SHELL VILLAGES AND RESORTS LIMITED AND CONTROLLED ENTITIES

ABN: 68 009 161 522

Half-Year Financial Report
31 December 2009

CONTENTS

DIRECTORS' REPORT

The Directors of Shell Villages and Resorts Limited submit the financial report of the consolidated group for the half-year ended 31 December 2009. On 2 September 2011, the Company changed its name to SVC Group Limited.

Directors

The names of Directors who held office during or since the end of the half-year are:

Mr Corey Budd (appointed 26 February 2008, resigned 28 April 2010)
Mr Greg Cornelson (appointed 11 February 2011, resigned 14 February 2011)
Mr Anthony Crimmins (appointed 1 September 2011)
Mr Brett Crawley (appointed 11 February 2011)
Mr David Diamond (Appointed 28 April 2010, resigned 8 February 2011)
Mr Ian Dorney (appointed 11 February 2011)
Mr Rohan Kerr (appointed 21 October 2008, resigned 28 April 2010)
Mr Boris Patkin (resigned 31 August 2011)
Mr Richard Prichard (Appointed 28 April 2010)

Operating Results

The consolidated loss of the consolidated group after providing for income tax for the half-year ended 31 December 2009 was $234,824 (2008: Loss of $1,027,723).

Review of Operations

A new Board was appointed on 28 April 2010 and it has proceeded to raise capital and work towards satisfying compliance with ASX Listing Rules with a view to have the Company's securities reinstated for trading with ASX. The Board has also been restructuring the group's capital structure as described in Note 1.

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.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2.

This report is signed in accordance with a resolution of the Board of Directors.

Richard Pritchard
Director

Dated this 13th day of March 2012

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, for the half-year ended 31 December 2009 there have been:

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

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

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

PROSPERITY AUDIT SERVICES

LUKE MALONE
Associate Director

13 March 2012

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Consolidated Statement of Comprehensive Income

For The Half-Year Ended 31 December 2009

	Note	Half-Year ended 31 December 2009 $	Half-Year ended 31 December 2008 $
Revenue from continuing operations			
Interest income		1,832	128
Expenses			
Consulting fees		(23,545)	(101,104)
Directors fees		(80,000)	(68,125)
Finance charges		(60,104)	(11,763)
Legal fees		(27,775)	(74,933)
Employee benefit expenses		-	(40,285)
Other expenses		(45,232)	(166,339))
Loss before income tax expense		(234,824)	(462,421)
Income tax expense		-	-
Loss from continuing operations		(234,824)	(462,421)
Loss from discontinued operations	3	-	(565,302)
Loss for the period		(234,824)	(1,027,723)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(234,824)	(1,027,723)
Loss attributable to:			
- members of the Parent Entity		(234,824)	(1,027,723)
Total comprehensive loss attributable to:			
- members of the Parent Entity		(234,824)	(1,027,723)
Loss per share			
Basic and diluted loss per share (cents)		(0.5)	(1.97)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

As At 31 December 2009

	Note	31 December 2009 $	30 June 2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		248,475	304
Other current assets		118,452	60,000
TOTAL CURRENT ASSETS		366,927	60,304
TOTAL ASSETS		366,927	60,304
CURRENT LIABILITIES			
Trade and other payables		1,258,838	1,133,273
Financial liabilities		1,051,900	-
TOTAL CURRENT LIABILITIES		2,310,738	1,133,273
NON-CURRENT LIABLITIES			
Financial liabilities		-	636,018
TOTAL NON-CURRENT LIABILITIES		-	636,018
TOTAL LIABILITIES		2,310,738	1,769,291
NET LIABILITIES		(1,943,811)	(1,708,987)
EQUITY			
Issued capital		42,806,452	42,806,452
Reserves		493,152	493,152
Retained profits		(45,243,415)	(45,008,591)
TOTAL EQUITY		(1,943,811)	(1,708,987)

The accompanying notes form part of this financial report.

Consolidated Statement of Changes In Equity

For The Half-Year Ended 31 December 2009

		Reserves		
	Issued capital $	Option reserve $	Accumulated losses $	Total $
Balance at 1 July 2008	41,793,849	493,152	(44,071,405)	(1,784,404)
Total comprehensive loss for the period	-	-	(1,027,723)	(1,027,723)
Transactions with owners in their capacity as owners:				
Shares issued during the period	153,332	-	-	153,332
Balance at 31 December 2008	41,947,181	493,152	(45,099,128)	(2,658,795)
Balance at 1 July 2009	42,806,452	493,152	(45,008,591)	(1,708,987)
Total comprehensive loss for the period	-	-	(234,824)	(234,824)
Balance at 31 December 2009	42,806,452	493,152	(45,243,415)	(1,943,811)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2009

	Half-Year ended 31 December 2009 $	Half-Year ended 31 December 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	500,688
Payments to suppliers and employees	(117,867)	(205,616)
Interest received	1,038	136
Interest paid	-	(322,236)
Net cash used in operating activities	(116,829)	(27,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	-	(272)
Proceeds from sale of investment	-	50,000
Proceeds from sale of subsidiary	-	3,750,000
Net cash provided by investing activities	-	3,799,728
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	120,000
Proceeds from borrowings	365,000	-
Repayment of borrowings	-	(3,930,197)
Net cash provided by (used in) financing activities	365,000	(3,810,197)
Net increase/(decrease) in cash and cash equivalents	248,171	(37,497)
Cash and cash equivalents at the beginning of period	304	46,361
Cash and cash equivalents at the end of period	248,475	8,864

The accompanying notes form part of this financial report.

Notes to Financial Statements
For the Half-Year Ended 31 December 2009

1. Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*

This interim financial report is intended to provide users with an update on the latest annual financial statements of Shell Villages and Resorts Limited and its controlled entities (the Group). As such it does not contain all the notes of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except as set out below.

(a) Impact of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The impact of adoption of these amendments is set out below.

Financial Statements presentation

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

Segment reporting

The Group has applied AASB 8: *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purpose. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

There has been no further impact on the measurement of the group's assets and liabilities. Comparatives for 2008 have been restated where required.

Certain new accounting Standards and Interpretations have been published that are not mandatory at 31 December 2009. Management has assessed the new accounting standards and interpretations that have been published but are not mandatory for the half-year reporting period and concluded that none of these new standards and interpretations is relevant to the Group.

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

1. Basis of Preparation (continued)

(b) Going concern basis of accounting

During the half-year ended 31 December 2009, the consolidated entity recorded a consolidated operating loss of $234,824 and reported net liabilities of $1,943,811. In addition, the Company has converted total liabilities of $1,674,923 into equity subsequent to balance date. However, the entity continued its reliance 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:

- ongoing support from the Company's creditors;
- accomplishing a capital raising of $1,700,000; and
- development of new business opportunities and profitable projects.

Subsequent to 31 December 2011, the Company has issued new shares to private investors on 31 January 2012 and 23 February 2012. In addition, the Company commenced a capital raising of $1.7million. Details of those transactions and a Pro-forma Statement of Financial Position as at 31 December 2011 are set out below. The Pro-forma Statement of Financial Position is prepared on the assumption that all proposed share issues are accomplished as though they occurred at 31 December 2011:

	Actual as at 31 December 2011	Debt restructure and shares issued subsequent to balance date (I)	Pro-forma before proposed capital raising	Proposed capital raising (II)	Pro-Forma as at 13 March 2012
	$	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	20,576	27,952	48,528	1,615,000	1,663,528
Financial assets	50,222	-	50,222	-	50,222
Other current assets	38,079	-	38,079	-	38,079
TOTAL CURRENT ASSETS	108,877	27,952	136,829	1,615,000	1,751,829
TOTAL ASSETS	108,877	27,952	136,829	1,615,000	1,751,829
CURRENT LIABILITIES					
Trade and other payables	548,778	(269,000)	279,778	-	279,778
Financial liabilities	219,400	(199,400)	20,000	-	20,000
TOTAL CURRENT LIABILITIES	768,178	(468,400)	299,778	-	299,778
TOTAL LIABILITIES	768,178	(468,400)	299,778	-	299,778
NET (LIABILITIES)/ASSETS	(659,301)	496,352	(162,949)	1,615,000	1,452,051
EQUITY					
Issued capital	44,918,677	496,352	45,415,029	1,615,000	47,030,029
Reserves	493,152	-	493,152	-	493,152
Accumulated losses	(46,071,130)	-	(46,071,130)	-	(46,071,130)
TOTAL EQUITY	(659,301)	496,352	(162,949)	1,615,000	1,452,051

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

1. Basis of Preparation (continued)

I. Debt restructure

The Company has accomplished the following debt restructure to convert certain debts into equity subsequent to the balance date:

(i) The Company has issued 20,000,000 ordinary shares on 1 September 2011 to convert its 1,300,000 convertible notes into equity. The carrying value of the convertible notes as at 30 June 2011 was $796,804.

(ii) the Company has issued 10,000,000 ordinary shares on 1 September 2011 to Mr B Patkin, a previous director, to settle the amounts owed to Mr B Patkin. This has resulted in a conversion of $691,000 debts into equity.

(iii) the Company has issued 14,870,000 ordinary shares to its Directors on 1 September 2011 to settle the directors' fees payable of $161,695.

(iv) the Company has issued 2,430,000 ordinary shares and 564,775 ordinary shares on 1 September 2011 and 9 September 2011 respectively to two creditors to settle a total payable balance of $42,064.

(v) pursuant to a deed dated 18 March 2010 and approval by the annual general meeting at 31 August 2011, the Company agreed to settle a payable balance of $269,000 with a creditor by converting the payable balance into ordinary shares. The share conversion is yet to occur.

(vi) On 31 January 2012, the Company allotted 39,880,000 fully paid ordinary shares at $0.005 each to raise total capital of $199,400. Total proceeds of $199,400 were received as at 31 December 2011 and recognised as financial liabilities at balance date.

(vii) On 23 February 2012, the Company issued 18,634,654 fully paid ordinary shares at $0.0015 each to raise total capital of $27,952.

II. Proposed capital raising

Subject to shareholders' approval, the Company proposes to issue 10,000,000 pre consolidation shares at $0.0015 each to raise $15,000.

The Company also commenced a capital raising of $1.7 million through a prospectus which is subject to shareholders' approval. These funds will be used to fulfill the Company's obligation under the Hunter Valley JV agreement and other business plan in exploring new investment opportunities.

The figures presented in the pro-forma Statement of Financial Position reflect a gross capital raising of $1,715,000 less estimated share issue cost of $100,000.

The Company's financial position will be strengthened when the share offer is successful.

III. Business plan

In 2008 the then Board of Directors of the Company 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 the Company 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.

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

1. Basis of Preparation (continued)

III. Business plan (continued)

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 the Company 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 the Company 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 the Company will continue to asses other business opportunities within and outside of the property industry.

On 3 October 2011, the Company announced the execution of a Joint Venture Agreement with Coast and Country Developments Pty Ltd to develop land in the Hunter Valley to size up to low cost homes. The Company has also commenced a capital raising for a minimum share subscription of $1,000,000 to fund the Company's obligation under the Joint Venture Agreement.

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.

Uncertainties

Prior to the share offer, the Company will restructure its current capital structure to consolidate the total issued capital on a 1 for 7 basis. This is subject to shareholders' approval. In addition, successful share capital raising is subject to the ability of the Company to attract investors to subscribe for new shares. Due to this, there exists uncertainty that the Company will not successfully raise capital and therefore the Company may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. Accordingly, the going concern basis used in the preparation of the financial report would not be appropriate.

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

2. Segment reporting

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

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

Segment assets

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

Segment liabilities

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

Comparative information

This is the first reporting period in which AASB 8: Operating Segment has been adopted. Comparative information has been restated where required to conform to the requirements of the Standard.

Segment information

	Half-year ended 31 December 2009		Half-year ended 31 December 2008	
	Corporate office $	Total $	Corporate office $	Total $
Total segment revenue	1,832	1,832	128	128
Inter-segment revenue	-	-	-	-
Revenue from external customers	1,832	1,832	128	128
				-
Loss before income tax	(234,824)	(234,824)	(462,421)	(462,421)
Depreciation and amortisation	-	-	-	-
Impairment of assets	-	-	-	-
Income tax expense	-	-	-	-
	As at 31 December 2009		As at 30 June 2009	
Total segment assets	366,927	366,927	60,304	60,304
Total segment liabilities	2,310,738	2,310,738	1,769,291	1,769,291

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

3. Discontinued Operations

During the year ended 30 June 2009, the Group sold its 100% interests in the 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 April 2009 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 were reported in the prior year financial report as discontinued operations. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(i) The carrying amount of assets and liabilities of SVC HV at the date of sale was:

	Half-year ended 31 December 2009	Half-year ended 31 December 2008 $
Property, plant and equipment	-	3,482,748
Trade and other receivables	-	108,896
Total assets	-	3,591,644
Total liabilities	-	(186,171)
Net assets disposed	-	3,405,473
Consideration received	-	3,750,000
Gain on disposal	-	344,527

(ii) Results attributable to the discontinued operations were as follows

	Half-year ended 31 December 2009 $	Half-year ended 31 December 2008 $
Revenue	-	500,696
Expenses	-	(1,410,525)
	-	(909,829)
Income tax expense	-	-
Loss after tax before gain on sale of discontinued operations	-	(909,829)
Gain on sale of discontinued operations	-	344,527
Loss for the period	-	(565,302)

4. 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.

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

5. Events after Balance Date

There has not arisen in the interval since 31 December 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 Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group other than:

(a) On 15 February 2011 the Company issued 26,250,000 ordinary shares at an issue price of $0.01 each in settlement of debts. This issue of shares was approved by shareholders at a general meeting held on 8 February 2011;

(b) On 24 February 2011 the Company issued 8,250,000 ordinary shares at an issue price of $0.01 each in settlement of debts. This issue of shares was approved by shareholders at a general meeting held on 8 February 2011;

(c) On 9 May 2011 the Company issued 4,500,000 ordinary shares at an issue price of $0.01 each to raise $45,000 as working capital. This issue of shares was approved by shareholders at a general meeting held on 8 February 2011;

(d) On 22 June 2011 the Company issued 1,982,040 shares at a consideration of $0.025 each to convert a payable balance of $49,532 into equity;

(e) On 1 September 2011 the Company issued 17,300,000 shares at a consideration of $0.01 each and 30,000,000 shares at a consideration of $0.04 each in settlement of debts as approved by shareholders at the annual general meeting held on 31 August 2011;

(f) On 2 September 2011 the Company changed its name to SVC Group Limited;

(g) On 9 September 2011 the Company issued 564,775 shares at $0.025 each to convert a payable balance of $14,119 into equity;

(h) On 3 October 2011 the Company announced the execution of a Joint Venture Agreement with Coast and Country Developments Pty Ltd to develop a land in the Hunter Valley to size up to low cost homes; and

(i) On 21 October 2011 the Company issued a replacement Prospectus for the issue of up to 200,000,000 shares at $0.01 each to raise up to $2,000,000 with minimum subscription of 100,000,000 shares at $0.01 each to raise $1,000,000. Pursuant to the Prospectus, the Company is also conducting a professional and sophisticated offer of shares to raise $300,000.

(j) On 20 January 2012, the Company withdrew the Replacement Prospectus issued on 22 October 2011;

(k) On 31 January 2012, the Company issued 39,880,000 fully paid ordinary shares at $0.005 each for a capital raising of $199,400;

(l) On 8 February 2012, the Company reached an agreed mandate with Alto Capital (AFSL 279099) of Subiaco, Perth, to raise up to $1,700,000 in capital through a prospectus after approval by shareholders;

(m) On 8 February 2012, the Board resolved to issue a Notice of Meeting to consider and vote on the following matters by the shareholders:

- issue of 10,000,000 pre consolidation shares at $0.0015 each to raise $15,000;
- consolidation of current share capital on a 1 for 7 basis;
- issue of up to 85,000,000 new shares post share consolidation at 2 cents each to raise $1,700,000; and

Notes to Financial Statements
For the Half-Year Ended 31 December 2009 (continued)

4. Events after Balance Date (continued)

- issue of 24,000,000 new shares to Alto Capital upon completion of the capital raising in accordance with the Corporate Advisory Mandate Agreement; and

(n) On 23 February 2012, the Company issued 18,634,654 fully paid ordinary shares at $0.0015 each.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 3 to 14 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Richard Pritchard
Director

Dated this 13th day of March 2012

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of Shell Villages and Resorts Limited for the half-year ended 31 December 2009, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Shell Villages and Resorts Group (the consolidated entity). The consolidated entity comprises both Shell Villages and Resorts Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF SHELL VILLAGES AND RESORTS LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2009 (con't)

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included on page 2 of the financial report.

Basis for Qualified Conclusion

Qualification on Opening Balances

As outlined in the Independent Auditor's Report for the year ended 30 June 2009, in forming our audit opinion there were a number of items for which the directors were unable to provide us with sufficient and appropriate audit evidence which resulted in a number of qualifications impacting the financial position of the company as at 30 June 2009. These items have an impact on the results of operations for the half-year ended 31 December 2009. These items are as follows:

(a) Discontinued operations

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

Since the opening balances enter into the determination of the result of operations for the half-year ended 31 December 2009, we were unable to conclude whether matters might have come to our attention indicating that adjustments might be necessary to the results of operations and opening retained earnings for the half-year ended 31 December 2009 as a result of this qualification.

(b) Related Party Transactions

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

Since the opening balances enter into the determination of the result of operations for the half-year ended 31 December 2009, we were unable to conclude whether matters might have come to our attention indicating that adjustments might be necessary to the results of operations and opening retained earnings for the half-year ended 31 December 2009 as a result of this qualification.

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(c) Share based payments

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

Since the opening balance of share capital and retained earnings is carried forward into the determination of the balances as at 31 December 2009, we were unable to conclude whether matters might have come to our attention indicating that adjustments might be necessary to the share capital balance and opening retained earnings for the half-year ended 31 December 2009 as a result of this qualification.

Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had we been able to satisfy ourselves as to the effects of the matters discussed in the preceding paragraphs, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Shell Villages and Resorts Limited is not in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date, and

ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

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Material Uncertainty in relation to the going concern basis

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity incurred a net loss of $234,824 for the half year ended 31 December 2009 and reported net liabilities of $1,943,811 as at 31 December 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.

PROSPERITY AUDIT SERVICES

LUKE MALONE
Associate Director

13 March 2012

Sydney