SubZero Group Limited

ABN 68 009 161 522

Full Financial Report - 30 June 2014

Contents

Corporate directory

Directors	Mr Malcolm Jackman *Independent Non Executive Chairman* Mr Scott Farrell *Managing Director and Chief Executive Officer* Mr Bruce Arnott *Independent Non Executive Director* Mr Graeme (Joe) Clayton *Independent Non Executive Director* Mr Frank O'Halloran, AM *Independent Non Executive Director*
Secretary and CFO	Mr Andrew Cooke (Joint Co. Secretary) Mr Robert Lojszczyk (Joint Co. Secretary and Chief Financial Officer)
Other Key Management	David Hales *Chief Operating Officer (resigned 23/07/2014)* Jonathan McTaggart *General Manager - Mechanical Support* Keith Googe *General Manager - Production Support* Scott Watson *General Manager - Structural Support*
Notice of annual general meeting	The annual general meeting of Subzero Group Limited **Will be held at** **Time** 2:30 PM **Date** Tuesday 18 November 2014 **Location** PwC Sydney, Darling Park, Tower 2, 201 Sussex St, SYDNEY
Principal registered office in Australia	Level 1, 39/43 Bridge Street Muswellbrook NSW 2333 Telephone: +61 2 6540 9400
Share registry	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7100
Auditor	PricewaterhouseCoopers Level 3, 45 Watt St Commercial 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 2014.

The report has been divided into four sections as follows:

A.	General information	B.	Operational and financial review
C.	Remuneration report	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 were 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	Director and Managing Director
Mr Graeme (Joe) Clayton	Director and Chairman of the Remuneration and Succession Planning Committee
Mr Bruce Arnott	Director and Chairman of the Audit Committee
Mr Frank O'Halloran, AM	Appointed Director 20 December 2013
Mr Glenn Molloy	Resigned as chairman 30 July 2013 and as a director on 25 November 2013.

Information on directors

Malcolm Jackman , BSc, BCom. *Independent Non-Executive Chairman. Age 62*

Experience and expertise

Malcolm Jackman is the Chief Executive of Defence SA, South Australia’s lead government agency for all defence matters and the nation’s only stand-alone state defence organisation targeting defence investment and expansion opportunities, driving and supporting the delivery of major defence projects and facilities. He was formerly the Chief Executive and Managing Director of Elders Limited and Coates Hire Ltd. Malcolm has over 20 years experience managing large distribution sales networks in a business to business environment.

Other current directorships

Norwest Productions Pty Ltd

Former directorships in the last three years

Managing Director Elders Limited

Special responsibilities	***Interest in shares***
Member of the Audit Committee	1,792,700 ordinary shares in SubZero Group Limited.

A. General information (continued)

Scott Farrell. *Managing Director.* Age 42

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

National Mining Day

Former directorships in the last three years

None

Special responsibilities

Managing Director.

Interest in shares and rights

54,750,825 ordinary shares in SubZero Group Limited.

Graeme (Joe) Clayton, BE (Min) Hons, F AusIMM CP (Man), GAICD. *Independent Non-Executive Director.* Age 56.

Experience and expertise

Joe has 38 years in mining with over 22 years leading mining operations in the coal, copper, iron ore and gold industries in all the mainland states of Australia as well as 8 years in remote communities in Papua New Guinea (PNG) and Indonesia. He led the exploration and development phases for large scale coal mines the Anvil Hill Project in the Hunter Valley NSW and the Watermark Project in the Gunnedah Basin NSW. He designed the mine and led the start-up of operations for Camberwell Coal in Hunter Valley NSW. He has successfully led some of the most challenging mining operations in South East Asia including implementing major mining change management programs at Muswellbrook Coal in Hunter Valley NSW, Lihir Gold in PNG, Boddington and Hedges Goldmines in South West WA, Kanowna Belle Goldmine in WA goldfields as well as Sebuku, Senakin and Satui Coalmines in South Kalimantan Indonesia.

Other current directorships

None

Former directorships in the last three years

None

Interest in shares

2,592,700 ordinary shares in SubZero Group Limited.

Special responsibilities

Member of Audit Committee, Chair of Remuneration and Succession Planning Committee

Bruce Arnott, B.Com. *Independent Non-Executive Director.* Age 58.

Experience and expertise

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

Maitland Mutual Building Society Limited

Former directorships in the last three years

None

Special responsibilities

Chairman of Audit Committee

Interest in shares

483,334 ordinary shares in SubZero Group Limited.

A. General information (continued)

Frank O'Halloran, AM, FCA. *Independent Non-Executive Director.* Age 68.

Experience and expertise

Frank has over 35 years' experience at QBE Insurance Group Limited where he was Chief Executive Officer from January 1998 until August 2012. He also worked with Coopers & Lybrand (now PwC) for 13 years where he commenced his career as a Chartered Accountant.
Frank was active in the insurance industry, holding many representative positions in the Insurance Council of Australia (ICA), including President and Director of the ICA in 1999-2000. He was inducted into the International Insurance Hall of Fame in 2010.

Other current directorships

Non-executive Director and Chairman of Steadfast Group Limited

Former directorships in the last three years

QBE Insurance Group Limited

Special responsibilities

Member of Audit Committee

Member of Remuneration and Succession Planning Committee

Interest in shares

11,009,191 ordinary shares in SubZero Group Limited.

Joint 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.

Joint Company Secretary and Chief Financial Officer

Mr Robert Lojszczyk, commenced as Chief Financial Officer on 8 October 2013 and Joint Company Secretary on 24 April 2014. Robert has more than 38 years experience in senior finance positions within BHP and BlueScope Steel. His experience covers coal mining, treasury, risk management, insurance, M&A's and financial management.

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 2014, and the number of meetings attended by each director were:

Name	Full meetings of directors		Audit and Risk Committee meetings		Remuneration Succession Planning Committee meetings	
	A	B	A	B	A	B
Malcolm Jackman	18	20	4	4	*	*
Scott Farrell	20	20	*	*	*	*
Joe Clayton	19	20	4	4	1	1
Bruce Arnott	18	20	4	4	*	*
Frank O'Halloran, AM **	8	20	2	2	1	1
Glenn Molloy	11	12	*	*	*	*

A Number of meetings attended
B Number of meetings held during the time the director held office during the period
***** Not a member of the relevant committee
****** Member from 20 December 2013

B. Operational and financial review

Dividends

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

Review of operations

SubZero Group Limited's (SZG) statutory net loss after tax for the year ended 30 June 2014 (FY14) was $12.945 million, with the amount attributable to members being $12.998 million. The underlying net loss after tax was $10.054 million as per the below reconciliation. Underlying earnings before interest, tax, depreciation and amortization (EBITDA) was a loss of $3.934 million.

	EBITDA	Net Profit/(loss) After Tax
Statutory financial statements		
Net loss after tax	(12,945)	(12,945)
Tax expense	69	
Finance costs	2,274	
Depreciation and amortisation	5,444	
Statutory EBITDA	(5,158)	
Inventory write-off	160	160
Redundancies	94	94
Impairment costs		1,422
Non-recurring expenses	970	1,215
Underlying Profit	(3,934)	(10,054)

The underlying sales and profit results in FY14 continued to be negatively impacted by the general downturn in the mining sector resulting in continued delays in scheduled maintenance work from customers which has led to underutilization of SZG people and plant.

In addition the following factors have impacted the FY14 results;

a) Write downs in work in progress and other capitalized expenses
b) Impairment of goodwill and other intangibles
c) Non recurring costs relating to prior years

Gross debt at 30 June 2014 was $23.824 million, an increase of $7.238 million from 30 June 2013. The debt is represented by loans of $16.000 million and finance leases of $7.824 million for equipment. As at 30 June 2014, the Group had breached its debt covenants with respect to its major banking facilities. Subsequent to 30 June 2014, the Group's financiers waived compliance with the June 2014 covenants within the testing period and agreed to new covenants for FY15.

On the 28th August 2014 SZG notified the ASX that the Company has continued to experience disappointing operating results and cashflow due to weak trading conditions as a number of the Company's customers have delayed and continue to delay scheduled maintenance work. In these circumstances the Board has initiated an internal review of the Company's business operations, in particular cost savings to offset anticipated revenue weakness.

B. Operational and financial review (continued)

Business risks

The Company maintains a Risk Oversight and Management Framework, which identifies potential risks by business and function and actively pursuing the minimisation of identified business interruption risks. As a group the Company's Executive Management Team identify high level business risks with the potential of having a material impact on the financial prospects of the Company. The most significant business risks for fiscal year 2015 are associated with:

a) Further weak demand from the traditional mining customers leading to lower revenue, profitability and cash generation
b) Our ability to raise equity to strengthen the balance sheet and meet daily cash needs and payment of creditors; and
c) The continued support of our financiers and suppliers

Business Strategy and Outlook

The Company carries on an established mining services business based in the Hunter Valley, New South Wales. Its clients are almost exclusively involved in the Hunter Valley thermal coal mining industry.

The Company's strategy is focused on providing a broad range of critical tasks and services, which involve preventative, regular and planned maintenance activities.

Focus in 2015 will revolve around restructuring the cost base of its operations to match the revenue levels expected from its mining customers, looking for growth from the products based businesses and some geographic expansion.

The company's best estimate for FY15 revenue will be in the order of $80m and EBITDA after minority interests will be in the order of $12.5m, including $8.9m of cost savings for the current year. This estimate is subject to:

- No further deterioration in mining services market conditions;
- Retaining support of key customers and suppliers;
- The operational restructure being completed on time;
- The successful recapitalization of the Balance Sheet; and
- Retention of support from its financiers.

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

As at 30 June 2014, the Group had breached its debt covenants with respect to its major banking facilities. Subsequent to 30 June 2014, the Group's financiers waived compliance with the Interest Cover Ratio and Net leverage Ratio.

As a result of the waiver not being in place at 30 June 2014, the Group has classified $16 million of borrowings as current liabilities on the balance sheet notwithstanding that at the date of this report they are not due to be repaid within twelve months.

B. Operational and financial review (continued)

Following disappointing operating results and cashflow, since 30 June 2014, the Company initiated a full review of the business operations by independent advisors. This review has identified $15m of cost savings, by reducing capacity but maintaining capability. These savings are being implemented over the next four months.

The Company is currently in discussions with its financiers to provide further support on interest and loan repayments and also with advisors to raise additional equity. The ability of the Company to be able to pay all debts when they fall due will largely depend on the successful conclusion of these discussions, which are expected to be finalized in October.

Likely developments and expected results of operations

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 directors are pleased to present the Group’s 2014 remuneration report which sets out remuneration information for the company’s non-executive directors, executive directors and other key management personnel. The remuneration report is set out under the following main headings:

(a) Introduction
(b) Key management personnel disclosed in this report
(c) Remuneration governance
(d) Remuneration structure
(e) Executive remuneration details
(f) Non-executive directors' remuneration policy
(g) Voting and comments made at the company’s 2013 Annual General Meeting
(h) Service agreements
(i) Equity instruments held by key management personnel

(a) *Introduction*

The remuneration report outlines SubZero's remuneration philosophy, framework and outcomes for the financial year ended 30 June 2014 (FY14) for all key management personnel, including all Non-executive Directors and the Executive Team made up of the Chief Executive Officer (CEO) and his direct reports. Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

C. Remuneration report (continued)

(b) *Key management personnel disclosed in this report*

The current KMP of the Group for the entire financial year unless otherwise stated, are as follows.

TABLE 1 – Key Management Personnel (KMP)

Name	Role
Scott Farrell	Managing Director and Chief Executive Officer
Robert Lojszczyk *	Joint Company Secretary and Chief Financial Officer
David Hales **	Chief Operating Officer
Jonathon McTaggart	General Manager - Mechanical Support
Keith Googe	General Manager - Production Support
Scott Watson	General Manager - Structural Support
Filipe Dacruz***	Divisional Manager - Production

* Robert Lojszczyk was employed by the Group from 8 October 2013
** Resigned 23 July 2014
*** Not a KMP from 30 September 2013

TABLE 2 – NON-EXECUTIVE DIRECTORS

Name
Malcolm Jackman
Bruce Arnott *
Graeme (Joe) Clayton **
Frank O'Halloran AM
Glenn Molloy ***

* Bruce Arnott is Chairman of the Audit & Risk Committee.
** Joe Clayton is Chairman of the Remuneration & Succession Planning Committee.
*** Glenn Molloy resigned as chairman 30 July 2013 and as a director on 25 November 2013.

In sections (d) to (f), we concentrate on providing the structure and value of remuneration of the Executive Team.

(c) *Remuneration governance*

This report meets the remuneration reporting requirements of the *Corporations Act 2001* and Accounting Standard AASB 124 Related Party Disclosures. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

REMUNERATION & SUCCESSION PLANNING COMMITTEE

The Remuneration & Succession Planning Committee of the Board is responsible for reviewing and determining remuneration arrangements for the Non-executive Directors and the Executive Team made up of the CEO and his direct reports.

REMUNERATION PHILOSOPHY

The Board has reviewed its objectives for the Group’s executive reward framework. Effective from 1 July 2014 it is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market practice for delivery of reward.

C. Remuneration report (continued)

The Board embodies the following principles in its remuneration framework:

- a performance based reward structure;
- competitive and reasonable rewards to attract and retain high calibre executives;
- strong links between executive rewards and shareholder value;
- a significant proportion of executive remuneration is at risk, that is linked to achievement of pre-determined performance targets; and
- transparent reward structures.

INVOLVEMENT OF EXTERNAL REMUNERATION ADVISORS

The Remuneration & Succession Planning Committee (Committee) engages and considers market remuneration data from remuneration consultants as required. The data provided by remuneration consultants is used as a guide for remuneration decisions in respect of the Executive Team. For the financial year ended 30 June 2014, a remuneration consultant was engaged to provide information on fixed remuneration packages and incentives to the Committee.

No remuneration recommendations as defined by the *Corporations Act 2001* were provided by the consultant.

(d) *Remuneration structure*

The listing of the Company in April 2013 has necessitated changes to the remuneration structure to align with the current ASX Corporate Governance Practice. The Board have considered the appropriate remuneration structure to commence operating from 1 July 2014 (FY15).

The Group aims to reward executives with a level of remuneration commensurate with their responsibilities and position within the Group and their ability to influence shareholder value creation.

The remuneration framework links rewards with the strategic goals and performance of the Group and provides a market competitive mix of both fixed and variable rewards. The Group has adopted an approach to position fixed remuneration at the market median with total remuneration at the upper quartile (depending on the time the executive has been in their position).

The key elements of the executive remuneration are:

- fixed remuneration consists of cash salary, superannuation and non-monetary benefits;
- an annual incentive referred to as short term incentive plan (STI Plan); and
- a long term incentive referred to as long term incentive plan (LTI Plan)

The Board believes that the fundamental driver for executive remuneration should be long term financial performance that generates value for the SubZero shareholders. The at risk (or variable) remuneration components of the Executive Team are set by referencing to regulation and current market practices. To ensure the Executive Team remain focused on long term outcomes without encouraging excessive risk taking, the following conditions apply:

- financial performance hurdle – earnings before interest depreciation and tax for STI and earnings per share growth for LTI has been chosen to meet and align with shareholders' objectives;
- operating performance hurdle – each member of the Executive Team has set annual performance objectives and must achieve at least 60% of those objectives to be eligible to any STI and LTI;
- 100% of STI and LTI is in performance rights to shares;
- vesting of STI occurs one year after the grant date;
- vesting of the LTI occurs after three years from the grant date; and
- the Board retains the discretion to adjust any unpaid or unvested performance related remuneration downwards if it is appropriate to do so. This discretion, while not specifically mentioned, applies to all the following comments on applicable dates for vesting of share based payment awards.

C. Remuneration report (continued)

The price for determining the number of performance rights to be granted for FY2015 is the average share price for the five trading days before 30 June 2014. This equates to $0.0781 per share.

The targeted remuneration mix for:
- CEO is 27% fixed and 73% variable (at risk);
- other members of the Executive Team range from 43% to 80% fixed and 20% to 57% variable (at risk).

Table 4 provided breakdown of the three elements of the total remuneration for the executive team, measured at maximum level for FY2015.

Table 3 below provides a snapshot of key elements of executive remuneration, the purpose, performance hurdles (where applicable) for FY2015.

There was no incentive scheme introduced for FY2014 other than potential additional shares the CEO could receive if FY2014 hurdles included in the May 2013 Prospectus had been met. These hurdles were not achieved for FY2014. The Executive Remuneration for FY2014 is detailed in Table 7.

TABLE 3 – Snapshot of executive remuneration structure for FY15

Form of remuneration- Fixed	a. Fixed remuneration Cash salary & Superannuation
Purpose and link to strategy	Helps to attract and retain high calibre executives Reflects individual role, experience and performance
Operation and outcome for FY15	Reviewed annually by the Remuneration & Succession Planning Committee and fixed for 12 months, with any changes effecting from 1 July each financial year. Decision influenced by: - role, experience and performance; - reference to comparative remuneration in the market; and - total organisational salary budgets.
Performance metrics	Personal objectives set each year

Form of remuneration- Fixed	a. Fixed remuneration Non-monetary benefits
Purpose and link to strategy	Helps to attract and retain high calibre executives
Operation and outcome for FY15	Executive Team is provided with car parking, income protection and life insurance.
Performance metrics	Personal objectives set each year

Form of remuneration- STI	b. Variable and at risk remuneration Short term incentive (STI)
Purpose and link to strategy	Provides opportunity for KMPs to acquire equity through performance
Operation and outcome for FY15	STI Plan consisting of deferred equity award. Achieving 75% to 120% of EBITDA targets provided to the market
Opportunity	Both STI and LTI are discretionary, performance based, at risk reward arrangements The combined total of STI and LTI is targeted at 31%-73% of total remuneration
Performance metrics	STI – deferred equity award (100%) - achievement of personal objectives - earnings before interest depreciation and tax (EBITDA) minimum hurdle to be met

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Directors' report (continued)

C. Remuneration report (continued)

Form of remuneration- LTI	b. Variable and at risk remuneration Long term incentive (LTI)
Purpose and link to strategy	Provides opportunity for KMP's to acquire equity in the Company as a reward for increasing EPS over the longer term
Operation and outcome for FY15	Reviewed annually by the Remuneration & Succession Planning Committee and fixed for 12 months, with any changes effecting from 1 July each financial year.
Performance metrics	LTI – Deferred equity award(100%) - continuous employment and performance rating to be met for the three year vesting period; and - the Group's diluted EPS increasing to the minimum 5 cents by the end of the vesting period

TABLE 4 – Maximum potential for FY2015 and FY2014 actual remuneration mix

	FY15 Maximum Potential		FY14 Actual	
Remuneration type:	CEO %	Other Executives %	CEO %	Other Executives %
Fixed	27	43 - 80	100	100
At risk				
STI	33	20-25	-	-
LTI	40	0-32	-	-
Total at risk	73	20-57	-	-
Total	100	100	100	100

REMUNERATION OUTCOME FOR FY15

The following sections provided further details on how the at risk components (being STI and LTI) of the Executive Team's remuneration will be determined and how that linked to the performance of the Group and the shareholders' value.

i. Short term incentives

STI Plan consisting of cash and deferred equity awards will commence in FY15 and is designed to recognise the contributions and achievements of the Executive Team when outstanding financial results and individual performance objectives are achieved.

C. Remuneration report (continued)

TABLE 5 – Key details of the STI Plan

Potential maximum STI	CEO can earn up to 125% of his annual fixed remuneration.
	The other executives within the Executive Team can earn 45% to 60% of their annual fixed remuneration.
Performance measures	Non-financial measures – personal, cultural and behavioural objectives as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible to any STI.
	Financial measures – no STI payable unless at least 75% of budgeted EBITDA of $15m is achieved. Maximum STI could be awarded if 120% of budgeted EBITDA of $15m is achieved.
	General Managers STI will be 60% for Group EBITDA and 40% for Division EBITDA.
Testing and approval of performance measures	The CEO's STI is recommended by the Remuneration & Succession Planning Committee (BRC) based on the financial and non-financial performance outcome and approved by the Board.
	The STI of other members of the Executive Team is recommended by the CEO to BRC based on their financial and non-financial performance outcome and recommended by BRC for approval by the Board.
Rationale for choosing performance measures	The non-financial measures are chosen to ensure each executive of the Executive Team performs specific tasks that support the success of SubZero.
	The financial measure of EBITDA is chosen to ensure short term shareholders value is achieved.
Forms of STI reward elements	All in deferred equity in September 2016.
	100% of entitlement is granted as deferred equity award (DEA) of performance rights to SubZero ordinary shares and vesting in September 2016.

Key terms of DEA	DEA of performance rights to SubZero ordinary shares are normally granted in September following the financial year.
	These rights are granted to the participants at no cost, to the dollar value of their DEA awarded.
	The number of performance rights granted is calculated based on the weighted average share price over the five trading days before the beginning of the financial year.
	The participants in the STI Plan become eligible to receive one SubZero ordinary share per performance right subject to being in employment at the date of vesting.
	These rights will accrue notional dividends which will be paid upon vesting.
Forfeiture conditions	The Board retains the discretion to adjust any unpaid or unvested performance related downwards if it is appropriate to do so.
	The performance rights will be forfeited if the executive resigns before the vesting date.
	When the executive ceases employment in special circumstances, such as redundancy, any untested rights may be paid in cash or shares subject to Board discretion.

ii. Long term incentives

LTI Plan in the form of deferred equity awards will commence in FY15 and is designed to provide the Executive Team with the opportunity to acquire equity in SubZero as a reward for increasing earnings per share over the longer term.

C. Remuneration report (continued)

TABLE 6 – Key details of the LTI Plan

Potential maximum LTI	CEO can earn up to 150% of his annual fixed remuneration.
	The CFO can earn up to 75% of his annual fixed remuneration.
Approval of the LTI	No later than the end of August 2015, the Remuneration & Succession Planning Committee (BRC) based on the financial and non-financial performance outcome and recommended by BRC for approval by the Board.
Forms of LTI reward	Deferred equity award (DEA) of performance rights to SubZero ordinary shares and vesting after three year tenure hurdle and meeting future performance hurdles from the grant date.
Future performance hurdles	Non-financial measures – personal, cultural and behavioural objectives as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible to any LTI.
	Financial measures – no LTI will be vested unless the Group's average diluted EPS is at least 5 cents by the end of the three year vesting period.
Rationale for choosing performance measures	The financial measure of EPS growth is chosen to ensure long term shareholders value is achieved.
	The non-financial measures are chosen to ensure each executive of the Executive Team performs specific tasks that support the success of SubZero.
Key terms of DEA	DEA of performance rights to SubZero ordinary shares are normally granted in September following the end of the financial year.
	These rights are granted to the participants at no cost, to the dollar value of a percentage to their fixed remuneration as per the LTI Plan.
	The number of performance rights granted is calculated based on the weighted average share price over the five trading days before 30 June 2014 for FY2015.
	The participants in the LTI Plan become eligible to receive one SubZero ordinary share per performance right. This is subject to their continuing employment with the Group for a three year period from the grant date and meeting performance hurdles, subject to Board discretion.
	These rights will accrue notional dividends which will be paid upon vesting.
Forfeiture conditions	The Board retains the discretion to adjust any unpaid or unvested LTI downwards if it is appropriate to do so.
	The performance rights will be forfeited if the executive resigns before the vesting date.
	When an executive ceases employment in special circumstances, such as redundancy, any unvested rights may be paid in cash and/or SubZero shares subject to Board discretion.

SHAREHOLDING REQUIREMENTS

There is no specific policy requiring the Executive Team to hold any SubZero ordinary shares. However, the Executive Team has exposure to SubZero ordinary shares, through the DEA.

HISTORICAL ANALYSIS OF FINANCIAL PERFORMANCE

The Company has gone through significant development and transformation to facilitate its successful listing on the ASX in May 2013. As a result, historical analysis of financial performance for the financial years prior to 2014 does not provide meaningful comparative information to the users of this report.

C. Remuneration report (continued)

(e) Executive remuneration details

TABLE 7 – Executive remuneration details

The amounts of fixed remuneration paid or payable that are linked to performance and those that are fixed are:

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits
Name	**Cash salary & fees**	**At risk short term salary**	**Non-monetary benefits**	**Super-annuation**	**Long service leave accrued**
	$	**$**	**$**	**$**	**$**
Executive directors					
Scott Farrell (Consultancy)	405,034	-	-	37,466	-
Sub-total executive directors	**405,034**	**-**	**-**	**37,466**	**-**
Other key management personnel (KMP)					
Robert Lojszczyk*	233,205	-	4,676	21,571	-
David Hales	200,000	-	18,752	18,500	-
Jonathon McTaggart	160,000	-	-	14,800	-
Keith Googe	180,000	-	-	16,650	-
Scott Watson	160,000	-	-	14,800	-
Filipe Dacruz**	45,812	-	-	4,238	-
Sub-total other KMP	**979,017**	**-**	**23,428**	**90,559**	**-**
Total KMP compensation (Group)	**1,613,915**	**-**	**23,428**	**128,025**	**-**

* Employed from 8 October 2013

** Paid/payable to 30 September 2014. Not a KMP afterwards

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits
Name	**Cash salary & fees**	**At risk short term salary**	**Non-monetary benefits**	**Super-annuation**	**Long service leave accrued**
	$	**$**	**$**	**$**	**$**
Executive directors					
Scott Farrell (Consultancy)	380,000	-	-	34,300	-
Sub-total executive directors	**380,000**	**-**	**-**	**34,300**	**-**
Other key management personnel (KMP)					
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	-
Sub-total other KMP	**652,805**	**59,656**	**-**	**59,305**	**1,051**
Total KMP (Group)	**1,032,805**	**59,656**	**-**	**93,605**	**1,051**

* Employed from 25 February 2013

** Contract terminated 2 July 2013

C. Remuneration report (continued)

(f) Non-executive directors' remuneration policy

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.

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.

TABLE 8 – Non- executive directors' remuneration details

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits
Name	**Cash salary & fees**	**At risk short term salary**	**Non-monetary benefits**	**Super-annuation**	**Long service leave accrued**
	$	**$**	**$**	**$**	**$**
Non-executive directors					
Malcolm Jackman *	75,000	-	-	-	-
Frank O'Halloran **	29,863	-	-	-	-
Bruce Arnott	50,000	-	-	-	-
Graeme (Joe) Clayton	50,000	-	-	-	-
Glenn Molloy ***	25,000	-	-	-	-
Total non-executive directors	**229,863**	**-**	**-**	**-**	**-**

* Malcolm Jackman was appointed director and chairman 30 July 2013
** Frank O'Halloran was appointed director 20 December 2013
*** Glenn Molloy resigned as chairman 30 July 2013 and as a director on 25 November 2013.

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits
Name	**Cash salary & fees**	**At risk short term salary**	**Non-monetary benefits**	**Super-annuation**	**Long service leave accrued**
	$	**$**	**$**	**$**	**$**
Non-executive directors *					
Glenn Molloy *	12,500	-	-	-	-
Graeme Clayton *	12,500	-	-	-	-
Bruce Arnott *	12,500	-	-	-	-
Total non-executive directors	**37,500**	**-**	**-**	**-**	**-**

* Note that all directors were appointed 10 April 2013 on the listing of the Group

(g) Voting and comments made at the company's 2013 Annual General Meeting

SubZero Group received more than 90% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

C. Remuneration report (continued)

(h) Service agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods.

Participation in the STI and LTI plans is subject to the Board’s discretion. Other major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

Name	Term of agreement and notice period	Base Salary including Superannuation	Termination payments
Scott Farrell	No fixed term 12 months	$442,500	12 months
Robert Lojszczyk	No fixed term 1 week	$349,600	1 week
David Hales	No fixed term 2 weeks	$218,500	2 weeks
Jonathon McTaggart	No fixed term 4 weeks	$174,800	4 weeks
Keith Googe	No fixed term 4 weeks	$196,650	4 weeks
Scott Watson	No fixed term 4 weeks	$174,800	4 weeks

(i) Equity instruments held by key management personnel

The following table shows the number of shares that were held during the financial year by key management personnel of the group, including their close family members and entities related to them. There were no shares granted during the reporting period as compensation.

Name	Balance at start of the year	Changes	Balance at end of the year
Scott Farrell	54,750,825	-	54,750,825
Jonathon McTaggart	6,411,584	(370,000)	6,041,584
Scott Watson	5,155,324	(1,910,020)	3,245,304
Robert Lojszczyk	-	1,666,667	1,666,667
Keith Googe	1,244,525	-	1,244,525

C. Remuneration report (continued)

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.

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 APES 110 *Code of Ethics for Professional Accountants* .

D. Other information (continued)

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	
	2014	2013
	$	$
PwC Australia		
1. Audit services and assurance services		
Audit and review of financial statements	**294,607**	161,862
Audit of regulatory returns	**8,160**	-
Total remuneration for audit and assurance services	**302,767**	161,862
2. Other services		
Accounting advice	**18,606**	15,495
Agreed upon procedures	**15,949**	-
Other assurance related services	**57,227**	-
Non statutory review	**-**	15,000
Total remuneration for other services	**91,782**	30,495
Total remuneration of PwC Australia	**394,549**	192,357

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 19.

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 2014

Auditor's Independence Declaration

As lead auditor for the audit of Subzero Group Limited for the year ended 30 June 2014, 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.

D A Turner

Darren Turner
Partner
PricewaterhouseCoopers

Newcastle
30 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Level 3, 45 Watt Street, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

Contents

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 5 to page 7 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 2014. The company has the power to amend and reissue the financial report.

	Notes	**2014** **$'000**	2013 $'000
Revenue from continuing operations	5	**63,786**	84,903
Cost of sales		**(49,162)**	(55,463)
Gross profit		**14,624**	29,439
Other income	5	**1,340**	593
General and administration expenses	5	**(5,766)**	(3,712)
Vehicle and equipment costs	5	**(2,365)**	(5,144)
Depreciation and amortisation	5	**(5,444)**	(4,230)
Finance costs	5	**(2,274)**	(2,253)
Employee benefits expense	5	**(9,834)**	(14,879)
Rental expense	5	**(3,064)**	(1,957)
Costs of listing		**-**	(3,468)
Other expenses		**(93)**	-
Profit/(loss) before income tax		**(12,876)**	(5,611)
Income tax (expense)/benefit	6	**(69)**	(453)
Profit/(loss) for the year		**(12,945)**	(6,064)
Profit/(loss) is attributable to:			
Owners of SubZero Group Limited	19	**(12,998)**	(6,064)
Non-controlling interests		**53**	-
		(12,945)	(6,064)
Other comprehensive income			
Other comprehensive income for the year net of tax		**-**	-
Total comprehensive income for the year		**(12,945)**	(6,064)
Total comprehensive income for the year is attributable to:			
Owners of SubZero Group Limited		**(12,998)**	(6,064)
Non-controlling interests		**53**	-
		(12,945)	(6,064)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per ordinary share: (cents per share)	27	**(6.0)**	(3.9)
Diluted earnings per ordinary share: (cents per share)	27	**(6.0)**	(3.9)

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

	Notes	**2014** **$'000**	2013 $'000
Current assets			
Cash and cash equivalents	7	**782**	125
Trade and other receivables	8	**12,927**	14,961
Inventories	9	**4,402**	2,601
Total current assets		**18,111**	17,687
Non-current assets			
Property, plant and equipment	10	**14,865**	17,431
Deferred tax assets	11	**198**	166
Financial assets	12	**188**	300
Intangible assets	13	**542**	1,391
Total non-current assets		**15,793**	19,288
Total assets		**33,904**	36,975
Current liabilities			
Trade and other payables	14	**14,672**	18,012
Borrowings	16	**17,865**	9,297
Current tax liabilities		**234**	424
Provisions	15	**29**	44
Total current liabilities		**32,800**	27,777
Non-current liabilities			
Borrowings	16	**4,102**	7,511
Provisions	15	**390**	227
Total non-current liabilities		**4,492**	7,739
Total liabilities		**37,292**	35,515
Net assets		**(3,388)**	1,460
Equity			
Share capital	18	**18,383**	10,286
Reserves	19(a)	**(502)**	(502)
Retained earnings	19(b)	**(21,322)**	(8,324)
Capital and reserves attributable to owners of SubZero Group Limited		**(3,441)**	1,460
Non-controlling interests		**53**	-
Total equity		**(3,388)**	1,460

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

	Note	Attributable to owners of SubZero Group Limited					
		Contributed Equity	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year 30 June 2013		10,286	(502)	(8,324)	**1,460**	-	**1,460**
Profit for the year		-	-	(12,998)	**(12,998)**	53	**(12,945)**
Other comprehensive income		-	-	-	**-**	-	**-**
Total comprehensive income for the year		**-**	**-**	**(12,998)**	**(12,998)**	**53**	**(12,945)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	18	8,097	-	-	**8,097**	-	**8,097**
Transactions with non-controlling interests		-	-	-	**-**	-	**-**
Balance at 30 June 2014		**18,383**	**(502)**	**(21,322)**	**(3,441)**	**53**	**(3,388)**

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

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**70,744**	94,906
Payments to suppliers and employees (inclusive of goods and services tax)		**(81,303)**	(87,932)
Other revenue		**1,251**	531
Interest paid		**(2,274)**	(2,416)
Income taxes paid		**-**	-
Net cash (outflow) inflow from operating activities	25	**(11,582)**	5,089
Cash flows from investing activities			
Payment for non-controlling interest		**-**	(659)
Payment for capitalised R&D & patent costs		**(73)**	(558)
Payment for software	13	**(506)**	-
Payment for property, plant and equipment	10	**(1,536)**	(3,186)
Payment for held-to-maturity investments	12	**112**	-
Proceeds from sale of property, plant and equipment		**49**	64
Net cash (outflow) inflow from investing activities		**(1,954)**	(4,339)
Cash flows from financing activities			
Proceeds from capital raising, net of transaction costs	18	**8,097**	6,262
Repayment of borrowings		**(8,839)**	(7,507)
Proceeds from borrowings		**14,934**	300
Net cash (outflow) inflow from financing activities		**14,192**	(945)
Net increase (decrease) in cash and cash equivalents		**657**	(195)
Cash and cash equivalents at the beginning of the year		**125**	320
Cash and cash equivalents at the end of the year	7	**782**	125

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

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

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle, and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

(iii) Historical cost convention

These financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities, certain classes of property, plant and equipment and investment property - measured at fair value
- assets held for sale - measured at fair value less cost of disposal, and
- retirement benefit obligations - plan assets measured at fair value

(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.

1 Summary of significant accounting policies (continued)

(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 2014, the Group has incurred a loss after tax for the full year of $12.945m (2013: loss of $6.064m), the Group has a deficiency in net current assets of $14.689m (30 June 2013: deficiency of $10.090m) and a deficiency in net asset position at 30 June 2014 of $3.388m (30 June 2013: net asset position of $1.460m).

The Group has breached its debt covenants as at 30 June 2014. A waiver of this breach from the Group's financiers has been obtained by management subsequent to year end within the timeframe set out in the Syndicated Loan Documentation. As a result $16m of long term debt has been classified as current on the balance sheet. The testing date of the September 2014 quarter covenants has also been waived. The Group expects that it may breach the financial covenants at the December 2014 quarter test date and are in discussions with financiers to have the covenants waived or amended.

Due to the continued lower than expected revenue and results since year end the Group has appointed independent advisors to work with the Board and Management on:

- A restructure of the operations of the Company which will involve a significant reduction in costs to support expected lower revenue levels from the mining downturn; and
- Obtaining the support of secured creditors and other stakeholders in the short term.

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.

The Group has refinanced its debt during the year to replace its former debtor financing facility with a new working capital facility provided by a syndicate of lenders led by Macquarie Bank Limited. The Group is currently pursuing further initiatives to fund the company's working capital requirements. The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitment obligations depend upon the Group being successful in:

- Completion of an underwritten share rights issue;
- The Group seeking continued support from our financiers including capitalising September and December interest payments on the Syndicated Loan facility, deferral of the December loan repayment until 31 December 2015 and resetting future debt covenant obligations to acceptable levels;
- Negotiating deferred settlement terms on obligations with statutory creditors currently amounting to $8m;
- Timely completion of the operational restructure to achieve the expected forecast annualised cost savings of $15m;
- Continued improvement in the order book and trading results in the coming months and throughout FY15;

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

The directors believe that the company and Group will be successful in the above matters and, accordingly, 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.

1 Summary of significant accounting policies (continued)

(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 2014 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 entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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.

(ii) Changes in ownership interests

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.

1 Summary of significant accounting policies (continued)

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).

(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.

1 Summary of significant accounting policies (continued)

(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.

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(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 and materials 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.

1 Summary of significant accounting policies (continued)

(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.

(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(j).

1 Summary of significant accounting policies (continued)

(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	10 to 25 years
Plant and equipment	5 to 20 years
Vehicles	5 to 15 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).

When the existing goodwill was tested for impairment it was found to have no value. As such it was reduced to nil. For further information see note 13.

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.

As at 30 June 2014, $16m of liabilities has been classified as current due to the covenant breach of its major banking facilities. The assessment of whether or not an entity has breached a provision of a long term loan agreement is based on facts and circumstances at the reporting date. Subsequent to the reporting date Management obtained a waiver on the breach from the Group’s financiers and as such do not consider there to be a further impact on the financial position or performance of the Group than otherwise disclosed.

(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.

1 Summary of significant accounting policies (continued)

(s) Employee Benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits 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. Short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected 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 at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(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.

1 Summary of significant accounting policies (continued)

(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) Parent entity financial information

The financial information for the parent entity, SubZero Group Limited, disclosed in note 28 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
2014		
Cash and cash equivalents	**782**	**782**
Trade and other receivables	**12,927**	**12,927**
Held-to-maturity investments	**188**	**188**
	13,897	**13,897**
2013		
Cash and cash equivalents	125	125
Trade and other receivables	14,961	14,961
Held-to-maturity investments	300	300
	15,386	15,386

Financial Liabilities	Financial liabilities at amortised cost $'000	Total $'000
2014		
Trade and other payables	**14,672**	**14,672**
Borrowings	**21,967**	**21,967**
	36,639	**36,639**
2013		
Trade and other payables	18,012	18,012
Borrowings	16,808	16,808
	34,820	34,820

(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.

2 Financial risk management (continued)

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

2014	Carrying amount $'000	Interest rate risk -100 bps Profit $'000	-100 bps Equity $'000	+100 bps Profit $'000	+100 bps Equity $'000
Financial assets					
Cash and cash equivalents	782	(78)	(78)	78	78
Accounts receivable	12,927	-	-	-	-
Financial Liabilities					
Trade and other payables	(14,672)	-	-	-	-
Borrowings	(21,967)	2,197	2,197	(2,197)	(2,197)
Total increase / (decrease)		2,118	2,118	(2,118)	(2,118)

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

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.

2 Financial risk management (continued)

(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(c) 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 - 2014	**Less than 1 year $'000**	**Between 1 and 3 years $'000**	**Between 3 and 5 years $'000**	**Between 5 and 10 years $'000**	**Over 10 years $'000**
Payables	14,672	-	-	-	-
Borrowings (excluding Hire Purchase liabilities)	16,000	-	-	-	-
Hire Purchase liabilities	3,722	3,253	849	-	-

Group - 2013	**Less than 1 year $'000**	**Between 1 and 3 years $'000**	**Between 3 and 5 years $'000**	**Between 5 and 10 years $'000**	**Over 10 years**
Payables	18,012	-	-	-	-
Borrowings (excluding Hire Purchase liabilities)	426	421	167	242	119
Hire Purchase liabilities	5,534	6,942	-	-	-

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

(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 . It has now been found that there will likely be no future economic benefit arising from the goodwill held. Refer to Note 13 for the impact of the change in the assumptions.

(ii) Estimated useful life of intangible assets - note 13

The Group assesses the written down values of its intangible assets annually, and if found to be impaired reduces them to the expected value of their future economic benefit.

(iii) *Consolidation decisions and classifications of joint arrangements*

The Group holds interests in other entities that have third party interests. See note 20 for further details. The way that these entities are accounted for in the group depends on what type of joint arrangement they are classified as. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

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

	2014 $'000	2013 $'000
Revenue		
From continuing operations		
Sales revenue	**63,786**	84,903
	63,786	84,903
Other revenue		
Other Income	**1,340**	593
	1,340	593
Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation		
Motor vehicles	**1,082**	1,322
Plant & equipment	**2,752**	2,667
Leasehold improvements	**17**	8
Office furniture & equipment	**103**	159
Low value asset pool	**51**	55
Total depreciation	**4,005**	4,212
Amortisation		
Intangibles assets	**6**	1
Borrowing costs	**11**	17
Total amortisation	**17**	18
Impairment		
Impairment of goodwill	**833**	-
Impairment of research and development	**589**	-
Total impairment	**1,422**	-
General and administration expense	**5,766**	3,712
Vehicle and equipment costs	**2,365**	5,150
Finance costs	**2,274**	2,253
Employee benefits expense	**9,834**	14,879
Rental expense	**3,064**	1,957
	23,303	27,951
Amount capitalised (note (a))	**1,852**	94
Total	**1,852**	94

(a) Capitalised borrowing costs

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

6 Income tax expense

	2014 $'000	2013 $'000
(a) Income tax expense		
Current tax	**101**	229
Deferred tax	**(32)**	224
	69	453
Income tax expense is attributable to:		
Profit from continuing operations	**69**	453
Aggregate income tax expense	**69**	453
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 11)	**(347)**	(86)
(Decrease) increase in deferred tax liabilities (note 17)	**315**	310
	(32)	224
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**(12,876)**	(5,611)
Tax at the Australian tax rate of 30% (2013: 30%)	**(3,863)**	(1,683)
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	**5**	16
Fines	**8**	2
Research and development rebate	**-**	(54)
Legal Fees	**212**	235
Distribution	**-**	93
Trust distribution taxed outside of group	**-**	-
	(3,638)	(336)
Recognition of deferred tax balances previously not recognised	**(1)**	(42)
Current year revenue losses not recognised as DTA	**3,708**	831
Income tax expense	**69**	453

7 Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	**782**	125
	782	125

(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:

	2014 $'000	2013 $'000
Balances as above	**782**	125
Balances per statement of cash flows	**782**	125

(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

	2014 $'000	2013 $'000
Current		
Trade receivables	**12,877**	14,680
Provision for impairment of receivables	**(240)**	(41)
	12,637	14,639
Other receivables	**290**	322
	12,927	14,961

(a) Impaired trade receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of $240,000 (2013: $41,000) were impaired. The amount of the provision was $240,000 (2013: $41,000).

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

	2014 $'000	2013 $'000
Balance at 1 July	**41**	125
Charge for the year		
Receivables written off during the year as uncollectable	**240**	-
Unused amounts reversed	**(41)**	(84)
Balance at 30 June	**240**	41

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.

8 Receivables (continued)

(b) Past due but not impaired

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

	2014 $'000	2013 $'000
Current	**8,396**	7,630
Up to 3months	**1,695**	4,206
Over 3 Months	**2,786**	2,844
Total	**12,877**	14,680

As at 30 June 2014 trade receivables of $240,000 (2013:$41,000) were past due and considered impaired and trade receivables of $4,241,000 (2013:$ 7,050,051) 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 mentioned above.

9 Inventories

	2014 $'000	2013 $'000
Raw materials and stores - at cost	**1,548**	983
Work in Progress - at cost	**2,854**	1,618
	4,402	2,601

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to nil (2013: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 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**
Year ended 30 June 2014						
Opening net book amount	105	4,956	148	11,866	356	17,431
Additions	34	86	252	1,150	13	1,536
Disposals	-	(20)	-	(76)	-	(96)
Depreciation charge	(51)	(1,082)	(17)	(2,752)	(103)	(4,005)
Closing net book amount	**88**	**3,940**	**383**	**10,188**	**266**	**14,865**
At 30 June 2014						
Cost or fair value	245	10,150	445	22,541	821	34,202
Accumulated depreciation	(157)	(6,210)	(62)	(12,353)	(555)	(19,337)
Net book amount	**88**	**3,940**	**383**	**10,188**	**266**	**14,865**

(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

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Capital expenditure	**107**	166
Superannuation payable	**366**	125
Employee leave benefits	**532**	427
Provision for doubtful debts	**72**	12
Accrued expenses	**-**	-
	1,077	730
Total deferred tax assets	**1,077**	730
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 17)	**(879)**	(563)
Net deferred tax assets	**198**	166
Movements:		
Opening balance at 1 July	**730**	643
Credited/(charged) to the income statement (note 6)	**347**	87
Closing balance at 30 June	**1,077**	730
Deferred tax assets to be recovered after more than 12 months	**107**	166
Deferred tax assets to be recovered within 12 months	**970**	563
	1,077	730

12 Financial assets

	2014 $'000	2013 $'000
Held to maturity financial assets	**188**	300
	188	300

Held to maturity financial assets consist of term deposits ($150,000) and bank guarantees ($38,000) 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	Software	Patents, trademarks & other	Total
	$'000	$'000	$'000	$'000	$'000
At 30 June 2013					
Cost	833	541	-	18	1,392
Accumulated amortisation and impairment	-	-	-	(1)	(1)
Net book amount	833	541	-	17	1,391
Year ended 30 June 2014					
Opening net book amount	833	541	-	17	1,391
Additions	-	48	506	25	579
Amortisation charge	-	-	-	(6)	(6)
Impairment charge	(833)	(589)	-	-	(1,422)
Closing net book amount	**-**	**-**	**506**	**36**	**542**
At 30 June 2014					
Cost	833	589	506	42	1,970
Accumulated amortisation and impairment	(833)	(589)	-	(6)	(1,428)
Net book amount	**-**	**-**	**506**	**36**	**542**

(a) Impairment tests for goodwill and other

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 value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 12 month period. Based on these calculations the goodwill has been reduced to nil.

(b) Key assumptions used for value in use

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

The existing goodwill asset was assessed as having no value. To reduce goodwill to nil, there was an impairment charge of $833,000 in the period (2013: nil).

14 Trade and other payables

	2014	2013
	$'000	$'000
Current		
Trade payables	**6,481**	9,232
Other payables	**8,191**	8,781
	14,672	18,012

(a) Fair value

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

15 Provisions

	2014 $'000	2013 $'000
Current		
Employee Entitlements - LSL	**29**	44
	29	44
Non-current		
Employee Entitlements - LSL	**390**	227
	390	227

(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 $29,000 (2013 - $44,000) 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.

	2014 $'000	2013 $'000
Leave obligations not expected to be settled after 12 months	**29**	44

16 Borrowings

	2014 $'000	2013 $'000
Current - secured		
Debt factoring	**-**	3,277
Bank loans	**14,143**	80
Related party loan	**-**	300
Hire purchase liabilities (note 23)	**3,722**	5,640
Total secured current borrowings	**17,865**	9,297
Total current borrowings	**17,865**	9,297

	2014 $'000	2013 $'000
Non-current secured		
Bank loans	**-**	676
Hire purchase liabilities (note 23)	**4,102**	6,836
Total secured non-current borrowings	**4,102**	7,511
Total non-current borrowings	**4,102**	7,511

16 Borrowings (continued)

As at 30 June 2014, the Group breached its debt covenant with respect to its major banking facilities. Subsequent to 30 June 2014, the Group's financiers waived compliance with the Interest Cover Ratio and Net leverage Ratio.
As a result of the waiver not being in place at 30 June 2014 , the Group has classified $16 million of borrowings as current liabilities on the balance sheet notwithstanding that at the date of this report they are not due to be repaid within twelve months.
As at the date of this financial report, the Company and the financiers have agreed as follows:
1. The Group's Interest Coverage Ratio, on each Calculation Date other than 30 September 2014 (where the Interest Cover Ratio will not be tested), the Interest Cover Ratio is not less than or equal to 1.30:1;
2. The Group's Net leverage Ratio, on each Calculation Date other than 30 September 2014 (where the Net Leverage Ratio will not be tested), the Net Leverage Ratio is less than 5.40:1 for the period 1 July 2014 to 31 December 2014 and less than 2.5:1 thereafter;
3. The Group's EBITDA for the three month period ending 30 September 2014 is not less than $2 million.

(a) Secured liabilities

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

Debt factoring	**-**	3,277
Related party loan	**-**	300
Bank loans	**14,143**	756
Hire purchase liabilities (note 23)	**7,824**	12,476
Total secured liabilities	**21,967**	16,808

(b) Assets pledged as security

The bank loan with a fair value of $16.000m is secured by a corporate guarantee which covers all the Group's property that it has at any time sufficient right, interest or power to grant a security interest.

Additionally, Macquarie Bank as the Group's financier has taken options over 15 million issued shares. Shares are provided by a private company under the control of one of the key management personnel of the Group.

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

	2014 **$'000**	2013 $'000
Current		
Floating charge		
Financial assets - held to maturity investment	**-**	300
Total current assets pledged as security	**-**	300

	2014 **$'000**	2013 $'000
Non-current		
Hire purchase liabilities		
Motor vehicles	**2,937**	4,883
Plant & equipment	**6,160**	8,327
Total non-current assets pledged as security	**9,097**	13,210
Total assets pledged as security	**9,097**	13,510

16 Borrowings (continued)

(c) Financing arrangements

	2014 $'000	2013 $'000
Bank loan facilities		
Total facilities	**23,824**	31,477
Used at balance date	**23,824**	16,885
Unused at balance date	**-**	14,591

(d) Fair value

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

	2014		2013	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On balance sheet				
Non traded financial liabilities				
Debt Factoring	**-**	-	**3,277**	3,277
Related party loans	**-**	-	**300**	300
Bank loans	**14,143**	16,000	**756**	833
Hire Purchase liabilities	**7,824**	7,824	**12,476**	12,476
	21,967	23,824	**16,808**	16,885

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

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Consumables	**801**	485
Eligible R&D expenditure capitalised	**78**	78
	879	563
Total deferred tax liabilities	**879**	563
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 11)	**(879)**	(563)
Net deferred tax liabilities	**-**	-
Movements:		
Opening balance at 1 July	**563**	253
Charged/(credited) to the income statement (note 6)	**315**	310
Closing balance at 30 June	**879**	563
Deferred tax liabilities to be settled after more than 12 months	**-**	-
Deferred tax liabilities to be settled within 12 months	**879**	563
	879	563

18 Contributed equity

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
(a) Share capital				
Share Capital				
Fully paid	**252,915,402**	165,900,455	**18,383**	10,286
Total contributed equity			**18,383**	10,286

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2013	Opening Balance	165,900,455	10,286
11 November 2013	Issue of Shares	24,195,000	2,420
6 December 2013	Capital raising (net of transaction costs)	62,819,947	5,677
30 June 2014	**Balance**	**252,915,402**	**18,383**
Summary of movements during the period:		**87,014,947**	**8,097**

18 Contributed equity (continued)

(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

	2014 $'000	2013 $'000
(a) Reserves		
Transactions with Non Controlling Interests - Reserve	**(502)**	(502)
	(502)	(502)
Movements:		
Transactions with non-controlling interests		
Balance 1 July	**(502)**	-
Acquisition of additional ownership	**-**	(502)
Balance 30 June	**(502)**	(502)
(b) Retained profits		
Balance 1 July	**(8,324)**	(2,260)
Net profit (loss) for the year	**(12,998)**	(6,064)
Dividends provided for or paid	**-**	-
Balance 30 June	**(21,322)**	(8,324)

(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 Interest in other entities

(a) Material subsidiaries

	Country of Incorporation	Class of shares	Equity Holding* 2014	Equity Holding* 2013
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%**	100%
DMST Pty Limited	Australia	Ordinary	**100%**	100%
Hydraulic Isolator & Safety Technology Pty Limited	Australia	Ordinary	**100%**	100%
SubZero Labour Services Pty Ltd	Australia	Ordinary	**100%**	100%
SubZero Mechanical Support Pty Ltd	Australia	Ordinary	**50%**	0%
Milford Hills Pty Ltd	Australia	Ordinary	**50%**	0%

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

20 Interest in other entities (continued)

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	SubZero Mechanical Support Pty Ltd 30 June 2014 $'000	Milford Hills Pty Ltd 30 June 2014 $'000
Current assets	393	391
Current liabilities	30	20
Current net assets	**363**	**371**
Non-current assets	158	6
Non-current liabilities	-	59
Non-current net assets	**158**	**(54)**
Net assets	**521**	**317**
Accumulated NCI	**260**	**159**

Summarised statement of comprehensive income	SubZero Mechanical Support Pty Ltd 30 June 2014 $'000	Milford Hills Pty Ltd 30 June 2014 $'000
Revenue	834	703
Profit/ (loss) for the period	**(211)**	**314**
Other comprehensive income	-	3
Total comprehensive income	**(211)**	**317**
Profit/(loss) allocated to NCI	(106)	158

Summarised statement of cash flows	SubZero Mechanical Support Pty Ltd 30 June 2014 $'000	Milford Hills Pty Ltd 30 June 2014 $'000
Cash flows from operating activities	226	5
Cash flows from investing activities	(127)	(5)
Cash flows from financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	**99**	**-**

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:

	2014	2013
	$	$
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**294,607**	161,862
Audit of regulatory returns	**8,160**	-
Total remuneration for audit and other assurance services	**302,767**	161,862
(ii) Other services		
Accounting advice	**18,606**	15,495
Agreed upon procedures	**15,949**	-
Other assurance related services	**57,227**	-
Non statutory review	**-**	15,000
Total remuneration for other services	**91,782**	30,495
Total remuneration of PwC Australia	**394,549**	192,357

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 2014 and 2013 in respect of:

(i) Guarantees and letters of credit

	2014	2013
	$'000	$'000
Bank guarantees for contract performance	**38**	382
Total estimated contingent liabilities	**38**	382

(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. The potential undiscounted amount of the total payments that the Group could be required to make if there were adverse decisions related to the lawsuits is estimated to be approximately $435,000.

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.

	2014	2013
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as	$'000	$'000
Within one year	2,162	3,757
Later than one year but not later than five years	7,125	11,315
Later than five years	12,684	16,702
	21,971	31,774

(ii) Hire Purchase Liabilities

The Group acquired various items of plant and equipment and motor vehicles with a carrying amount of $356,088 (2013: $1,284,009) under hire purchase expiring within one to five years.

	2014 $'000	2013 $'000
Commitments in relation to hire purchase are payable as follows:		
Within one year	4,347	6,313
Later than one year but not later than five years	4,291	7,384
Minimum lease payments	8,638	13,697
Future finance charges	(814)	(1,221)
Total lease liabilities	7,824	12,476
Representing lease liabilities:		
Current (note 16)	3,722	5,534
Non current (note 16)	4,102	6,942
	7,824	12,476

The weighted average interest rate implicit in the leases is 7.58% (2013: 8.85%).

24 Related party transactions

(a) Parent entities

The ultimate parent entity is SubZero Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20(a)

24 Related party transactions (continued)

(c) Key management personnel compensation

	2014 $'000	2013 $'000
Short-term employee benefits	**1,637**	1,092
Post-employment benefits	**128**	94
Other long-term benefits	**-**	1
	1,765	1,187

Detailed remuneration disclosures are provided in the remuneration report which is section C of the directors' report.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2014 $'000	2013 $'000
Sale of goods and services		
Provision of trade labour services and material to other related parties	**372**	3,123
Purchases of services		
Purchases of trade labour services from other related parties	**3,899**	18,359
Purchases of professional services from other related parties	**291**	1,146
Hire of property, plant and equipment		
Rental of commercial property and motor vehicles from other related parties	**1,959**	895
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**2,349**	1,881
Other transactions		
Remuneration paid to directors of the ultimate Australian parent entity	**230**	81

Additionally, Macquarie Bank as the Group's financier has taken options over 15 million issued shares. Shares are provided by a private company under the control of the Managing Director and Chief Executive Officer of the Group.

(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:

	2014 $'000	2013 $'000
Current payables (purchases of goods)	**-**	32
Current Receivables	**2,109**	2,073

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.

Note that the Group's standard receivable policy is not to charge interest on receivable amounts.

24 Related party transactions (continued)

(f) Loans to/from related parties

	2014 **$**	2013 $
Loans to key management personnel		
Beginning of the year	**27,585**	-
Loans advanced	**71,000**	27,585
Loan repayments received	**9,000**	-
Interest charged	**-**	-
Interest received	**-**	-
End of year	**89,585**	27,585
Loans to other related parties		
Beginning of the year	**-**	-
Loans advanced	**33,085**	-
Loan repayments received	**-**	-
Interest charged	**-**	-
Interest received	**-**	-
End of year	**33,085**	-
Loans from SubZero Group Limited (ultimate Australian parent entity)		
Beginning of the year	**6,224,793**	-
Loans advanced	**13,557,147**	6,224,793
Loan repayments received	**-**	-
Interest charged	**-**	-
Interest received	**-**	-
End of year	**19,781,940**	6,224,793

(g) 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 Reconciliation of profit after income tax to net cash inflow from operating activities

	2014 $'000	2013 $'000
Profit/ (loss) for the year	**(12,945)**	(6,064)
Cost of listing	**-**	3,468
Depreciation and amortisation	**5,444**	4,207
Bad Debts Expense	**199**	21
Borrowing costs capitalised	**(1,852)**	-
Net (gain) loss on sale of non-current assets	**185**	7
(Increase) / decrease in trade debtors	**1,923**	1,513
(Increase) / decrease in inventories	**(1,382)**	(1,292)
(Increase) / decrease in deferred tax assets	**32**	224
Increase / (decrease) in trade creditors	**(3,203)**	2,660
Increase / (decrease) in provision for income taxes payable	**(21)**	229
Increase / (decrease) in other provisions	**39**	116
Net cash inflow / (outflow) from operating activities	**(11,582)**	5,089

26 Non cash investing and financing activities

	2014 $'000	2013 $'000
Acquisition of plant and equipment by means of hire purchase	**356**	1,284
	356	1,284

27 Earnings per share

	2014 Cents	2013 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**-6.0**	-3.9
Profit attributable to the ordinary equity holders of the company	**-6.0**	-3.9
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**-6.0**	-3.9
Profit attributable to the ordinary equity holders of the company	**-6.0**	-3.9

27 Earnings per share (continued)

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

	2014 $'000	2013 $'000
Basic earnings per share		
Profit from continuing operations	**(12,945)**	(6,064)
Profit from continuing operations attributable to non-controlling interests	**53**	-
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(12,998)**	(6,064)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(12,998)**	(6,064)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(12,998)**	(6,064)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(12,998)**	(6,064)

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

	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**216,667,452**	154,895,470
Adjustments for calculation of diluted earnings per share:	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**216,667,452**	154,895,470

28 Parent entity financial information

(a) Summary financial information

As at, financial year end 30 June 2014 the legal parent company of the Group was SubZero Group Limited.

	Company 2014 $'000	Company 2013 $'000
Balance sheet		
Current Assets	**19,753**	6,240
Non Current Assets	**4,579**	30,000
Current Liabilities	**(14,222)**	(64)
Net assets	**10,110**	36,176
Shareholders' equity		
Issued capital	**(83,025)**	(83,036)
Retained earnings	**72,915**	46,860
	(10,110)	(36,176)
Profit / (loss) for the year	**(26,055)**	(60)
Total comprehensive income	**(26,055)**	(60)

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.

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2014 or 30 June 2013.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

(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 2014 or 30 June 2013.

29 Events occurring after the reporting period

As at 30 June 2014, the Group had breached its debt covenants with respect to its major banking facilities. Subsequent to 30 June 2014, the Group's financiers waived compliance with the Interest Cover Ratio and Net leverage Ratio.

As a result of the amendment not being in place at 30 June 2014, the Group has classified $16 million of borrowings as current liabilities on the balance sheet notwithstanding that at the date of this report they are not due to be repaid within twelve months.

Following disappointing operating results and cashflow, since 30 June 2014, the Company initiated a full review of the business operations by independent advisors. This review has identified $15m of cost savings, by reducing capacity but maintaining capability. These savings are being implemented over the next four months.

The Company is currently in discussions with its financiers to provide further support on interest and loan repayments and also with advisors to raise additional equity. The ability of the Company to be able to pay all debts when they fall due will largely depend on the successful conclusion of these discussions, which are expected to be finalized in October.

In the directors' opinion:

(a) the financial statements and notes set out on pages 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 2014 and of it's 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 2014

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 2014, the 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Level 3, 45 Watt Street, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

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 2014 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(v) in the financial report, which indicates that the company incurred a net loss of $13m during the year ended 30 June 2014 and, as of that date the company's current liabilities exceeded its current assets by $14.7m. As a result, the company is dependent on a share rights issue and the ongoing support of its financiers. These conditions, along with other matters set forth in Note 1(v), 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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 15 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D A Turner

Darren Turner
Partner

Newcastle
30 September 2014