



# SVC Group Limited

ACN 009 161 522

Level 8, 55 Hunter Street  
Sydney, NSW 2000

14 December 2012

## ASX ANNOUNCEMENT

### ACQUISITION OF SUBZERO HOLDINGS PTY LIMITED

SVC has today entered into a Share Purchase Agreement to acquire all of the issued capital of SubZero Holdings Pty Limited (**SubZero**).

#### About Subzero

The SubZero Group carries on an established and profitable mining service business based in the Hunter Valley, New South Wales. Its clients are almost exclusively involved in the Hunter Valley thermal coal mining industry. SubZero Group's services include mining project support, equipment hire, offsite engineering and fabrication, onsite machining, field services and heavy machinery repairs. It has over 90 clients including Rio Tinto, BHP and Xstrata.

Further information can be found at the SubZero website: <http://subzeroservices.com.au/>

The SubZero Group currently consists of six businesses, five of which are controlled by SubZero's founder, Scott Farrell, and one of which is jointly controlled by Scott Farrell and its two other co-founders. SubZero owns 74% of two of the controlled businesses. The ownership of the other four businesses is in the process of being restructured and consolidated so that, at completion, they will be fully owned and controlled by SubZero.

The SubZero Group commenced business 13 years ago supplying liquid nitrogen and related fitting services. It has since expanded through acquisitions and the formation of new divisions. Its businesses now include:

- bulk earthworks, road construction and maintenance and heavy haulage services;
- dry/wet equipment hire;
- off-site engineering, fabrication and machining services to mining equipment;
- line boring (24 hours, 7 days per week);
- field services;
- infrastructure and civil works services;
- technical services;
- temporary labour hire services;
- heavy machinery repairs and services;
- high end diagnostic and monitoring solutions for equipment; and
- supply and installation of proprietary products and systems.

The SVC Board believes there are substantial opportunities for further growth of SubZero's services from existing clients and the opportunity to service new mines both in the Hunter Valley and in the Gunnedah and Western coalfields.



The vendors of SubZero are entities associated with the founders of SubZero and its various businesses. The largest and controlling shareholding is by Scott Farrell controlled entities. It is intended that Mr Farrell will be appointed CEO of SVC at completion.

### **Disposal of Property Joint Venture**

It is intended that the Sub Zero business will be the only business carried on by SVC post acquisition. Therefore, SVC intends to dispose of its interest in the joint venture with CCD by transferring the interest into an unlisted public company. The share in the unlisted public company will be distributed in specie to the shareholders of SVC on the "record date". The record date will be the day immediately before the completion of the SubZero acquisition. The disposal of the JV interest will be subject to approval of the shareholders at the general meeting.

### **SubZero Financials**

The key financial information for the SubZero Group for the year ended 30 June 2012 will be set out in detail in the Independent Expert's Report prepared by Hall Chadwick which will be forwarded to all shareholders (see below for further details). A summary of the key financials for the SubZero Group for the financial years ended 30 June 2011 and 30 June 2012 follows:

	<b>FY 2011</b>	<b>FY 2012 \$'m</b>
Gross revenue	65.76	83.60
EBITDA	4.84	12.85
Interest and depreciation	5.34	6.75
Property, plant and equipment (WDV)	17.62	18.53
Non-related party borrowings	17.82	17.68

The Directors believe that there will be substantial growth in both revenue and profitability in the years ending 30 June 2013 and 2014.

### **General Meeting of Shareholders**

The acquisition of SubZero will result in the vendors and their associates acquiring a voting power in SVC of greater than 20%. The transaction will therefore require the approval of the shareholders of SVC in a general meeting in order to comply with the provisions of Section 611 of the Corporations Act.

The transaction will also result in a significant change to the nature and scale of SVC's activities. Accordingly, shareholder approval will be required under ASX Listing Rule 11.1.2. It will be necessary for SVC to re-comply with the admission requirements in Chapters 1 and 2 of the ASX Listing Rules.

It is intended that a general meeting of SVC shareholders be held in mid January 2013 to consider the transaction and to vote on the necessary resolutions. The notice of the general meeting will include an Independent Expert's Report prepared by Hall Chadwick as to whether the transaction is fair and reasonable for the non-related shareholders of SVC.

Apart from resolutions relating directly to the acquisition of SubZero, additional resolutions will be put to members at the general meeting as follows:

1. The shares of SVC will be consolidated on a ratio of 10.6 to 1. That is, the current shares on issue will be consolidated from 147,054,655 to approximately 13,873,081.
2. SVC Group Limited will change its name to SubZero Group Limited.
3. The disposal of the interest in the CCD joint venture.

### **Acquisition Terms**

The purchase price of SubZero will be entirely funded by the issue of shares (on a post-consolidation basis) to the vendors as follows:

1. On settlement, SVC will issue 120 million fully paid ordinary shares to the vendors at an issue price of 25c (**Consideration Shares**). Up to a further 10 million fully paid ordinary shares will be issued at an issue price of 25c to repay debt owed by SubZero to the vendors.

The vendor shareholders have agreed to a voluntary escrow of 80% of the Consideration Shares for 12 months and 40% of them for a further 12 months.

2. A further issue of between 15 million and 30 million fully paid shares (**Earnout Shares**) may be made to the vendors if agreed EBIT targets are met in the year ending 30 June 2014. The EBIT targets and resulting Earnout Shares are as follows:

EBIT	Number of Earnout Shares
Equal to or more than \$16 million but less than \$17 million	15,000,000
Equal to or more than \$17 million but less than \$18 million	18,000,000
Equal to or more than \$18 million but less than \$19 million	21,000,000
Equal to or more than \$19 million but less than \$20 million	24,000,000
Equal to or more than \$20 million	30,000,000

The Agreement contains a number of conditions precedent including:

1. The SubZero acquisition transaction, the issue of the above mentioned shares and the issue of the shares under the prospectus mentioned below are approved by shareholders of SVC at a general meeting.
2. SVC issues between 18 million and 26 million shares at a price of 25c pursuant to a prospectus to be issued by the Company.
3. SVC has at completion at least \$4.5m in cash and no liabilities.
4. That SVC re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The vendors will appoint a majority of directors of the Board at completion, one of whom will be Scott Farrell. Of the current directors, Mr Richard Pritchard will remain and Messrs Crimmins and Govey will step down as directors at completion.

The indicative timetable for the transaction (see below) contemplates completion occurring towards the end of January 2013.

### **Prospectus**

The Agreement provides that SVC will issue a prospectus to raise a minimum of \$4.5 million and a maximum of \$6.5 million (before costs) by the issue of new shares at an issue price of 25c. The offer of shares under the prospectus will be conditional on all resolutions relating to the transaction being passed by SVC's shareholders.

The funds raised under the prospectus will be used primarily for the purposes of:

- debt reduction;
- the fitout of SubZero's newly leased purpose built mining equipment and machinery maintenance and refurbishment facility at Muswellbrook; and
- working capital.

On completion, SVC will be required to issue up to 4,125,000 fully paid shares to Tandem Capital Pty Limited ("Tandem") in consideration for the management and marketing of the prospectus.

### **Share structure**

The (post consolidation) share structure after completion of all transactions follows:

	<b>No Earnout Shares and Minimum Capital raised</b>	<b>%age</b>	<b>Maximum Earnout Shares Issued and Maximum Capital raised</b>	<b>%age</b>
Current shareholders	13,873,081	8.36	13,873,081	6.80
Vendors	130,000,000	78.31	160,000,000	78.43
Tandem	4,125,000	2.49	4,125,000	2.02
Prospectus investors	18,000,000	10.84	26,000,000	12.75
<b>TOTAL</b>	<b>165,998,081</b>	<b>100.0</b>	<b>203,998,081</b>	<b>100.0</b>

### **Indicative Timetable**

The timetable for the completion of the transaction below is indicative only and subject to change.

<b>Event</b>	<b>Date</b>
Sending Notice of Meeting to Shareholders	21 December 2012
Lodgement of prospectus	21 December 2012
General meeting of shareholders	22 January 2013
Close of prospectus	30 January 2013
Completion and issue of new shares	31 January 2013



Further information in relation to the proposed acquisition of SubZero will be provided to shareholders in the notice of general meeting and prospectus. Please do not hesitate to contact the Company for any further information or clarification on the matters addressed in this announcement.

Yours faithfully,

Brett Crowley  
Company Secretary