SHELL VILLAGES AND RESORTS LIMITED AND CONTROLLED ENTITIES

[To be renamed]

[SVC Group Limited]

ABN: 68 009 161 522

Annual Financial Report
For the Year Ended 30 June 2010

CONTENTS

CORPORATE GOVERNANCE

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 2010.

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 Corey Budd (appointed 26 February 2008, resigned 28 April 2010)
Mr Greg Cornelson (appointed 8 February 2011, resigned 18 February 2011)
Mr Brett Crowley (appointed 8 February 2011)
Mr David Diamond (appointed 28 April 2010, resigned 8 February 2011)
Mr Ian Dorney (appointed 11 February 2011)
Mr Rohan Kerr (appointed 21 October 2008, resigned 28 April 2010)
Mr Boris Patkin (appointed 11 December 2008)
Mr Richard Pritchard (appointed 28 April 2010)

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.svcgroup.com.au

CORPORATE GOVERNANCE (continued)

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.

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.

CORPORATE GOVERNANCE (continued)

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 2010.

Directors

The names of directors in office at any time during or since the end of the 2010 financial year are:

Mr Corey Budd (appointed 26 February 2008, resigned 28 April 2010)

Mr Greg Cornelson (appointed 8 February 2011, resigned 18 February 2011)

Mr Brett Crowley (appointed 8 February 2011)

Mr David Diamond (Appointed 28 April 2010, resigned 8 February 2011)

Mr Ian Dorney (appointed 11 February 2011)

Mr Rohan Kerr (appointed 21 October 2008, resigned 28 April 2010)

Mr Boris Patkin (appointed 11 December 2008}

Mr Richard Pritchard (Appointed 28 April 2010)

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 since the start of the financial year to the date to the date of this report:

Mr Boris Patkin (resigned on 8 February 2011)

Mr Brett Crowley (appointed on 8 February 2011)

Mr Crowley is a Chartered Accountant and solicitor and brings with him strong experience in the role of Company Secretary. Mr Crowley is currently Company Secretary for Venture Limited and Flat Glass Industries Limited.

Principal Activities

The principal activities of the consolidated group during the 2010 financial year were care and maintenance pending satisfying compliance with the Listing Rules of ASX Limited for reinstatement of the company's listing on ASX.

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 $418,949 (2009: Loss of $937,186).

Financial Position

At 30 June 2010, the consolidated group had net liabilities of $2,127,936 **(**2009: $1,708,987). There was a deficiency in working capital of $2,127,936 at 30 June 2010 (2009: $1,072,969) with cash on hand of $59,852 (2009: $304).

State of Affairs

There were no significant changes in state of affairs of the Company during the financial year.

Review of Operations

A new Board was appointed on 28 April 2010 and it has proceeded to raise capital and work towards satisfying compliance with ASX Listing Rules with a view to have the Company's securities reinstated for trading with ASX.

The new Board will also be reviewing the various past transactions instigated by the previous management to ascertain that they were in the best interests of the consolidated group.

Likely Developments and Expected Results of Operations

During the subsequent financial year the Company expects to continue taking necessary action to satisfy compliance with the Listing Rules of ASX Limited and reinstate the Company's securities for trading on the

DIRECTORS' REPORT (continued)

Australian Securities Exchange.

The Company will be raising capital to strengthen the balance sheet and seek the development of new business opportunities.

Dividends Paid or Recommended

No dividends have been paid or declared during the financial year ended 30 June 2010 (2009: nil), nor have the directors recommended that any dividend be paid.

Information on Current 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
Current directorship of other listed public companies	None
Former directorship of other listed public companies in the last 3 years	None
Mr Richard Pritchard	Non executive director
Qualifications	Bachelor Degree in Civil Engineering (Hons)
Experience	Richard Pritchard holds an Honours Degree in Civil Engineering. He has had over 18 years experience in Civil Engineering and 7 years in financial services industry, having been responsible for numerous infrastructure projects in the fields of telecommunications, transport, water, mining and energy. Mr Pritchard is a Graduate member of the Institute of Company Directors and is a Member of the Institute of Engineers Australia.
Special Responsibilities	Review and assessment of possible new investments
Current directorship of other listed public companies	Blackcrest Resources (ASX:BCR)
Former directorship of other listed public companies in the last 3 years	None
Mr Brett Crowley	Non-executive Director
Qualifications	B.Com, DipLaw
Experience	Brett Crowley is a Solicitor and Barrister (NSW) and a Chartered Accountant. He is an experienced ASX listed public company Chairman, Director and Company Secretary. He was formerly a partner of Ernst & Young in Hong Kong and Australia from 1988 to 1994 and a partner of KPMG from 1998 to 2000. He currently practices as a Solicitor in a firm primarily handling tax, corporate, contracts and property matters.
Special Responsibilities	Legal advice to board, company secretarial capabilities
Current directorship of other listed public companies	None
Former directorship of other listed public companies in the last 3 years	Venture Limited (resigned April 2011)

DIRECTORS' REPORT (continued)

Mr Ian William Dorney	Non-executive director
Qualifications	Dip Fin Services
Experience	Ian Dorney has over 20 years experience in the financial services industry and has held senior management and board positions in a number of financial services companies. He founded Mortgage Systems Australia in 1992 which merged with Equity & Law, a financial planning business, in 1998. He is the Managing Director and Responsible Officer of Equity & Law. Since 1995 he has personally controlled and been responsible for a number of successful property developments.
Special Responsibilities	Capital raising and corporate advisory
Current directorship of other listed public companies	None
Former directorship of other listed public companies in the last 3 years	None

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.

There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied.

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 2006	488,615	(3.0)	24
30 June 2007	66,000	(7.5)	10
30 June 2008	212,550	(15.3)	18
30 June 2009	343,381	(2.4)	-
30 June 2010	153,750	(1.0)	-

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

Key Management Personnel Remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Shell Villages and Resorts Limited are set out in the following tables.

DIRECTORS' REPORT (continued)

The key management personnel of the consolidated entity consisted of the directors of Shell Villages and Resorts Limited.

	Short-term benefits		Post employ-ment		Share-based payment		Total remune-ration repre-sented by shares
	Cash salary and fees	Non-cash benefits	Super-annuation	Termi-nation benefits	Shares	Total	
	$	$	$	$	$	$	%
2010							
Directors							
C Budd[1]	-	-	-	-	-	-	-
R Kerr[1]	-	-	-	-	-	-	-
B Patkin	140,000	-	-	-	-	140,000	-
D Diamond[2]	6,875	-	-	-	-	6,875	-
R Pritchard[2]	6,875	-	-	-	-	6,875	-
	153,750	-	-	-	-	153,750	-

[1] Resigned 28 April 2010

[2] Appointed 28 April 2010

The Director fees, except for $20,000 for Mr B Patkin, are accruals for the period from July 2009 or date of appointment to June 2010 and have not been paid as at the date of this report. The Directors, agreed, subject to shareholders' approval at a general meeting, for the accrued remuneration due and payable at 30 June 2010 be made in fully paid ordinary shares in the company at a price to be agreed by reference to the market price of the shares of the company or if no market price is available, by reference to recent share placement price.

	Short-term benefits		Post employ-ment		Share-based payment		Total remune-ration repre-sented by shares
	Cash salary and fees	Non-cash benefits	Super-annuation	Termi-nation benefits	Shares	Total	
	$	$	$	$	$	$	%
2009							
Directors							
C Budd	105,000	-	9,450	-	107,564	222,014	48
J Bennett	-	-	-	-	-	-	-
P Dunne	-	-	-	-	-	-	-
R Kerr	-	-	-	-	-	-	-
S Grimson	-	-	-	-	-	-	-
B Patkin	-	-	-	-	-	-	-
S Taylor	-	-	-	-	-	-	-
Other							
N Dunne	59,883	-	-	-	-	59,883	-
L Thompson	56,407	-	5,077	-	-	61,484	-
	221,290	-	14,527	-	107,564	343,381	31

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DIRECTORS' REPORT (continued)

Directors' securities holding

As at the date of this report, the relevant interests of the parent company directors in the securities of the parent entity were as follows:

	Number of fully paid ordinary shares
Mr Brett Crowley	-
Mr Ian Dorney	-
Mr Boris Patkin	2,023,347
Mr Richard Pritchard	-
	2,023,347

End of audited Remuneration Report

Meetings of Directors

The number of meetings of directors and the number of meetings attended by each of the directors of the company during the financial year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Corey Budd (resigned 28 April 2010)	2	1
Mr Rohan Kerr (resigned 28 April 2010)	2	1
Mr Boris Patkin (appointed 11 December 2008)	3	3
Mr David Diamond (appointed 28 April 2010)	2	2
Mr Richard Pritchard (appointed 28 April 10)	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.

Non-audit Services

The board of directors is satisfied that no non-audit services were performed by the external auditors during the year.

Indemnifying officers or auditor

The company has not during or since the end of the year indemnified an officer or an auditor for the company or of any related body corporate, against a liability incurred by such an officer or auditor. The company has not paid or agreed to pay a premium to insure a current or former officer or the auditor against legal liabilities.

Environmental Regulations

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.

DIRECTORS' REPORT (continued)

After balance date events

There has not arisen in the interval since 30 June 2010 and up to the date of this report, any matter, that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the group in future financial years other than:

(a) Pursuant to an announcement made on 30 September 2010, the company agreed to issue 26,250,000 shares for total proceeds of $262,500 which was received and recognised as a financial liability at 30 June 2010. At the same time, the company sought approval from the shareholders to convert $107,500 of converting loans to equity by issuing 10,750,000 ordinary shares.

The issue of share of 37,000,000 ordinary shares was approved at the EGM dated 15 November 2010 and 34,500,000 shares were issued in February 2011 for converting a total debt of $345,000.

(b) In accordance with a deed of settlement dated 24 June 2011, the company agreed to convert 1,300,000 convertible notes into 20,000,000 ordinary shares. The carrying value of the convertible notes as at 30 June 2010 was $737,781. Shareholders' approval is to be sought in the next annual general meeting.

Under the deed, the company also agreed to issue 10,000,000 ordinary shares to Mr B Patkin, a director, to settle the amounts owed to Mr B Patkin and his related entities. Shareholders' approval is to be sought in the next annual general meeting.

(c) Pursuant to the Deeds of Release entered with two creditors, the company agreed to convert its trade payable balances of $49,551 into ordinary shares at $0.025 per share and 1,982,041 shares were allotted on 22 June 2011.

(d) The General Meeting held on 8 February 2011 approved a share issue of 10,000,000 shares at an issue price of $0.01 as working capital. On 9 May 2011, the company issued 4,500,000 ordinary shares at an issue price of $0.01 each to raise $45,000.

(e) The Board of Directors resolved on 8 July 2011 to raise $250,000 by the issue of 50,000,000 shares at $0.005 per share. This capital raising for sophisticated and professional persons is to take place immediately post submission of audited accounts to ASIC. This issue will target AFSL holders who will assist in the raising of further capital through a disclosure statement post the Annual General Meeting.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 10 of the Annual Report and forms part of this report.

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

Richard Wyn Pritchard
Director

Dated this 22nd day of August 2011

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 2010 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.

This declaration is in respect of Shell Villages and Resorts Limited and the entities it controlled during the year.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

22 August 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010	**2009**
		$	**$**
Revenue			
Other income	2	5,244	62,771
Expenses			
Consulting fees		(29,545)	(466,704)
Directors fees		(153,750)	(174,450)
Finance costs		(131,213)	(105,516)
Legal fees		(44,146)	(106,494)
Share-based payments		-	(107,564)
Staff expenses		-	(67,963)
Other expenses		(65,539)	(214,282)
Loss before income tax expense		(418,949)	(1,180,202)
Income tax expense	3	-	-
Loss from continuing operations		(418,949)	(1,180,202)
Profit from discontinued operations	4	-	243,016
Loss for the year		(418,949)	(937,186)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	-
Loss for the year attributable to members of the parent entity		(418,949)	(937,186)
Earnings per share			
Earnings per share for profit from continuing operations attributable to ordinary shareholders of the parent entity:			
Basic loss per share (cents)	7	(1.0)	(3.0)
Diluted loss per share (cents)	7	(1.0)	(3.0)
Earnings per share for profit attributable to ordinary shareholders of the parent entity:			
Basic loss per share (cents)	7	(1.0)	(2.4)
Diluted loss per share (cents)	7	(1.0)	(2.4)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated Group	
		2010	2009
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	59,852	304
Financial assets	9	10,000	-
Other current assets	10	157,869	60,000
TOTAL CURRENT ASSETS		227,721	60,304
TOTAL ASSETS		227,721	60,304
CURRENT LIABILITIES			
Trade and other payables	11	1,252,876	1,133,273
Financial liabilities	12	1,102,781	-
TOTAL CURRENT LIABILITIES		2,355,657	1,133,273
NON-CURRENT LIABILITIES			
Financial liabilities	12	-	636,018
TOTAL NON-CURRENT LIABILITIES		-	636,018
TOTAL LIABILITIES		2,355,657	1,769,291
NET LIABILITIES		(2,127,936)	(1,708,987)
EQUITY			
Issued capital	13	42,806,452	42,806,452
Reserves		493,152	493,152
Accumulated losses		(45,427,540)	(45,008,591)
TOTAL EQUITY		(2,127,936)	(1,708,987)

The accompanying notes form part of this financial report..

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated Losses	Option Reserve	Total
	$'000	$'000	$'000	$'000
Consolidated Group				
Balance at 1 July 2008	41,793,849	(44,071,405)	493,152	(1,784,404)
Total comprehensive loss for the year	-	(937,186)	-	(937,186)
Transactions with owners in their capacity as owners:				
Shares issued during the year	610,895	-	-	610,895
Equity element of convertible notes	401,708	-	-	401,708
Balance at 30 June 2009	42,806,452	(45,008,591)	493,152	(1,708,987)
Total comprehensive loss for the year	-	(418,949)	-	(418,949)
Balance at 30 June 2010	42,806,452	(45,427,540)	493,152	(2,127,936)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010 **$**	**2009** **$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		-	671,642
Interest received		3,166	136
Cash payments in the course of operations		(298,541)	(785,206)
Finance costs		(77)	(438,037)
Net cash used in operating activities	17(b)	(295,452)	(551,465)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(272)
Proceeds from sale of investment		-	50,000
Proceeds from sale of subsidiaries		-	14,180,000
Payment for loan made		(10,000)	-
Net cash (used in)/provided by investing activities		(10,000)	14,229,728
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		365,000	-
Repayment of borrowings		-	(13,724,320)
Net cash provided by/(used in) financing activities		365,000	(13,724,320)
Net increase (decrease) in cash held		59,548	(46,057)
Cash at beginning of financial year		304	46,361
Cash at end of financial year	17(a)	59,852	304

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Shell Villages and Resorts Limited and its controlled entities as a consolidated entity ("Group"). Shell Villages and Resorts Limited is a listed public company, incorporated and domiciled in Australia.

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.

Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

Basis of preparation

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*.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

As a result of the Corporate Reporting Reform Act 2010, effective for 30 June 2010 year end financial reporting, the Company is relieved of the requirements to present financial statements for the parent entity. A summary of the parent entity financial information has been disclosed in Note 20 of the financial statements.

Going Concern Basis of Accounting

During the years ended 30 June 2009, 30 June 2010 and 30 June 2011, the consolidated entity recorded a consolidated operating loss of $937,186, $418,949 and $375,192 respectively and reported net current liabilities of $1,072,969, $2,127,936 and $2,065,826 at 30 June 2009, 30 June 2010 and 30 June 2011 respectively. 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:

- restructure of the company's debts including conversion of the company's convertible notes to equity;
- ongoing support from the company's creditors;
- continued share capital raising; and
- development of new business opportunities and profitable projects.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Debt restructure and proposed capital raising

Subsequent to the balance date, the company has commenced restructuring of its debts and will proceed to issue new shares to private investors. Details of those transactions and Pro-forma Statement of Financial Position as at 30 June 2011 are set out below. The Pro-forma Statement of Financial Position is prepared on the assumption that all debt conversions and proposed share issues are accomplished as though they occurred at 30 June 2011:

	Consolidated Group	Debt restructure	Proposed capital raising	Pro-forma Consolidated Group
	30 June 2011	(a)	(b)	30 June 2011
	$	$	$	$
CURRENT ASSETS				
Cash and cash equivalents	1,855	-	1,750,000	1,751,855
Financial assets	10,000	-	-	10,000
Other current assets	206,052	-	-	206,052
TOTAL CURRENT ASSETS	217,907	-	1,750,000	1,967,907
TOTAL ASSETS	217,907	-	1,750,000	1,967,907
CURRENT LIABILITIES				
Trade and other payables	1,466,929	(1,121,695)	-	345,234
Financial liabilities	816,804	(796,804)	-	20,000
TOTAL CURRENT LIABILITIES	2,283,733	(1,918,499)	-	365,234
TOTAL LIABILITIES	2,283,733	(1,918,499)	-	365,234
NET LIABILITIES	(2,065,826)	1,918,499	1,750,000	1,602,673
EQUITY				
Issued capital	43,243,754	1,918,499	1,750,000	46,912,253
Reserves	493,152	-	-	493,152
Accumulated losses	(45,802,732)	-	-	(45,802,732)
TOTAL EQUITY	(2,065,826)	1,918,499	1,750,000	1,602,673

(a) The company has reached agreement with its major creditors to convert certain debts into equity subject to Shell Villages and Resorts Limited shareholder approval. The detail of the arrangements are as follows:

(i) In accordance with a deed of settlement dated 24 June 2011, the company agreed to convert 1,300,000 convertible notes into 20,000,000 ordinary shares. The carrying value of the convertible notes as at 30 June 2011 was $796,804. Shareholders' approval is to be sought n the next annual general meeting.

Under the deed, the company also agreed to issue 10,000,000 ordinary shares to Mr B Patkin, a director, to settle the amounts owed to Mr B Patkin and shareholders' approval is to be sought in the next annual general meeting.

(ii) Pursuant to a deed dated 18 March 2010, the company agreed to settle the payable balance with a creditor by converting a portion of the entire payable balance into ordinary shares. The amount subject to conversion was $269,000 as at 30 June 2011.

(iii) The company agreed to issue new shares to its directors to settle the directors' fees payable. As at 30 June 2011, the total directors' fees payable balance was $279,200. Shareholders' approval is to be sought in the next annual general meeting as to the share issue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

(b) The Board of Directors has considered and decided on a recapitalisation plan which will require the issue of 50,000,000 ordinary shares at $0.005 per share to raise $250,000. A further issue of 150,000,000 shares at $0.01 is planned. The fund raised are to be issued to fulfill the company's business plan in broadening its property development focus to a range of development proposals and exploring other business opportunities outside property industry.

As can be seen in the above Pro-forma Statement of Financial Position, upon successful resolution and issue of the various share parcels to convert debt to equity the Company will be left with a significantly improved creditor position. The Company has been offered terms for a capital raising and is reviewing other opportunities in regards to a three phase capital raising whereby initial capital is to be raised as soon as practical via a Sophisticated and Professional placement as described in section 708 of the Corporations Act. The Company will then look to utilise part of these funds to produce a disclosure document for the raising of capital for the continued business of the Company as described below. Upon re-listing the Company may also consider a share placement plan to existing shareholders.

Business plan

In 2008 the then Board of Directors of SVC embarked on a sell down of all the property assets held within the portfolio. 2008 coincided with the GFC and property prices were depressed, at the end of this liquidation period SVC was left in a difficult financial position. The residential property market stabilised in 2009-10 in line with improvements to domestic, economic and financial conditions. The resilience of the labour market has maintained consumer confidence levels and minimised the forced sale of residential homes throughout Australia. The situation in 2010-11 is a slightly more risky one, with rising interest rates and weak levels of dwelling commencements prevailing in the first few months of the year. Longer term, strong population growth combined with a physical shortage of housing is expected to place increased pressure for the development of new housing.

With the over-65 demographic growing at double the rate of the rest of the population, Australia would require a minimum of 2100 additional retirement villages, or more than 311,000 dwellings, by 2050, according to the Retirement Village Association.

In view of the above SVC is broadening its property development focus to a range of development proposals that are available and have the potential for significant returns in the current market, targeting properties with the potential of an uplift in zonings followings the NSW State Government's direction to standardise local Council LEPs, residential subdivisions and development of senior living and affordable housing products.

To enable the search and selection of the most desirable projects SVC has contracted HD Consulting Pty Ltd. to search, propose, and negotiate terms for possible acquisitions. HD Consulting Pty Ltd has an excellent track record in property development in NSW with many successful developments having been sourced and developed successfully on their own behalf, for clients, and syndicates.

In tandem with this business plan SVC will continue to asses other business opportunities within and outside of the property industry.

The Directors intend to provide satisfaction to ASX that the Company is in compliance with listing rules to enable the Company to be re-quoted.

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.

Uncertainties

The debt restructure arrangement will be subject to shareholder approval. In addition, the share capital raising is subject to shareholder approval and in the ability of the company to attract investors to the company to subscribe for new shares.

Due to the above facts, there exists significant uncertainty that the company will not successfully fulfil those key events and therefore the company may not be able to realise its 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Financial statement presentation

The group has applied the revised AASB 101: Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions (AASB 21) (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. This Standard is not applicable to the group.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132) (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's or parent entity's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. It is not expected to have a material impact on the related party disclosures.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. The group is yet to assess the impact on converting certain financial liabilities into equity which will occur in the year ended 30 June 2011 and the year following.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regards to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's or parent entity's financial statements. The group intends to apply the amendment from 1 July 2011.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Shell Villages and Resorts Limited is listed on the ASX and is not legible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

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 14 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

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.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity.

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 recognised in profit or loss except where it relates to items that may be recognised in other comprehensive income or directly in equity, in which case the deferred tax is adjusted in other comprehensive income or 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 comply with the conditions of deductibility imposed by the law.

c. **Financial Instruments**

Other than trade and other receivables, the group does not invest in other financial assets. The accounting policy of trade and other receivables is set out in Note 1(i).

Non-derivative financial liabilities are measured at amortised cost.

d. **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 recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

e. **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 profit or loss 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.

f. **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.

g. **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.

h. **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.

i. **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of impairment allowance is the difference between the asset's carrying value and the present value of estimated future cashflows, discounted at the original effective interest rate.

The amount of impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

j. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid.

k. **Borrowings and borrowing costs**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transactions costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Borrowings are classified as current liability unless the group has unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

l. **Revenue**

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

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

m. **Contributed equity**

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

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs is recognised directly in equity.

n. **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.

o. **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing

- The profit attributable to equity holders of the company, excluding any costs or servicing equity other than ordinary shares

By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

p. **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.

NOTE 2: REVENUE

	Consolidated Group	
	2010	**2009**
	$	**$**
Other income		
— Interest received	5,244	128
— Other	-	62,643
Total other income	5,244	62,771
Total revenue from continuing activities	5,244	62,771

NOTE 3: INCOME TAX EXPENSE

a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
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	(418,949)	(937,186)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	(125,685)	(281,156)
Tax effect of:		
- Non-temporary differences	-	(73,175)
Temporary differences and tax losses not recognised	125,685	354,331
Income tax expense	-	-

c. Tax losses

Unused tax losses at balance date are estimated to be $1,174,000. However, these estimates will only be finalised upon lodgement of outstanding tax returns.

	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 4: DISCONTINUED OPERATIONS AND SALES OF SUBSIDIARIES

The carrying amount of assets and liabilities disposed at the dates of sales were:

	2010 $	2009 $
Cash and cash equivalents	-	43,275
Property, plant and equipment	-	13,225,816
Trade and other receivables	-	7,061,369
Total assets	-	20,330,470
Total liabilities	-	(6,249,014)
Net assets disposed	-	14,081,456
Total consideration	-	14,180,000
Gain on disposal	-	98,544

Profits attributable to the discontinued operations were as follows:

Results of discontinued operation	$	$
Revenue	-	609,007
Administration expenses	-	-
Consulting and professional services fees	-	-
Other expenses	-	(464,535)
	-	144,472
Income tax expense	-	-
Profit (Loss) after tax but before loss on sale of discontinued operation	-	144,472
Gain on sale of discontinued operation	-	98,544
Gain (loss) for the year	-	243,016

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	-	(43,165)
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net increase in cash generated by the discontinuing division	-	(43,165)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 5: 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 Group	
	2010	**2009**
	$	**$**
Short term employee benefits	153,750	221,290
Post-employment benefits	-	14,527
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	107,564
	153,750	343,381

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

	Balance 1 July or date of appoint-ment	**Share consolida -tion**	**Received as Compensa -tion**	**Options Exercised**	**Net Change Other***	**Final Notice**	**Balance 30 June**
2010							
Mr C Budd[1]	1,285,641	-	-	-	-	(1,285,641)	-
Mr B Patkin	2,023,347	-	-	-	-	-	2,023,347
Mr R Kerr[1]	-	-	-	-	-	-	-
Mr D Diamond[2]	-	-	-	-	-	-	-
Mr R Pritchard[2]	-	-	-	-	-	-	-
Total	3,308,988	-	-	-	-	(1,285,641)	2,023,347
2009							
Mr C Budd	210,000	-	1,075,641	-	-	-	1,285,641
Mr B Patkin	3,066,712	-	-	-	(1,043,365)	-	2,023,347
Mr S Grimson	105,767	-	-	-	-	(105,767)	-
Mr P Dunne	55,556	-	-	-	-	(55,556)	-
Mr J Bennett	55,556	-	-	-	-	(55,556)	-
Mr R Kerr	-	-	-	-	-	-	-
Mr S Taylor	1,166,775	-		-		(1,166,775)	-
Total	4,660,366	-	1,075,641	-	(1,043,365)	(1,383,654)	3,308,988

[1] Resigned 28 April 2010

[2] Appointed 28 April 2010

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

c. Loans to Key Management Personnel

Details of loans made to directors of Shell Villages and Resorts Limited and other key management personnel of the group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

Consolidated Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
	$	$	$	$	$
2010	-	-	-	10,000	1
2009	-	-	-	-	-

In 2010 there were no loans to individuals that exceeded $100,000 at any time (2009: nil).

Loans outstanding at the end of the current and prior year include an unsecured loan to Sustainable Energy Australasia Limited (SEA), a company of which Director Richard Pritchard is a director and substantial shareholder, The $10,000 loan was made for an indefinite period and is interest free. The loan was for the purpose of procuring due diligence work by independent legal and technical advisers for the Company's potential acquisition of SEA.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's length basis.

No write-down or allowance for doubtful receivables have been recognised in relation to any loans made to key management personnel.

d. Other transactions with Key Management Personnel

Sale of Shell Villages and Resorts Cooroy Pty Limited

Neville Dunne, the consultant manager, ultimately controls Synergy Living Group Pty Limited ("Synergy").

The company entered into a share sale agreement with Synergy to sell all its equity interests in a subsidiary, Shell Villages and Resorts Cooroy Pty Limited ("Cooroy"), for a total consideration of $2,600,000. The transaction was completed in May 2009. The transaction was not entered into at arm's length or with shareholder ratification and resulted in a loss of $1,000,000.

At settlement, the following payments were made to the following parties:

- $40,000 paid to Bob Covery Pty Ltd, an entity controlled by Neville Dunne
- $41,000 paid to Loanstar Financial Services Pty Ltd, an entity controlled by Peter Dunne
- $60,000 paid to Menton Capital Pty Ltd, an entity controlled by Neville Dunne
- $164,000 paid to R Keller, a secured creditor
- $5,000 paid to Synergy.

Along with the sale of Cooroy, the company wrote off a total development right fee of $600,000 paid to Gritin Industries Pty Ltd, a company associated with Neville Dunne.

Other than such transactions as disclosed above, the directors have not been able to identify any other transactions with key management personnel which would be required for disclosure in this financial report due to improper accounting and management records maintained by the previous management.

As a result, there may be other related party transactions which are not disclosed within these financial statements.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2010	**2009**
	$	**$**
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	20,000	50,000

NOTE 7: EARNINGS PER SHARE

	2010 cents	2009 cents
(a) Basic earnings per share		
From continuing operations (cents)	(1.0)	(3.0)
From discontinued operations (cents)	-	0.6
	(1.0)	(2.4)
(b) Diluted earnings per share		
From continuing operations (cents)	(1.0)	(3.0)
From discontinued operations (cents)	-	0.6
	(1.0)	(2.4)

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

	2010	2009
Basic earnings per share		
Profit (loss) attributable to the ordinary shareholders of the parent entity used in calculating basic earnings per share		
From continuing operations	(418,949)	(1,180,202)
From discontinued operations	-	243,016
	(418,949)	(937,186)
Diluted earnings per share		
Profit(loss) from continuing operations attributable to the ordinary shareholders of the parent entity used in calculating basic earnings per share	(418,949)	(1,180,202)
Add: interest savings on convertible notes	101,763	96,104
	(317,186)	(1,084,098)
Profit (loss) from discontinued operations	-	243,016
Profit (loss) attributable to the ordinary shareholders of the parent entity used in calculating diluted earnings per share	(317,186)	(841,082)

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

	2010	2009
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	43,108,368	38,838,266
Adjustments for calculation of diluted earnings per share:		
Convertible notes	20,000,000	6,410,959
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	63,108,368	45,249,225

(e) Information concerning the classification of securities

Convertible notes are considered to be potential ordinary shares. However, as the convertible notes are anti-dilutive they are ignored in the calculation of the diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2010	**2009**
	$	**$**
Cash at bank and in hand	59,852	304

NOTE 9: FINANCIAL ASSETS

CURRENT		
Loan receivable	10,000	-

The loan bears no interest and is repayable on demand.

NOTE 10: OTHER ASSETS

CURRENT		
Other receivables	153,151	60,000
Other current assets	4,718	-
	157,869	60,000

NOTE 11: TRADE AND OTHER PAYABLES

CURRENT		
Unsecured liabilities		
Trade payables	342,656	367,608
Sundry payables and accrued expenses	910,220	765,665
	1,252,876	1,133,273

NOTE 12: FINANCIAL LIABILITIES

CURRENT AND NON-CURRENT		
Unsecured liabilities		
Convertible notes	737,781	-
Unsecured borrowings*	365,000	-
	1,102,781	636,018

(a) Convertible notes

The AGM in January 2009 approved the issue of $1,300,000 convertible notes at the face value of $1 each to refinance the liability owed to Allan Shell and Roma Shell for the purchase of Hearts Monitors Pty Ltd.

The convertible notes bear interest at 9% per annum starting from 1 January 2009, accruing on a daily basis and capitalised monthly. The notes are convertible into ordinary shares or repayable on 31 December 2010. The notes are convertible at the average of the daily volume weighted average sale prices of shares sold on ASX during the 5 business day period prior to the date of conversion.

The noteholder:

(i) must elect to convert 350,000 notes not earlier than 1 January 2009 nor later than 30 June 2009;

(ii) must elect to convert 350,000 notes no earlier than 1 January 2010 nor later than 30 September 2010;

(iii) may elect to convert some or all of the remaining 600,000 notes from 1 October 2010 to the maturity of the notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

The convertible notes are presented in the balance sheet as follows:

	Consolidated Group	
	2010	**2009**
	$	**$**
Face value of notes issued or balance brought forward	636,018	1,300,000
Value of conversion rights	-	(401,708)
Converted at 30 June 2009	-	(350,000)
	636,018	548,292
Interest expense	101,763	87,726
Interest paid	-	-
Total	737,781	636,018
Presented as:		
Financial liabilities - current	737,781	-
Financial liabilities – non-current	-	636,018
	737,781	636,018

NON-CURRENT		
Unsecured liabilities		
Convertible notes	-	636,018

In March 2010 the convertible notes, which were held by third parties, were assigned to Snowy Plains Pty Ltd, on behalf of a group of investors, a company of which Director Mr Boris Patkin is Chief Executive Officer.

*The unsecured borrowing represents funds received from potential investors in the company. On 15 November 2010, a general meeting of shareholders approved the issue of 36,500,000 fully paid ordinary shares at $0.01 each. In February 2011 34,500,000 shares have been issued at $0.01 each to extinguish $345,000 of this debt.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 13: ISSUED CAPITAL

	2010	2009
	$	$
(a) Ordinary shares		
43,108,368 (2009: 43,108,368) fully paid ordinary shares	42,806,452	42,806,452

	2010		2009	
	Number	$	Number	$
At the beginning of reporting period	43,108,368	42,806,452	37,818,816	41,793,849
Shares issued during year				
— 2 July 2008	-	-	1,200,000	120,000
— 28 August 2008	-	-	333,333	33,333
— 14 October 2008	-	-	100,000	-
— 25 November 2008	-	-	6,393,186	-
— 26 November 2008	-	-	300,000	-
— 28 November 2008	-	-	9,866,910	-
— 4 December 2008	-	-	6,410,256	-
— 25 February 2009	-	-	1,769,155	-
— 25 February 2009	-	-	1,075,641	107,562
— 9 March 2009	-	-	502,023	-
— 30 June 2009	-	-	3,500,000	350,000
— Share cancellation[1]	-	-	(25,341,530)	-
Adjustment to share consolidation incorrectly reported in prior year	-	-	(819,422)	-
At reporting date	43,108,368	42,806,452	43,108,368	42,404,744
(b) Other equity securities				
Value of conversion rights-convertible notes		-		401,708
Total issued capital		42,806,452		42,806,452

[1]These shares were incorrectly issued during the prior year and were cancelled.

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. 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.

(b) Capital risk management

The group's objective when managing capital is to safeguard its ability to continue as a going concern. In order to maintain or adjust the capital structure, the company may issue new shares or return capital to shareholders.

The company's strategy was to maintain a sufficient level of cash to meet its obligation, when the debt is due and its investment commitments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 14: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
Kalgoorlie Tailings Project 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%	100%
Shell Villages and Resorts Commercial Pty Ltd	Australia	100%	100%

* Percentage of voting power is in proportion to ownership

NOTE 15: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The company has sought legal advice in respect of the clawback of assets or their value, disposed of in 2008 and 2009. A claim is currently being quantified but is otherwise subject to legal-professional privilege and there will be a further announcement by the directors.

NOTE 16: SEGMENT REPORTING

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Group.

The reportable operating segment is corporate office management which is the Consolidated Group's current principal activity.

Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

(a) Segment information

	2010		2009	
	Unallocated $	**Total $**	**Unallocated $**	**Total $**
Total segment revenue	5,244	5,244	62,771	62,771
Inter-segment revenue	-	-	-	-
Revenue from external customers	5,244	5,244	62,771	62,771
				-
Loss before income tax	(418,949)	(418,949)	(1,180,202)	(1,180,202)
Depreciation and amortisation	-	-	-	-
Impairment of assets	-	-	-	-
Income tax expense	-	-	-	-
Total segment assets	227,721	227,721	60,304	60,304
Total segment liabilities	(2,355,657)	(2,355,657)	(1,769,291)	(1,769,291)

NOTE 17: NOTES TO STATEMENT OF CASH FLOWS

	Consolidated Group	
	2010 $	**2009 $**
a **Reconciliation of cash**		
Cash and cash equivalents	59,852	304
b. **Reconciliation of loss after income tax to net cash used in operating activities**		
Loss after income tax	(418,949)	(937,186)
Add non-cash items in operating costs:		
Gain on sale of discontinued operations	-	(98,544)
Share based payments	-	107,564
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	-	122,479
(Increase)/decrease in other assets	(97,869)	64,015
Increase/(decrease) in trade and other payables	221,366	190,205
Net cash used in operating activities	(295,452)	(551,465)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 18: RELATED PARTY TRANSACTIONS

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

During the financial year there were the following related party transactions:

	2010 $	2009 $
On 29 March 2009 the company entered into a share sale agreement with Synergy Living Group Pty Limited pursuant to which the company sold all its shares in Shell Villages and Resorts Cooroy Pty Limited for $2,600,000. Synergy Living Group Pty Limited is ultimately controlled by Mr N Dunne.	-	2,600,000
Loan to Sustainable Energy Australasia Limited (SEA), a company of which Mr R Pritchard is a director and substantial shareholder, for an indefinite period and is interest free	10,000	-

Due to changes in the management team the disclosures of related party transactions for the financial year 2009 are those for which the current directors have information available.

Sale of Shell Villages and Resorts Cooroy Pty Limited

Neville Dunne, the consultant manager, ultimately controls Synergy Living Group Pty Limited ("Synergy").

The company entered into a share sale agreement with Synergy to sell all its equity interests in a subsidiary, Shell Villages and Resorts Cooroy Pty Limited ("Cooroy"), for a total consideration of $2,600,000. The transaction was completed in May 2009. The transaction was not entered into at arm's length or with shareholder ratification and resulted in a loss of $1,000,000.

At settlement, the following payments were made to the following parties:

- $40,000 paid to Bob Covery Pty Ltd, an entity controlled by Neville Dunne
- $41,000 paid to Loanstar Financial Services Pty Ltd, an entity controlled by Peter Dunne
- $60,000 paid to Menton Capital Pty Ltd, an entity controlled by Neville Dunne
- $164,000 paid to R Keller, a secured creditor
- $5,000 paid to Synergy.

Along with the sale of Cooroy, the company wrote off a total development right fee of $600,000 paid to Gritin Industries Pty Ltd, a company associated with Neville Dunne.

Other than such transactions as disclosed above, the directors have not been able to identify any other transactions with key management personnel which would be required for disclosure in this financial report due to improper accounting and management records maintained by the previous management.

As a result, there may be other related party transactions which are not disclosed within these financial statements in relation to the 2009 financial year.

NOTE 19: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The Group holds the following financial instruments:

	Consolidated Group	
	2010	**2009**
	$	**$**
Financial assets		
Cash and cash equivalents	59,852	304
Financial assets	10,000	-
Other current assets	157,869	60,000
	227,721	60,304
Financial liabilities		
Trade and other payables	1,252,876	1,133,273
Financial liabilities	1,102,781	636,018
	2,355,657	1,769,291

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans 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; and
- interest 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.

Group currently holds following receivables based on type of debtor:

	Consolidated Group	
	2010	**2009**
	$	**$**
Australian Taxation Office (GST refund)	153,151	-
Loan to Sustainable Energy Australia Ltd	10,000	-
Other receivables	4,718	-
	157,869	-

NOTE 19: 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
2010	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Convertible notes	737,781	737,781	737,781	-	-	-	-
Financial liabilities	365,000	365,000	365,000	-	-	-	-
Trade and other payables	1,252,876	1,252,876	1,252,876	-	-	-	-
	2,355,657	2,355,657	2,355,657	-	-	-	-
2009							
Convertible notes	636,018	796,803	-	-	796,803	-	-
Trade and other payables	1,133,273	1,133,273	1,133,273	-	-	-	-
	1,769,291	1,930,076	1,133,273	-	796,803	-	-

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 the fixed rate convertible notes. 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:

	2010 Weighted average interest rate	2010 Balance	2009 Weighted average interest rate	2009 Balance
		$		$
Convertible notes	9.00%	737,781	9.00%	636,018
Financial liabilities	-	365,000	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

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 $
2010				
Convertible notes	**(7,378)**	-	**7,378**	-
2009				
Convertible notes	**(6,360)**	-	**6,360**	-

This analysis assumes that all other variables remain constant.

NOTE 20 – PARENT ENTITY INFORMATION

	2010 $	2009 $
Assets		
Current assets	167,720	83
Non-current assets	36	36
Total assets	167,756	119
Liabilities		
Current liabilities	2,355,656	1,133,273
Non-current liabilities	-	636,018
Total liabilities	2,355,656	1,769,291
Equity		
Issued capital	42,806,452	42,806,452
Reserves	393,153	393,153
Accumulated losses	(45,387,505)	(44,968,777)
	(2,187,900)	(1,769,172)
Financial performance		
(Loss) profit for the year	(418,728)	2,910,860
Other comprehensive income	-	-
Total comprehensive income	(418,728)	2,910,860

The Parent Entity has not entered into any financial guarantees which is outstanding and has no contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2010 and 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

NOTE 21. EVENTS AFTER REPORTING DATE

There has not arisen in the interval since 30 June 2010 and up to the date of this report, any matter, that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the group in future financial years other than:

(a) Pursuant to an announcement made on 30 September 2010, the company agreed to issue 26,250,000 shares for a total proceed of $262,500 which was received and recognised as a financial liability at 30 June 2010. At the same time, the company sought approval from the shareholders to convert $107,500 of converting loans to equity by issuing 10,750,000 ordinary shares.

The issue of share of 37,000,000 ordinary shares was approved at the EGM dated 15 November 2010 and 34,500,000 shares were issued in February 2011 for converting a total debt of $345,000.

(b) In accordance with a deed of settlement dated 24 June 2011, the company agreed to convert 1,300,000 convertible notes into 20,000,000 ordinary shares. The carrying value of the convertible notes as at 30 June 2010 was $737,781. Shareholders' approval is to be sought in the next annual general meeting.

Under the deed, the company also agreed to issue 10,000,000 ordinary shares to Mr B Patkin, a director, to settle the amounts owed to Mr B Patkin and his related entities. Shareholders' approval is to be sought in the next annual general meeting.

(c) Pursuant to the Deeds of Release entered with two creditors, the company agreed to convert its trade payable balances of $49,551 into ordinary shares at $0.025 per share and 1,982,041 shares were allotted on 22 June 2011.

(d) The General Meeting held on 8 February 2011 approved a share issue of 10,000,000 shares at an issue price of $0.01 as working capital. On 9 May 2011, the company issued 4,500,000 ordinary shares at an issue price of $0.01 each to raise $45,000.

(e) The Board of Directors resolved on 8 July 2011 to raise $250,000 by the issue of 50,000,000 shares at $0.005 per share. This capital raising for sophisticated and professional persons is to take place immediately post submission of audited accounts to ASIC. This issue will target AFSL holders who will assist in the raising of further capital through a disclosure statement post the Annual General Meeting.

NOTE 22. COMPANY DETAILS

Shell Villages and Resorts Limited

Level 9,
5 Hunter Street

Sydney NSW 2000

The principal places of business are:

Shell Villages and Resorts Limited
Level 9,
5 Hunter Street

Sydney NSW 2000

The financial report was authorised for issue on 22nd August 2011 by the Board of Directors.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payables.

The directors have given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Richard Wyn Pritchard
Director

Dated this 22nd day of August 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

Report on the Financial Report

We have audited the accompanying financial report of Shell Villages and Resorts Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Shell Villages and Resorts Limited and Controlled Entities (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2010 (Con't)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. A copy of our independence declaration is included on page 10 of the financial report.

Basis for Qualified Auditor's Opinion

Qualification on Opening Balances

As outlined in the Independent Auditor's Report for the year ended 30 June 2009, in forming our audit opinion there were a number of items for which the directors were unable to provide us with sufficient and appropriate audit evidence which resulted in a number of qualifications impacting the financial position of the company as at 30 June 2009. These items have an impact on the results of operations for the year ended 30 June 2010. These items are as follows:

(a) Discontinued operations

We were not able to obtain sufficient and appropriate audit evidence as to the disposal of the subsidiaries Shell Villages and Resorts BRT Pty Ltd, Shell Villages and Resorts Cooroy Pty Ltd and Shell Villages and Resorts HV Pty Ltd. As such we were unable to determine whether any adjustment would be required as to the net assets at disposal of $14,081,456, the profit from discontinued operations of $243,016 for the year ended 30 June 2009, the proceeds from sale of subsidiaries of $14,180,000 and repayment of borrowings of $13,724,320 included in the cash flow statement, and the possible effect on the balance sheet as at 30 June 2009.

Since the opening balances enter into the determination of the result of operations for the year ended 30 June 2010, we were unable to determine whether any adjustment to the results of operations and opening retained earnings might be necessary for the year ended 30 June 2010 as a result of this qualification.

(b) Related Party Transactions

Key management personnel and their related parties entered into a sale transaction for the sale of Shell Villages and Resorts Cooroy Pty Ltd prior to shareholder's approval being obtained. Due to the facts as set out in the preceding paragraph, we were unable to obtain sufficient and appropriate audit evidence to assess whether (i) this and all other related party transactions were accurately and completely disclosed in the financial statements; and (ii) the related party transactions were entered into at arms-length.

Since the opening balances enter into the determination of the result of operations for the year ended 30 June 2010, we were unable to determine whether any adjustment to the results of operations and opening retained earnings might be necessary for the year ended 30 June 2010 as a result of this qualification.

Further, the disclosure with respect to related party transactions for the comparative reporting period, year ended 30 June 2009, may not be complete as a result.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2010 (Con't)

(c) Share based payments

The company granted 1,075,641 ordinary shares as director's remuneration during the year ended 30 June 2009 and recognised a share-based payment expense and share capital balance of $107,564 as a result. We were not provided with sufficient and appropriate audit evidence as to the determination of the fair value of the shares at the grant date. Therefore, we were unable to determine whether the measurement of the share-based payment expense was free of material misstatement, and whether the recognition of the expense is in accordance with the requirements of AASB 2 "Share-based payments".

Since the opening balance of share capital and retained earnings is carried forward into the determination of the balances as at 30 June 2010, we were unable to determine whether any adjustments to the share capital balance and opening retained earnings might be necessary for the year ended 30 June 2010 as a result of this qualification.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient and appropriate audit evidence concerning the matters described in the preceding paragraphs,

a. the financial report of Shell Villages and Resorts Limited 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 2010 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; and

b. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 1.

Material uncertainty in relation to the going concern basis

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $418,949 for the year ended 30 June 2010 and reported net current liabilities of $2,127,936 as at 30 June 2010 and net cash outflows from operations of $295,452. These conditions along with other matters described in Note 1 indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2010 (Con't)

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Shell Villages and Resorts Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

22 August 2011

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 1 July 2011.

1. **Shareholding**

a. Distribution of Shareholders

Category (size of holding)	Number of Holders	Number Shares Held
1 – 1,000	195	92,317
1,001 – 5,000	438	1,027,978
5,001 – 10,000	132	963,674
10,001 – 100,000	178	5,688,677
100,001 – and over	82	76,317,763
	1,025	84,090,409

The number of shareholdings held in less than marketable parcels is 621.

b. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MR HUW MORRIS JONES	5,000,000	5.95%
2.	MR DECLAN NIGEL PRITCHARD	5,000,000	5.95%
3.	DR ALLAN MICHAEL SHELL	3,955,671	4.70%
4.	MR ALLAN MICHAEL SHELL AND MRS ROMA SHELL	3,500,000	4.16%
5.	MISTIC INVESTMENT PTY LTD <MISTIC INVESTMENTS P/L A/C>	2,748,310	3.27%
6.	MR RAYMOND JOSEPH ALLEN	2,500,000	2.97%
7.	BMSCT PTY LIMITED <BLUE MOUNTAINS SUPERANN A/C>	2,500,000	2.97%
8.	MR HAO GIA DANG <DANG FAMILY A/C>	2,500,000	2.97%
9.	MRS FIONA MAREE FARRUGIA <FARRUGIA INVESTMENT A/C>	2,500,000	2.97%
10.	MR RONALD HARRY JOHNSON	2,500,000	2.97%
11.	MR DARRELL DANIEL SMITH	2,500,000	2.97%
12.	MR STEPHEN GRIMSON	2,000,000	2.38%
13.	VAPOFO PTY LTD	2,000,000	2.38%
14.	CHRISWALL HOLDINGS PTY LTD	1,825,695	2.17%
15.	MOORE STEPHENS (QUEENSLAND) LTD	1,779,893	2.12%
16.	H NOMINEES PTY LTD	1,610,554	1.92%
17.	DIRDOT PTY LIMITED <GRIFFITH SUPER FUND A/C>	1,561,809	1.86%
18.	SNOWY PLAINS PTY LTD	1,411,026	1.68%
19.	MR COREY BUDD	1,285,641	1.53%
20.	MR NIGEL CLARK	1,250,000	1.49%
	Twenty largest shareholders	49,928,599	59.37%
	Others	34,161,810	40.63%
		84,090,409	100.00%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. **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.

3.. The name of the company secretary is Mr Brett Crowley.

4. The address of the principal registered office in Australia is

   Level 9,
   5 Hunter Street
   Sydney NSW 2000

5. 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

6. **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.

7. **Unquoted Securities**

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