SHELL VILLAGES AND RESORTS LIMITED AND CONTROLLED ENTITIES

ABN: 68 009 161 522

Annual Financial Report

for the Year Ended 30 June 2008

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2008.

The Board of Directors is responsible for the corporate governance of the consolidated entity. It monitors the business affairs of the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

Board Composition

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- The Board shall not comprise a majority of executive Directors; and
- Directors shall bring characteristics, which allow a mix of qualifications, skills and experience.

Where there is no formal review process in place, in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is informally reviewed by the Chairman. Directors whose performance is unsatisfactory may be asked to retire.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The names of independent directors of the company are:

Mr Peter Dunne (resigned 17/10/2008)

Mr Boris Patkin (appointed 16/12/2008)

Mr Rohan Kerr (appointed 21/10/2008)

Mr John Bennett (resigned 21/10/2008)

Mr Stephen Grimson (resigned 7/07/2008)

Performance Evaluation and Communication to Shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of all Directors. Information is communicated to the shareholders through:

- Annual Report which is distributed to all shareholders and posted on the ASX website www.asx.com.au;
- The Half-yearly report which is posted on the ASX website www.asx.com.au;
- The Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;
- The Company's compliance with ASX continuous disclosure requirements;
- All public announcements and associated documents which are made available on the Company website at www.shellvillages.com.au

The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs:

- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- Notices of all meetings of shareholders are made available to shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

The External Auditor is to attend the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit Committee

The Board of Directors holds responsibilities of the audit committee.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board believes that the current cost control framework to be suitable to the Company's current operations. There is no Internal Audit function as the cost would significantly outweigh the benefits.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Conflict of Interest

In accordance with Corporations Act 2001 and the company's constitution, the directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. Details of Director related entity transactions with the Company and the consolidated entity are set out in the note 25.

Independent Professional Advice

Each director will have the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

Business Risk Management

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas which were initially identified and which will be regularly considered by the Board Meetings include foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

Ethical Standards

The Board's policy for all Directors and management to conduct themselves with the highest ethical standards. All directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Other Information

Further information relating to the company's corporate governance practices and policies can be obtained from the company upon the request of shareholders.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr Corey Budd (appointed 26/02/2008)

Mr John Bennett (resigned 21/10/2008)

Mr Peter Dunne (resigned 17/10/2008)

Mr Boris Patkin (resigned 24/10/2007) (reappointed 16/12/2008)

Mr Peter Burger (resigned 17/06/2008)

Mr Stephen Grimson (resigned 7/07/2008)

Mr Rohan Kerr (appointed 21/10/2008)

Mr Steve Taylor (appointed 4/10/2008) (resigned 16/12/2008)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mrs Lynn Thompson resigned as company secretary on 24 April 2009. In accordance with ASX listing rule 12.6, Mr Boris Patkin is caretaker company secretary until such a time a new company secretary is announced.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Owning, managing and developing "Over 50's Residential Gated Communities".

In August 2007 the shareholders approved the following:

- change of nature of The Company's business activities from medical operations to property operations;
- change company name from Medical Monitors Limited to Shell Villages and Resorts Limited.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated loss of the consolidated group after providing for income tax amounted to $5,197,992 (2007: $5,653,081).

Dividends Paid or Recommended

No dividends have been paid or declared during the financial year ended 30 June 2008 (2007: nil), nor have the directors recommend that any dividend be paid.

Review of Operations

- In August 2007 the shareholders approved change of principal activities from medical services to property operations;
- The Group has sold its medical business for $1.16 million, which was approved by shareholders at the extraordinary general meeting on 31 December 2008;
- The Group continues to convert debt to equity, with $1.4 million of debt converted to equity during the 2008 financial year.
- The Group has negotiated the sale of its Hunter Valley, Brisbane River Terrace and Cooroy properties.

DIRECTORS' REPORT

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. On 23 August 2007 the company sold its subsidiary Heart Monitors Pty Ltd for $1.16 million.

ii. In February 2008 the company appointed a new Managing Director to head its property operations.

iii. Before the end of financial year the company started negotiating sale of its properties in Hunter Valley, Brisbane River Terrace and Cooroy.

Future Developments, Prospects and Business Strategies

To further improve the consolidated group's profit and maximise shareholder wealth, the following developments are intended to be implemented in the near future:

i. The company seeks to sell its properties in Hunter Valley, Cooroy and Brisbane River Terraces to concentrate on development opportunities.

ii. The company continues to looks for positive cash flow companies to purchase to improve cash flows and strengthen the balance sheet of the business.

These developments, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the consolidated group's long-term goals and development of new business opportunities.

Information on Directors

Mr Boris Patkin	—	Non-executive Director
Qualifications	—	Bachelor of Science (Industrial Chemistry) Masters in Commerce (Marketing and Financial Management)
Experience	—	Board member since December 2008
Special Responsibilities	—	Actively promoting new investment opportunities and investor relations
Mr Rohan Kerr	—	Non-executive Director
Experience	—	Board member since October 2008.
Mr Corey Budd	—	Managing Director
Qualifications	—	Masters of Business Administration (Executive)
Experience	—	Board member since February 2008.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each director of Shell Villages & Resorts Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Shell Villages and Resorts Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is based on the following factors:

- Length of service,
- Experience of individual involved,
- The overall performance of the market in which the Company is in,
- The overall performance of the Company.

Key Management Personnel Remuneration

2008

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash salary and fees	Cash bonus	Non – monetary benefits	Other	Super-annuation
	$	$	$	$	$
Mr Corey Budd	45,000	-	-	-	4,050
Mr Peter Berger	-	-	-	-	-
Mr Boris Patkin	44,000	-	-	-	-
Mr Stephen Grimson	-	-	-	-	-
Mr Peter Dunne	-	-	-	-	-
Mr John Bennett	-	-	-		-
Total	89,000	-	-	-	4,050

2008 (cont'd)

Key Management Person	Share-based Payment		Total	Performance Related	Shares as a percentage of remune-ration
	Equity	Options			
	$	$	$	%	%
Mr Corey Budd	30,000	-	79,050	-	38
Mr Peter Berger	30,000	-	30,000	-	100
Mr Boris Patkin	9,500	-	53,500	-	18
Mr Stephen Grimson	-	-	-	-	-
Mr Peter Dunne	25,000	-	25,000	-	100
Mr John Bennett	25,000	-	25,000	-	100
Total	119,500	-	212,550	-	56

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONITNUED)

2007

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash salary and fees	Cash bonus	Non – monetary benefits	Other	Super-annuation
	$	$	$	$	$
Mr Peter Berger	-	-	-	-	-
Mr Boris Patkin	-	-	-	-	-
Mr Stephen Grimson	-	-	-	-	-
Mr Peter Dunne	-	-	-	-	-
Mr John Bennett	-	-	-	-	-
Dr Allan Shell	-	-	-	-	-
Mr Neville Buch	-	-	-	-	-
Mr John Genner	-	-	-	-	-
Mr Harry Platt	-	-	-	-	-
Total	-	-	-	-	-

2007 (cont'd)

Key Management Person	Share-based Payment		Total	Performance Related	Shares as a percentage of remune-ration
	Equity	Options			
	$	$	$	%	%
Mr Peter Berger	-	-	-	-	-
Mr Boris Patkin	-	-	-	-	-
Mr Stephen Grimson	-	-	-	-	-
Mr Peter Dunne	-	-	-	-	-
Mr John Bennett	-	-	-	-	-
Dr Allan Shell	30,000	-	30,000	-	100
Mr Neville Buch	18,000	-	18,000	-	100
Mr John Genner	18,000	-	18,000	-	100
Mr Harry Platt	-	-	-	-	-
	66,000	-	66,000	-	100

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONITNUED)

The table below sets out key management personnel's compensation together with the earnings for the same period.

Financial year ended	Total remuneration $	EPS cents	Share price cents
30 June 2004	366,465	(2.0)	7
30 June 2005	472,147	(2.0)	4
30 June 2006	488,615	(3.0)	24
30 June 2007	66,000	(7.5)	10
30 June 2008	212,550	(14.3)	18

Note: EPS and share price are shown as at the reporting date without adjustments for consolidations and bonus share issues.

Director's Share and Option Holdings as of the date of this report

	2008		2007	
	Shares	Options	Shares	Options
Mr Corey Budd	210,000	-	N/A	-
Mr Peter Berger	66,667	-	25,000	-
Mr Boris Patkin	N/A	-	1,291,786	-
Mr Stephen Grimson	105,767	-	91,000	-
Mr Peter Dunne	55,556	-	-	-
Mr John Bennett	55,556	-	-	-
	493,546	-	1,407,786	-

Meetings of Directors

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Peter Berger	3	3
Mr Boris Patkin	6	4
Mr Stephen Grimson	6	4
Mr Peter Dunne	6	6
Mr John Bennett	6	6
Mr Corey Budd	2	2

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

Non-audit Services

The board of directors is satisfied that nil non-audit services were performed by the external auditors during the year.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under the law of the Commonwealth and State. The directors are not aware of any significant breach, or pending legal action, in the period covered by this report.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 10 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Boris Patkin
Director

Dated this 30th day of September 2009

prosperity
audit services

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SHELL VILLAGES AND RESORTS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

30 September 2009

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Prosperity Audit Services
ABN 87 879 283 831

Shell Villages and Resorts Limited ABN *68 009 161 552*
and Controlled Entities

INCOME STATEMENTS
FOR YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
Revenue	2	**8,596**	128,177	**-**	4,165
Cost of Sales		**-**	-	**-**	-
Gross Profit		**8,596**	128,177	**-**	4,165
Other income	2	**1,211,009**	593,324	**198,827**	17,409
Consulting expenses		**(652,700)**	(635,835)	**(550,343)**	(364,111)
Commissions		**(80,260)**	(464,035)	**(17,455)**	(438,000)
Corporate expenses		**(193,701)**	(95,297)	**(193,701)**	(87,542)
Depreciation and amortisation		**(250,666)**	(192,828)	**(7,506)**	(49,710)
Finance costs		**(856,256)**	(693,452)	**(325,093)**	(183,699)
Foreign currency loss		**(58)**	(236)	**(58)**	(236)
International marketing expenses		**-**	(50,288)	**-**	(50,288)
Provision for write-downs		**(2,845,000)**	(3,405,757)	**(7,800,534)**	(1,352,247)
Other expenses		**(880,322)**	(442,708)	**(404,919)**	(354,114)
Provision for write-down of inventory		**-**	(19,246)	**-**	(19,246)
Rental property expenses		**(214,417)**	(88,954)	**(553)**	-
Rent		**(49,323)**	(55,735)	**(11,730)**	(51,423)
Staff Expenses		**(332,633)**	(495,449)	**(322,076)**	(495,219)
Loss before income tax	3	**(5,135,731)**	(5,918,319)	**(9,435,141)**	(3,424,261)
Income tax benefit	4	-	265,238	**-**	265,238
Loss from continuing operations		**(5,189,059)**	(5,653,081)	**(9,435,141)**	(3,159,023)
Loss from discontinued operations	5	**(8,933)**	-	**-**	-
Loss attributable to members of the parent entity		**(5,197,992)**	(5,653,081)	**(9,435,141)**	(3,159,023)
Basic earnings per share (cents per share)	8	**(15.3)**	(22.5)		

Diluted earnings is not disclosed as it is not materially different to basic earnings per share

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

Shell Villages and Resorts Limited ABN *68 009 161 552*
and Controlled Entities

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	**46,361**	306,588	**2,975**	197,628
Trade and other receivables	10	**137,746**	26,768	**60,003**	84,329
Financial assets held for sale	11	-	-	**-**	2,460,405
Fixed assets held for sale	12	**13,162,063**	-	**-**	-
Other current assets	15	**124,015**	9,103	**-**	-
TOTAL CURRENT ASSETS		**13,470,185**	342,459	**62,978**	2,742,362
NON-CURRENT ASSETS					
Trade and other receivables	10	-	-	**-**	4,544,511
Financial assets	11	-	-	**56**	61
Property, plant and equipment	13	**3,942**	12,491,622	**3,942**	22,193
Intangible assets	14	**600,000**	4,827,406	**-**	-
Other non-current assets	15	**5,261**	20,640	**3,782**	3,782
TOTAL NON-CURRENT ASSETS		**609,203**	17,339,668	**7,780**	4,570,547
TOTAL ASSETS		**14,079,389**	17,682,127	**70,758**	7,312,909
CURRENT LIABILITIES					
Trade and other payables	16	**944,793**	1,529,676	**698,393**	771,291
Financial liabilities	17	**13,724,000**	2,628,532	**3,870,000**	2,179,281
Short-term provisions	18	**-**	259	**-**	259
TOTAL CURRENT LIABILITIES		**14,615,465**	4,158,467	**4,568,393**	2,950,831
NON-CURRENT LIABILITIES					
Financial liabilities	17	**1,195,000**	11,820,500	**1,195,000**	2,330,000
TOTAL NON-CURRENT LIABILITIES		**1,195,000**	11,820,500	**1,195,000**	2,330,000
TOTAL LIABILITIES		**15,810,465**	15,978,967	**5,763,393**	5,280,831
NET ASSETS		**(1,784,404)**	1,703,160	**(5,692,635)**	2,032,078
EQUITY					
Issued capital	19	**41,793,849**	40,083,421	**41,793,849**	40,083,421
Reserves		**493,152**	493,152	**393,153**	393,153
Retained earnings		**(44,074,405)**	(38,873,413)	**(47,879,637)**	(38,444,496)
TOTAL EQUITY		**(1,784,404)**	1,703,160	**(5,692,635)**	2,032,078

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

STATEMENTS OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2008

Consolidated Group

	Share Capital – Ordinary Shares	Retained Earnings	Reserves	Total
	$	$	$	$
Balance at 1 July 2006	35,746,633	(33,220,332)	493,152	3,019,453
Profit attributable to members of parent entity	-	(5,653,081)	-	(5,653,081)
Shares issued during the year	4,336,788	-	-	4,336,788
Balance at 30 June 2007	40,083,421	(38,873,413)	493,152	1,703,160
Shares issued during the year	1,710,428	-	-	1,710,428
Profit attributable to members of parent entity	-	(5,197,992)	-	(5,197,992)
Balance at 30 June 2008	**41,793,849**	**(44,074,405)**	**493,152**	**(1,784,404)**

Parent Entity

	Share Capital – Ordinary Shares	Retained Earnings	Reserves	Total
	$	$	$	$
Balance at 1 July 2006	35,746,633	(35,285,473)	393,153	854,313
Profit attributable to members of parent entity	-	(3,159,023)	-	(3,159,023)
Shares issued during the year	4,336,788	-	-	4,336,788
Balance at 30 June 2007	40,083,421	(38,444,496)	393,153	2,032,078
Shares issued during the year	1,710,428	-	-	1,710,428
Profit attributable to members of parent entity	-	(9,435,141)	-	(9,435,141)
Balance at 30 June 2008	**41,793,849**	**(47,879,637)**	**393,153**	**(5,692,635)**

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

CASH FLOW STATEMENTS
FOR YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		**1,281,622**	858,877	**220,376**	126,741
Interest received		**5,772**	30,612	**2,179**	9,596
Cash payments in the course of operations		**(2,935,612)**	(2,014,499)	**(1,270,329)**	(1,698,552)
Finance costs		**(814,245)**	(544,959)	**(188,749)**	(85,733)
Income tax paid		**-**	265,238	**-**	265,238
Net cash used in operating activities	24a	**(2,462,463)**	(1,404,731)	**(1,236,523)**	(1,382,710)
CASH FLOWS FROM INVESTING ACTIVITIES					
Refund deposits		**-**	(14,529)	**-**	(38,780)
Purchase of property, plant and equipment		**(287,142)**	(8,836,835)	**(6,348)**	-
Purchase of intangibles		**(600,000)**	-	**-**	-
Purchase of investments		**-**	-	**-**	(40)
Payment for businesses		**-**	(975,000)	**-**	-
Net cash used in investing activities		**(887,142)**	(9,826,364)	**(6,348)**	(38,820)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**291,649**	1,060,000	**291,649**	1,060,000
Proceeds from secured borrowings		**-**	6,183,000	**-**	-
Proceeds from unsecured borrowings		**2,798,500**	4,368,531	**2,615,000**	1,218,531
Loans to controlled entities		**-**	-	**(1,857,660)**	(588,561)
Repayment of borrowings		**(663)**	(152,011)	**(663)**	(145,927)
Net cash provided by financing activities		**3,089,486**	11,459,520	**1,048,326**	1,544,043
Net increase (decrease) in cash held		**(260,119)**	s228,425	**(194,545)**	122,513
Cash at beginning of financial year		**306,588**	78,399	**197,628**	75,351
Effect of exchange rates on cash holdings in foreign currencies		**(108)**	(236)	**(108)**	(236)
Cash at end of financial year	9	**46,361**	306,588	**2,975**	197,628

The above cashflow statements should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Shell Villages and Resorts Limited and controlled entities, and Shell Villages and Resorts Limited as an individual parent entity. Shell Villages and Resorts Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Shell Villages and Resorts Limited and controlled entities, and Shell Villages and Resorts Limited as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. **Principles of Consolidation**

A controlled entity is any entity Shell Villages and Resorts Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

comply with the conditions of deductibility imposed by the law.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.50%
Plant and equipment	13–14%
Leased plant and equipment	20%

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d. **Investment Property**

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the income statement as other income.

e. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

g. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and 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.

i. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

j. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Equity-settled compensation

The group operates a share-based compensation plans - an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

k. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. **Debt Defeasance**

Where assets are given up to extinguish the principal repayments and all future interest payments of a debt any differences in the carrying values of assets foregone and the liability extinguished are brought to account in the profit. Costs incurred in establishing the defeasance are expensed in the period that the defeasance occurs.

Where only part of a debt is extinguished the interest payments and principal repayments are defeased proportionately and a liability recognised for the net present value of the remaining future interest and principal repayments. The discount factor applied is the implicit rate in the original debt.

In all cases where defeasance occurs, it is highly unlikely that the company will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

m. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

n. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with leases agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

o. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

p. **Financial Guarantees**

Financial guarantee contracts are measured at their fair values initially and subsequently measured at the higher of:

— the amount of obligation under the contract, as determined in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets; or

— the amount recognised initially less cumulative amortisation recognised in accordance with revenue recognition policies.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

— the likelihood of the guaranteed party defaulting in a year period;

— the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

— the maximum loss exposed if the guaranteed party were to default.

Changes in the accounting policy during the year for the group are described in detail in Note 38.

q. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

s. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t. **New accounting standards and interpretations not yet adopted**

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2008, are as follows:

Standard/Interpretation	**Application date***	**Application date for the Group***
AASB 8 *Operating Segments* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 *Presentation of Financial Statements – revised* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 3 *Business Combinations – revised* and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 127 *Consolidated and Separate Financial Statements – revised* and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 123 *Borrowing Costs – revised* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Standard/Interpretation	Application date*	Application date for the Group*
AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*	1 January 2009	1 July 2009
AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*	1 January 2009	1 July 2009
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2009	1 July 2009
AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2009	1 July 2009
AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2009	1 July 2009
Interpretation 13 *Customer Loyalty Programmes*	1 July 2008	1 July 2008
IFRIC 15 *Agreements for the Construction of Real Estate*	1 January 2009	1 July 2009
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	1 October 2008	1 July 2009

*** Application date is for annual reporting periods beginning on or after the date shown in the above table.**

The directors anticipate that the adoption of these standards and interpretations in future periods may have the following impacts:

- *AASB 8* - AASB 8 may impact segment disclosures. It is not expected to impact the amounts included in the financial statements except that it may impact the level at which goodwill, if any, is tested for impairment.
- *AASB 101* - The revised AASB 101 is only expected to effect the presentation and disclosure of the financial report. It is not expected to effect recognition and measurement accounting policies.
- *AASB 3* - The revised AASB 3 applies prospectively for all business combinations after it becomes effective. It introduces a number of changes which may have a significant impact on accounting for future business combinations. For example, it allows a choice for measuring a non-controlling interest (minority interest) in an acquiree – either at fair value or at the proportionate share of the acquiree's net identifiable assets. It also requires acquisition related costs to be accounted for separately from the business combination – which will usually mean they will be expensed. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 127* - The revised AASB 127 introduces a number of changes, including requiring that changes in an ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions. Another change will result in net income being attributed to the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 123* - The revised AASB 123 requires that borrowing costs associated with qualifying assets be capitalised. The directors do not expect the revised standard will have a material impact as the Group has no borrowing costs associated with qualifying assets.
- *AASB 2008-1* - AASB 2008-1 introduces a number of amendments in accounting for share-based payments, including clarifying that vesting conditions comprise service conditions and performance conditions only. The Group may have, or enter into, share-based payment arrangements that could be impacted by these amendments. However, the directors have not yet assessed the impact, if any.
- *AASB 2008-2* - AASB 2008-2 introduces amendments that allow an entity that issues certain puttable financial instruments to classify them as equity rather than financial liabilities. As the Group does not have any such financial instruments, these amendments are not expected to have an impact on the financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- *AASB 2008-5 and AASB 2008-6* - These amendments introduce various changes to IFRSs. The directors have not yet assessed the impact of the amendments, if any.
- *AASB 2008-7* – AASB 2008-7 introduces amendments that result in all dividends from a subsidiary, jointly controlled entity or associate being recognised in the separate financial statements of an investor as income.
- *Interpretation 13* - This interpretation deals with accounting for customer loyalty programmes. As the Group does not have any such programmes, the interpretation is not expected to have an impact on the financial report.
- *IFRIC 15* - This interpretation deals with accounting by real estate developers providing construction services. As the Group does not provide such services, the interpretation is not expected to have an impact on the financial report.
- *IFRIC 16* - This interpretation deals with accounting for hedges of a net investment in a foreign operation. As the Group does not have any such investment, the interpretation is not expected to have an impact on the financial report.

u. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2008.

v. **Going Concern**

During the year ended 30 June 2008, the consolidated entity experienced a consolidated operating loss of $5.20 million and reported net liabilities of $1.78 million. In addition, the entity was reliant upon shareholder capital and unsecured borrowings to meet its business and loan obligations. The continuing viability of the entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon the following key events:

i. conversion of the company's convertible notes to shares to decrease liabilities and interest expense, and increase assets;
ii. acquisition of new villages, properties or businesses, with development opportunities within the asset, to create higher returns to the company, which will provide growth for the company and increase shareholder wealth;
iii. ongoing support from the company's creditors; and
iv. continued share capital raising, including the possible issuance of a prospectus to raise $18 million in additional share capital.

The directors believe that the company will be successful in the above matters, and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. Accordingly, the directors have prepared the financial report on a going concern basis.

In the event that the company does not meet its planned revenue and cash flow targets, or successfully adopts alternative strategies, the company may not be able to realise its assets, including intangible assets, and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. Accordingly, the going concern basis used in the preparation of the financial report would not be appropriate.

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Sales revenue					
— sale of goods		**8,596**	128,177	**-**	4,165
Total Revenue		**8,596**	128,177	**-**	4,165
Other income					
—Interest received		**5,827**	32,161	**2,179**	11,210
—Rental revenue for property investment		**1,210,416**	556,706	**-**	1,742
—Management fees		**-**	-	**202,400**	-
—Loss on disposal of property, plant and equipment		**(17,093)**	-	**(17,093)**	-
—Other revenue		**11,859**	4,457	**11,341**	4,457
Total other income		**1,211,009**	593,324	**198,827**	17,409
Total revenue from continuing activities		**1,219,605**	721,501	**198,827**	21,574

NOTE 3: PROFIT FOR THE YEAR

a. **Expenses**

	Note	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Finance costs:					
— Director related entities		**-**	93,969	**-**	93,969
— Other entities		**856,657**	599,483	**325,093**	89,730
Total finance costs		**856,657**	693,452	**325,093**	183,699
Foreign currency translation losses		**58**	236	**58**	236
Payments to defined contributions plan		**683**	17,861	**683**	17,861
Provision for impairment:					
— trade receivables		**-**	1,173,576	**-**	1,173,576
— wholly-owned subsidiaries		**1,645,000**	1,178,314	**7,800,534**	178,671
— goodwill		**-**	1,053,867	**-**	-
— land	13	**265,000**	-	**-**	-
— buildings	13	**645,000**	-	**-**	-
— development approval	14	**290,000**	-	**-**	-
Total Impairment		**2,845,000**	3,405,757	**7,800,534**	1,352,247

NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated Group		Parent Entity	
		2008 **$000**	**2007** **$000**	**2008** **$000**	**2007** **$000**
a. The components of tax expense comprise:					
Current tax		**-**	265,238	**-**	265,238
Deferred tax		**-**	-	**-**	-
		-	265,238	**-**	265,238
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Operating Loss from ordinary activities		**(5,197,992)**	(5,653,081)	**(9,435,141)**	(3,159,023)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)					
— consolidated group		**(1,549,398)**	(1,695,924)	-	-
— parent entity		**-**	-	**(2,830,542)**	(947,707)
Add:					
Tax effect of:					
timing differences and tax losses not recognised as a deferred tax asset or liability		**1,549,398**	1,695,924	**2,830,542**	947,707
Less:					
Tax effect of:					
— Research and development offset		-	(265,238)	-	(265,238)
Income tax attributable to entity		-	(265,238)	-	(265,238)

NOTE 5: DISCONTINUED OPERATIONS

On 23 August 2007 the Group sold its entire heart monitoring segment; the segment was not a discontinued operation or classified as held for sale as at 30 June 2007 and the comparative income statement and statement of cash flows have been restated to show the discontinued operation separately from continuing operations.

The disposal involved the sale of 100% of the Group's interest in Heart Monitors Pty Ltd.

During the year ended 30 June 2008, the heart monitoring segment had net cash outflows from operating activities of $6,634 (2007: inflows $ 39,157).

Profits attributable to the discontinued operation for year ended 30 June 2008 were as follows:

	2008	2007
Results of discontinued operation	$	$
Revenue	**26,796**	124,012
Administration expenses	**(5,000)**	(2,201)
Consulting and professional services fees	**(24,151)**	(66,838)
Other expenses	**(10,471)**	(35,221)
Impairment of intangible assets	**-**	(1,178,314)
Results from operating activities	**(12,826)**	(1,282,573)
Income tax expense	**-**	-
Loss after tax but before loss on sale of discontinued operation	**(12,826)**	(1,158,561)
Gain on sale of discontinued operation	**3,893**	-
Loss for the period	**(8,933)**	(1,158,561)

The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:		
Net cash inflow/(outflow) from operating activities	**(28,337)**	39,157
Net cash inflow/(outflow) from investing activities	**-**	-
Net cash inflow/(outflow) from financing activities	**(14,255)**	(5,679)
Net increase in cash generated by the discontinuing division	**(42,592)**	33,478

NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

a. Key Management Personnel Compensation

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short term employee benefits	**89,000**	-	**89,000**	-
Post-employment benefits	**4,050**	-	**4,050**	-
Share-based payments	**119,500**	66,000	**119,500**	66,000
	212,550	66,000	**212,550**	66,000

b. Shareholdings - Number of Shares held by Key Management Personnel

	Balance 1 July	**Share consolidation**	**Received as Compen-sation**	**Options Exercised**	**Net Change Other***	**Final Notice**	**Balance 30 June**
2008							
Mr Corey Budd	-	-	150,000	-	60,000	-	210,000
Mr Peter Berger	25,000	(16,667)	66,667	-	(8,333)	-	66,667
Mr Boris Patkin	1,291,786	(861,191)	35,000	-	(165,595)	300,000	
Mr Stephen Grimson	91,000	(60,666)	-	-	75,433	-	105,767
Mr Peter Dunne	-	-	55,556	-	-	-	55,556
Mr John Bennett	-	-	55,556	-	-	-	55,556
Total	1,407,786	(938,524)	362,779	-	(38,495)	300,000	493,546
2007							
Mr Peter Burger	-	-	-	-	25,000	-	25,000
Mr Boris Patkin	1,291,786	-	-	-	-	-	1,291,786
Mr Stephen Grimson	-	-	-	-	91,000	-	91,000
Mr Peter Dunne	-	-	-	-	-	-	-
Mr John Bennett	-	-	-	-	-	-	-
Dr Alan Shell	3,904,957	-	7,250,000	-	(6,725,000)	(4,429,957)	-
Mr John Genner	1,425,186	-	90,000	-	-	(1,515,186)	-
Mr Harry Platt	3,581,196	-	-	-	(1,004,957)	(2,576,239)	-
Mr Neville Buch	131,800	-	90,000	-	-	(221,800)	-
	10,334,925	-	7,430,000	-	(7,613,957)	(8,743,182)	1,407,786

* Net Change Other refers to shares purchased or sold during the financial year.

NOTE 7: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	**75,500**	80,100	**75,500**	80,100

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2008 cents	2007 cents
Basic and diluted earnings per share	**(15.3)**	(22.5)
	2008 $	2007 $
Loss attributable to ordinary shareholders		
Loss attributable to members of the parent entity	**(5,197,992)**	(5,653,081)
Loss attributable to ordinary shareholderes	**(5,197,992)**	(5,653,081)
	2008 No	2007 No
Weighted average number of ordinary shares		
Issued shares at 1 July	**91,292,254**	65,858,956
Effect of consolidation of ordinary shares on 3 to 1 basis in August 2007	**(60,861,501)**	-
Effect of shares issued during the year	**3,486,601**	9,593,708
Restating prior period shares consolidated on 3 to 1 basis for comparison	**-**	(50,301,776)
Weighted average number of ordinary shares at 30 June	**33,917,354**	25,150,888

Convertible notes were considered as potential ordinary shares but were not reflected in calculation of diluted earnings per share as their nature is anti-dilutive.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Cash at bank and in hand	46,361	306,588	2,975	197,628
Cash and cash equivalents	46,361	306,588	2,975	197,628

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT				
Trade receivables	**137,746**	1,200,345	**60,003**	1,206,579
Provision for impairment of receivables	**-**	(1,173,577)	**-**	(1,173,577)
	137,746	26,768	**60,003**	33,002
Amounts receivable from:				
· wholly-owned subsidiaries	**-**	-	**6,155,534**	51,327
Provision for impairment of receivables	**-**	-	**(6,155,534)**	-
	137,746	26,768	**60,003**	84,329
NON-CURRENT				
Amounts receivable from:				
— wholly-owned entities	**-**	-	**-**	4,544,511

The ageing of the trade receivables at the reporting date was:

Not past due	**137,746**	26,768	**59,376**	33,002
Past due more than 90 days	**-**	1,173,577	**-**	1,173,577
	137,746	1,200,345	**59,376**	1,206,579

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 1 July	**1,173,577**	-	**1,173,577**	-
Impairment loss recognised	**12,147**	1,173,577	**12,147**	1,173,577
Debts written-off	**(1,185,724)**	-	**(1,185,724)**	-
Balance at 30 June	**-**	1,173,577	**-**	1,173,577

NOTE 11: FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
CURRENT				
Available-for-sale financial assets	-	-	**-**	2,460,405
	-	-	**-**	2,460,405
NON CURRENT				
Investments in controlled entities at cost	-	-	**56**	61
	-	-	**56**	61

NOTE 11: FINANCIAL ASSETS (CONTINUED)

Available-for-sale Financial Assets Comprise	Consolidated Group		Parent Entity	
CURRENT	2008 $	2007 $	2008 $	2007 $
Unlisted investments, at cost				
— shares in controlled entities	-	-	-	7,809,830
— (impairment provision)	-	-	-	(5,349,425)
	-	-	-	2,460,405

Available-for-sale financial assets comprise investments in the ordinary issued capital of Heart Monitors Pty Ltd. There are no fixed returns or fixed maturity date attached to this investment. There was further impairment recognised in 2008 year for $1,645,000, refer note 27 for additional details as to reasons for impairment.

NOTE 12: FIXED ASSETS HELD FOR SALE

	Consolidated Group		Parent Entity	
CURRENT	2008 $	2007 $	2008 $	2007 $
Hunter Valley				
Land & Buildings	**2,246,924**	-	-	-
Property, plant and equipment	**356,891**	-	-	-
Goodwill	**855,000**	-	-	-
	3,458,815	-	-	-
Brisbane River Terraces				
Land	**3,285,702**	-	-	-
Buildings	**3,265,406**	-	-	-
Property, plant and equipment	**151,022**	-	-	-
	6,702,130	-	-	-
Cooroy				
Land	**661,503**	-	-	-
Buildings	**1,596,406**	-	-	-
Property, plant and equipment	**33,210**	-	-	-
Development costs	**710,000**	-	-	-
	3,001,199	-	-	-
	13,162,063	-	-	-

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
LAND AND BUILDINGS				
Freehold land at:				
Cost	**-**	6,493,023	-	-
Less accumulated impairment	**-**	-	-	-
Total Land	**-**	6,493,023	-	-
Buildings at:				
Cost	**-**	5,744,677	-	-
Less accumulated depreciation & impairment	**-**	(94,248)	-	-
Total Buildings	**-**	5,650,429	-	-
Total Land and Buildings	**-**	12,143,452	-	-
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	**-**	423,753	-	52,517
Accumulated depreciation	**-**	(100,532)	-	(52,517)
	-	323,221	-	-
Leased plant and equipment				
Capitalised leased assets	-	470,394	-	333,742
Accumulated depreciation	-	(469,801)	-	(333,149)
	-	593	-	593
Furniture and fittings				
At cost	**626**	49,651	**626**	44,703
Accumulated depreciation	**(4)**	(27,550)	**(4)**	(23,103)
	622	22,101	**622**	21,600
Office Equipment				
At cost	**5,722**	5,808	**5,722**	-
Accumulated Depreciation	**(2,402)**	(3,553)	**(2,402)**	-
	3,320	2,255	**3,320**	-
Total Plant and Equipment	**3,942**	348,170	**3,942**	22,193
Total Property, Plant and Equipment	**3,942**	12,491,622	**3,942**	22,193

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in Carrying Amounts

	Freehold Land	Buildings	Plant and Equipment	Furniture & Office Equipment	Leased Plant and Equipment	Total
	$	$	$	$	$	$
Consolidated Group:						
Balance at 1 July 2006	299,134	-	8,281	30,540	37,552	375,507
Additions	6,193,889	5,744,677	371,236	3,611	-	12,313,413
Disposals	-	-	-	(4,470)	-	(4,470)
Depreciation expense	-	(94,248)	(56,296)	(5,325)	(36,959)	(192,828)
Balance at 30 June 2007	6,493,023	5,650,429	323,221	24,356	593	12,491,622
Reclassification – investment property held for sale	(6,228,023)	(4,827,917)	(534,706)	(6,417)	-	(11,597,063)
Additions	-	-	274,899	12,243	-	287,142
Disposals	-	-	-	(17,093)	-	(17,093)
Depreciation expense	-	(177,512)	(63,414)	(9,147)	(593)	(250,666)
Impairment	(265,000)	(645,000)	-	-	-	(910,000)
Balance at 30 June 2008	**-**	**-**	**-**	**3,942**	**-**	**3,942**

Parent Entity:	Freehold Land	Buildings	Plant and Equipment	Furniture & Office Equipment	Leased Plant and Equipment	Total
	$	$	$	$	$	$
Balance at 1 July 2006	-	-	8,281	30,540	37,552	76,373
Disposals	-	-	-	(4,47)	-	(4,740)
Depreciation expense	-	-	(8,281)	(4,470)	(36,959)	(49,710)
Balance at 30 June 2007	-	-	-	21,600	593	22,193
Additions	-	-	-	6,348	-	6,348
Disposals	-	-	-	(17,093)	-	(17,093)
Depreciation expense	-	-	-	(6,913)	(593)	(7,506)
Balance at 30 June 2008	-	-	-	**3,942**	**-**	**3,942**

NOTE 14: INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
Goodwill	**$**	**$**	**$**	**$**
Cost	**-**	3,489,662	**-**	-
Accumulated impaired losses	**-**	(2,634,662)	**-**	-
Net carrying value	**-**	855,000	**-**	-
Development approvals				
Cost	**600,000**	1,000,000	**-**	-
Accumulated impaired losses	**-**			
Net carrying value	**600,000**	1,000,000	**-**	-
Intellectual Property				
Cost	**-**	5,929,600	**-**	-
Accumulated amortisation and impairment	**-**	(2,957,194)	**-**	-
Net carrying value	**-**	2,957,194	**-**	-
Total intangibles	**600,000**	4,827,406	**-**	-

	Goodwill	Development Approvals	Intellectual Property	Total
Movements in Carrying Amounts	**$**	**$**	**$**	**$**
Consolidated Group:				
Balance at 1 July 2006	1,053,867	-	4,150,720	5,204,587
Additions	855,000	1,000,000	-	1,855,000
Impairment losses	(1,053,867)	-	(1,178,314)	(2,232,181)
Closing value at 30 June 2007	855,000	1,000,000	2,972,406	4,827,406
Reclassification – investment property held for sale	(855,000)	(710,000)	-	(1,565,000)
Addition	-	600,000	-	600,000
Disposal	-	-	(1,327,406)	(1,327,406)
Impairment	**-**	(290,000)	(1,645,000)	(1,935,000)
Closing value at 30 June 2008	**-**	600,000	**-**	600,000

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

NOTE 15: OTHER ASSETS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
CURRENT				
Prepayments	**98,165**	9,103	**-**	-
Security deposits	**25,850**	-	**-**	-
	124,015	9,103	**-**	-
NON-CURRENT				
Security Deposits	**5,262**	20,640	**3,782**	3,782
	5,262	20,640	**3,782**	3,782

NOTE 16: TRADE AND OTHER PAYABLES

CURRENT				
Unsecured liabilities				
Trade payables	**616,816**	1,445,743	**450,657**	687,358
Sundry payables and accrued expenses	**327,977**	83,933	**247,736**	83,933
	944,793	1,529,676	**698,393**	771,291

NOTE 17: FINANCIAL LIABILITIES

CURRENT				
Unsecured liabilities				
Lease liabilities	**-**	14,918	**-**	663
Converting note interests	**2,670,000**	300,000	**2,670,000**	300,000
Government R&D start loan	**-**	434,996	**-**	-
Loans at call	**-**	1,878,618	**-**	1,878,618
Unsecured borrowing	**4,871,000**	-	**1,200,000**	-
	7,541,000	2,628,532	**3,870,000**	2,179,281
Secured liabilities				
Bank loans	**6,183,000**	-	**-**	-
	13,724,000	2,628,532	**3,870,000**	2,179,281

NOTE 17: FINANCIAL LIABILITIES (CONTINUED)

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
NON-CURRENT	$	$	$	$
Unsecured liabilities				
Lease liability	-	-	-	-
Convertible note interests	**1,195,000**	2,330,000	**1,195,000**	2,330,000
Unsecured borrowing	**-**	3,307,500	**-**	-
	1,195,000	5,637,500	**1,195,000**	2,330,000
Secured liabilities				
Commercial bills	**-**	6,183,000	**-**	-
	-	6,183,000	**-**	-
	1,195,000	11,820,500	**1,195,000**	2,330,000
a. Total current and non-current secured liabilities:				
Commercial bills	**6,183,000**	6,183,000	**-**	-
	6,183,000	6,183,000	**-**	-
b. The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Freehold land and buildings	**11,055,940**	12,143,452	**-**	-

c. The bank and mortgage loans are secured by registered first mortgages over certain freehold properties of the subsidiaries.

d. **Bills Payable**	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Bills payable have been drawn as a source of long-term finance. They mature on August 2011 and bear variable interest at 7.05 – 7.41% payable quarterly in advance.	**6,183,000**	6,183,000	-	-

e. The convertible notes bear 8% interest payable quarterly and unsecured borrowings attract 1.25% interest.

f. Convertible notes issued to purchase retirements villages owned by the consolidated group. In addition, the proceeds have been used to fund the ongoing operational costs of the group.

NOTE 18: PROVISIONS

CURRENT				
Employee Entitlements – Annual Leave	-	259	-	259

NOTE 19: ISSUED CAPITAL

Ordinary Shares	2008	2007	2008	2007
	No.	No.	$	$
At the beginning of reporting period	**91,292,254**	64,358,956	**40,083,421**	35,746,633
Shares issued during year				
— 6 October 2006	-	5,325,000	-	1,065,000
— 6 December 2006	-	8,069,736	-	1,561,750
— 3 January 2007	-	1,630,000	-	326,000
— 18 January 2007	-	1,614,474	-	236,038
— 21 May 2007	-	10,294,088	-	1,148,000
Share consolidation (3 for 1 basis)	**(60,861,502)**		-	
Shares issued during year				
— 5 September 2007 *	**1,511,667**	-	**453,500**	-
— 19 September 2007 *	**1,011,926**	-	**455,360**	-
— 1 November 2007	**166,666**	-	**50,000**	-
— 15 November 2007	**694,666**	-	**167,000**	-
— 23 November 2007	**425,495**	-	**127,649**	-
— 27 February 2008	**642,090**	-	**128,419**	-
— 7 March 2008	**125,000**	-	**25,000**	-
— 25 March 2008	**280,554**	-	**50,500**	-
— 8 April 2008	**440,000**	-	**44,000**	-
— 29 April 2008	**850,000**	-	**85,000**	-
— 14 May 2008	**490,000**	-	**49,000**	-
— 22 May 2008	**100,000**	-	**10,000**	-
— 23 June 2008	**400,000**	-	**40,000**	-
— 25 June 2008	**250,000**	-	**25,000**	-
At reporting date	**37,818,816**	91,292,254	**41,793,849**	40,083,421

* Due to an error in the share registry the actual amount issued was different to the one that was announced due to consolidation of shares processing at the time. The Company have issued some shares after the date of this report and would issue additional shares to rectify this error.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
a. **Finance Lease Commitments**	**$**	**$**	**$**	**$**
Payable — minimum lease payments				
—not later than 12 months	**-**	15,344	-	671
—between 12 months and 5 years	-	-	-	-
Minimum lease payments	**-**	15,344	-	671
Less future finance charges	-	(426)	-	(8)
Present value of minimum leave payments	**-**	14,918	-	663

NOTE 21: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
Parent Entity:		**2008**	**2007**
Shell Villages and Resorts Limited	Australia		
Subsidiaries of Shell Villages and Resorts Limited:			
Heart Monitors Pty Ltd	Australia	**-**	100%
Kalgoorlie Tailings Project Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts BRT Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts Cooroy Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts HV Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts Helidon Spa Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts Mollymook Pty Ltd	Australia	**100%**	100%
Shell Villages and Resorts Bribie Island Pty Ltd	Australia	**100%**	-
Shell Villages and Resorts Commercial Pty Ltd	Australia	**100%**	-
Medical Monitors (UK) Limited	United Kingdom	**-**	100%
Wellness Monitors Inc.	USA	**-**	100%
E-Medicine Services Limited	United Kingdom	**-**	100%

* Percentage of voting power is in proportion to ownership

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets as at balance date.

NOTE 23: SEGMENT REPORTING

Business Segments

The consolidated entity is involved in sales of heart monitoring devices and managing "Over 50's Residential Gated Communities". The parent entity is engaged in provision or corporate services to the consolidated entity and from the beginning of the reporting period is not primarily involved in medical operations.

Geographical Segments

The consolidated entity primarily sells medical and property services in Australia. Geographical segment revenue from sales overseas is less than 10% of the consolidated entity's external revenues and secondary assets are less than 10% of all business segments assets and as a consequence, no secondary reporting of geographical segments is provided.

Primary Reporting – Business Segments

2008	**Medical Operations**	**Property Operations**	**Intercompany Sales**	**Unallocated Corporate Management**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenue	26,796	1,219,530	(202,400)	196,649	1,240,605
Interest income					5,827
Discontinued operations					(26,796)
Total revenue					**1,219,605**
Segment result	(1,942,305)	(1,711,643)	-	(1,544,044)	(5,197,992)
Loss on sale of discontinued operation					8,893
Net segment result					**(5,189,099)**
ASSETS					
Segment assets	-	13,961,554	-	117,835	**14,079,389**
LIABILITIES					
Segment liabilities	-	10,129,200	-	5,658,666	**15,787,866**

NOTE 23: SEGMENT REPORTING (CONTINUED)

2007	Medical Operations	Property Operations	Intercompany Sales	Unallocated Corporate Management	Total
	$	$	$	$	$
Segment revenue	124,012	554,964	-	10,364	690,960
Interest income					30,541
Total revenue					721,501
Segment result	(1,158,277)	(481,253)	-	(4,013,551)	(5,653,081)
ASSETS					
Segment assets	3,030,646	14,569,460	-	82,021	17,682,127
LIABILITIES					
Segment liabilities	18,593	10,679,546	-	5,280,828	15,978,967

NOTE 24: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
a. **Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
Profit after income tax	**(5,197,992)**	(5,653,081)	**(9,435,141)**	(3,159,023)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation and depreciation	**250,666**	192,828	**7,506**	49,710
Write-off of obsolete stock	**-**	19,246	**-**	19,246
Loss on disposal of property, plant and equipment	**17,093**	-	**17,093**	-
Gain on sale of discontinued operations	**(3,893)**	-	**-**	-
Impairment loss	**2,845,000**	3,405,757	**7,800,534**	1,352,247
Debt converted directly to equity	**422,316**	-	**422,316**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	**(110,978)**	682,880	**24,326**	624,672
(Increase)/decrease in other assets	**(99,533)**	25,530	**-**	17,524
Increase/(decrease) in trade payables and accruals	**(584,883)**	(140,230)	**(72,898)**	(349,425)
Increase/(decrease) in provisions	**(259)**	62,339	**(259)**	62,339
Cashflow from operations	**(2,462,463)**	(1,404,731)	**(1,236,523)**	(1,382,710)

b. **Loan Facilities**

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Loan facilities	**(6,183,000)**	(6,183,000)	-	-
Amount utilised	**6,183,000**	6,183,000	-	-
Amount unutilised	**-**	-	-	-

The major facilities are summarised as follows:

Commercial bill facility of $4,410,000 5-year variable interest rate facility provided by Westpac Banking Corporation Limited to Shell Villages and Resorts BRT Pty Ltd expiring in August 2011.

Commercial bill facility of $1,773,000 5-year variable interest rate facility provided by Westpac Banking Corporation Limited to Shell Villages and Resorts Cooroy Pty Ltd expiring in December 2011.

Finance will be provided under all facilities provided the company and the consolidated group have not breached any borrowing requirements, there are no covenants on the bill facilities.

NOTE 25: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Transactions with related parties:				
Other income				
Management fees - subsidiaries	**-**	-	202,400	**-**
Consulting expenses				
Consultancy fee paid for acquisition of land and business in Hunter Valley to Gritin Industries Pty Ltd, a company associated with Mr S Grimson and Mr Neville Dunne (close family member to Director, Peter Dunne)	**100,000**	200,000	100,000	-
Consultancy fees paid to KaiTek International Pty Ltd, a company associated with Dr A Shell	**-**	302,468	-	302,468
Consultancy fees paid to Patkin investments Pty Ltd, a company associated with Mr B Patkin	**17,455**	59,011	17,455	59,011
Consultancy fees paid to CNB Services Pty Ltd, a company associated with Mr C Budd	**53,328**	-	-	-
Consultancy fees paid to Pipeline Construction and Services Pty Ltd, a company associated with Mr N Dunne (close family member to Director, Peter Dunne)	**74,800**	-	74,800	-
Other expenses				
Management services fees paid for managing villages and resorts to Gritin Industries Pty Ltd, a company associated with Mr S Grimson and Mr Neville Dunne (close family member to Director, Peter Dunne)	**-**	295,918	-	295,918
Intangible assets				
Development fee paid to Gritin Industries Pty Ltd, a company associated with Mr S Grimson and Mr Neville Dunne (close family member to Director, Peter Dunne), for development application work completed at the Shell Villages and Resorts Cooroy Pty Limited property.	**600,000**	1,000,000	-	-
Property, plant and equipment				
Land in Cooroy purchased Gritin Industries Pty Ltd	**-**	2,900,000	-	-
Purchase of cabins and payment of development application fees by Shell Villages and Resorts Hunter Valley Pty Limited to Gritin Industries Pty Ltd, a company associated with Mr S Grimson and Mr Neville Dunne (close family member to Director, Peter Dunne)	**145,922**	-	-	-

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 26: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The Group and the parent entity hold the following financial instruments:

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**46,361**	306,588	**2,975**	197,628
Trade and other receivables	**137,746**	26,768	**60,003**	4,628,840
Financial assets	**-**	-	**-**	2,460,405
Security deposits	**31,112**	20,640	**3,782**	3,782
	215,219	353,996	**66,760**	7,290,655
Financial liabilities				
Trade and other payables	**944,793**	1,529,676	**698,393**	771,291
Financial liabilities	**14,919,000**	14,449,032	**5,065,000**	4,509,281
	15,863,793	15,978,708	**5,763,393**	5,280,572

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, commercial bills, leases and convertible notes.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

The economic entity currently has no derivative financial instruments.

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk.

b. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the parent entity it also arises from receivables due from its subsidiaries.

Group currently holds following receivables based on type of debtor:

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Tenants (Individuals)	**35,190**	-	**-**	-
Australian Taxation Office (GST refund)	**101,929**	13,571	**31,109**	20,255
Other receivables	**627**	13,197	**627**	12,747
Subsidiaries	**-**	-	**-**	4,595,838
	137,746	26,768	**31,736**	4,628,840

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation. The consolidated group regularly reviews cashflow forecasts and maintains sufficient cash on demand.

The table below analyses the Group's and the parent entity'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 table are the contractual undiscounted cash flows:

Consolidated	**Carrying Amount**	**Contractual Cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Secured bank loans	6,183,000	6,899,340	4,636,771	62,498	249,993	1,950,078	-
Lease liabilities	13,500	13,500	9,000	4,500	-	-	-
Unsecured loans	8,722,500	9,110,947	7,250,847	524,025	1,336,075	-	-
Trade and other payables	944,793	944,793	944,793	-	-	-	-
	15,863,793	16,968,580	12,841,411	591,023	1,586,068	1,950,078	-
2007							
Secured bank loans	6,183,000	8,380,976	214,848	214,848	859,392	859,392	6,232,496
Lease liabilities	14,918	15,344	15,344	-	-	-	-
Unsecured loans	8,251,114	9,431,177	2,727,486	113,872	455,488	455,488	5,678,844
Trade and other payables	1,529,676	1,529,676	1,529,676	-	-	-	-
	15,978,708	19,357,173	4,487,354	328,720	1,314,880	1,314,880	11,911,340

Parent	**Carrying Amount**	**Contractual Cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Unsecured loans	5,065,000	5,430,588	3,570,488	524,025	1,336,075	-	-
Trade and other payables	698,393	698,393	698,393	-	-	-	-
	5,763,393	6,128,981	4,268,881	524,025	1,336,075	-	-
2007							
Lease liabilities	663	671	671	-	-	-	-
Unsecured loans	4,508,618	5,440,618	2,271,818	93,200	372,800	372,800	2,330,000
Trade and other payables	771,291	771,291	771,291	-	-	-	-
	5,280,572	6,212,580	3,043,780	93,200	372,800	372,800	2,330,000

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

d. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

The Group operates from Australia and transacts only in Australian dollars, hence, eliminating currency 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2008 Weighted average interest rate	**2008 Balance**	2007 Weighted average interest rate	2007 Balance
		$		$
Convertible notes	8.00%	2,220,000	8.00%	2,630,000
Unsecured borrowings	1.00%	4,871,000	1.25%	3,307,500
Bank loans	7.31%	6,183,000	6.95%	6,183,000

An analysis by maturity is provided in note (c) above.

Sensitivity analysis for variable rate instruments for the consolidated entity, showing an effect of increase/(decrease) of profit or loss and equity to an increase of interest rates by 100 basis points is shown below:

	Increase in interest rate by 1%		**Decrease in interest rate by 1%**	
	Profit	**Equity**	**Profit**	**Equity**
	$	**$**	**$**	**$**
2008				
Convertible notes	**22,200**	-	**(22,200)**	-
Unsecured borrowings	**48,710**	-	**(48,710)**	-
Bank loans	**61,830**	-	**(61,830)**	-
2007				
Convertible notes	**26,300**	-	**(26,300)**	-
Unsecured borrowings	**33,075**	-	**(33,075)**	-
Bank loans	**61,830**	-	**(61,830)**	-

This analysis assumes that all other variables remain constant.

NOTE 27. EVENTS AFTER REPORTING DATE

1. On 7 July 2008, Mr Stephen Grimson resigned as Non-Executive Director of the company
2. On 28 July 2008 the company has entered into an agreement to vary the sale of Heart Monitors Pty Ltd and other medical assets to Icardia Healthcare Pty Ltd. The variation was to reduce the sales price by $1.645 million. This reduction in sales price resulted in convertible notes with face value of sales price reduction being recognised in the 2008 financial statements.
3. On 27 August 2008 the company announced the sale of Shell Villages and Resorts Hunter Valley Pty Limited. The sale price for the company was $3.75 million. The sale was completed on 3 October 2008.
4. On 3 September 2008 the Company issued 333,333 shares to rectify the share issue error dated 5 and 19 September 2007. The shares issued did not fully rectify the issue, with the company looking to issuing more shares in due course to fully rectify the errors identified in note 19.
5. Mr John Bennett resigned as Non-Executive Director of the company on 21 October 2008. Mr Rohan Kerr was announced as his replacement.
6. Mr Steve Taylor was appointed as Non-Executive Director for the company on 4 October 2008. Mr Taylor replaced Mr Peter Dunne, who resigned as Non-Executive Director on the same day.
7. Mr Boris Patkin was appointed as Non-Executive Director of the company on 16 December 2008. Mr Patkin replaced Mr Steve Taylor, who resigned as Non-Executive Director on the same day.
8. On 17 April 2009, the company announced the sale of Shell Villages and Resorts Cooroy Pty Limited for $2.6 million. The sale is subject to shareholder approval, which is to be obtained at an upcoming general meeting. The date of this meeting is unknown as at the date of this report.
9. On 20 April 2009, the company announced the sale of Shell Villages and Resorts BRT Pty Limited for $7.8 million. The sale is subject to shareholder approval, which is to be obtained at an upcoming general meeting. The date of this meeting is unknown as at the date of this report.

No other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- The consolidated entity's operations in future financial years, or
- The results of those operations in future financial years, or
- The consolidated entity's state of affairs in future financial years.

NOTE 28. COMPANY DETAILS

Shell Villages and Resorts Limited

213 Brisbane Terrace

GOODNA, QLD, AUSTRALIA, 4300

The principal places of business are:

Shell Villages and Resorts Limited
213 Brisbane Terrace
GOODNA, QLD, AUSTRALIA, 4300

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 11 to 43, are in accordance with the *Corporations Act 2002* and:

    a. comply with Accounting Standards and the Corporations Regulations 2002; and

    b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;

2. the Managing Director has declared that:

    a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2002*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and its wholly-owned subsidiaries have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ……………………………………………………………………………………………………….

Dated this 30th day of September 2009

prosperity audit services

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2008

Report on the Financial Report

We have audited the accompanying financial report of Shell Villages and Resorts Limited (the company) and Shell Villages and Resorts Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 6 to 8 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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. These Auditing 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 and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

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 judgment, 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 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 and the remuneration disclosures in the directors' 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. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Shell Villages and Resorts Limited on 30 Septemnber 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis for Qualified Auditor's Opinion

Non-current Assets Held for Sale – Cooroy Property

As at 30 June 2008, the consolidated entity has recognised a non-current asset held for sale with a value of $3,001,199. We have not been provided with sufficient audit evidence to determine whether or not the directors' assessment of the carrying value at the balance sheet date complies with the requirements of Accounting Standard AASB 5: Non-current Assets Held for Sale and Discontinued Operations. We are therefore unable to quantify the possible impact (if any) that application of this standard may have on the operating loss for the year or the balance sheet as at 30 June 2008.

Intangible Assets – Property Development Fees

As outlined in Note 25, the consolidated entity paid $600,000 to a related party for development fees, which have been recognised as an intangible asset. We have not been provided sufficient audit evidence to determine if the recognition of the asset complies with the requirements of Accounting Standard AASB 138: Intangible Assets. Should this transaction not meet the criteria of an intangible asset, the operating loss would be $5,460,185, total equity ($2,046,597) and intangible assets nil.

Convertible Notes

The consolidated entity has issued a number of convertible notes during the 2008 financial year. The value of convertible notes recognised within the entity's accounting records was $1,550,000. We have not been provided with sufficient audit evidence to support these transactions. We are unable to quantity the possible effects on the operating loss or balance sheet as at the balance date.

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

Going Concern

As a result of matter described by the Directors in Note 1(v), there is inherent uncertainty surrounding the ability of the consolidated entity to continue as a going concern and therefore realise the asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The company has been unable to produce appropriate records for the period subsequent to the balance date to demonstrate the company's ability to continue as a going concern and meet its debts as and when they fall due. Accordingly we have been unable to satisfy ourselves whether the application of the going concern assumption is appropriate.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments (if any) that may have been necessary had we been able to satisfy ourselves as to the matters referred to in the qualification paragraph:

a. the financial report of Shell Villages and Resorts Limited and Shell Villages and Resorts Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their 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 also complies with International Financial Reporting Standards as disclosed in Note 1; and

c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

30 September 2009

Sydney

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only. The information is current as at 21 September 2009.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number of Holders	Number Shares Held
1 – 1,000	196	92,331
1,001 – 5,000	435	1,024,645
5,001 – 10,000	133	969,932
10,001 – 100,000	182	6,006,585
100,001 – and over	65	35,014,875
	1011	43,108,368

b. The number of shareholdings held in less than marketable parcels is 580.

c. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— At meetings of members each member entitled to vote can vote in person by proxy or attorney or, in the case of member which is a body corporate, by representative duly authorised.

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. DR ALLAN MICHAEL SHELL	3,955,671	9.18%
2. MR ALLAN MICHAEL SHELL AND MRS ROMA SHELL	3,500,000	8.12%
3. CHRISWALL HOLDINGS PTY LTD	1,825,695	4.24%
4. GRITIN INDUSTRIES PTY LTD	1,808,771	4.20%
5. DIRDOT PTY LIMITED	1,561,809	3.62%
6. MR COREY BUDD	1,285,641	2.98%
7. AND TECHNOLOGIES PTY LTD	1,209,016	2.80%
8. SNOWY PLAINS PTY LTD	1,068,545	2.48%
9. H NOMINEES PTY LTD	1,060,554	2.46%
10. SNOWY PLAINS PTY LTD	924,902	2.15%
11. MR KEITH DIGBY WILLOUGHBY AND MRS MARILYN WILLOUGHBY	906,814	2.10%
12. MR STEPHEN J HUGHES AND M/S ROBYN J HUGHES	845,281	1.96%
13. BLACKCOURT (NSW) PTY LIMITED	807,290	1.87%
14. CHRISWALL HOLDINGS PTY LTD	766,901	1.78%
15. GRITIN INDUSTRIES PTY LTD	715,683	1.66%
16. MR EUGENE MIGLAS	600,000	1.39%
17. H NOMINEES PTY LTD	550,000	1.28%
18. RON-TON FASHIONS PTY LTD	529,891	1.23%
19. MR DAVID CHERNY	528,096	1.23%
20. MR NEIL FINLAY AND MS LYNN BROADBENT	522,222	1.21%
	24,972,782	57.93%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the company secretary is Mr Boris Patkin
3. The address of the principal registered office in Australia is 213 Brisbane Terrace, GOODNA, QLD, AUSTRALIA, 4300. Telephone (07) 3818 3008.
4. Registers of securities are held at the following addresses

   COMPUTERSHARE INVESTOR SERVICES PTY LTD

   LEVEL 2, RESERVE BANK BUILDING

   45 ST GEORGE'S TERRACE,

   PERTH, WA, AUSTRALIA, 6000
5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.
6. **Unquoted Securities**

   The company does not have any unquoted securities at the year end.