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 2009

CONTENTS

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2009.

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 John Bennett (resigned 21 October 2008)
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 Peter Dunne (resigned 17 October 2008)
Mr Stephen Grimson (resigned 7 July 2008)
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)
Mr Steve Taylor (appointed 4 October 2008, resigned 16 December 2008)

Performance Evaluation and Communication to Shareholders

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

Annual Report which is distributed to all shareholders and posted on the ASX website www.asx.com.au;

The Half-yearly report which is posted on the ASX website www.asx.com.au;

The Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;

The Company's compliance with ASX continuous disclosure requirements;

All public announcements and associated documents which are made available on the Company website at www.svcgroup.com.au

CORPORATE GOVERNANCE STATEMENT (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 24.

Independent Professional Advice

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

Business Risk Management

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

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

Ethical Standards

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

Other Information

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

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of directors in office at any time during or since the end of the 2009 financial year are:

Mr John Bennett (resigned 21 October 2008)

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 Peter Dunne (resigned 17 October 2008)

Mr Stephen Grimson (resigned 7 July 2008)

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)

Mr Steve Taylor (appointed 4 October 2008, resigned 16 December 2008)

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

Company Secretary

The following person held the position of company secretary 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 2009 financial year were owning, managing and developing "Over 50's Residential Gated Communities**".** During the financial year, the consolidated group disposed of all those properties and has since been under 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 $937,186 (2008: Loss of $5,197,992).

Financial Position

At 30 June 2009, the consolidated group had net liabilities of $1,708,987 (2008: $1,784,404). There was a deficiency in working capital of $1,072,969 at 30 June 2009 (2008:$1,198,608) with cash on hand of $304 (2008: $46,361).

DIRECTORS' REPORT (continued)

Significant Changes in State of Affairs

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

(i) The company was suspended from Official Quotation on ASX on 1 October 2008;

(i) Three operating wholly owned subsidiaries each of which held a significant property being 'Shell Villages and Resorts Hunter Valley, Brisbane River Terraces Village and Cooroy were sold during the financial year. These transactions resulted in consideration received of $14,180,000 and a net profit of $98,544; and

(ii) The Company issued 31,450,054 fully paid ordinary shares including the conversion of convertible notes and share-based payments and cancelled 25,341,530 fully paid ordinary shares incorrectly issued. The Company raised capital of $120,000 during the year.

Review of Operations

The 2009 financial year has been extremely challenging for the consolidated group. The Company was suspended from quotation on 1 October 2008 for not lodging its 2008 Annual Report with ASX Limited ("ASX") by the due date of 30 September 2008 which is a breach of ASX Listing Rules.

Managing Director Mr Corey Budd, Non-Executive Director Mr Rohan Kerr and the Company Secretary and accountant Mrs Lynn Thompson, tendered their resignations at a Board meeting on 24 April 2009 leaving the consolidated group with no management and no 2008 Annual Report prepared. Mr Boris Patkin, who was appointed on 16 December 2008, was the remaining active member on the Board. No new directors would join the Board without completion of due diligence of the consolidated group.

After very arduous work, having regards to the poor state of the accounting and management records and non-availability of previous management to explain the transactions, the financial statements for the year ended 30 June 2008 were completed and audited. The 2008 Annual Report was eventually lodged with ASX on 30 September 2009.

However, the Company has remained suspended because the 2009 Annual Report had also not been lodged with ASX by the due date of 30 September 2009.

There was disenchantment by the major shareholders in the management of the consolidated group. Mr Boris Patkin was appointed to the Board to address concerns of shareholders in mid-December 2008. As a result a general meeting was convened on 30 December 2008 to finally ratify the sale of the medical assets of the consolidated group to A&R Shell and the 2008 AGM was held on the 15 January 2009 although without the tabling of the 2008 Annual Report which was still not prepared.

During the 2009 financial year, the previous management has disposed of all the major assets of the consolidated group prior to their mass resignations and without approval of shareholders as required under ASX Listing Rule 11.2. The transactions are as follows:

- the sale of wholly owned subsidiary Shell Villages and Resorts HV Pty Ltd, which owns the "Shell Villages and Resorts Hunter Valley", was completed on 31 October 2008 for $3,750,000 realising a book profit of $344,527.
- the sale of wholly owned subsidiary Shell Villages and Resorts Cooroy Pty Ltd which owns the Cooroy Village was completed on 9 April 2009 for $2,600,000 realising a book loss of $1,027,076. This sale is subject to shareholders' approval under the ASX Listing Rule 11.2.
- the sale of wholly owned subsidiary Shell Villages and Resorts BRT Pty Ltd for consideration of $7,830,000 which owns the Brisbane River Terraces Village was completed on 16 April 2009. The sale resulted in the retirement of $4,410,000 of debt and a book profit of $781,093.

The preparation of the financial statements for the year ended 30 June 2009 proved to be also very difficult because of the very significant transactions entered into by the previous management and the poor records management within the consolidated group. The accounting records had to be reconstructed.

A new Board was appointed on 16 April 2010 and it has proceeded to commence raising capital and working 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 Australian Securities Exchange.

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

DIRECTORS' REPORT (continued)

Dividends Paid or Recommended

No dividends have been paid or declared during the financial year ended 30 June 2009 (2008: nil), nor have the directors recommended that any dividend be paid.

Information on Directors

Mr Boris Patkin	Non-executive Director
Qualifications	Bachelor of Science (Industrial Chemistry) Masters in Commerce (Marketing and Financial Management)
Experience	Board member since December 2008
Special Responsibilities	Actively promoting new investment opportunities and investor relations
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; and
- 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 2005	472,147	(2.0)	4
30 June 2006	488,615	(3.0)	24
30 June 2007	66,000	(7.5)	10
30 June 2008	212,550	(15.3)	18
30 June 2009	343,381	(2.4)	-

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

The Company's shares were suspended from Official Quotation on 1 October 2008.

DIRECTORS' REPORT (continued)

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.

The key management personnel of the consolidated entity consisted of the directors of Shell Villages and Resorts Limited and the following executives from 1 July 2008:

- Neville Dunne – Consultant manager
- Lynn Thompson – Company Secretary

	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[1]	-	-	-	-	-	-	-
P Dunne[2]	-	-	-	-	-	-	-
R Kerr[3]	-	-	-	-	-	-	-
S Grimson[4]	-	-	-	-	-	-	-
B Patkin[5]	-	-	-	-	-	-	-
S Taylor[6]	-	-	-	-	-	-	-
Other							
N Dunne[7]	59,883	-	-	-	-	59,883	-
L Thompson[7]	56,407	-	5,077	-	-	61,484	-
	221,290	-	14,527	-	107,564	343,381	31

[1] Resigned 21 October 2008

[2] Resigned 17 October 2008

[3] Appointed 21 October 2008

[4] Resigned 7 July 2008

[5] Appointed 11 December 2008. Consultancy fees of $60,000 was invoiced for period prior to appointment and is due and payable

[6] Appointed 4 October 2008, resigned 16 December 2008

[7] Resigned 24 April 2009

DIRECTORS' REPORT (continued)

	Short-term benefits		Post employment		Share-based payment		Total remuneration represented by shares
	Cash salary and fees	Non-cash benefits	Super-annuation	Termination benefits	Shares	Total	
	$	$	$	$	$	$	%
2008							
Directors							
C Budd	45,000	-	4,050	-	30,000	79,050	38
P Berger	-	-	-	-	30,000	30,000	100
B Patkin	44,000	-	-	-	9,500	53,500	18
S Grimson	-	-	-	-	-	-	-
P Dunne	-	-	-	-	25,000	25,000	100
J Bennett	-	-	-	-	25,000	25,000	100
	89,000	-	4,050	-	119,500	212,550	56

The Consolidated Group has no other key management personnel other than as noted above.
None of the remuneration was based on predetermined performance conditions.

Share-Based Payments

On 25 February 2009, 1,075,641 fully paid ordinary shares were issued to director Mr Corey Budd for nil consideration without shareholder approval. The shares were valued at $0.10 each, being the issue price of shares issued by private placement during the financial year.

Service Agreement

The other key management personnel have been engaged for an indefinite period and are terminable by either party on one month's notice. Upon termination, directors and key management personnel are paid all accrued employee benefit entitlements.

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

DIRECTORS' REPORT (continued)

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	1	1
Mr John Bennett (resigned 21 October 2008)	-	-
Mr Peter Dunne (resigned 17 October 2008)	-	-
Mr Rohan Kerr (appointed 21 October 2008)	1	1
Mr Stephen Grimson (resigned 07 July 2008)	-	-
Mr Boris Patkin (appointed 11 December 2008)	1	1
Mr Steve Taylor (appointed 4 October 2008, resigned 16 December 2008)	-	-

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

In the opinion of the directors, no items transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial years other than the following:

(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 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 2011 was $796,804. 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 2009 has been received and can be found on page 11 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 2009 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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INCOME STATEMENTS
FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Revenue	2	-	8,596	-	-
Other income	2	62,771	1,211,009	62,771	198,827
		62,771	1,219,605	62,771	198,827
Consulting expenses		(466,704)	(652,700)	(466,704)	(550,343)
Legal fees		(106,494)	-	(106,494)	-
Commissions		-	(80,260)	-	(17,455)
Corporate expenses		-	(193,701)	-	(193,701)
Depreciation and amortisation		-	(250,666)	-	(7,506)
Finance costs	3(a)	(105,516)	(856,256)	(105,516)	(325,093)
Foreign currency loss		-	(58)		(58)
Impairment loss	3(b)	-	(2,845,000)	-	(7,800,534)
Other expenses		(214,282)	(933,650)	(214,282)	(404,919)
Directors fees		(174,450)	(93,050)	(174,450)	(93,050)
Rental property expenses		-	(214,417)	-	(553)
Rent		-	(49,323)	-	(11,730)
Share-based payments		(107,564)	(119,500)	(107,564)	(119,500)
Staff Expenses		(67,963)	(120,083)	(67,963)	(109,526)
Loss before income tax	3	(1,180,202)	(5,189,059)	(1,180,202)	(9,435,141)
Income tax expense	4	-	-	-	-
Loss from continuing operations		(1,180,202)	(5,189,059)	(1,180,202)	(9,435,141)
Profit from discontinued operations	5	243,016	(8,933)	4,091,062	-
Profit/(Loss) for the year		(937,186)	(5,197,992)	2,910,860	(9,435,141)
Profit (Loss) is attributable to:					
- members of the parent entity		(937,186)	(5,197,992)	2,910,860	(9,435,141)
- non-controlling interests		-	-	-	-
		(937,186)	(5,197,992)	2,910,860	(9,435,141)

Earnings per share for profit from continuing operations attributable to ordinary shareholders of the parent entity:

	Note	2009	2008
Basic loss per share (cents)	8	(3.0)	(15.3)
Diluted loss per share (cents)	8	(3.0)	(15.3)

Earnings per share for profit attributable to ordinary shareholders of the parent entity:

	Note	2009	2008
Basic loss per share (cents)	8	(2.4)	(15.3)
Diluted loss per share (cents)	8	(2.4)	(15.3)

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

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	304	46,361	83	2,975
Trade and other receivables	10	-	137,746	-	60,003
Fixed assets held for sale	5	-	13,162,063	-	-
Other current assets	14	60,000	124,015	-	-
TOTAL CURRENT ASSETS		60,304	13,470,185	83	62,978
NON-CURRENT ASSETS					
Financial assets	11	-	-	36	56
Plant and equipment	12	-	3,942	-	3,942
Intangible assets	13	-	600,000	-	-
Other non-current assets	14	-	5,262	-	3,782
TOTAL NON-CURRENT ASSETS		-	609,204	36	7,780
TOTAL ASSETS		60,304	14,079,389	119	70,758
CURRENT LIABILITIES					
Trade and other payables	15	1,133,273	944,793	1,133,273	698,393
Financial liabilities	16	-	13,724,000	-	3,870,000
TOTAL CURRENT LIABILITIES		1,133,273	14,668,793	1,133,273	4,568,393
NON-CURRENT LIABILITIES					
Financial liabilities	16	636,018	1,195,000	636,018	1,195,000
TOTAL NON-CURRENT LIABILITIES		636,018	1,195,000	636,018	1,195,000
TOTAL LIABILITIES		1,769,291	15,863,793	1,769,291	5,763,393
NET LIABILITIES		(1,708,987)	(1,784,404)	(1,769,172)	(5,692,635)
EQUITY					
Issued capital	17	42,806,452	41,793,849	42,806,452	41,793,849
Reserves		493,152	493,152	393,153	393,153
Retained earnings		(45,008,591)	(44,071,405)	(44,968,777)	(47,879,637)
TOTAL EQUITY		(1,708,987)	(1,784,404)	(1,769,172)	(5,692,635)

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

STATEMENTS OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2009

Consolidated Group

	Share Capital – Ordinary Shares	Retained Earnings	Reserves	Total
	$	$	$	$
Balance at 1 July 2007	40,083,421	(38,873,413)	493,152	1,703,160
Shares issued during the year	1,710,428	-	-	1,710,428
Loss attributable to members of parent entity	-	(5,197,992)	-	(5,197,992)
Balance at 30 June 2008	41,793,849	(44,071,405)	493,152	(1,784,404)
Shares issued during the year	610,895	-	-	610,895
Equity element of convertible notes	401,708	-	-	401,708
Loss attributable to members of parent entity	-	(937,186)	-	(937,186)
Balance at 30 June 2009	42,806,452	(45,008,591)	493,152	(1,708,987)

Parent Entity

	Share Capital – Ordinary Shares	Retained Earnings	Reserves	Total
	$	$	$	$
Balance at 1 July 2007	40,083,421	(38,444,496)	393,153	2,032,078
Shares issued during the year	1,710,428	-	-	1,710,428
Loss attributable to members of parent entity	-	(9,435,141)	-	(9,435,141)
Balance at 30 June 2008	41,793,849	(47,879,637)	393,153	(5,692,635)
Shares issued during the year	610,895	-	-	610,895
Equity component of convertible notes	401,708	-	-	401,708
Profit attributable to members of parent entity	-	2,910,860	-	2,910,860
Balance at 30 June 2009	42,806,452	(44,968,777)	393,153	(1,769,172)

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

CASH FLOW STATEMENTS
FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		671,642	1,281,622	112,143	220,376
Interest received		136	5,772	152	2,179
Cash payments in the course of operations		(905,206)	(2,935,612)	(722,805)	(1,270,329)
Finance costs		(438,037)	(814,245)	(17,790)	(188,749)
Net cash used in operating activities	23a	(671,465)	(2,462,463)	(628,300)	(1,236,523)
CASH FLOWS FROM INVESTING ACTIVITIES					
Refund deposits			-		-
Purchase of property, plant and equipment		(272)	(287,142)	(272)	(6,348)
Purchase of intangibles		-	(600,000)		-
Proceeds from sale of investment		50,000	-	50,000	-
Proceeds from sale of subsidiaries		14,180,000	-	14,180,000	-
Net cash provided by/(used in) investing activities		14,229,728	(887,142)	14,229,728	(6,348)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		120,000	291,649	120,000	291,649
Proceeds from unsecured borrowings		-	2,798,500	-	2,615,000
Loans to controlled entities		-	-	(13,724,320)	(1,857,660)
Repayment of borrowings		(13,724,320)	(663)	-	(663)
Net cash (used in)/provided by financing activities		(13,604,320)	3,089,486	(2,024,320)	1,048,326
(Decrease) in cash held		(46,057)	(260,119)	(2,892)	(194,545)
Cash at beginning of financial year		46,361	306,588	2,975	197,628
Effect of exchange rates on cash holdings in foreign currencies		-	(108)	-	(108)
Cash at end of financial year	9	304	46,361	83	2,975

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Preparation

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

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

Reporting Basis and Conventions

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

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 2009 (continued)

Debt restructure and proposed capital raising

Subsequent to the balance date, the company has commenced restructuring its debts and will proceed to issue new shares to private investors. Details of those transactions and a 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 as though they occured as 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

(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.

(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 basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

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.

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 19 to the financial statements. All controlled entities have a June financial year-end.

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

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

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

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 credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

c. **Property, Plant and Equipment**

Except for the assets classified as held for sale (Note 1(e)), the property, plant and equipment of the consolidated entity only comprise furniture and office equipment, which are carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Depreciation

The depreciable amount of all fixed is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for furniture and office equipment is 13%-14%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

d. **Leases as a lessor**

The group classifies all its leases of properties as operating lease as the group does not transfer all the risks and benefits incidental to the ownership of the properties to the tenants.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

e. **Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less cost to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current assets is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised when they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liability of a disposal group classified as held for sale is presented separately from other liabilities in the balance sheet.

f. **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(l).

Non-derivative financial liabilities are measured at amortised cost.

g. **Impairment of assets**

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

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

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

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

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

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

i. **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.

Equity-settled compensation

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

j. **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.

k. **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.

l. **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 reviewd 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.

m. **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

n. **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 liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use or sale. Other borrowing costs are expensed.

o. **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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) Land development and resale

Revenue is recognised when the risks and rewards have been transferred and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units sold. Due to the nature of the agreements entered into by the group's companies, this is considered to occur on settlement.

(ii) Interest income

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

(iii) Lease income

Lease income from operating leases of the investment properties is recognised in income on a straight-line basis over the lease term.

Inertial income represents lease payments after completion of the initial contract term, extending the lease of the properties being occupied, and is recognised on an accruals basis.

(iv) Dividend income

Dividend revenue is recognised when the right to receive a dividend has been established.

p. **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.

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

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

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

r. **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing

- The profit attributatble 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.

s. **Comparative Figures**

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

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

Certain new accounting standards and interpretation have been published that are not mandatory for 30 June 2009 reporting period. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- *AASB 8* - AASB 8 may impact segment disclosures. It is not expected to impact the amounts included in the financial statements except that it may impact the level at which goodwill, if any, is tested for impairment.

- *AASB 101* - The revised AASB 101 is only expected to effect the presentation and disclosure of the financial report. It is not expected to affect recognition and measurement accounting policies.

- *AASB 3* - The revised AASB 3 applies prospectively for all business combinations after it becomes effective. It introduces a number of changes which may have a significant impact on accounting for future business combinations. For example, it allows a choice for measuring a non-controlling interest (minority interest) in an acquiree – either at fair value or at the proportionate share of the acquiree's net identifiable assets. It also requires acquisition related costs to be accounted for separately from the business combination – which will usually mean they will be expensed. The directors have not yet assessed the impact the revised standard will have in future periods.

- *AASB 127* - The revised AASB 127 introduces a number of changes, including requiring that changes in an ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions. Another change will result in net income being attributed to the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors have not yet assessed the impact the revised standard will have in future periods.

- *AASB 123* - The revised AASB 123 requires that borrowing costs associated with qualifying assets be capitalised. The directors do not expect the revised standard will have a material impact as the Group has no borrowing costs associated with qualifying assets.

- *AASB 2008-1* - AASB 2008-1 introduces a number of amendments in accounting for share-based payments, including clarifying that vesting conditions comprise service conditions and performance conditions only. The Group may have, or enter into, share-based payment arrangements that could be impacted by these amendments. However, the directors have not yet assessed the impact, if any.

- *AASB 2008-2* - AASB 2008-2 introduces amendments that allow an entity that issues certain puttable financial instruments to classify them as equity rather than financial liabilities. As the Group does not have any such financial instruments, these amendments are not expected to have an impact on the financial report.

- *AASB 2008-5 and AASB 2008-6* - These amendments introduce various changes to IFRSs. The directors have not yet assessed the impact of the amendments, if any.

- *AASB 2008-7* – AASB 2008-7 introduces amendments that result in all dividends from a subsidiary, jointly controlled entity or associate being recognised in the separate financial statements of an investor as income.

- *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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

- *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)
- 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.

u. **Critical Accounting Estimates and Judgments**

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

Key Estimates — Impairment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Sales revenue					
— sale of goods		-	8,596	-	-
Total Revenue		-	8,596	-	-
Other income					
— Interest received		128	5,827	128	2,179
— Rental revenue for property investment		-	1,210,416	-	-
— Management fees		-	-	-	202,400
— Loss on disposal of property, plant and equipment		-	(17,093)	-	(17,093)
— Other revenue		62,643	11,859	62,643	11,341
Total other income		62,771	1,211,009	62,771	198,827
Total revenue from continuing activities		62,771	1,219,605	62,771	198,827

NOTE 3: PROFIT FOR THE YEAR EXPENSES

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
(a) Finance costs:				
— Finance costs	105,516	856,256	105,516	325,093
(b) Provision for impairment:				
— wholly-owned subsidiaries	-	1,645,000	-	7,800,534
— Land	-	265,000	-	-
— Buildings	-	645,000	-	-
— development approval	-	290,000	-	-
Total Impairment	-	2,845,000	-	7,800,534

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
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)/Profit from ordinary activities		(937,186)	(5,197,992)	2,910,860	(9,435,141)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)					
— Consolidated group		(281,156)	(1,549,398)	-	-
— parent entity		-	-	873,258	(2,830,542)
Tax effect of:					
- Non-temporary differences		(73,175)	1,549,398	(1,227,318)	2,830,542
Temporary differences and tax losses not recognised		354,331	-	354,060	-
Income tax expense		-	-	-	-

c. Tax losses

Unused tax losses at balance date are estimated to be $1,048,000. However, these are estimates only and will only be finalised upon lodgement of outstanding tax returns.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 5: DISCONTINUED OPERATIONS AND SALE OF SUBSIDIARIES

During the year ended 30 June 2009, the Group sold its 100% interests in the following controlled entities:

- Shell Villages and Resorts HV Pty Ltd in October 2008 for a total consideration of $3,750,000;
- Shell Villages and Resorts BRT Pty Ltd in December 2008 for a total consideration of $7,830,000; and
- Shell Villages and Resorts Cooroy Pty Ltd in May 2009 for a total consideration of $2,600,000.

The above subsidiaries disposed of was reported in the prior year financial report as discontinued operations.

(i) The carrying amount of assets and liabilities disposed at the date of sales were:

	SVC BRT	SVC COOROY	SVC HV	TOTAL
	$	$	$	$
Cash and cash equivalents	-	43,275	-	43,275
Property, plant and equipment	6,719,743	3,023,325	3,482,748	13,225,816
Trade and other receivables	4,739,164	2,213,319	108,896	7,061,379
Total assets	11,458,907	5,279,919	3,591,644	20,330,470
Total liabilities	(4,410,000)	(1,652,843)	(186,171)	(6,249,014)
Net assets disposed	7,048,907	3,627,076	3,405,473	14,081,456
Consideration received	7,830,000	2,600,000	3,750,000	14,180,000
Gain / (loss) on disposal	781,093	(1,027,076)	344,527	98,544

(ii) Profits attributable to the discontinued operations for the period to the dates of disposals were as follows:

	Consolidated Group		Parent Entity	
	2009	2008*	2009	2008*
Results of discontinued operation:	$	$	$	$
Revenue	609,007	26,796	49,500	-
Administration expenses	-	(5,000)	-	-
Consulting and professional services fees	-	(24,151)	-	-
Other expenses	(464,535)	(10,471)	(69,991)	-
	144,472	(12,896)	(20,491)	-
Income tax expense	-	-	-	-
Profit (Loss) after tax but before loss on sale of discontinued operation	144,472	(12,826)	(20,491)	-
Gain on sale of discontinued operation	98,544	3,893	4,111,553	-
Gain (loss) for the year	243,016	(8,933)	4,091,062	-

(iii) 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)	(28,337)
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	(14,255)
Net decrease in cash generated by the discontinuing division	(43,165)	(42,592)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

*The comparative figures of the operating results and cashflow information represents those of the heart monitoring segment which was sold on 23 August 2007. The comparative figures of the operating results and cashflow information of the above subsidiaries disposed were not restated and separately presented due to unavailability of financial records of previous years to the new management team.

(iv) **Non-current assets classified as held for sale**

	Consolidated Group		**Parent Entity**	
	2009 $	2008 $	2009 $	2008 $
Hunter Valley				
Land & Buildings	-	2,246,924	-	-
Property, plant and equipment	-	356,891	-	-
Goodwill	-	855,000	-	-
	-	3,458,815	-	-
Brisbane River Terraces				
Land	-	3,285,702	-	-
Buildings	-	3,265,406	-	-
Property, plant and equipment	-	151,022	-	-
	-	6,702,130	-	-
Cooroy				
Land	-	661,503	-	-
Buildings	-	1,596,406	-	-
Property, plant and equipment	-	33,210	-	-
Development costs	-	710,000	-	-
	-	3,001,199	-	-
	-	13,162,063	-	-

An impairment loss of $2,845,000 was recognised for the year ended 30 June 2008 to write down the assets to their fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES

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

a. Key Management Personnel Compensation

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$	$	$	$
Short term employee benefits	221,290	89,000	221,290	89,000
Post-employment benefits	14,527	4,050	14,527	4,050
Share-based payments	107,564	119,500	107,564	119,500
	343,381	212,550	343,381	212,550

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

	Balance 1 July or date of appointment	Share consolida -tion	Received as Compensa-tion	Options Exer-cised	Net Change Other*	Final Notice on resignation	Balance 30 June
2009							
Mr C Budd	210,000	-	1,075,641[1]	-	-	-	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
2008							
Mr C Budd	-	-	150,000	-	60,000	-	210,000
Mr P Berger	25,000	(16,667)	66,667	-	(8,333)	(66,667)	-
Mr S Grimson	91,000	(60,666)	-	-	75,433	-	105,767
Mr P Dunne	-	-	55,556	-	-	-	55,556
Mr J Bennett	-	-	55,556	-	-	-	55,556
Total	116,000	(77,333)	327,779	-	127,100	(66,667)	426,879

[1] The shares were valued at $0.10 each, being the issue price of shares issued by private placement during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

c. 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 $1,027,076.

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 7: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	50,000	75,500	50,000	75,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2009 cents	2008 cents
(a) Basic earnings per share		
From continuing operations (cents)	(3.0)	(15.3)
From discontinued operations (cents)	0.6	(0.0)
	(2.4)	(15.3)
(b) Diluted earnings per share		
From continuing operations (cents)	(3.0)	(15.3)
From discontinued operations (cents)	0.6	(0.0)
	(2.4)	(15.3)
(c) Reconciliation of earnings used in calculating earnings per share		
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	(1,180,202)	(5,189,059)
From discontinued operations	243,016	(8,933)
	(937,186)	(5,197,992)
Diluted earnings per share		
Profit/(loss) from continuing operations attriibutable to the ordinary shareholders of the parent entity used in calculating basic earnings per share	(1,180,202)	(5,189,059)
Add: interest savings on convertible notes (e)	96,104	-
	(1,084,098)	(5,189,059)
Profit /(loss) from discontinued operations	243,016	(8,933)
Profit /(loss) attributable to the ordinary shareholders of the parent entity used in calculating diluted earnings per share	(841,082)	(5,197,992)
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	38,838,266	33,917,354
Adjustments for calculation of diluted earnings per share:		
Convertible notes (e)	6,410,959	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	45,249,225	33,917,354

(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 2009 (continued)

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and in hand	304	46,361	83	2,975

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT				
Trade receivables	-	137,746	-	60,003
Amounts receivable from:				
-wholly-owned subsidiaries	-	-	-	6,155,534
-Provision for impairment of receivables	-	-	-	(6,155,534)
	-	-	-	-
	-	137,746	-	60,003

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

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Balance at 1 July	-	1,173,577	-	1,173,577
Impairment loss recognised	-	12,147	-	12,147
Debts written-off	-	(1,185,724)	-	(1,185,724)
Balance at 30 June	-	-	-	-

NOTE 11: FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NON CURRENT				
Investments in controlled entities at cost	-	-	36	56
	-	-	36	56

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Furniture and fittings				
At cost	-	626	-	626
Accumulated depreciation	-	(4)	-	(4)
	-	622	-	622
Office Equipment				
At cost	-	5,722	-	5,722
Accumulated Depreciation	-	(2,402)	-	(2,402)
	-	3,320	-	3,320
Total Plant and Equipment	-	3,942	-	3,942

Movements in Carrying Amounts

	Freehold Land	Buildings	Plant and Equipment	Furniture & Office Equipment	Leased Plant and Equipment	Total
	$	$	$	$	$	$
Consolidated Group:						
Balance at 1 July 2007	6,493,023	5,650,429	323,221	24,356	593	12,491,622
Reclassification – investment property held for sale	(6,228,023)	(4,827,917)	(534,706)	(6,417)	-	(11,597,063)
Additions	-	-	274,899	12,243	-	287,142
Disposals	-	-	-	(17,093)	-	(17,093)
Depreciation expense	-	(177,512)	(63,414)	(9,147)	(593)	(250,666)
Impairment	(265,000)	(645,000)	-	-	-	(910,000)
Balance at 30 June 2008	-	-	-	3,942	-	3,942
Additions	-	-	-	272	-	272
Disposals	-	-	-	(4,214)	-	(4,214)
Balance at 30 June 2009	-	-	-	-	-	-
Parent Entity:						
Balance at 1 July 2007	-	-	-	21,600	593	22,193
Additions	-	-	-	6,348	-	6,348
Disposals	-	-	-	(17,093)	-	(17,093)
Depreciation expense	-	-	-	(7,913)	(593)	(7,506)
Balance at 30 June 2008	-	-	-	3,942	-	3,942
Additions				272		272
Disposals	-	-	-	(4,214)	-	(4,214)
Balance at 30 June 2009	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 13: INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Development approvals				
Cost	600,000	600,000	-	-
Disposals	(600,000)	-	-	-
Net carrying value	-	600,000	-	-

	Goodwill	Development Approvals	Intellectual Property	Total
Movements in Carrying Amounts	$	$	$	$
Consolidated Group:				
Balance at 1 July 2007	855,000	1,000,000	2,972,406	4,827,406
Reclassification – investment property held for sale	(855,000)	(710,000)	-	(1,565,000)
Additions	-	600,000	-	600,000
Disposals	-	-	(1,327,406)	(1,327,406)
Impairment	-	(290,000)	(1,645,000)	(1,935,000)
Closing value at 30 June 2008	-	600,000	-	600,000
Disposals	-	(600,000)	-	(600,000)
Closing value at 30 June 2009	-	-	-	-

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

See Note 6(c) for the disposal of development approvals in the current year.

NOTE 14: OTHER ASSETS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
CURRENT				
GST receivable	60,000	-	-	-
Prepayments	-	98,165	-	-
Security deposits	-	25,850	-	-
	60,000	124,015	-	-
NON-CURRENT				
Security Deposits	-	5,262	-	3,782
	-	5,262	-	3,782

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Unsecured liabilities				
Trade payables	367,608	616,816	367,608	450,657
Other payables and accrued expenses	765,665	327,977	765,665	247,736
	1,133,273	944,793	1,133,273	698,393

NOTE 16: FINANCIAL LIABILITIES

CURRENT				
Unsecured liabilities				
Convertible notes (a)	-	2,670,000	-	2,670,000
Unsecured borrowings	-	4,871,000	-	1,200,000
	-	7,541,000	-	3,870,000
Secured liabilities				
Bank loans (b)	-	6,183,000	-	-
	-	13,724,000	-	3,870,000

(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 arising from the reduction of $1,300,000 purchase price paid by 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.

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

Face value of notes issued	1,300,000	3,865,000	1,300,000	3,865,000
Value of conversion rights	(401,708)	-	(401,708)	-
Converted at 30 June 2009	(350,000)	-	(350,000)	-
	548,292	3,865,000	548,292	3,865,000
Interest expense	87,726	-	87,726	-
Interest paid	-	-	-	-
Total	636,018	3,865,000	636,018	3,865,000
Presented as:				
Financial liabilities - current	-	13,724,000	-	3,870,000
Financial liabilities – non-current	636,018	1,195,000	636,018	1,195,000
	636,018	14,919,000	636,018	5,065,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 16: FINANCIAL LIABILITIES (CONTINUED)

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
NON-CURRENT	**$**	**$**	**$**	**$**
Unsecured liabilities				
Convertible notes *	636,018	1,195,000	636,018	1,195,000

* 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.

(b) Total current and non-current secured liabilities:

Commercial bills	-	6,183,000	-	-
The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Freehold land and buildings	-	11,055,940	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 17: ISSUED CAPITAL

		2009	2008	2009	2008
		No.	No.	$	$
(a)	**Ordinary Shares**				
	At the beginning of reporting period	37,818,816	91,292,254	41,793,849	40,083,421
	Shares issued during year				
	— 5 September 2007	-	1,511,667	-	453,500
	— 19 September 2007	-	1,011,926	-	455,360
	— 1 November 2007	-	166,666	-	50,000
	— 15 November 2007	-	694,666	-	167,000
	— 23 November 2007	-	425,495	-	127,649
	— 27 February 2008	-	642,090	-	128,419
	— 7 March 2008	-	125,000	-	25,000
	— 25 March 2008	-	280,554	-	50,500
	— 8 April 2008	-	440,000	-	44,000
	— 29 April 2008	-	850,000	-	85,000
	— 14 May 2008	-	490,000	-	49,000
	— 22 May 2008	-	100,000	-	10,000
	— 23 June 2008	-	400,000	-	40,000
	— 25 June 2008	-	250,000	-	25,000
	— 2 July 2008 [1]	1,200,000	-	120,000	-
	— 28 August 2008 [3]	333,333	-	33,333	-
	— 14 October 2008[2]	100,000	-	-	-
	— 25 November 2008[2]	6,393,186	-	-	-
	— 26 November 2008[2]	300,000	-	-	-
	— 28 November 2008[2]	9,866,910	-	-	-
	— 4 December 2008[2]	6,410,256	-	-	-
	— 25 February 2009[2]	1,769,155	-	-	-
	— 25 February 2009[4]	1,075,641	-	107,562	-
	— 9 March 2009[2]	502,023	-	-	-
	— 30 June 2009[5]	3,500,000	-	350,000	-
	— Share cancellation[2]	(25,341,530)	-	-	-
	Share consolidation (3 for 1 basis)	-	(60,861,502)	-	-
	Adjustment to share consolidation incorrectly reported in prior year	(819,422)	-	-	-
	At reporting date	43,108,368	37,818,816	42,404,744	41,793,849
(b)	**Other equity securities**				
	Value of conversion rights-convertible notes			401,708	-
	Total issued capital			42,806,452	41,793,849

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

[1]Issued by private placement at $0.10 each for cash consideration of $120,000.

[2]These shares were incorrectly issued during the financial year and were cancelled.

[3]Issued on conversion of debt to equity at $0.10 each.

[4]Issued to Director C Budd at $0.10 each under share-based payments.

[5]Issued on conversion of convertible notes at $0.10 each.

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.

(a) 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.

NOTE 18: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
a. **Finance Lease Commitments**	**$**	**$**	**$**	**$**
Payable — minimum lease payments				
—not later than 12 months	-	15,344	-	671
—between 12 months and 5 years	-	-	-	-
Minimum lease payments	-	15,344	-	671
Less future finance charges	-	(426)	-	(8)
Present value of minimum leave payments	-	14,918	-	663

NOTE 19: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
Parent Entity:		**2009**	**2008**
Shell Villages and Resorts Limited	Australia		
Subsidiaries of Shell Villages and Resorts Limited:			
Kalgoorlie Tailings Project Pty Ltd	Australia	100%	100%
Shell Villages and Resorts BRT Pty Ltd	Australia	-	100%
Shell Villages and Resorts Cooroy Pty Ltd	Australia	-	100%
Shell Villages and Resorts HV Pty Ltd	Australia	-	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 20: 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 21: SEGMENT REPORTING

Business Segments

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

Geographical Segments

The consolidated entity primarily managed "Over 50's Residential Gated Communities" in Australia. Geographical segment revenue from sales overseas is less than 10% of the consolidated entity's external revenues and secondary assets are less than 10% of all business segments assets and as a consequence, no secondary reporting of geographical segments is provided.

Primary Reporting – Business Segments

2009	**Unallocated Corporate Management**	**Discontinued operations**	**Total**
	$	**$**	**$**
Segment revenue	62,643	-	62,643
Interest income	128	-	128
Total revenue	62,771	-	671,778
Segment result	(1,180,202)	243,016	(987,186)
ASSETS			
Segment assets	60,304	-	60,304
LIABILITIES			
Segment liabilities	1,769,291	-	1,769,291

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

2008	**Unallocated Corporate Management**	**Discontinued operations**	**Total**
	$	**$**	**$**
Segment revenue	196,649	1,017,129	1,213,809
Interest income	5,827	-	5,827
Total revenue	202,476	1,017,129	1,219,605
Segment result	(1,544,044)	(3,645,055)	(5,189,099)
ASSETS			
Segment assets	117,835	13,961,554	14,079,389
LIABILITIES			
Segment liabilities	5,658,666	10,129,200	15,863,793

NOTE 22: SHARE-BASED PAYMENTS

On 25 February 2009, 1,075,641 fully paid ordinary shares were issued incorrectly to director Mr Corey Budd for nil consideration without shareholder approval. The shares were valued at $0.10 each, being the issue price of shares issued by private placement during the financial year. The issue of these shares will be ratified at the next general meeting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 23: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
a. **Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
(Loss) / Profit after income tax	(937,186)	(5,197,992)	2,910,860	(9,435,141)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation and depreciation	-	250,666		7,506
Loss on disposal of property, plant and equipment	-	17,093		17,093
Gain on sale of discontinued operations	(98,544)	(3,893)	(3,818,780)	-
Impairment loss	-	2,845,000		7,800,534
Debt converted directly to equity	-	422,316		422,316
Share based payments	107,564	-	107,564	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	122,477	(110,978)	13,626	24,326
(Increase)/decrease in other assets	64,015	(99,533)	31,109	-
Increase/(decrease) in trade payables and accruals	70,209	(584,883)	127,321	(72,898)
Increase/(decrease) in provisions	-	(259)	-	(259)
Cashflow from operations	(671,465)	(2,462,463)	(628,300)	(1,236,523)

b. **Loan Facilities**

Loan facilities	-	(6,183,000)	-	-
Amount utilised	-	6,183,000	-	-
Amount unutilised	-	-	-	-

c Non-cash financing and investing activities

- Share issues

  333,333 ordinary shares were issued at $0.10 each as consideration for amount owed to creditors.

  3,500,000 ordinary shares were issued at $0.10 each on conversion of 3,500,000 convertible notes.

  1,075,640 ordinary shares were issued at $0.10 each to director C Budd as share-based payment.

- Sale of subsidiaries by means of debt defeasance

  The sale of Shell Villages and Resorts BRT Pty Ltd for $7,830,000 in December 2008 and Shell Villages and Resorts HV Pty Ltd for $3,750,000 in October 2008 were settled by way of assumption of the equivalent amount of the liabilities, including bank borrowings and other borrowings, by the purchaser.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 24: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.				
Other transactions with related parties:				
Other income				
Management fees - subsidiaries	-	-	49,500	202,400
Consulting expenses				
Consultancy fee paid for acquisition of land and business in Hunter Valley to Gritin Industries Pty Ltd, a company associated with Mr S Grimson and Mr Neville Dunne (close family member to Director, Peter Dunne)	-	100,000	-	100,000
Consultancy fees paid to Patkin investments Pty Ltd, a company associated with Mr B Patkin	-	17,455	-	17,455
Consultancy fees paid to CNB Services Pty Ltd, a company associated with Mr C Budd	-	53,328	-	-
Consultancy fees paid to Pipeline Construction and Services Pty Ltd, a company associated with Mr N Dunne (close family member to Director, Peter Dunne)	-	74,800	-	74,800
Intangible assets				
Development fee paid to Gritin Industries Pty Ltd, a company associated Mr Neville Dunne (close family member to Director, Peter Dunne), for development application work completed at the Shell Villages and Resorts Cooroy Pty Limited property.	-	600,000	-	-
Property, plant and equipment				
Purchase of cabins and payment of development application fees by Shell Villages and Resorts Hunter Valley Pty Limited to Gritin Industries Pty Ltd, a company associated with Mr Neville Dunne (close family member to Director, Peter Dunne)	-	145,922	-	-
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	-	2,600,000	

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 25: FINANCIAL INSTRUMENTS

a. **Financial Risk Management**

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

	Consolidated Group		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Financial assets				
Cash and cash equivalents	304	46,361	83	2,975
Trade and other receivables	-	137,746	-	60,003
Security deposits	-	31,112	-	3,782
	304	215,219	83	66,760
Financial liabilities				
Trade and other payables	1,133,273	944,793	1,133,273	698,393
Financial liabilities	636,018	14,919,000	636,018	5,065,000
	1,769,291	15,863,793	1,769,291	5,763,393

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

The main purpose of non-derivative financial instruments is to raise finance to fund the 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, and arises principally from the Group's receivables from customers. For the parent entity it also arises from receivables due from its subsidiaries.

The Group currently holds the following receivables based on the type of debtor:

	Consolidated Group		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Tenants (Individuals)	-	35,190	-	-
Australian Taxation Office (GST refund)	-	101,929	-	31,109
Other receivables	-	627	-	627
	-	137,746	-	31,736

The maturity of receivables is 6 months or less from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 25: 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**
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	-	-
2008							
Secured bank loans	6,183,000	6,899,340	4,636,771	62,498	249,993	1,950,078	-
Lease liabilities	13,500	13,500	9,000	4,500	-	-	-
Unsecured loans	8,722,500	9,110,947	7,250,847	524,025	1,336,075	-	-
Trade and other payables	944,793	944,793	944,793	-	-	-	-
	15,863,793	16,968,580	12,841,411	591,023	1,586,068	1,950,078	-

Parent	**Carrying Amount**	**Contractual Cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
2009	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Convertible notes	636,018	796,803	-	-	796,803	-	-
Trade and other payables	1,133,272	1,133,272	1,133,272	-	-	-	-
	1,769,290	1,930,075	1,133,272	-	796,803	-	-
2008							
Unsecured loans	5,065,000	5,430,588	3,570,488	524,025	1,336,075	-	-
Trade and other payables	698,393	698,393	698,393	-	-	-	
	5,763,393	6,128,981	4,268,881	524,025	1,336,075	-	-

NOTE 25: FINANCIAL INSTRUMENTS (CONTINUED)

d. Market Risk

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

The Group operates from Australia and transacts only in Australian dollars, hence, eliminating currency risk. The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at the reporting date, the Group had the following interest bearing borrowings outstanding:

	2009 Weighted average interest rate	**2009 Balance**	2008 Weighted average interest rate	2008 Balance
		$		$
Convertible notes	9.00%	636,018	8.00%	2,220,000
Unsecured borrowings	-	-	1.00%	4,871,000
Bank loans	-	-	7.31%	6,183,000

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

e. Interest risk

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 $**
2009				
Convertible notes	(6,360)	-	6,360	-
2008				
Convertible notes	(22,200)	-	22,200	-
Unsecured borrowings	(48,710)	-	48,710	-
Bank loans	(61,830)	-	61,830	-

This analysis assumes that all other variables remain constant.

f. Fair value estimates

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purpose.

As the group's financial assets and liabilities are not traded in the active market, the fair value is determined using valuation techniques.

The carrying value of the financial assets and trade and other payables are assumed to approximate their fair value due to their short term nature. The fair value of convertible notes for disclosure purpose is estimated approximately their carrying value by discounting the future contractual cashflows at the current market interest rate that is available to the group for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

NOTE 26. EVENTS AFTER REPORTING DATE

There has not arisen in the interval since 30 June 2009 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 28. COMPANY DETAILS

Shell Villages and Resorts Limited

Level 9,
5 Hunter Street
Sydney NSW 2000

The principal place of business is:

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 requirments;
- 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 2009 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 2009

Report on the Financial Report

We have audited the accompanying financial report of Shell Villages and Resorts Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration 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 controls 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 International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the qualification paragraph, 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2009 (Con't)

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. A copy of our independence declaration is included on page 11 of the financial report.

Basis for Qualified Auditor's Opinion

(a) Discontinued operations

As disclosed in Note 5, the profit from discontinued operations of $243,016 includes the operating profit from the discontinued operations of $144,472 and a gain on disposal of $98,544. In addition, the total net assets at disposal of the discontinued operations was $14,081,456. As disclosed in the cash flow statement the proceeds from sale of subsidiaries was $14,180,000 and repayment of borrowings was $13,724,320 for the year ended 30 June 2009.

Management of the company were unable to provide 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 have not been able to obtain sufficient and appropriate audit evidence to determine whether (i) all transactions of the three subsidiaries have been completely and accurately recorded; (ii) any adjustment would be required as to the total net assets at disposal of $14,081,456, whether the gain on disposal of $98,544, the operating profit from discontinued operations of $144,472, the proceeds from sale of subsidiaries of $14,180,000 and repayment of borrowings of $13,724,320 included in the cash flow statement are all fairly reflected for the year ended 30 June 2009.

(b) Related party transactions

As outlined in Note 6(c), the key management personnel and their related parties entered into a sale transaction for the sale of Shell Village 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 have been accurately and completely disclosed in the financial statements; and (ii) the related party transactions have been entered into at arms-length.

(c) Share based payments

As disclosed in Note 22, the Company granted 1,075,641 ordinary shares as director's remuneration during the year. A share-based payment expense of $107,564 has been recognised and included in the profit or loss for the financial year. We have not been provided with sufficient and appropriate evidence as to the determination of the fair value of the shares at the grant date. Therefore, we are unable to determine whether the measurement of share-based payment expenses are free of material misstatement, and whether they are in accordance with the requirements of *AASB 2 Share-based payments*. Had a valuation of the shares been performed, this may have resulted in a different amount being recognised for share-based payments expense for the year ended 30 June 2009.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2009 (Con't)

Basis for Qualified Auditor's Opinion (continued)

(d) Qualification on opening balances

Non-current Assets Held for Sale – Cooroy Property

For the year ended 30 June 2008, the consolidated entity recognised a non-current asset held for sale with a value of $3,001,199. We were not provided with sufficient audit evidence to determine whether or not the directors' assessment of the carrying value at the balance date complied with the requirements of Accounting Standard *AASB 5: Non-current Assets Held for Sale and Discontinued Operations*. We were therefore unable to quantify the possible impact (if any) that application of this standard may have had on the operating loss for the year or the balance sheet as at 30 June 2008. Since the opening balances enter into the determination of the result of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the year ended 30 June 2009.

Intangible Assets – Property Development Fees

As outlined in Note 25 of the 2008 Annual Financial Report, the consolidated entity paid $600,000 to a related party for development fees, which was recognised as an intangible asset. We were not provided sufficient audit evidence to determine if the recognition of the asset complied with the requirements of Accounting Standard *AASB 138: Intangible Assets*. Should this transaction not meet the criteria of an intangible asset, the operating loss for 2008 would be $5,460,185, total equity ($2,046,597) and intangible assets nil. Since the opening balances enter into the determination of the result of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the year ended 30 June 2009.

Convertible Notes

The consolidated entity had issued a number of convertible notes during the 2008 financial year. The value of convertible notes recognised within the entity's accounting records was $1,550,000. We were not provided with sufficient audit evidence to support these transactions. We were unable to quantity the possible effects on the operating loss or balance sheet as at 30 June 2008. Since the opening balances enter into the determination of the result of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the year ended 30 June 2009.

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 satisfy ourselves as to the effects of the matters discussed 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 2009 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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2009 (Con't)

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 $937,186 for the year ended 30 June 2009 and reported net current liabilities of $1,072,969 as at 30 June 2009. 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.

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 2009. 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.

Basis for Qualified Auditor's Opinion

Because of the matters discussed in the Basis for Qualified Auditor's Opinion paragraph (item (a)), the directors were unable to provide sufficient and appropriate audit evidence as to the remuneration provided by 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 remuneration provided by those entities has been completely and accurately included in the remuneration report.

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 satisfy ourselves as to any remuneration provided by Shell Villages and Resorts BRT Pty Ltd, Shell Villages and Resorts Cooroy Pty Ltd and Shell Villages and Resorts HV Pty Ltd, the remuneration report of Shell Villages and Resorts Limited for the year ended 30 June 2009 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.