



2014



MINING
SUPPORT
SPECIALISTS

ANNUAL REPORT

 **SUBZERO**
GROUP LIMITED



Mining support specialists

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Chairman's Report



SubZero Group Limited (SZG) effectively launched on the Australian Securities Exchange in mid April 2013 and has essentially experienced difficult trading conditions since that time. Nevertheless, I would like to thank those investors and our financial backers who have continued to support the Company and who have worked with us to strengthen the Company

as it faces the significant and ongoing challenges of the current trading climate.

As I reported last year, SZG, like all companies supporting the mining and resource sector, has not been immune from the significant downturn in the sector and accordingly the underlying results have proven to be very unsatisfactory and well below expectations. In hindsight it is clear that the company relied too much on a promised and expected pipeline of work and retained too much capacity when we should have been cutting to meet the actual level of work. Since 30 June 2014 market conditions have remained soft and the Company has continued to experience disappointing operating results and cashflow as customers continue to delay scheduled maintenance work.

Throughout the year the Company has endeavoured to consolidate its financial position and to secure an ongoing pipeline of work to support its growth strategies as a provider of maintenance services to the mining and resource sector. At the time of writing this report the Company is in the process reviewing proposals to recapitalise the Company to provide the necessary working capital to properly fund the Company's ongoing activities.

SZG has, over the last few months, dramatically restructured its operations to reduce costs in anticipation of ongoing revenue weakness within the mining services sector. With the ongoing support of creditors and stakeholders the Company aims to preserve its ability to offer clients the services they currently need to meet their long term maintenance requirements given we have both the facilities and the expertise to support the industry.

The Company's commitment to work place safety, and to staff training and development have been key factors in its ability to maintain the continued support of long standing customers and to attracting the business of new ones. Whilst the Company is in the process of downsizing to reduce costs and improve efficiencies

it has nevertheless maintained its capability to deliver in its core service areas in expectation of an uplift in demand for services. Companies who have deferred maintenance to date will, in the future, necessarily look to repair and maintain their existing equipment rather than commit to new capital expenditure.

Our business model is built around providing critical tasks and services, which involve preventative, regular and planned maintenance activities across a wide range of vehicles and machinery types. The majority of these services are non-discretionary in nature and critical to our clients in maximising their production and minimising downtime. However there is a current trend for some clients "run" their equipment fleets harder and longer and to accept a higher risk of breakdown and equipment failure. This sees a shift from preventative maintenance to breakdown repair & maintenance. SZG's aim is to continue to provide our clients with low execution risk together with meaningful cost benefits whilst generating a sound revenue basis to support its own growth and development as a business in this new environment.

As Chairman of the Company I would like to acknowledge the ongoing dedication and commitment of the SZG management team and workforce in what has proven to be a very difficult environment for companies such as ours engaged in the provision of mining services. Their efforts have enabled us to achieve many of our corporate objectives and they remain key to our success in the future and to retaining the goodwill of our customers and other stakeholders.

Looking forward, your Board remains focussed on strengthening the balance sheet and delivering improved financial performance. The work that management has, and continues to undertake in adjusting our costs to meet actual rather than expected workloads together with the work we have collectively been undertaking to recapitalise the company should soon lead to a much improved level of performance.

A stylized, handwritten signature in dark ink, consisting of a large, loopy 'M' followed by a series of connected loops and a long horizontal stroke extending to the right.

Malcolm Jackman

Chairman

Review of Operations

Subzero Group Limited (SZG) is based in the Upper Hunter Valley, northern New South Wales, Australia and offers a comprehensive range of specialized 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)

SZG aims to promptly deliver high value outcomes to both clientele and other key stakeholders.

SZG primarily occupies facilities in Muswellbrook and had established itself as one of the largest providers of offsite support, across its four business divisions, in the NSW mining sector.

SZG offers dedicated workshop capacity which is strategically located within a few kilometres of our most valuable clientele.



SZG well recognise the importance of both the capacity and efficiency of such facilities and, these have been well identified and achieved by the following key objectives;

- Geographical advantage in either lowering or eliminating significant transport cost through negotiations with local government.
- Design with maximum craneage and haulage friendly access ways that achieve significantly lower transport and crane costs
- In house crane and transport that enable engagement up to 150 tons importantly allowing improved control and maximising workflow logistics.
- Productivity enhancement through streamlining processes and designating more efficient facility management practices.

We remain committed to our people, our safety, our customers, our environment and our community. Our strong culture leads us to these basic principles and is reinforced in our corporate mission statement and the adoption of our vision and values.

SubZero Group Limited's 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. Underlying earnings before interest, tax, depreciation and amortization (EBITDA) was a loss of \$3.934 million.

SubZero Group Limited

Review of Operations (continued)

30 June 2014

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 \$7.239 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.

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 a restructuring of the Company's operations and cost saving programs have been commenced to offset anticipated revenue weakness. Board and management are also focussed on obtaining the support of secured creditors and other stakeholders in the short term.



STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2014

SubZero Group Limited (“SZG” or “the Company”)

Approach to Corporate Governance and Responsibility

The SZG Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to SZG, and to best addressing the directors’ accountability to shareholders and other stakeholders. This is supported by an overriding organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the recommendations set by the ASX Corporate Governance Council (“ASX Recommendations”) in the reporting period.

SZG’s Statement of Corporate Governance Practices and copies of its policies are available in the designated corporate governance area of its website at www.subzeroservices.com.au

This Statement is dated 10 October 2014 and has been approved by a resolution of the Board.

PRINCIPLE 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the SZG Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company’s major goals including the strategies and financial objectives;
- appointing, removing and controlling the Managing Director;
- the appointment and, where appropriate, the removal of the Chief Financial Officer (“CFO”) and/or Company Secretary;
- input into and final approval of the corporate strategy and performance objectives;
- approving systems of risk management and internal

compliance and control, codes of conduct and legal compliance;

- monitoring senior management’s performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The Board has delegated responsibility to the Managing Director for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing SZG’s annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Board is responsible for approving the performance objectives and measures for the Managing Director and assessing whether these objectives have been satisfied by the performance of the

Managing Director during the relevant period and in accordance with agreed terms of engagement.

The Managing Director is responsible for approving the performance objectives and measures of other senior executives in consultation with the Board. The Board provides input into the evaluation of performance by senior executives against the established performance objectives.

The performance of senior executives is monitored by means of scrutiny by the Board of regular monthly reports provided by management regarding the group financial performance and

forecasted results, presentations and operational reports, and the achievement of predetermined performance objectives.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.

The Company has provided this information. The roles and responsibilities of the Board and management

are detailed in the Board Charter which is available within the designated corporate governance area of the Company website.

PRINCIPLE 2: Structure the board to add value.

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

The SZG is comprised of 5 directors of which a majority, comprised of Mr Malcolm Jackman, Mr Bruce Arnott and Mr Joe Clayton, are considered to be independent directors.

Recommendation 2.2: The chair should be an independent director.

The Chairman is Mr Malcolm Jackman who is considered to be an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of chair and the Company's Managing Director are not be exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

The SZG Board has not established a nomination committee. Where a vacancy arises or it is considered appropriate to vary the composition of the Board of Directors, the full Board generally participates in any review of the Board's composition and the qualifications and experience of candidates. Directors are selected upon the basis of their specialist skills and business background so as to provide an appropriate mix of skills, perspective and business experience.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committee and individual directors.

The Chairman meets periodically with individual directors to discuss the performance of the Board and the director. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of

all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

Recommendation 2.6: Provide the information included in the Guide to reporting on Principle 2

The Company has provided this information.

PRINCIPLE 3: Promote ethical and responsible decision-making.

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to the:

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to the:

- practices necessary to maintain confidence in the company's integrity;
- practices necessary to take into account their legal obligations and the reasonable expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has approved a Code of Conduct and Ethics which applies to all directors, executives, management and employees without exception. In summary, the Code provides that all directors, executives and employees must:

- act honestly, in good faith and in the best interests of the Company;
- use due care, skill and diligence in the fulfilling their duties;
- use the powers of their position for a proper purpose, in the interests of the Company;
- not make improper use of information acquired in their position;
- not allow personal interests, or those of associates, conflict with the interests of the Company;
- exercise independent judgement and actions;
- not seek or accept a gift or benefit from any party in the performance of their duties;
- maintain the confidentiality of company

information acquired by virtue of their position;

- not engage in conduct likely to bring discredit to the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

In addition, SZG has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, employees and contractors of the Company, including:

- Securities Dealing Policy;
- External Disclosure and Market Communications Policy;
- Occupational Health & Safety Policy;
- Diversity Policy;
- Risk Management Oversight Framework;
- Continuous Disclosure Policy
- Environment Policy

Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are a breach of the Code of Conduct and Ethics, other SZG policies or regulatory requirements or laws.

The Company will investigate any concerns raised in a manner that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to employees found to have behaved contrary to legal and company standard requirements.

RECOMMENDATION 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Company has established a Diversity Policy which is available on the Company's website.

RECOMMENDATION 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company is committed to promoting a culture of diversity in the workplace including gender diversity.

The number of women participating throughout the workplace is reviewed on an annual basis and reported to the Board.

The Company's policies and procedures are reviewed on an annual basis to ensure that they adequately focus

on the participation of women in the workforce.

Women are considered for all positions in the Company extending through to senior management and the Board as and when opportunities or vacancies arise.

The Company aims to achieve gender diversity based on merit across all levels of its organisation subject to organisational capacity.

RECOMMENDATION 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Company's total workforce is comprised of 490 people of whom 308 are full time, 164 are part time and 18 are casual. Of this 40 women are employed in full time positions, 23 are part time and 17 are employed in casual positions, in total representing 19.5% of the workforce.

The Company employs 2 women as Senior Divisional Managers and 3 as Managers. The majority of the women employed by the Company are employed in administration

The Company has a Board of 5 of which none are women.

Recommendation 3.3: Provide the information indicated in Guide to reporting on Principle 3.

The Company has provided this information.

PRINCIPLE 4: Safeguard integrity of financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The Board should establish an audit committee.

The Board has established an audit committee.

Recommendation 4.2: Structure the audit committee so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board;
- has at least three (3) members.

During the reporting period, the Board's Audit Committee consisted of three members, all of whom are independent non-executive directors:

- Mr Bruce Arnott (Committee Chairman)
- Mr Joe Clayton

- Mr Malcolm Jackman.

Recommendation 4.3: The audit committee should have a formal charter.

The Board has established an Audit Committee Charter. The Charter sets out in detail the purpose, composition and membership, meeting procedures, roles and responsibilities of the committee and the authorities of the committee. The Charter will be posted on the Company's website.

Recommendation 4.4: Provide the information indicated in Guide to reporting on Principle 4.

The Company has provided this information.

PRINCIPLE 5: Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company regards continuous and appropriate disclosure and effective communication with its shareholders and the market generally as essential for the establishment and retention of investor confidence and the achievement of full and fair value for SZG's securities. The SZG Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material affect on the price, or value, of the SZG securities and to ensure those matters are notified to the ASX in accordance with ASX Listing Rule disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company has adopted an External Disclosure and Market Communications Policy which operates in conjunction with a Continuous Disclosure Procedure.

The Company Secretary is responsible for all communications with the ASX.

Recommendation 5.2: Provide the information indicated in Guide to reporting on Principle 5.

The procedures relating to the notification of price

sensitive information to the ASX and the subsequent posting of announcements on the SZG website are detailed within the SZG Market Disclosure Policy available at www.subzeroservices.com.au

PRINCIPLE 6: Respect the rights of shareholders.

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation by them at general meetings.

The Company has adopted an External Disclosure and Market Communications Policy which operates in conjunction with a Continuous Disclosure Procedure. SZG communicates to its shareholders and the investment markets through a program of regular announcements as part of its periodic reporting obligations. SZG also makes a number of announcements on an ad-hoc basis to fulfil its continuous disclosure obligations. SZG communicates information to shareholders through:

- disclosures to the ASX including the Company's Annual Report;
- notices and explanatory memoranda of annual general meetings and general meetings; and
- the Company's website at www.subzeroservices.com.au

SZG publishes information to the market as a whole in addition to that required by its continuous disclosure obligations to aid market understanding of SZG and its operations. In addition SZG's senior management interacts with members of the investment community and financial and business media through a variety of forums including results briefings, 'one on one' meetings and other discussions.

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings.

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

The Company has provided this information.

PRINCIPLE 7: Recognise and manage risk.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board of SZG has established a Risk Oversight and Management Framework. In accordance with this

framework the Board of SZG:

- recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of SZG;
- is responsible for the oversight of the group's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and
- has implemented policies designed to ensure that the group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The SZG Risk Management and Control Policy Framework is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its businesses.

The Audit Committee assists the Board in its risk management role by reviewing the financial and reporting aspects of the group's risk management and control practices.

The Managing Director has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Each month, reports are presented to the Board by the Managing Director. The reports encompass matters including actual financial performance against budgeted forecasts, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance. Reports are prepared and submitted on a monthly basis in relation to the overall financial position and performance of the Company. In

addition to formalised written reporting procedures, the Board is regularly briefed by the Managing Director, retained consultants and senior management on emerging or developed trends in market and operational conditions having the potential to impact on the overall performance of the group.

The Managing Director has reported to the Board on the effectiveness of the Company's management of its material business risks in respect of the year ended 30 June 2014.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received such written assurances from the Managing Director and the person performing the chief financial officer function in respect of the year ended 30 June 2014.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company has provided this information.

PRINCIPLE 8: Remunerate fairly and responsibly Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The SZG Board established a formal Remuneration Committee on 22 April 2014. The Committee is comprised of only two members which the Board considers to be adequate given the size of the Board and the nature and extent of the Company's operations. The committee is comprised of Joe Clayton (Committee Chairman) and Frank O'Halloran who are both independent directors.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors'

remuneration from that of executive directors and senior executives.

The aggregate remuneration of non-executive directors is approved by shareholders.

Individual directors' remuneration is determined by the board within the approved aggregate total.

In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to SZG is taken into account.

Non-executive directors of SZG are:

- not entitled to participate in performance based remuneration practices unless approved by shareholders; and
- currently remunerated by means of the payment of cash benefits in the form of directors' fees.

SZG does not currently have in place a retirement benefit scheme or allowance for its non-executive directors.

Executive directors do not receive directors' fees.

A review of the compensation arrangements for the Managing Director and senior executives is conducted on a regular basis by the full Board and is based on criteria including the individual's performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of SZG is to ensure that the total package provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate

executives of the highest possible quality and standard in the Company's prevailing circumstances to enable the organisation to succeed.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company has provided this information where appropriate.



SubZero Group Limited

ABN 68 009 161 522

Full Financial Report - 30 June 2014

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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.

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

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 Sebuiku, 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,

BCom. 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

SubZero Group Limited

Directors Report (continued)

30 June 2014

Special responsibilities

Chairman of Audit Committee

Interest in shares

483,334 ordinary shares in SubZero Group Limited.

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

Interest in shares

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

Special responsibilities

Member of Audit Committee

Member of Remuneration and Succession Planning Committee

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 Lojczyk, 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	<u>(5,158)</u>	
Inventory write-off	160	160
Redundancies	94	94
Impairment costs		1,422
Non-recurring expenses	<u>970</u>	<u>1,215</u>
Underlying Profit	<u>(3,934)</u>	<u>(10,054)</u>

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 Gooze	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

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

Remuneration type:	FY15 Maximum Potential		FY14 Actual	
	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	<p>CEO can earn up to 125% of his annual fixed remuneration.</p> <p>The other executives within the Executive Team can earn 45% to 60% of their annual fixed remuneration.</p>
Performance measures	<p>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.</p> <p>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.</p> <p>General Managers STI will be 60% for Group EBITDA and 40% for Division EBITDA.</p>
Testing and approval of performance measures	<p>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.</p> <p>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.</p>
Rationale for choosing performance measures	<p>The non-financial measures are chosen to ensure each executive of the Executive Team performs specific tasks that support the success of SubZero.</p> <p>The financial measure of EBITDA is chosen to ensure short term shareholders value is achieved.</p>
Forms of STI reward elements	<p>All in deferred equity in September 2016.</p> <p>100% of entitlement is granted as deferred equity award (DEA) of performance rights to SubZero ordinary shares and vesting in September 2016.</p>
Key terms of DEA	<p>DEA of performance rights to SubZero ordinary shares are normally granted in September following the financial year.</p> <p>These rights are granted to the participants at no cost, to the dollar value of their DEA awarded.</p> <p>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.</p> <p>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.</p> <p>These rights will accrue notional dividends which will be paid upon vesting.</p>
Forfeiture conditions	<p>The Board retains the discretion to adjust any unpaid or unvested performance related downwards if it is appropriate to do so.</p> <p>The performance rights will be forfeited if the executive resigns before the vesting date.</p> <p>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.</p>

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.
Forfeiture conditions	These rights will accrue notional dividends which will be paid upon vesting.
	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 Gooe	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 Gooe	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:

	2014 \$	Consolidated 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.

A handwritten signature in black ink, appearing to read 'D A Turner'.

Darren Turner
Partner
PricewaterhouseCoopers

Newcastle
30 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757
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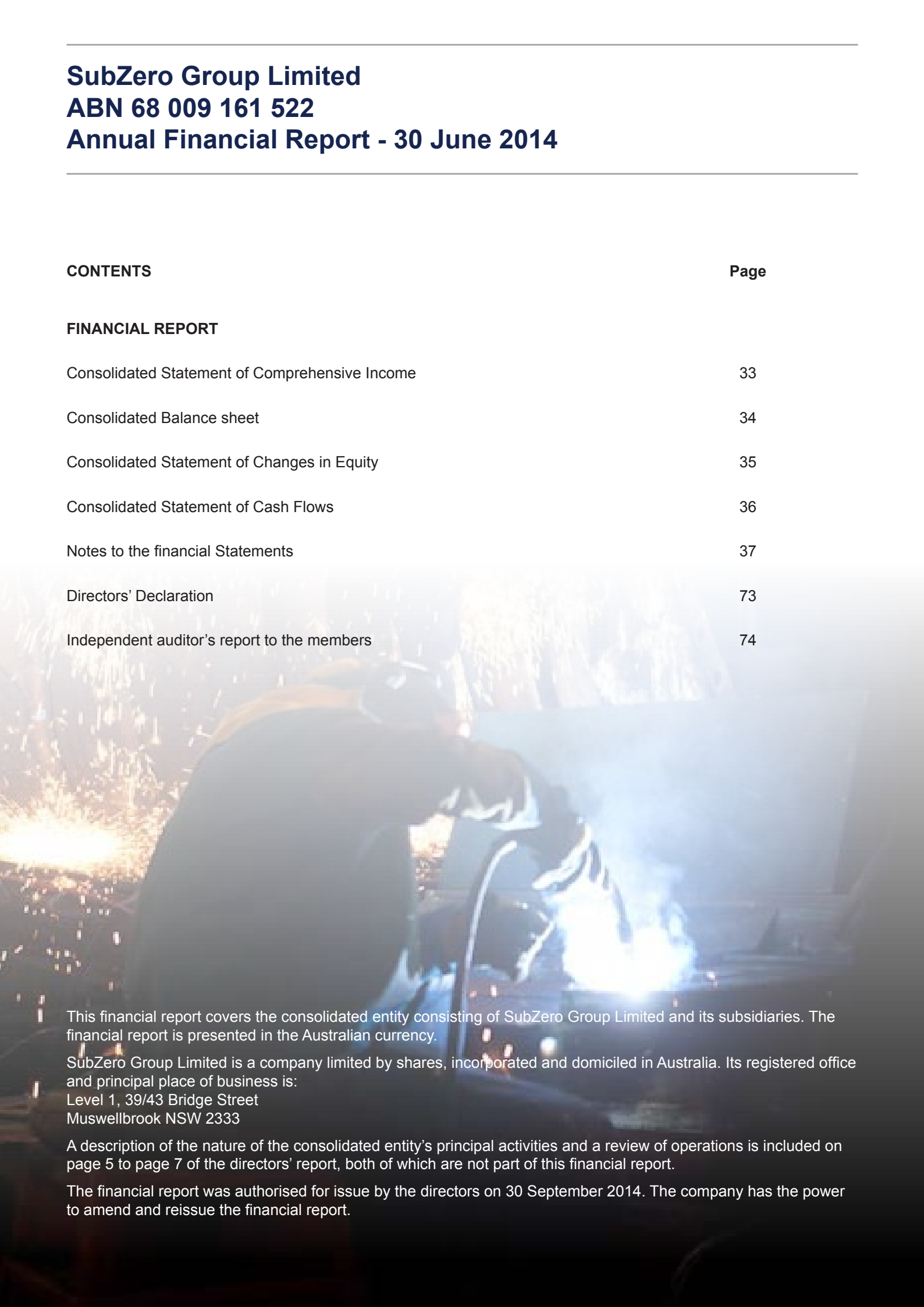
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SubZero Group Limited

ABN 68 009 161 522

Annual Financial Report - 30 June 2014

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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.

SubZero Group Limited
Consolidated Balance Sheet
As at 30 June 2014

	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.

SubZero Group Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Note	Attributable to owners of SubZero Group Limited				Non-controlling interest	Total equity
		Contributed Equity	Reserves	Retained earnings	Total		
		\$'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.

SubZero Group Limited

Consolidated Statement of Cash Flows

As at 30 June 2014

	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.

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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 substantively 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)

(I) 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.

SubZero Group Limited

Notes to the Consolidated Financial Statements (continued)

30 June 2014

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:

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2014					
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)

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2013					
Financial assets					
Cash and cash equivalents	125	(13)	(13)	13	13
Accounts receivable	14,961	-	-	-	-
Financial Liabilities					
Trade 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		
<i>Sales revenue</i>	63,786	84,903
	63,786	84,903
<i>Other revenue</i>		
Other Income	1,340	593
	1,340	593
Expenses		
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
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
<i>Amortisation</i>		
Intangibles assets	6	1
Borrowing costs	11	17
Total amortisation	17	18
<i>Impairment</i>		
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 3 months	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:		
<i>Amounts recognised in profit or loss</i>		
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
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 17)</i>	(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 \$'000	2013 \$'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.

SubZero Group Limited

Notes to the Consolidated Financial Statements (continued)

30 June 2014

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		
<i>Floating charge</i>		
Financial assets - held to maturity investment	-	300
Total current assets pledged as security	-	300
Non-current		
<i>Hire purchase liabilities</i>		
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				
<i>Non traded financial liabilities</i>				
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:		
<i>Amounts recognised in profit or loss</i>		
Consumables	801	485
Eligible R&D expenditure capitalised	78	78
	879	563
Total deferred tax liabilities	879	563
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 11)</i>	(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:				
			Number of shares	\$'000
Date	Details			
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:		
<i>Transactions with non-controlling interests</i>		
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	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	Milford Hills Pty Ltd
	30 June 2014 \$'000	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	Milford Hills Pty Ltd
	30 June 2014 \$'000	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	Milford Hills Pty Ltd
	30 June 2014 \$'000	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>(i) Audit and other assurance services</i>		
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
<i>(ii) Other services</i>		
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 \$'000	2013 \$'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 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as		
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
	\$	\$
<i>Loans to key management personnel</i>		
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
<i>Loans to other related parties</i>		
Beginning of the year	-	-
Loans advanced	33,085	-
Loan repayments received	-	-
Interest charged	-	-
Interest received	-	-
End of year	33,085	-
<i>Loans from SubZero Group Limited (ultimate Australian parent entity)</i>		
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	<u>(11,582)</u>	<u>5,089</u>

26 Non cash investing and financing activities

	2014 \$'000	2013 \$'000
Acquisition of plant and equipment by means of hire purchase	<u>356</u>	1,284
	<u>356</u>	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	<u>-6.0</u>	-3.9
Profit attributable to the ordinary equity holders of the company	<u>-6.0</u>	-3.9
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	<u>-6.0</u>	-3.9
Profit attributable to the ordinary equity holders of the company	<u>-6.0</u>	-3.9

27 Earnings per share (continued)

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

	2014 \$'000	2013 \$'000
<i>Basic earnings per share</i>		
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)
<i>Diluted earnings per share</i>		
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
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	216,667,452	154,895,470
Adjustments for calculation of diluted earnings per share:	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	216,667,452	154,895,470

SubZero Group Limited

Notes to the Consolidated Financial Statements (continued)

30 June 2014

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
<i>Shareholders' equity</i>		
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 its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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

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

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



Mr Malcolm Jackman
Chairman



Mr Scott Farrell
Managing Director

Sydney
30 September 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
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T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

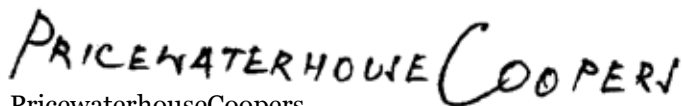
Without qualifying our opinion, we draw attention to Note 1(v) in the financial report, which indicates that the company incurred a net loss of \$13m during the year ended 30 June 2014 and, as of that date the company's current liabilities exceeded its current assets by \$14.7m. As a result, the company 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



Darren Turner
Partner

Newcastle
30 September 2014

SHAREHOLDER INFORMATION AS AT 8 OCTOBER 2014

- (a) Number of SZG shareholders: **616**
- (b) Total shares issued: 217,900,554 Unrestricted Fully Paid Ordinary
 35,014,848 Escrow expiring 10 April 2015
 252,915,402
- (c) Percentage of total holdings by 20 largest shareholders (unrestricted) **61.45%**
- (d) Distribution schedule of holdings (unrestricted)

Number of Ordinary Shares	Number of Holders
1-1,000	125
1,001-5,000	89
5,001-10,000	52
10,001-100,000	200
100,001 and over	150
less than marketable parcel	359

- (e) Voting rights: Every member present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES – ASX QUOTED SHARES:

Rank	Name	Number of Shares	%
1	Portfolio Services Pty Ltd	20,673,666	9.49
2	Citicorp Nominees Pty Limited	17,923,753	8.23
3	Subzero Services Pty Limited	15,000,000	6.88
4	Subzero Services Pty Limited	8,890,818	4.08
5	PPK Investment Holdings Pty Ltd	8,062,500	3.70
6	Butler-Jones Project Management Pty Ltd <McTaggart Family Trust>	6,021,584	2.76
7	Mr F M O'Halloran & Mrs R A O'Halloran <F M & R A O'Halloran S/F A/C>	5,266,667	2.42
8	Avanteos Investments Limited <John Menzies McMurtrie A/C>	5,000,000	2.29
9	Contemplator Pty Ltd <ARG Pension Fund>	4,994,525	2.29
10	Pebede Pty Ltd <Dacruz Family Trust>	4,895,276	2.25
11	Diesel And Plant Services Pty Ltd <DPS Trust>	4,793,944	2.20
12	F M & R A O'Halloran <F M & R A O'Halloran Superannuation>	4,722,524	2.17
13	Subzero Services Pty Limited	4,558,818	2.09
14	HSBC Custody Nominees (Australia) Limited	4,293,281	1.97
15	Wavet Fund No 2 Pty Ltd	3,657,060	1.68
16	Kai Lani Mackerel Pty Ltd <The McCullagh Super Fund A/C>	3,082,133	1.41
17	Ruminator Pty Ltd	3,038,679	1.39
18	Corso Management Services Pty Ltd	3,033,334	1.39
19	Mrs Catherine Maree Jordan	3,000,000	1.38
20	Onmell Pty Ltd <OnmBpsf A/C>	2,990,075	1.37
	TOTAL	133,898,637	61.45
	Balance of Register	84,001,917	38.55
	TOTAL	217,900,554	100.00

ESCROW EXPIRING 10 APRIL 2015:

Rank	Name	Number of Shares	%
1	Subzero Services Pty Limited,	19,558,818	55.86
2	Butler-Jones Project Management P/L <McTaggart Family Trust>	3,920,784	11.20
3	Carlie Sherie Watson <Watson Family Trust>	2,400,000	6.85
4	Pebede Pty Ltd <Dacruz Family Trust>	2,340,912	6.69
5	Turbot Investments Pty Limited <Fat Sam Trading Trust>	2,340,912	6.69
6	Value Add Property Investments P/L <Farrell Investment Trust>	2,340,912	6.69
7	Diesel And Plant Services Pty Ltd <DPS Trust>	2,111,760	6.03
8	SF Auto Australia Pty Ltd <SF Investment Trust>	750	0.01
	TOTAL	35,014,848	100.00

SUBSTANTIAL HOLDERS:

Scott Michael Farrell and Associates	53,862,609	21.30
Portfolio Services Pty Ltd, Ariadne Holdings Pty Ltd, Ariadne Australia Limited, Bivaru Pty Ltd	20,673,666	8.17

Directors	<p>Mr Malcolm Jackman (Independent Non Executive Chairman)</p> <p>Mr Scott Farrell (Managing Director and Chief Executive Officer)</p> <p>Mr Bruce Arnott (Independent Non Executive Director)</p> <p>Mr Graeme (Joe) Clayton (Independent Non Executive Director)</p> <p>Mr Frank O'Halloran, AM (Non-Executive Director)</p>
Secretary and CFO	<p>Mr Andrew Cooke (Joint Co. Secretary)</p> <p>Mr Robert Lojszczyk (Joint Co. Secretary and Chief Financial Officer)</p>
Other Key Management	<p>David Hales (Chief Operating Officer (resigned 23/07/2014))</p> <p>Jonathan McTaggart (General Manager - Mechanical Support)</p> <p>Keith Google (General Manager - Production Support)</p> <p>Scott Watson (General Manager - Structural Support)</p>
Notice of annual general meeting	<p>The annual general meeting of Subzero Group Limited</p> <p>Will be held at</p> <p>Time 2:30 PM</p> <p>Date Tuesday 18 November 2014</p> <p>Location PwC Sydney, Darling Park, Tower 2, 201 Sussex St, SYDNEY</p>
Principal registered office in Australia	<p>Level 1, 39/43 Bridge Street</p> <p>Muswellbrook NSW 2333</p> <p>Telephone: +61 2 6540 9400</p>
Share registry	<p>Link Market Services Limited</p> <p>Level 12, 680 George Street</p> <p>Sydney NSW 2000</p> <p>Telephone: +61 2 8280 7100</p>
Auditor	<p>PricewaterhouseCoopers</p> <p>Level 3, 45 Watt St Commercial</p> <p>Newcastle NSW 2300</p>
Stock exchange listings	<p>Subzero Group Limited shares are listed on the Australian Stock Exchange</p> <p>The home exchange is Sydney.</p>
Web site address	<p>www.subzeroservices.com.au</p>





