amortised cost	
	\$'000	Total \$'000
2013		
Cash and cash equivalents	125	125
Trade and other receivables	14,961	14,961
Held-to-maturity investments	300	-
	<u>15,386</u>	<u>15,086</u>

2012		
Cash and cash equivalents	320	320
Trade and other receivables	16,495	16,495
	<u>16,815</u>	<u>16,815</u>

Financial Liabilities	Financial liabilities at amortised cost	
	\$'000	Total \$'000
2013		
Trade and other payables	(18,012)	(18,012)
Borrowings	(16,808)	(16,808)
	<u>(34,820)</u>	<u>(34,820)</u>
2012		
Trade and other payables	(15,351)	(15,351)
Borrowings	(23,729)	(23,729)
	<u>(39,080)</u>	<u>(39,080)</u>

(a) Market risk

(i) Cash flow and interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a regular basis to verify that the maximum loss potential is within the limit given by management. Refer to Note 16 for further details generally of the group's borrowings.

The group's exposure to interest rate risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2013					
Financial assets					
Cash and cash equivalents	125	(13)	(13)	13	13
Accounts receivable	14,961	-	-	-	-
Financial Liabilities					
Trade payables	(18,012)	-	-	-	-
Borrowings	(16,808)	83	83	(83)	(83)
Total increase / (decrease)		70	70	(70)	(70)

2 Financial risk management (cont)

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
2012		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	320	(32)	(32)	32	32
Accounts receivable	16,495	-	-	-	-
Financial Liabilities					
Trade payables	(15,351)	-	-	-	-
Borrowings	(23,729)	92	92	(92)	(92)
Total increase / (decrease)		60	60	(60)	(60)

Financial risk exposure of the parent entity is limited to the exposure of the group.

The group is not exposed to foreign exchange risk as none of the financial assets or liabilities of the group are denominated in currencies other than Australian dollars.

(b) Credit risk

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The maximum exposure to credit risk best represents the carrying value of the financial assets at balance date. Details on the past due but not impaired trade receivables are disclosed at note 8(b). Cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors forecasts of the group's liquidity on the basis of expected cash flow. See note 16(e) for details of available facilities.

The tables below analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. There is no liquidity risk at the Parent entity level.

Group - 2013	Less than 1	Between 1	Between 3	Between 5	Over 10
	year	and 3 years	and 5 years	and 10 years	years
	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	18,012	-	-	-	-
Borrowings (excluding Hire Purchase liabilities)	426	421	167	242	119
Hire Purchase liabilities	5,534	6,942	-	-	-
Group - 2012	Less than 1	Between 1	Between 3	Between 5	Over 10
	year	and 3 years	and 5 years	and 10 years	years
	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	15,351	-	-	-	-
Borrowings (excluding Hire Purchase liabilities)	204	417	187	254	155
Hire Purchase liabilities	4,288	12,476	-	-	-

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(h). The recoverable amounts of cash-generating units have been determined based on value in-use calculations. These calculations require the use of assumptions. Refer to Note 13 for details of these assumptions and the potential impact of changes in the assumptions.

4 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.

5 Profit from ordinary activities

	2013 \$'000	2012 \$'000
Revenue		
From continuing operations		
Sales revenue	84,903	64,325
	84,903	64,325
Other revenue		
Other Income	593	430
	593	430
Expenses		
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Motor vehicles	1,322	957
Plant & equipment	2,667	2,233
Leasehold improvements	8	5
Office furniture & equipment	159	102
Low value asset pool	55	-
Total depreciation	4,212	3,297
<i>Amortisation</i>		
Intangibles assets	1	-
Borrowing costs	17	-
Total amortisation	18	-
General and administration expense	3,712	2,183
Vehicle and equipment costs	5,150	4,257
Finance costs	2,253	1,940
Employee benefits expense	14,879	9,424
Rental expense	1,957	1,202
	27,951	19,006
Amount capitalised (note (a))	94	-
Total	94	-

(a) Capitalised borrowing costs

The borrowing costs capitalised represent amounts incurred upfront to renew finance facilities.

6 Income tax expense

	2013	2012
	\$'000	\$'000
(a) Income tax expense		
Current tax	229	191
Deferred tax	224	(390)
	453	(199)
Income tax expense is attributable to:		
Profit from continuing operations	453	(199)
Aggregate income tax expense	453	(199)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 11)	(86)	(643)
(Decrease) increase in deferred tax liabilities (note 17)	310	253
	224	(390)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	(5,611)	1,734
Tax at the Australian tax rate of 30% (2012: 30%)	(1,683)	520
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Listing costs	1,040	-
Trust distribution taxable within the group	15	-
Entertainment	16	15
Fines	2	1
Research and development rebate	(54)	-
Legal Fees	235	13
Distribution	93	56
Trust distribution taxed outside of group	-	(634)
	(336)	(29)
Recognition of deferred tax balances previously not recognised	(42)	(170)
Current year revenue losses not recognised as DTA	831	-
Income tax expense	453	(199)

7 Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and in hand	125	320
	125	320

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2013 \$'000	2012 \$'000
Balances as above	125	320
Balances per statement of cash flows	125	320

(b) Interest rate risk exposure

The Group's and parent entity's exposure to interest rate risk is discussed in note 2.

8 Trade and other receivables

	2013 \$'000	2012 \$'000
Current		
Trade receivables	14,680	16,410
Provision for impairment of receivables	(41)	(125)
	14,639	16,285
Other receivables	322	211
	14,961	16,495

(a) Impaired trade receivables

As at 30 June 2013 current trade receivables of the Group with a nominal value of \$41,000 (2012: \$125,305) were impaired. The amount of the provision was \$41,000 (2012: \$125,305).

Movements in the provision for impairment of receivables are as follows:

	2013 \$'000	2012 \$'000
Balance at 1 July	125	
Charge for the year		
Receivables written off during the year as uncollectable	-	-
Unused amounts reversed	(84)	125
Balance at 30 June	41	125

The creation and release of the provision for impaired receivables has been included in administration expenses in the income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

At 30 June, the ageing analysis of trade receivables is as follows:

	2013 \$'000	2012 \$'000
Current	7,630	8,712
Up to 3months	4,206	6,078
3 to 6 Months	2,403	1,355
Over 6 Months	441	266
Total	14,680	16,410

8 Receivables (continued)

As at 30 June 2013 trade receivables of \$41,000 (2012:\$125,305) were past due and considered impaired and trade receivables of \$7,050,051 (2012:\$ 7,573,267) were past due but not impaired.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Fair values

Due to the short term nature of receivables, their carrying amount is assumed to approximate their fair value.

(d) Credit risk

There is no concentration of credit risk with respect to receivables, as the Group has a large number of customers, nationally. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables

9 Inventories

	2013 \$'000	2012 \$'000
Raw materials and stores - at cost	983	379
Work in Progress - at cost	1,618	929
	2,601	1,308

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2013 amounted to nil (2012:nil).

10 Property, plant and equipment

	Pooled Assets \$'000	Motor Vehicles \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Furniture and Fixtures \$'000	Total \$'000
At 1 October 2011						
Cost or fair value	91	8,716	149	17,886	579	27,421
Accumulated depreciation	-	(2,921)	(33)	(5,218)	(207)	(8,380)
Net book amount	91	5,795	116	12,667	372	19,041
Year ended 30 June 2012						
Opening net book amount	91	5,795	116	12,667	372	19,041
Additions	84	1,266	11	1,393	131	2,885
Disposals	-	(114)	-	-	-	(114)
Depreciation charge	(41)	(1,019)	(6)	(2,116)	(106)	(3,289)
Closing net book amount	133	5,928	121	11,944	397	18,524
At 30 June 2012						
Cost or fair value	175	9,759	159	19,279	710	30,082
Accumulated depreciation	(41)	(3,830)	(38)	(7,336)	(313)	(11,558)
Net book amount	133	5,928	121	11,944	397	18,524
Year ended 30 June 2013						
Opening net book amount	133	5,928	121	11,944	397	18,524
Additions	27	481	35	2,525	119	3,186
Disposals	-	(49)	-	(22)	-	(71)
Depreciation charge	(55)	(1,404)	(8)	(2,581)	(160)	(4,207)
Closing net book amount	105	4,956	148	11,866	356	17,431
At 30 June 2013						
Cost or fair value	160	10,138	193	21,779	829	33,099
Accumulated depreciation	(55)	(5,183)	(45)	(9,913)	(473)	(15,669)
Net book amount	105	4,956	148	11,866	356	17,431

(a) Non current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the group.

11 Deferred tax assets

	2013	2012
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Capital expenditure	166	225
Superannuation payable	125	65
Employee leave benefits	427	303
Provision for doubtful debts	12	38
Accrued expenses	-	12
	730	643
Total deferred tax assets	730	643
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 17)</i>	(563)	(253)
Net deferred tax assets	166	390
Movements:		
Opening balance at 1 July	643	-
Credited/(charged) to the income statement (note 6)	87	643
Closing balance at 30 June	730	643
Deferred tax asset to be recovered after more than 12 months	166	225
Deferred tax asset to be recovered within 12 months	563	418
	730	643

12 Financial assets

	2013	2012
	\$'000	\$'000
Held to maturity financial assets	300	-
	300	-

Held to maturity financial assets consist of term deposits with a maturity greater than 90 days.

(a) Impairment and risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the investments. All investments were issued by high quality financial institutions. None of the held-to-maturity investments are either past due or impaired. All held-to-maturity investments are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

13 Intangible assets

	Goodwill	R&D	Patents, trademarks & other	Total
	\$'000	\$'000	\$'000	\$'000
At 1 October 2011				
Cost	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-
Net book amount	-	-	-	-
Year ended 30 June 2012				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Acquisition of subsidiary	833	-	-	833
Amortisation charge	-	-	-	-
Closing net book amount	833	-	-	833
At 30 June 2012				
Cost	833	-	-	833
Accumulated amortisation and impairment	-	-	-	-
Net book amount	833	-	-	833
Year ended 30 June 2013				
Opening net book amount	833	-	-	833
Additions	-	541	18	559
Amortisation charge	-	-	(1)	(1)
Closing net book amount	833	541	17	1,391
At 30 June 2013				
Cost	833	541	18	1,392
Accumulated amortisation and impairment	-	-	(1)	(1)
Net book amount	833	541	17	1,391

(a) Impairment tests for goodwill and other intangibles

An annual assessment for impairment has been performed for the DMST & Harness Master CGU in which all the goodwill is recorded.

The recoverable amount of the CGU is determined based on a value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 12 month period, as such no discounting is required.

(b) Key assumptions used for value in use calculations

Management determined assumptions on revenue growth, gross margin, overhead level, working capital and capital expenditure have been determined based on past performance and expectations for the future.

(c) Impairment charge

There were no impairment charges in the period (2012: ni;).

(d) Impact of possible changes in key assumptions

The impairment testing highlights a reasonable buffer between the value-in-use amount and the net book value of assets of the CGU's. Significant changes in the major assumptions would be required to generate an impairment charge.

14 Trade and other payables

	2013 \$'000	2012 \$'000
Current		
Trade payables	9,232	6,507
Other payables	8,781	8,843
	18,012	15,351

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

15 Provisions

	2013 \$'000	2012 \$'000
Current		
Employee Entitlements - LSL	44	24
	44	24
Non-current		
Employee Entitlements - LSL	227	131
	227	131

15 Provisions (cont)**(a) Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$44,000 (2012 - \$24,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2013 \$'000	2012 \$'000
Leave obligations not expected to be settled after 12 months	<u>44</u>	<u>24</u>

16 Borrowings

	2013 \$'000	2012 \$'000
Current - secured		
Debt factoring	3,277	6,054
Bank loans	80	74
Related party loan	300	-
Hire purchase liabilities (note 23)	5,640	5,580
Total secured current borrowings	<u>9,297</u>	<u>11,709</u>
Total current borrowings	<u>9,297</u>	<u>11,709</u>

	2013 \$'000	2012 \$'000
Non-current secured		
Bank loans	676	838
Hire purchase liabilities (note 23)	6,836	11,183
Total secured non-current borrowings	<u>7,511</u>	<u>12,021</u>
Total non-current borrowings	<u>7,511</u>	<u>12,021</u>

(a) Secured liabilities

The total secured liabilities (current and non-current) are as follows:

Debt factoring	3,277	6,054
Related party loan	300	-
Bank loans	756	912
Hire purchase liabilities (note 23)	12,476	16,763
Total secured liabilities	<u>16,808</u>	<u>23,729</u>

(b) Assets pledged as security

The bank loans are secured by a corporate guarantee and indemnity from a related party SubZero Management Services Pty Limited, supported by registered mortgage over freehold land of SubZero Management Services Pty Limited. The related party loan is secured by a term deposit held with ANZ and the hire purchase liabilities are secured by equipment or motor vehicles.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2013 \$'000	2012 \$'000
Current		
<i>Floating charge</i>		
Financial assets - held to maturity investment	300	-
Total current assets pledged as security	<u>300</u>	<u>-</u>

	2013 \$'000	2012 \$'000
Non-current		
<i>Hire purchase liabilities</i>		
Motor vehicles	4,883	5,770
Plant & equipment	8,327	9,657
Total non-current assets pledged as security	<u>13,210</u>	<u>15,427</u>
Total assets pledged as security	<u>13,510</u>	<u>15,427</u>

16 Borrowings (cont)**(e) Financing arrangements**

	2013	2012
	\$'000	\$'000
Bank loan facilities		
Total facilities	31,477	32,411
Used at balance date	16,885	23,739
Unused at balance date	14,591	8,672

(f) Fair value

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	2013		2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On balance sheet				
<i>Non traded financial liabilities</i>				
Debt Factoring	3,277	3,277	6,054	6,054
Related party loans	300	300	-	-
Bank loans	756	833	912	921
Hire Purchase liabilities	12,476	12,476	16,763	16,763
	16,808	16,885	23,729	23,739

Fair value is inclusive of costs which would be incurred on settlement of a liability.

(i) On balance sheet

The fair value of interest bearing liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(ii) Off balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 22. As explained in those notes, no material losses are anticipated in respect of any of those contingencies.

17 Deferred tax liabilities

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Consumables	485	253
Eligible R&D expenditure capitalised	78	-
	563	253
Total deferred tax liabilities	563	253
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 11)</i>	(563)	(253)
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 July	253	-
Charged/(credited) to the income statement (note 6)	310	253
Closing balance at 30 June	563	253
Deferred tax liabilities to be settled after more than 12 months	-	-
Deferred tax liabilities to be settled within 12 months	563	253
	563	253

18 Contributed equity

	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
(a) Share capital				
Share Capital				
Fully paid	165,900,455	39,046,575	10,286	556
Total contributed equity			10,286	556

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 October 2011	Opening Balance	39,046,575	556
1 July 2012	Balance	39,046,575	556
9 April 2013	Balance before reverse acquisition	39,046,575	556
10 April 2013	Elimination of existing legal acquiree shares	(39,046,575)	-
10 April 2013	Shares of legal acquirer at acquisition date	13,873,255	-
10 April 2013	Issue of shares to SZH vendors (net of listing costs note 25)	120,000,000	3,468
10 April 2013	Issue of shares to Broker	3,326,000	832
10 April 2013	Capital raising (net of transaction costs)	26,000,000	4,754
10 April 2013	Issue of shares	2,101,200	525
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	10,286

(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.

19 Reserves and retained profits

	2013 \$'000	2012 \$'000
(a) Reserves		
Transactions with NCI - Reserve	(502)	-
	(502)	-
Movements:		
<i>Transactions with non-controlling interests</i>		
Balance 1 July	-	-
Acquisition of additional ownership (26%) (see note 26)	(502)	-
Balance 30 June	(502)	-
(b) Retained profits		
Balance 1 July	(2,261)	(2,307)
Net profit (loss) for the year	(6,064)	3,550
Dividends provided for or paid	-	(3,505)
Balance 30 June	(8,324)	(2,261)

(c) Nature and purpose of reserves*(i) Transactions with non-controlling interests*

This reserve is used to record the differences described in note 1(b)(ii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

20 Key management personnel disclosures**(a) Directors**

The following persons were directors of SubZero Group Limited during the financial year:

(i) Executive director

Scott Farrell, Managing Director

(ii) Non executive directors

Bruce Arnott

Graeme Clayton

Glenn Molloy (Interim Chairman)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
Jonathan McTaggart	Divisional Manager Structural	SubZero Holdings Pty Limited
Filipe Da Cruz	Divisional Manager Production	SubZero Mining Services Pty Limited
David Hales	Divisional Manager Mechanical	SubZero Holdings Pty Limited
Steven Gill	Group Commercial Executive	SubZero Holdings Pty Limited

20 Key management personnel disclosures (continued)**(c) Key management personnel compensation**

	2013
	\$
Short-term employee benefits	1,129,961
Post-employment benefits	93,605
Other long-term benefits	1,051
	1,224,617

The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (d) of the remuneration report on pages 5 to 6.

(iii) Share holdings

The number of shares in the company held during the financial year by each director of SubZero Group Limited and other key management personnel of the Group, including their personally related entities, are set out below.

2013			
Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Directors of SubZero Group Limited			
Glenn Molloy	-	6,960,144	6,960,144
Scott Farrell, Managing Director	-	54,751,200	54,751,200
Bruce Arnott	-	200,000	200,000
Graeme Clayton	-	1,244,525	1,244,525
Other key management personnel of the Group			
Jonathan McTaggart	-	8,158,332	8,158,332
Filipe Da Cruz	-	4,681,824	4,681,824
David Hales	-	-	-
Steven Gill	-	-	-

21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	2013	2012
	\$	\$
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit of financial statements	161,862	138,252
Total remuneration for audit and other assurance services	161,862	138,252
<i>(ii) Other services</i>		
Accounting services	15,495	-
Agreed upon procedures	-	10,000
Non statutory review	15,000	-
Total remuneration for other services	30,495	10,000
Total remuneration of PwC Australia	192,357	148,252

It is the group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the group are important. These assignments are principally tax or accounting advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

22 Contingent liabilities**(a) Contingent Liabilities**

The parent entity and Group had contingent liabilities at 30 June 2013 and 2012 in respect of:

(i) Guarantees and letters of credit

	2013 \$'000	2012 \$'000
Bank guarantees for contract performance	382	-
Total estimated contingent liabilities	<u>382</u>	<u>-</u>

(ii) Claims

The SubZero Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including damages and commercial disputes relating to its services and/or products. The Group has disclaimed liability and will defend any action flowing from specific claims. It is not practical to estimate the potential effect of these claims but legal advice obtained indicates that any liability that may arise in the unlikely event these claims are successful will not be significant.

No material losses are anticipated in respect of any of the above contingent liabilities.

23 Commitments**(a) Lease commitments: group as lessee***(i) Non-cancellable operating leases*

The group leases various offices and workshops under non-cancellable operating leases expiring within one to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	3,757	1,023
Later than one year but not later than five years	11,315	11,177
Later than five years	16,702	20,598
	<u>31,774</u>	<u>32,797</u>

(ii) Hire Purchase Liabilities

The Group acquired various items of plant and equipment and motor vehicles with a carrying amount of \$1,284,009 (2012: \$3,080,217) under hire purchase expiring within one to five years.

	2013 \$'000	2012 \$'000
Commitments in relation to hire purchase are payable as follows:		
Within one year	6,313	7,002
Later than one year but not later than five years	7,384	13,538
Minimum lease payments	<u>13,697</u>	20,540
Future finance charges	<u>(1,221)</u>	(3,777)
Total lease liabilities	<u>12,476</u>	16,763
Representing lease liabilities:		
Current (note 16)	5,534	4,288
Non current (note 16)	<u>6,942</u>	12,476
	<u>12,476</u>	16,763

The weighted average interest rate implicit in the leases is 8.85% (2012: 9.05%).

24 Related party transactions**(a) Parent entities**

The ultimate parent entity is SubZero Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out below:

	Country of Incorporation	Class of shares	Equity Holding*	
			2013	2012
SubZero Holdings Pty Limited	Australia	Ordinary	100%	100%
DPS Newco Pty Ltd	Australia	Ordinary	100%	100%
Line Boring Unit Trust	Australia	Ordinary	100%	100%
Mining Services Unit Trust	Australia	Ordinary	100%	100%
Bro Built Unit Trust	Australia	Ordinary	100%	100%
SF Auto Australia Pty Limited	Australia	Ordinary	100%	100%
Harness Master Wiring Systems (NSW) Pty Limited	Australia	Ordinary	100%	74%
DMST Pty Limited	Australia	Ordinary	100%	74%
Hydraulic Isolator & Safety Technology Pty Limited	Australia	Ordinary	100%	74%

* The proportion of ownership interest is equal to the proportion of voting power held.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2013 \$'000	2012 \$'000
Sale of goods and services		
Provision of trade labour services and material to other related parties	3,123	262
Purchases of services		
Purchases of trade labour services from other related parties	18,359	13,252
Purchases of professional services from other related parties	1,146	818
Hire of property, plant and equipment		
Rental of commercial property and motor vehicles from other related parties	895	540
Other transactions		
Remuneration paid to directors of the ultimate Australian parent entity	81	-

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2013 \$'000	2012 \$'000
Current payables (purchases of goods)	32	3,874

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(d) Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured with no fixed term for repayment.

25 Reverse Acquisition**(a) Acquisition of SubZero Holdings Pty Limited by SVC Group Limited**

On 10th April 2013, SVC Group Limited (a non-operating public shell corporation) acquired 100% of the voting shares of SubZero Holdings Pty Limited (a private operating entity), a mining services company.

The purchase was satisfied by the issue of 120,000,000 shares with a fair value of \$0.25 each to the vendors of SubZero Holdings Pty Limited.

The acquisition of SubZero Holdings Pty Limited was not considered a business combination (reverse acquisitions) because SVC Limited (the accounting acquiree) does not meet the definition of a business under AASB 3 Business Combinations. Instead, this transaction was considered to be a capital transaction of SVC Limited (the legal acquirer) and is equivalent to the issuance of shares by SubZero Holdings Pty Limited for the net assets of SVC Group Limited, accompanied by a recapitalisation of the new combined entity.

Although this is not a business combination under AASB 3, the accounting result is similar to reverse acquisition accounting since the previous shareholders of SubZero Holdings Pty Limited, through their newly acquired SVC Limited's shares, control the new combined entity. As a consequence, the reverse acquisition accounting principles were applied, but they did not result in the recognition of goodwill as SVC Limited (the accounting acquiree) is not a business. Instead the deemed fair value of the interest in SubZero Holdings Pty Limited issued to existing SVC Group Limited shareholders to effect the combination (the consideration for the acquisition of the public shell company) was recognised as an expense in the income statement in accordance with the requirements of AASB 2 Share-based payments.

As the motive of this transaction was for SubZero Holdings Pty Limited to obtain the listing status of SVC Group Limited, this expense in effect represents a cost of listing for the continuing entity and has therefore been presented as such on the face of the statement of comprehensive income.

Purchase consideration

	2013
	\$'000
Deemed fair value of shares issued (\$)	<u>3,468</u>
Total purchase consideration (\$)	<u>3,468</u>
There were no assets and liability recognised as a result of the acquisition.	
Cost of listing	<u>3,468</u>

26 Transactions with non-controlling interests**(a) 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 \$655,473. 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 \$153,552. The group recognised a decrease in non-controlling interests of \$153,552 and a decrease in equity attributable to owners of the parent of \$501,921.

	2013	2012
	\$'000	\$'000
Carrying amount of non-controlling interests acquired	<u>154</u>	-
Consideration paid to non-controlling interests	<u>655</u>	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>502</u>	-

27 Reconciliation of profit after income tax to net cash inflow from operating activities

	2013	2012
	\$'000	\$'000
Profit for the year	(6,064)	3,704
Cost of listing	3,468	-
Depreciation and amortisation	4,207	3,302
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	(1,292)	406
(Increase) / decrease in deferred tax assets	224	-
Increase / (decrease) in trade creditors	2,660	1,584
Increase / (decrease) in provision for income taxes payable	229	-
Increase / (decrease) in provision for deferred income tax	-	-
Increase / (decrease) in other provisions	116	155
Net cash inflow from operating activities	<u>5,089</u>	<u>3,960</u>

28 Non cash investing and financing activities

	2013	2012
	\$'000	\$'000
Acquisition of plant and equipment by means of hire purchase	1,284	3,080
	1,284	3,080

29 Earnings per share

	2013	2012
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	-3.9	2.3
Profit attributable to the ordinary equity holders of the company	-3.9	2.3

(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	-3.9	2.3
Profit attributable to the ordinary equity holders of the company	-3.9	2.3

(c) Reconciliations of earnings used in calculating earnings per share

	2013	2012
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit from continuing operations	(6,064)	3,704
Profit from continuing operations attributable to non-controlling interests	-	(154)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(6,064)	3,550
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(6,064)	3,550

<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(6,064)	3,550
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(6,064)	3,550

(d) Weighted average number of shares used as the denominator

	2013	2012
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	154,895,470	151,427,200
Adjustments for calculation of diluted earnings per share:	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	154,895,470	151,427,200

30 Parent entity financial information**(a) Summary financial information**

As at, financial year end 30 June 2013 the legal parent company of the Group was SubZero Group Limited.

	Company 2013 \$'000
Balance sheet	
Current Assets	<u>6,240</u>
Non Current Assets	<u>30,000</u>
Current Liabilities	<u>(64)</u>
Net assets	<u>36,176</u>
<i>Shareholders' equity</i>	
Issued capital	<u>(83,036)</u>
Retained earnings	<u>46,860</u>
	<u>(36,176)</u>
Profit or loss for the year	<u>(60)</u>
Total comprehensive income	<u>(60)</u>

SubZero Group Limited is the legal owner of the Group. However, under the applicable accounting standards, a reverse acquisition by SubZero Holdings Pty Limited is deemed to have occurred on acquisition of SubZero Group Limited. For accounting purposes, SubZero Holdings Pty Limited is the deemed parent entity of the Group. Comparative figures have not been provided as the legal parent as at 30 June 2013 was not the legal parent of the Group as at 30 June 2012.

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2013 or 30 June 2012.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2013 or 30 June 2012.

31 Events occurring after balance sheet date

No material events have occurred that affect the operations of the Group from the end of the financial period ended 30 June 2013 to the date of issue of this report.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 43 are in accordance with the Corporations Act 2001, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors:



Mr Malcolm Jackman
Chairman



Mr Scott Farrell
Managing Director

Sydney
30 September 2013



Independent auditor's report to the members of SubZero Group Limited

Report on the financial report

We have audited the accompanying financial report of SubZero Group Limited (the company), which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for SubZero Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of SubZero Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$6,064,000 during the year ended 30 June 2013 and, as of that date; the company's current liabilities exceeded its current assets by \$10,090,000 and that the group is currently pursuing refinancing initiatives. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Other Matter

The Company was not required to prepare or lodge an audited financial report for the year ended 30 June 2012. The comparative amounts included in this financial report are therefore unaudited.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 6 of the directors' report for the year ended 30 June 2013. 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.

Auditor's opinion

In our opinion, the remuneration report of SubZero Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

D A Turner

Darren Turner
Partner

Newcastle
30 September 2013