SVC Group Limited

ACN 009 161 522

REPLACEMENT PROSPECTUS

For the offer and issue of up to 200,000,000 shares at $0.01 each to raise up to $2,000,000.

THE OFFER IS NOT UNDERWRITTEN

THE OFFER IS SUBJECT TO CONDITIONS

This Offer is subject to the certain events occurring. Please refer to Section 3.2 of this Prospectus for further details.

IMPORTANT NOTICE

This is an important document and investors should read the document in its entirety and are advised to consult with their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

Any investment in the Company under this Prospectus should be considered speculative in nature and prospective investors should be aware that they may lose some or all of their investment.

This is a replacement prospectus dated 21 October 2011. It replaces a prospectus dated 7 October 2011 issued by SVC Group Limited.

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IMPORTANT INFORMATION

This replacement prospectus (Prospectus) is dated 21 October 2011 and was lodged with ASIC on that date. It replaces the original prospectus lodged with ASIC on 7 October 2011. ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be issued pursuant to this Prospectus later than 7 November 2012, which is 13 months after the date of the original prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form attached to or accompanying this Prospectus. Before deciding to invest in the Company potential investors should carefully read the entire Prospectus and, in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance of the Company. Investors should carefully consider these factors in light of their own personal circumstances (including financial and taxation issues). Refer to Sections 2.9 and 8 of this Prospectus for details relating to risk factors. Investors should seek professional advice from an accountant, stockbroker, lawyer or other professional advisor before deciding to invest.

Any investment in the Company under this Prospectus should be considered speculative in nature and prospective investors should be aware that they may lose some or all of their investment. Applicants should read this document in its entirety. A copy of this Prospectus may be obtained free of charge from the Company.

No person is authorised to give any information or to make any representation in relation to the Offer described in this Prospectus that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offer.

The Offer of Shares made pursuant to this Prospectus is not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. No action has been taken to register the Offer or otherwise permit the Offer to be made in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

This Prospectus will also be issued as an electronic prospectus. A copy of this Prospectus can be downloaded from the website of the Company at www.svcgroup.com.au. Any person accessing the electronic version of this Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person any of the Application Forms in connection with the Offer unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 11 of this Prospectus.

CORPORATE DIRECTORY

Directors

Richard Pritchard (Non-Executive Chairman)
Brett Crowley (Non-Executive Director)
Ian Dorney (Non-Executive Director)
Anthony Crimmins (Non-Executive Director)

Company Secretary

Brett Crowley (joint Company Secretary)
Richard Pritchard (joint Company Secretary)

Registered Office

Level 9, 5 Hunter Street
SYDNEY NSW 2000

Telephone: 02 9252 7730
Facsimile: 02 9252 7740

Website: www.svcgroup.com.au
Email: info@svcgroup.com.au

Corporate Advisor

EQ Financial Pty Limited
Level 9, 5 Hunter Street
SYDNEY NSW 2000

Australian Financial Services (AFS)
License Number: 235364

Telephone: 02 9252 7730
Facsimile: 02 9252 7740

Auditors*

Prosperity Advisers
580 George Street
SYDNEY NSW 2000

Telephone: 02 9261 2288
Facsimile: 02 8026 8377

Share Registry*

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

ASX Code

SVC (currently suspended)

* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

1 CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board of Directors of SVC Group Limited (**SVC** or **Company**), I am pleased to present this Prospectus to you.

SVC is a developer of retirement and low cost housing, in the form of retirement villages, and manufactured housing estates. Retirement villages and manufactured housing estates are a form of affordable accommodation. Many estates have comprehensive facilities and amenities and are situated on rivers, bays or coastlines. Within such estates, the purchaser buys their own dwelling but leases the land on which it sits.

SVC has entered into a Joint Venture Agreement (**JV Agreement**) (see Sections 4.3 and 7.3) with Coast and Country Developments Pty Limited (**CCD**) to develop a Hunter Valley property into 70 pre-manufactured cabin-style homes. The property is adjacent to an existing manufactured village owned by CCD.

Under the terms of the JV Agreement, SVC will lodge a development application in accordance with state and local government (NSW) guidance and technical requirements, facilitate the purchase of pre-manufactured homes by each home purchaser from the home manufacturer, and manage siting of the homes and connection of services. The joint venture aims to sell the cabins and lease the land on which they are located. In exchange for its services, SVC will look to recoup its costs from the sale of the cabins and receive 80% of any remaining profits from the sale of the cabins. SVC does not retain any other rights over the properties and will not receive rental or any other ongoing fees.

This Offer is to raise up to $2,000,000 at $0.01 per share for the purposes of fulfilling SVC's obligations under the JV Agreement, facilitating the re-quotation on ASX of SVC's existing Shares and the Shares offered pursuant to this Prospectus, providing capital for the investigation of new investment opportunities; and paying for the costs of this Offer.

The Company is conducting a professional and sophisticated offer of shares to raise $300,000 via the issue of 60,000,000 Shares at $0.005 per Share to persons who are identified as exempt full disclosure under Section 708 of the Corporations Act (see Section 2.10 for details).

It is important that you read this Prospectus before making a decision as to whether this Offer is suitable to you. You should carefully consider the risks associated with this Offer, which are described in detail in Section 8. These risks include failure to obtain the regulatory approvals required to proceed with the development or delays in obtaining such approvals, failure to comply with government regulations or conditions imposed on any regulatory approvals, development risks including delays, cost overruns or property market price changes, future requirements for additional capital to complete the Company's planned development, insolvency of the Company's joint venture partner, and legislative changes such as a change to the allowable rate of depreciation on cabin homes. Any of these risks could have a significant materially adverse effect on the Company's financial performance and consequently its Share price. You should also seek the advice of your professional adviser.

Should you choose to make an investment, the Directors join me in offering you the opportunity to participate in the ownership of SVC and we look forward to welcoming you as a Shareholder.

Yours sincerely,

Richard Wyn Pritchard
21 October 2011

2 INVESTMENT OVERVIEW

2.1 Important notice

This section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

2.2 Company objectives

The strategic objectives of the Company are to:

(a) settle its outstanding debts (see Section 2.3 below);

(b) successfully close this Offer of up to 200,000,000 Shares at $0.01 each to raise up to $2,000,000, with a minimum subscription of 100,000,000 Shares at $0.01 each to raise a minimum of $1,000,000;

(c) satisfy the requirements of ASX for re-quotation of the Company's existing Shares, which have been suspended from trading since October 2008, and the Shares offered pursuant to this Prospectus;

(d) fulfil its obligations under the Hunter Valley JV Agreement, with a view to generating profits for Shareholders from the Company's contribution to the joint venture;

(e) explore other projects in the retirement village sector, including conducting a thorough review of several undeveloped, partly developed and fully developed villages currently on the market, with a view to assessing their economic viability as potential acquisitions by the Company; and

(f) continue to develop the Company's core property development business.

2.3 Outstanding debts

As at 30 June 2011, the Company had current liabilities of $2,283,733 and assets of $217,907 (see Section 6.2). At the Annual General Meeting held on 31 August 2011, the Shareholders approved conversion of certain debts into equity (see Section 6.2.1). As at the date of this Prospectus, the Company has subsequently converted $1,767,004 of its liabilities into equity through the issue of 47,300,000 of its shares, giving the Company current liabilities as at the date of this prospectus of approximately $516,729. Upon re-quotation of its shares in accordance with a Deed of Settlement and Release with one of the Company's creditors, as described in Section 7.2, the Company will be able to issue further equity in consideration of a further$269,000 of the outstanding liabilities of $516,729.

The Company plans to settle the remaining liabilities of $247,729 using funds raised from the Sophisticated Offer (see Section 2.10).

2.4 Indicative timetable

The anticipated date of quotation of the Shares on ASX is subject to ASX approval. The dates shown in the table below are indicative only and may vary. The Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Offer opens. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares to successful applicants.

Lodgment of the original prospectus with ASIC	7 October 2011
Lodgment of this replacement Prospectus with ASIC	21 October 2011
Opening Date of Offer	21 October 2011
Closing Date of Offer	11 November 2011
Allotment of Shares under Offer	16 November 2011
Dispatch of holding statement	17 November 2011
Commencement of trading of Shares on ASX	18 November 2011

The allotment of Shares under the Offer and dispatch of holding statements will occur as soon as practicable after the Prospectus closes. Refer to Section 2 for further details.

2.5 Purpose of the offer and use of proceeds

The purpose of the Offer is to raise additional capital to:

(a) fulfil the Company's obligations under the Hunter Valley JV Agreement;

(b) complete a comprehensive review of new investment opportunities;

(c) provide the Company with additional working capital; and

(d) pay the costs of the offer.

The Offer will also assist the Company to re-comply with the ASX Listing Rules (see Section 3.2(b) for details).

If fully subscribed, the gross proceeds raised under the Offer will be $2,000,000, before costs.

Under the Hunter Valley JV Agreement, the Company, subject to Council approval and discussion with the joint venture partner, intends to develop approximately 70 manufactured cabins over three stages, with 20–25 homes per stage. The budgeted total cost of the Company's obligations under the joint venture is approximately $21,500 per home, comprising infrastructure required prior to siting of the pre-manufactured homes. The Company will not purchase homes but act as an intermediary between the home purchaser and the home manufacturer, reducing the Company's capital requirements.

If the minimum subscription of $1,000,000 is raised, the Company intends to construct Stage 1, comprising 20–25 homes, and await the sale of at least 60% of the Stage 1 homes before using the resulting proceeds to commence construction of Stage 2. If the maximum subscription of $2,000,000 is raised, the Company intends to construct Stage 2 prior to a return of capital from sales of Stage 1 homes, thus fast tracking the development process and the potential returns to the Company.

If the minimum subscription of $1,000,000 is raised, the Company intends to apply the funds raised from the Offer as follows:

	Year 1	Year 2	Total
	($)	($)	($)
Hunter Valley Joint Venture–Stage 1	200,000	300,000	500,000
Hunter Valley Joint Venture–Stage 2	–	–	–

Working capital	170,000	200,000	370,000
Capital to search and review new investment opportunities	50,000	–	50,000
Expenses associated with the Offer*	80,000	–	80,000
Total	**500,000**	**500,000**	**1,000,000**

* Expenses associated with the Offer are detailed in Section 9.7.

If the maximum subscription of $2,000,000 is raised, the Company intends to apply the funds raised from the Offer as follows:

	Year 1	Year 2	Total
	($)	($)	($)
Hunter Valley Joint Venture–Stage 1	200,000	300,000	500,000
Hunter Valley Joint Venture–Stage 2	250,000	250,000	500,000
Working capital	170,000	200,000	370,000
Capital to search and review new investment opportunities	250,000	250,000	500,000
Expenses associated with the Offer*	130,000	–	130,000
Total	**1,000,000**	**1,000,000**	**2,000,000**

* Expenses associated with the Offer are detailed in Section 9.7.

In searching for new investment opportunities the Company may use the services of HD Consulting (see Section 7.6 material contracts), in the event that the minimum subscription is obtained it is intended that HD Consulting (HDC) will be utilised for no more than two months at a rate of $10,000 per month plus 2% of the acquisition price of any property that SVC acquires as a result of HDC's identification. If the Company achieves the maximum subscription, and has reviewed its current shortlist of possible acquisitions, HDC may be utilised for a longer period up to a maximum of 8 months out of the first twelve month period post re-quotation, it is not the Board's current intention to utilise HDC in the second year of the above budget.

Although the Directors are satisfied that, upon completion of the Offer, the Company will have sufficient working capital to meet its stated objectives, investors should be aware that the Company may use and expend its cash reserves more quickly than contemplated. This may or may not leave the Company in a negative cash flow situation, which may ultimately affect the value of the Company's Shares.

Furthermore, any future investments that may be contemplated by the Company may exceed the current or projected working capital of the Company. Accordingly, any such acquisition may need to be funded by debt and/or equity issues, as required (subject to Shareholder approvals if required).

2.6 Capital structure

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offer, assuming the minimum subscription is achieved.

Fully paid ordinary Shares	Shares (minimum subscription)	Proportion (undiluted)
		(%)
Shares on issue at the date of this Prospectus	131,955,184	45.2
Shares to be offered under Sophisticated Offer (see Section 2.10)	60,000,000	20.6
Minimum number of Shares offered pursuant to the Offer	100,000,000	34.3
Total Shares on issue at completion of the Offer	**291,955,184**	100.0

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offer, assuming the maximum subscription is achieved.

Fully paid ordinary Shares	Shares (maximum subscription)	Proportion (undiluted)
		(%)
Shares on issue at the date of this Prospectus	131,955,184	33.7
Shares to be offered under Sophisticated Offer (see Section 2.10)	60,000,000	15.3
Maximum number of Shares offered pursuant to the Offer	200,000,000	51.0
Total Shares on issue at completion of the Offer	**391,955,184**	100.0

2.7 Substantial Shareholders

A person will have a substantial holding of Shares if the voting rights attaching to the Shares in which that person or their associates have relevant interests is 5% or more of the total number of votes attached to all voting Shares of the Company. The following persons are substantial Shareholders of the Company at the date of this Prospectus.

Name	Number of Shares held	Proportion of total Shares
		(%)
Mr Richard Wyn Pritchard	12,192,972	9.24%
Mr Boris Patkin	10,000,000	7.58%
Dr Allan Michael Shell	7,455,671	5.65%

2.8 Related party transactions

2.8.1 Corporate Advisory Agreement with EQ Financial

The Company has entered into a Corporate Advisory Agreement with EQ Financial Pty Limited (**EQF**) (see Section 7.4 for details). EQF employs Ian Dorney and Richard Pritchard, both of whom are current Directors of the Company. The board has recently negotiated a similar agreement under very similar terms with an independent party. This party was unable to provide SVC with an executed contract for the purpose of this Prospectus by the date of this Prospectus. SVC entered into similar arrangements with EQF. The Board views that this transaction is reasonable and has been dealt with at arm's length and therefore the Board does not consider this transaction as requiring Shareholder approval for the purposes of Chapter 2E of the Corporations Act 2001. The costs of engaging EQF are incorporated into the expenses of the Offer as detailed in Section 9.7, and are estimated to be $20,000–30,000.

2.8.2 Management Consultancy Agreement with Richard Pritchard

The Company has entered into a Management Consultancy Agreement with Mr Richard Pritchard (see Section 7.5), a current Non-Executive Director and joint Company Secretary of the Company, to oversee the operation and implementation of the Hunter Valley joint venture. The Board is of the view that Mr Pritchard has the skills and experience required to take on this responsibility and considers the benefits that will accrue to Mr Pritchard under this agreement to be reasonable given the time and effort required and in view of Mr Pritchard's qualifications and experience. The Board took reasonable steps to deal with Mr Pritchard at arm's length and does not consider this transaction to require Shareholder approval for the purposes of Chapter 2E of the Corporations Act 2001 as the benefit represents reasonable remuneration as an officer of the Company. Costs of engaging Mr Pritchard are incorporated into the costs of the Hunter Valley joint venture as detailed in Section 2.5 above.

2.9 Key risks

As with any share investment, there are risks associated with investing in the Company. The identified principal risks that could affect the performance of the Company are detailed in Section 8 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice. It is possible that investors may lose some or all of their investment.

The Company has applied to ASX for quotation of the securities offered under this Prospectus in accordance with section 711(5)(b)

Key risks that investors should consider include the following:

- failure to obtain regulatory approvals or delays in obtaining such approvals;
- failure to comply with government regulations or conditions imposed on any regulatory approvals;
- failure to sell properties at a price which is sufficient to recoup costs;
- other development risks including delays or cost overruns;
- future requirements for additional capital to complete the Company's planned development;
- failure of SVC to meet its obligations under the Joint Venture, causing withdrawal of the JV partner and termination of the Joint Venture;
- insolvency of the Company's joint venture partner;
- legislative changes such as a change to the allowable rate of depreciation on cabin homes.

Any of these risks could have a significant materially adverse effect on the Company's financial performance and consequently its Share price.

2.10 Professional and sophisticated offer

The Company is conducting a professional and sophisticated offer of shares to raise $300,000 via the issue of 60,000,000 Shares at $0.005 per Share to persons who are identified as exempt full disclosure under Section 708 of the Corporations Act (**Sophisticated Offer**). The Company obtained Shareholder approval to undertake this offer at its Annual General Meeting on 31 August 2011. The effect of the issue has been incorporated into this Prospectus and the resulting Shares are expected to be allotted prior to the Shares offered pursuant to this Prospectus. The Board will use these funds to pay a number of its current creditors, including Prosperity Advisers (see Section 9.5), ASX (see Section 3.2(b)(vi)), AND Technologies (see Section 7.2) and other smaller creditors, and provide the Company with working capital.

3 DETAILS OF THE OFFER

3.1 The Offer

The Offer is for up to 200,000,000 Shares at an issue price of $0.01 per Share to raise up to $2,000,000 before expenses of the Offer.

If you wish to subscribe for Shares under the Offer, please complete an Application Form.

The Shares to be issued pursuant to this Prospectus are of the same class and will rank equally in all respects with the existing Shares in the Company. The rights attaching to the Shares are further described in Section 9.2 of this Prospectus.

Applications under the Offer must be for a minimum of 50,000 Shares and thereafter in multiples of 10,000 Shares, and can only be made by completing the relevant Application Form attached to or accompanying this Prospectus. No brokerage, stamp duty or other costs are payable by applicants in respect of an application for Shares under this Prospectus.

The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number for which the applicant has applied.

A maximum total of 200,000,000 Shares will be issued under the Offer. The Offer is subject to a Minimum Subscription level of 100,000,000 Shares. Applications for Shares must be made on the Application Form accompanying this Prospectus and received by the Company on or before the Closing Date.

3.2 Conditional offer

The satisfaction of each of the conditions below (**Conditions**) is a requirement for the allotment of Shares under this Prospectus. If any of the Conditions to the Offer is not satisfied within three months after the date of this Prospectus, no Shares will be issued. Application monies will be refunded in full without interest in accordance with the Corporations Act.

The securities of SVC were suspended from trading on ASX on 1 October 2008. The Company has received from ASX a list of conditions required to be met in order to be reinstated to trading on ASX, which are included in the Conditions below.

The Offer is conditional on:

(a) The Minimum Subscription under the Prospectus being achieved;

(b) The Company successfully completing the Sophisticated Offer to raise $300,000 (see Section 2.10); and

(c) The Company satisfying the conditions required by ASX for the Company to be reinstated to ASX. These conditions are:

   (i) The provision of a review pro-forma balance sheet;

   (ii) The provision of a list of commitments consistent with the Company's business objectives to spend at least half of its cash and assets in a form readily convertible to cash on the Hunter Valley joint venture. The business objectives must be clearly stated and include an expenditure program;

(iii) The provision of a statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those Shareholders;

(iv) The Company having at least 300 Shareholders holding a marketable parcel of Shares (i.e. a parcel of Shares with a value of at least $500);

(v) Lodgement of any outstanding periodic reports, including the following:

(I) the half year report and financial statements for the period ended 31 December 2008;

(II) the half year report and financial statements for the period ended 31 December 2009; and

(III) the half year report and financial statements for the period ended 31 December 2010; and

(vi) The payment of outstanding debts owing to ASX, totalling $33,612.

3.3 Minimum subscription

The minimum level of subscription pursuant to the Offer is 100,000,000 Shares to raise $1 million.

No Shares under the Offer will be allotted by the Company until the Minimum Subscription has been achieved.

3.4 Applications

If you wish to participate in the Offer, you should complete the Application Form accompanying this Prospectus. Applicants may apply for a minimum parcel of 50,000 Shares, representing a minimum investment of $500. Applicants seeking additional Shares must apply thereafter for Shares in multiples of 10,000 Shares (equivalent to $100). All applications must be completed in accordance with the detailed instructions provided on the Application Form and be accompanied by a cheque or bank cheque drawn and payable on an Australian bank and must be made payable to 'SVC Group Limited—Subscription Account' (**Subscription Account**) and should be crossed 'Not Negotiable'. No brokerage or stamp duty is payable. Completed Application Forms and accompanying cheques must be received by the Company before 5.00 pm Sydney Time on the Closing Date by being mailed to the following address:

SVC Group Limited
GPO Box N723 Grosvenor Place
SYDNEY NSW 1220

All application monies received with duly completed Application Forms will be paid into the Subscription Account in accordance with the requirements set out in Section 3.9 of this Prospectus.

The Company must, subject to the Conditions set out in Section 3.2 being met and the requirements set out in Section 3.8 of this Prospectus, deal with the application monies held in the Subscription Account in accordance with the following instructions of the Directors:

- Transfer all of the application monies received under this Prospectus and held in the Subscription Account to the Company; and
- Allot and issue the Shares offered under this Prospectus.

An original, completed and lodged Application Form together with a cheque for the application monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form is final; however, an applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application monies.

Applicants are encouraged to lodge their Application Forms as soon as possible, as the Offer may close early without notice.

3.5 Minimum subscription

The minimum level of subscription pursuant to the Offer is $1 million (**Minimum Subscription**).

No Shares under the Offer will be allotted or issued by the Company until the Minimum Subscription has been achieved. If the Minimum Subscription has not been reached within three months from the date of this Prospectus, all applications and application monies will be dealt with in accordance with the requirements of the Corporations Act. The Minimum Subscription must be raised before the quotation of the securities on ASX can occur.

No oversubscriptions will be accepted.

3.6 Offer not underwritten

The Offer is not underwritten. The Offer does not have a sponsoring broker. The Company will pay a 2% management fee to EQ Financial advisers on all capital raised and a fee of up to 6% of the value of the Shares to holders of an AFSL licence in respect of Shares placed to their clients.

3.7 Capital structure

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offer, assuming the minimum subscription is achieved.

Fully paid ordinary Shares	Shares (minimum subscription)	Proportion (undiluted)
		(%)
Shares on issue at the date of this Prospectus	131,955,184	45.2
Shares to be offered under Sophisticated Offer (see Section 2.10)	60,000,000	20.6
Minimum number of Shares offered pursuant to the Offer	100,000,000	34.3
Total Shares on issue at completion of the Offer	**291,955,184**	**100.0**

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offer, assuming the maximum subscription is achieved.

Fully paid ordinary Shares	Shares (maximum subscription)	Proportion (undiluted) (%)
Shares on issue at the date of this Prospectus	131,955,184	33.7
Shares to be offered under Sophisticated Offer (see Section 2.10)	60,000,000	15.3
Maximum number of Shares offered pursuant to the Offer	200,000,000	51.0
Total Shares on issue at completion of the Offer	**391,955,184**	100.0

3.8 Allocation and allotment of Shares

The Directors reserve the right to reject any application or to allot a lesser number of Shares than that applied for pursuant to the Offer. If the number of Shares allocated is less than that applied for, or no allotment is made, the application monies or the surplus application monies will be promptly refunded without interest.

Subject to the conditions of the Offer (see Section 3.2), the allotment of shares will occur as soon as possible after the Closing Date. All Shares issued pursuant to the Offer will rank equally in all respects with the existing Shares of the Company. Statements of shareholding will be dispatched as soon as possible after the Closing Date as required by ASX. It is the responsibility of the applicant to determine their allocations prior to trading in the Shares.

Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

3.9 Application monies to be held in trust

The application monies for Shares to be issued pursuant to the Offer will be held in the Subscription Account on behalf of applicants until the Shares are allotted. If the Offer is not fully subscribed within a period of three months from the date of this Prospectus, the application monies will be refunded in full without interest, and no Shares will be allotted pursuant to this Prospectus. All interest earned on application monies (including those which do not result in allotment of Shares) will be retained by the Company.

3.10 ASX reinstatement

The Company's shares were suspended from trading on ASX on 1 October 2008.

Subject to, and in accordance with, the Conditions (see Section 3.2), the Company will apply to ASX no later than seven days from the Closing Date of this Prospectus to have the Shares to be issued pursuant to this Prospectus quoted on the Official List of ASX.

If approval for quotation of the Shares on the Official List of ASX is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares, and application monies will be refunded in full without interest in accordance with the Corporations Act.

Neither ASX nor ASIC, nor any of their respective officers, takes responsibility for the contents of this Prospectus. The fact that ASX may grant official quotation to the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

3.11 CHESS and issuer sponsorship

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers will make up the Company's register of Shares.

The Company will not issue share certificates to Shareholders. Rather, holding statements (similar to bank statements) will be dispatched to Shareholders as soon as practicable after allotment under this Prospectus.

Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold Shares on the issuer-sponsored sub-register). The statements will set out the number of Shares allotted under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for Shareholders who elect to hold Shares on the issuer-sponsored sub-register). Updated holding statements will also be sent to each Shareholder following the month in which the balance of their shareholding changes and as required by the Listing Rules and the Corporations Act.

3.12 Overseas investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of Shares in any jurisdiction outside Australia.

It is the responsibility of any non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus.

3.13 Privacy disclosure

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

3.14 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or financial projection would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best-estimate forecast or projection.

3.15 Electronic Prospectus

In addition to issuing the Prospectus in printed form, a read-only version of the Prospectus is also available on the Company's website, www.svcgroup.com.au. There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. The Corporations Act prohibits any person from passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

4 BACKGROUND AND COMPANY OVERVIEW

4.1 Company history

SVC Group Limited (**SVC** or the **Company**) was incorporated in 1986 as Defiance Mining NL. In 2001 the Company changed its name to Medical Monitors Limited and began developing heart monitoring solutions for cardiac patients. In 2007 the Company began operating as a developer and owner of retirement villages under the name Shell Villages and Resorts Limited.

In 2008, the then Board of Directors of the Company embarked on a sell-down of all property assets held within its portfolio. This period coincided with the global financial crisis and depressed property prices. At the end of this liquidation period, the Company was left in a difficult financial position with over $2.2 million in debts and little in tangible assets. The securities of SVC were suspended from trading on ASX on 1 October 2008 because of the Company's inability to provide ASX with full audited accounts for the 2008 financial year.

Since its suspension from trading, the Board of Directors of the Company has been replaced and the new Board has negotiated conversion of the Company's major debts into equity. The Company has raised over $390,000 in cash over the past 18 months to repay creditors and to finalise the Company's full year audited accounts for the 2009, 2010 and 2011 financial years.

4.2 Business overview

The Company's principal business is the development of retirement and manufactured home villages.

Over the last decade, the retirement village industry has been revolutionised to reconfirm its status as a place that caters for retirees aged over 55 years who are self-sufficient and self-supporting, but who choose to live in a community of retired persons with appropriate community facilities and help at hand in an emergency. Australian Bureau of Statistics data suggest that by 2051, 27% of an estimated population of 25–33 million Australians will be aged over 65. With the over-65 demographic growing at double the rate of the rest of the population, by 2050 Australia will, according to the Retirement Village Association, require a minimum of 2100 additional retirement villages, or more than 311,000 dwellings.

SVC has in the past managed a broad portfolio of investments relating to residential subdivisions, development of senior living and affordable housing projects as well as the retirement village sector. The Company's current business plan is to continue these endeavours, which will be assisted by:

- strong population growth and continued housing demand;
- demographics changes, with the over-55 segment being the fastest growing segment of the population now and for the next 10 years;
- attractive locations in coastal and urban areas; and
- moves towards increased housing density in urban areas.

SVC continues to assess other investment opportunities within and outside the property industry.

4.3 Hunter Valley joint venture

4.3.1 Overview

SVC has entered into a joint venture (see Section 7.3) with Coast and Country Developments Pty Limited (CCD) to develop a property known as Lot 99, Carrs Road, Neath, Hunter Valley, into 70 manufactured homes. The property is adjacent to an existing manufactured village owned by CCD.

Under the terms of the JV Agreement, SVC will lodge a development application to locate approximately 70 pre-manufactured homes on the site. This lodgement is expected to be submitted in accordance with guidance provided in NSW legislation for manufactured home estates, and comply with technical standards as legislated in the Local Government Act 1919 (NSW). If successful, SVC will facilitate the purchase of manufactured homes by each home purchaser from the home manufacturer, and manage siting of the homes and connection of services. The joint venture will charge fees for sourcing of the homes and connection of the homes to all infrastructure services. In exchange for its services, SVC will look to recoup its costs from the sale of the cabins and receive 80% of any remaining profits from the sale of the cabins. The remaining 20% of profits will go to CCD. SVC does not retain any other rights over the properties and will not receive rental or any other ongoing fees.

CCD will contribute the land to the development, charge rent for the lease for the land on which the cabins are situated, and retain all long-term management rights. SVC is required to refund any money that CCD pays on behalf of the JV Agreement. SVC will project manage and pay for the following:

- detailed site plan of development and submission to Council;
- project management; and
- all infrastructure requirements and liaising with service providers for services including;
  - electricity;
  - water;
  - sewer; and
  - roads.

SVC will source and relocate pre-manufactured homes for prospective purchasers and connect them to services. SVC may set up display areas and manage the sales process. An example of a recent sale in March 2011 on the adjacent Lot 101 belonging to CCD was a three bedroom cabin, sourced from the manufacturer for $100,000 was sold for $175,000 to the purchaser, this included siting and connection to services but excluded landscaping or driveway. The owner entered into a lease with CCD to pay to CCD $300 per fortnight for the upkeep of the infrastructure and services.

4.3.2 Development application

The land that is subject to SVC's joint venture currently has a zoning of 1A (Rural) under Cessnock City Council's *Local Environmental Plan*, which is primarily designated for the purpose of agriculture. As part of its proposed development application to Cessnock City Council, SVC intends to apply for an extension of the boundary of the existing adjacent developed manufactured home village at Lot 101 Carrs Road, which belongs to the joint venture partner, CCD, and which also has a zoning of 1A. The development application is expected to be lodged under guidance provided in the NSW State Environmental Planning Policy No. 36 and comply with technical specifications as legislated in the Local Government Act (NSW) 1919.

4.3.3 Budget and programme of work

SVC's estimated share of costs for the development project is approximately $21,500 per home. The Company expects to complete the development in three approximately equal stages of 20–25 homes per stage. Under the terms of the JV Agreement, SVC is under no obligation to develop a subsequent stage until at least 80% of homes from an existing stage have been sold. This flexibility in expenditure requirements under the JV Agreement will allow SVC to manage its cash exposure to the project and cash flow requirements during the period of the joint venture.

4.3.4 Modular housing

Modular systems of construction can be used to construct single and two storey homes, retirement village homes, mining accommodation, modular offices, hotels and motels up to four storeys high. These modular systems are manufactured in Australia, China and parts of Southeast Asia. SVC will endeavour to attract a modular home manufacturer to the development to set up a display home.

4.4 Strategy

4.4.1 Property development

SVC's core short-term strategy is to use the proceeds from the Offer to proceed with the Hunter Valley property development as detailed above. This strategy continues the Company's previous property development activities prior to its delisting in 2008 and the sale of its major assets, which involved accumulating, through development and acquisition, a portfolio of retirement villages.

CCd will contribute the land and retain all long term management rights

Retirement village properties can generate considerable income for their managers, through the management agreements with the residents to maintain the properties and the rights the manager has in connection with sale of the properties. In time, SVC will look to acquire retirement village assets such as the Hunter Valley retirement village that is the subject of its joint venture, while retaining management rights over such developments. This would require purchase of land.

4.4.2 Key personnel

Dependent on ongoing evaluations of the re-establishment and growth of the Company's operations, the Company intends to engage the services of additional experienced consultants to assist in the implementation of the operational strategy. The Board considers that there are experienced consultants available to be engaged on an as-required basis.

4.4.3 Investigation of new opportunities

The Board intends to continue to review projects within and outside the Company's primary focus of retirement village development. The Directors are all experienced business professionals with strong contacts in a range of industries including property, insolvency practice, law and engineering. The Board has been able to source a number of potential projects and will, with available funds from this offer, be able to conduct the preliminary due diligence required so as to produce a short list of high potential projects. These projects include:

- mining camp modular housing development;
- traditional retirement villages, both existing and new developments;

- low cost manufactured home villages such as the Hunter Valley joint venture; and
- more traditional subdivided residential development.

SVC has entered into a consultancy agreement with HD Consulting Pty Limited (HDC) to facilitate the search for new projects and negotiate terms for those projects, post re-capitalisation (see Section 7.6). HDC has an excellent track record in property development in NSW with many successful developments having been sourced and developed successfully on their own behalf, as well as for clients and syndicates. HDC is headed by Mr Hao Dang, who has over 15 years of property-related experience, working in both the public and private sectors. Mr Dang has a Bachelor of Land Economics from the University of Technology, Sydney, and has held Valuer and Real Estate Licences. He has extensive working experience in all facets of real estate, specialising in the field of property acquisition and development. HDC will be paid $10,000 per month for each month it is required by SVC to provide the service set out above together with a fee of 2% of the cost of any acquisition which SVC enters into as a result.

Under the terms of the agreement between the Company and HDC, HDC is tasked with locating potential development projects within NSW and presenting the case for these projects to the Board. Should the Board consider a potential project to be worthy of further consideration, the consultancy agreement requires HDC to negotiate terms and interact with sales agents as required, acquire valuations, and build a comprehensive development financial model.

SVC is under no obligation to continue engaging the services of HDC and may terminate the agreement at any time without notice.

4.5 Other investments

4.5.1 Zambia Resource Ventures Pty Limited

The Board has investigated and considered a number of possible investments and business opportunities over the past 18 months. One area that the board has considered is resources exploration and mining. To this end, SVC made early-stage investigations regarding copper/cobalt and gold projects in Zambia. In doing so, SVC developed some key relationships in Zambia and conducted early due diligence work and negotiations on one potential copper/cobalt project in the North West Province of Zambia.

By introducing this project to Zambia Resource Ventures Pty Limited (ZRV), a company set up by mining investment experts to investigate and negotiate the development of resource projects in Zambia, SVC has obtained a small interest in ZRV for its cost to date, which would approximate to $16,200.

5 DIRECTORS AND CORPORATE GOVERNANCE

5.1 Directors

5.1.1 Richard Pritchard (Non-Executive Chairman and joint Company Secretary)

Richard Pritchard has over 20 years' experience in civil engineering and building. He has been responsible for numerous infrastructure and property development projects in the fields of telecommunications, transport, water, mining and energy, as well as commercial property, residential subdivisions, and retail shopping centre developments. He has worked for some of Australia's leading infrastructure and property development companies, primarily in management of the tendering and construction process. He has also been responsible for managing a civil infrastructure and property portfolio worth over $1.3 billion for NSW local government.

Mr Pritchard holds an honours degree in Civil Engineering from the University of Brighton (UK) and a Graduate Diploma in Public Company Management from the Institute of Company Directors. He is a Member of the Institute of Company Directors and a Member of Engineers Australia and has previously held a NSW Building Contractors Licence. He is a Director of Sustainable Energy Australasia Limited and a Director of Blackcrest Resources Limited (ASX code: BCR).

5.1.2 Brett Crowley (Non-Executive Director and joint Company Secretary)

Brett Crowley is a solicitor and Chartered Accountant and an experienced chairman, director and company secretary of several ASX-listed companies. He currently practices as a solicitor.

Mr Crowley is company secretary of Vesture Limited (ASX code: VES), Flat Glass Industries Limited (FGI) and Sherwin Iron Limited (SHD). 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.

5.1.3 Ian Dorney (Non-Executive Director)

Ian Dorney has over 20 years' experience in the financial services industry, primarily as a senior financial planner, 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 the financial planning business EQ Financial Pty Limited in 1998. He is the Managing Director and Responsible Officer of EQ Financial and since 1995 has personally controlled and been responsible for a number of successful property developments.

5.1.4 Anthony Crimmins (Non-Executive Director)

Tony Crimmins has held numerous roles in project and general management, including six years as an environmental engineer for Brambles in China, involved in high priority environmental impact assessment for toxic waste clearance, site evaluation and project management. During this time he developed a working proficiency in Mandarin and an understanding of Asian business practices. For the past eight years, Mr Crimmins has been involved in the listing of 13 companies on ASX from IPOs to reconstituted listed companies. In the process he has helped raise over $65 million for projects, including five technology projects from Australian universities.

5.2 Corporate governance

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.

5.2.1 Board composition

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

(a) The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas;

(b) The Board shall not comprise a majority of executive Directors; and

(c) 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.

5.2.2 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:

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

(b) the half-yearly report, which is posted on the ASX website www.asx.com.au;

(c) the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;

(d) the Company's compliance with ASX continuous disclosure requirements;

(e) all public announcements and associated documents, which are made available on the Company website at www.svcgroup.com.au.

5.2.3 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.

5.2.4 Audit committee

The Board of Directors holds responsibilities of the audit committee.

5.2.5 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.

5.2.6 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.

5.2.7 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.

5.2.8 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.

5.2.9 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.

5.2.10 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.

5.2.11 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.

6 PRO FORMA FINANCIAL INFORMATION

6.1 Introduction

The Company received shareholder approval on 31 August 2011 to restructure its debts, primarily through the issue of the Company's equity in satisfaction of the outstanding liabilities, and has proceeded to issue new Shares to creditors. Details of those transactions and the Pro Forma Statement of Financial Position as at 30 June 2011 are set out below. The Pro Forma Statement of Financial Position is prepared on the assumption that all debt conversions and proposed Share issues are accomplished as at 30 June 2011.

The 30th June 2009 and 2010 financial reports contained modified audit opinions regarding the completeness and accuracy of the books and records following the sale of the Company's key property assets in 2008 and 2009 and the existence of significant uncertainty in relation to the Company's ability to continue as a going concern due to the significant debts subject to various arrangements to convert to equity in the Company to be put to shareholders for approval.

6.2 Consolidated Statement of Financial Position as at 30 June 2011

	Audited as at 30 June 2011	Debt restructure post 30 June 2011	Capital raising post 30 June 2011	Pro Forma at date of Offer	Pro Forma Minimum Subscription	Pro Forma Maximum Subscription
		(a)	(b)		(c)	(d)
	$	$	$	$	$	$
CURRENT ASSETS						
Cash and cash equivalents	1,855	–	300,000	301,855	1,221,855	2,157,855
Financial assets	10,000		–	10,000	10,000	10,000
Other current assets	206,052	–	–	206,052	206,052	206,052
TOTAL CURRENT ASSETS	217,907	–	300,000	517,907	1,437,907	2,373,907
TOTAL ASSETS	217,907	–	300,000	517,907	1,437,907	2,373,907
CURRENT LIABILITIES						
Trade and other payables	1,466,929	(1,121,695)	–	345,234	345,234	345,234
Financial liabilities	816,804	(796,804)	–	20,000	20,000	20,000
TOTAL CURRENT LIABILITIES	2,283,733	(1,918,499)	–	365,234	365,234	365,234
TOTAL LIABILITIES	2,283,733	(1,918,499)	–	365,234	365,234	365,234
NET ASSETS	(2,065,826)	1,918,499	300,000	152,673	1,072,673	2,008,673
EQUITY						
Issued capital	43,243,754	1,918,499	300,000	45,462,253	46,403,005	47,341,332
Reserves	493,152	–	–	493,152	493,152	493,152
Accumulated losses	(45,802,732)	–	–	(45,802,732)	(45,823,484)	(45,825,811)
TOTAL EQUITY	(2,065,826)	1,918,499	300,000	152,673	1,072,673	2,008,673

6.2.1 Summary of key debt settlement transactions

The Company reached agreement with its major creditors to convert certain debts into equity. The details of the arrangements, which were approved by Shareholders at the general meeting held on 31 August 2011, and for which Shares have been subsequently issued for items (a), (b) and (d) below, were as follows:

(a) 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.

(b) Under the same deed, the Company also agreed to issue 10,000,000 ordinary shares to Mr B Patkin, a past director, to settle the amounts owed to Mr B Patkin.

(c) Pursuant to a Deed of Settlement and Release dated 18 March 2010 (see Section 7.2 for further details), the company agreed to settle the payable balance with AND Technologies Pty Limited 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.

(d) 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.

6.2.2 Further issue of shares and adjustments

On 31 August 2011 the Shareholders approved the following transactions:

(a) The issue of 60,000,000 ordinary Shares at $0.005 per Share to sophisticated and professional investors to raise $300,000;

(b) The issue of 100,000,000 fully paid ordinary shares at $0.01 each if the minimum subscription is received. The payment of $59,248 of costs associated with raising capital under the Offer has been charged against issued capital and the payment of $20,752 of costs associated with raising capital under the Offer has been expensed and incorporated in 6.2 above; and

(c) The issue of 200,000,000 fully paid ordinary shares at $0.01 each if the maximum subscription is received. The payment of $120,921 of costs associated with raising capital under the Offer has been charged against issued capital and the payment of $23,079 of costs associated with raising capital under the Offer has been expensed and incorporated in 6.2 above.

6.3 Annual Financial Report for the year ended 30 June 2011

The following page extracts are taken from the Company's Annual Financial Report for the year ended 30 June 2011.

prosperity
audit services

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

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

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

22 August 2011

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Prosperity Audit Services
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
Revenue			
Other income	2	847	5,244
Expenses			
Consulting fees		(63,710)	(29,545)
Directors fees		(77,000)	(153,750)
Finance costs		(75,650)	(131,213)
Legal fees		(36,464)	(44,146)
Other expenses		(123,215)	(65,539)
Loss before income tax expense		(375,192)	(418,949)
Income tax expense	3	-	-
Loss for the year		(375,192)	(418,949)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(375,192)	(418,949)

Earnings per share

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

Basic loss per share (cents)	6	(0.7)	(1.0)
Diluted loss per share (cents)	6	(0.7)	(1.0)

The accompanying notes form part of this financial report.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,855	59,852
Financial assets	8	10,000	10,000
Other current assets	9	206,052	157,869
TOTAL CURRENT ASSETS		217,907	227,721
TOTAL ASSETS		217,907	227,721
CURRENT LIABILITIES			
Trade and other payables	10	1,466,929	1,252,876
Financial liabilities	11	816,804	1,102,781
TOTAL CURRENT LIABILITIES		2,283,733	2,355,657
TOTAL LIABILITIES		2,283,733	2,355,657
NET LIABILITIES		(2,065,826)	(2,127,936)
EQUITY			
Issued capital	12	43,243,754	42,806,452
Reserves		493,152	493,152
Accumulated losses		(45,802,732)	(45,427,540)
TOTAL EQUITY		(2,065,826)	(2,127,936)

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Accumulated Losses $'000	Option Reserve $'000	Total $'000
Consolidated Group				
Balance at 1 July 2009	42,806,452	(45,008,591)	493,152	(1,708,987)
Total comprehensive loss for the year	-	(418,949)	-	(418,949)
Balance at 30 June 2010	42,806,452	(45,427,540)	493,152	(2,127,936)
Total comprehensive loss for the year	-	(375,192)	-	(375,192)
Transactions with owners in their capacity as owners:				
Shares issued during the year	439,552	-	-	439,552
Transaction costs	(2,250)	-	-	(2,250)
Balance at 30 June 2011	43,243,754	(45,802,732)	493,152	(2,065,826)

The accompanying notes form part of this financial report.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		559	3,166
Cash payments in the course of operations		(103,556)	(298,541)
Finance costs		-	(77)
Net cash (used in) operating activities	16(b)	(102,997)	(295,452)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for loan advanced		-	(10,000)
Net cash (used in) investing activities		-	(10,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		45,000	-
Proceeds from borrowings		-	365,000
Net cash provided by financing activities		45,000	365,000
Net (decrease)/increase in cash held		(57,997)	59,548
Cash at beginning of financial year		59,852	304
Cash at end of financial year	16(a)	1,855	59,852

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Statement of compliance

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

Basis of Preparation

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

Reporting Basis and Conventions

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

A summary of the parent entity financial information has been disclosed in Note 20 of the financial statements.

Going Concern Basis of Accounting

During the years ended 30 June 2009, 30 June 2010 and 30 June 2011, the consolidated entity recorded a consolidated operating loss of $937,186, $418,949 and $375,192 respectively and reported net current liabilities of $1,072,969, $2,127,936 and $2,065,826 at 30 June 2009, 30 June 2010 and 30 June 2011 respectively. In addition, the entity was reliant upon shareholder capital and unsecured borrowings to meet its business and loan obligations. The continuing viability of the entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon the following key events:

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

Shell Villages and Resorts Limited and Controlled Entities – Annual Report 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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.

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.

New accounting standards and interpretations

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.

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

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

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

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

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

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

Accounting Policies

a. **Principles of Consolidation**

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

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

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

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 recognised in profit or loss except where it relates to items that may be recognised in other comprehensive income or directly in equity, in which case the deferred tax is adjusted in other comprehensive income or directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

against which deductible temporary differences can be utilised.

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

c. **Financial Instruments**

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

Non-derivative financial liabilities are measured at amortised cost.

d. **Impairment of Assets**

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

e. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in 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.

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

f. **Employee Benefits**

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

g. **Provisions**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

h. **Cash and Cash Equivalents**

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

i. **Trade and other receivables**

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

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

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

j. **Trade and other payables**

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

k. **Borrowings and borrowing costs**

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

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

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

l. **Revenue**

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

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

m. **Contributed equity**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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

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

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

o. **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing

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

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

(ii) Diluted earnings per share

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

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

p. **Critical Accounting Estimates and Judgments**

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

Key Estimates — Impairment

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

NOTE 2: REVENUE

	Consolidated Group	
	2011	**2010**
	$	**$**
Other income		
— Interest received	847	5,244

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 3: INCOME TAX EXPENSE

		Consolidated Group	
		2011 **$**	**2010** **$**
a.	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	-
		-	-
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
	Operating loss from ordinary activities	(388,942)	(418,949)
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	(116,682)	(125,685)
	Tax effect of:		
	- Non-temporary differences	-	-
	Temporary differences and tax losses not recognised	116,682	125,685
	Income tax expense	-	-

c. Tax losses

Unused tax losses at balance date are estimated to be $1,290,000. However, these estimates will only be finalised upon lodgement of outstanding tax returns.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 4: KEY MANAGEMENT PERSONNEL DISCLOSURES

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

a. Key Management Personnel Compensation

	Consolidated Group	
	2011	**2010**
	$	**$**
Short term employee benefits	127,450	153,750
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	127,450	153,750

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

	Balance 1 July or date of appoint-ment	**Share consolida-tion**	**Received as Compensa -tion**	**Options Exercised**	**Net Change Other***	**Final Notice**	**Balance 30 June**
2011							
Mr G Cornelson[1]							
Mr B Crowley[2]	-	-	-	-	-	-	-
Mr D Diamond[3]	-	-	-	-	-	-	-
Mr I Dorney[2]	-	-	-	-	-	-	-
Mr B Patkin	2,023,347	-	-	-	-	-	2,023,347
Mr R Pritchard[2]	-	-	-	-	-	-	-
Total	2,023,347	-	-	-	-		2,023,347
2010							
Mr C Budd	1,285,641	-	-	-	-	(1,285,641	-
Mr B Patkin	2,023,347	-	-	-	-	-	2,023,347
Mr R Kerr	-	-	-	-	-	-	-
Mr D Diamond	-	-	-	-	-	-	-
Mr R Pritchard	-	-	-	-	-	-	-
Total	3,308,988	-	-	-	-	(1,285,641	2,023,347

[1] Appointed 11 February 2011, resigned 14 February 2011

[2] Appointed 11 February 2011

[3] Resigned 8 February 2011

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

c. Loans to Key Management Personnel

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

(i) Aggregates for key management personnel

Consolidated Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
	$	$	$	$	$
2011	10,000	-	-	10,000	1
2010	-	-	-	10,000	1

In 2011 there were no loans to individuals that exceeded $100,000 at any time (2010: nil).

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

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

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

	Consolidated Group	
	2011 **$**	**2010** **$**
NOTE 5: AUDITOR'S REMUNERATION		
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	20,000	20,000

NOTE 6: EARNINGS PER SHARE

(a) Basic and diluted earnings per share

From continuing operations (cents)	(0.7)	(1.0)

(b) 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.

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	1,855	59,852

NOTE 8: FINANCIAL ASSETS

CURRENT

Loan receivable	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

The loan bears no interest and is repayable on demand. Refer to Note 4c above for further details with regards to this loan.

	Consolidated Group	
	2011	2010
	$	$
NOTE 9: OTHER CURRENT ASSETS		
CURRENT		
Other receivables	183,446	153,151
Other assets	22,606	4,718
	206,052	157,869

NOTE 10: TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured liabilities		
Trade payables	553,832	342,656
Sundry payables and accrued expenses	913,097	910,220
	1,466,929	1,252,876

NOTE 11: FINANCIAL LIABILITIES		
CURRENT		
Unsecured liabilities		
Convertible notes	796,804	737,781
Unsecured borrowings	20,000	365,000
	816,804	1,102,781

(a) Convertible notes

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

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

The noteholder:

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

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

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

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

	Consolidated Group	
	2011	2010
	$	$
Face value of notes issued or balance brought forward	737,781	636,018
Value of conversion rights	-	-
Converted at 30 June 2011	-	-
	737,781	636,018
Interest expense	59,023	101,763

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Interest paid	-	-
Total	796,804	737,781

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

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

NOTE 12: ISSUED CAPITAL

	2011 $	2010 $
(a) Ordinary shares		
84,090,409 (2010: 43,108,368) fully paid ordinary shares	43,243,754	42,806,452

	2011		2010	
	Number	**$**	**Number**	**$**
At the beginning of reporting period	43,108,368	42,806,452	43,108,368	42,806,452
Shares issued during year:				
15 February 2011*	26,250,000	262,500	-	-
24 February 2011*	8,250,000	82,500	-	-
9 May 2011	4,500,000	45,000	-	-
22 June 2011 *	1,982,041	49,552	-	-
Transaction costs	-	(2,250)		
At reporting date	84,090,409	43,243,754	43,108,368	42,806,452

*Shares issued in settlement of debts

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

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

(b) Capital risk management

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

The company's strategy is to complete the restructure of its debts and raise capital by the issue of new shares to strengthen its financial position.

NOTE 13: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
		2011	**2010**
Kalgoorlie Tailings Project Pty Ltd	Australia	100%	100%
Shell Villages and Resorts Helidon Spa Pty Ltd	Australia	100%	100%
Shell Villages and Resorts Mollymook Pty Ltd	Australia	100%	100%
Shell Villages and Resorts Bribie Island Pty Ltd	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 13: CONTROLLED ENTITIES

Shell Villages and Resorts Commercial Pty Ltd	Australia	100%	100%

* Percentage of voting power is in proportion to ownership

NOTE 14: 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 15: SEGMENT REPORTING

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

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

Segment assets

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

Segment liabilities

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

	2011		2010	
	Corporate office $	**Total $**	**Corporate office $**	**Total $**
Total segment revenue	847	847	5,244	5,244
Inter-segment revenue	-	-	-	-
Revenue from external customers	847	847	5,244	5,244
Loss before income tax	(388,942)	(388,942)	(418,949)	(418,949)
Depreciation and amortisation	-	-	-	-
Impairment of assets	-	-	-	-
Income tax expense	-	-	-	-
Total segment assets	217,907	217,907	227,721	227,721
Total segment liabilities	(2,283,733)	(2,283,733)	(2,355,657)	(2,355,657)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 16: NOTES TO STATEMENT OF CASH FLOWS

	Consolidated Group	
	2011 $	**2010 $**
a **Reconciliation of cash**		
Cash and cash equivalents	1,855	59,852
b. **Reconciliation of loss after income tax to net cash used in operating activities**		
Loss after income tax	(375,192)	(418,949)
Add non-cash items in operating costs:		
Gain on sale of discontinued operations	-	-
Share based payments	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	-	122,479
(Increase)/decrease in other assets	(48,183)	64,015
Increase/(decrease) in trade and other payables	320,378	190,205
Net cash used in operating activities	(102,997)	(295,452)

NOTE 17: RELATED PARTY TRANSACTIONS

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

During the financial year an amount of $2,250 was due and payable to Equity & Law Investment Services Pty Ltd, a company in which Director Ian Dorney is a director, for share placement fee on equity capital raised. There were no other related party transactions during the year. Refer to Note 4c in regards to a related party loan.

NOTE 18: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The Group holds the following financial instruments:

	Consolidated Group	
	2011	**2010**
	$	**$**
Financial assets		
Cash and cash equivalents	1,855	59,852
Financial assets	10,000	10,000
Other current assets	206,052	157,869
	217,907	227,721
Financial liabilities		
Trade and other payables	1,466,929	1,252,876
Financial liabilities	816,804	1,102,781
	2,283,733	2,355,657

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and convertible notes.

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

The economic entity currently has no derivative financial instruments.

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

b. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations.

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

	Consolidated Group	
	2011	**2010**
	$	**$**
Other receivables	106,920	153,151
Loan to Sustainable Energy Australia Ltd	10,000	10,000
Other current assets	21,607	4,718
	138,527	157,869

The loan is repayable on demand and other receivables and other current assets are receivable within one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 18: 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. As noted in Note 1 the consolidated group will be restructuring its debts with the issue of shares in settlement of most of its liabilities.

The table below analyses the Group'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**
2011	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Convertible notes	796,804	796,804	796,804	-	-	-	-
Financial liabilities	20,000	20,000	20,000				
Trade and other payables	1,478,429	1,478,429	1,478,429	-	-	-	-
	2,251,385	2,251,385	2,251,385	-	-	-	-
2010							
Convertible notes	737,781	737,781	737,781	-	-	-	-
Financial liabilities	365,000	365,000	365,000	-	-	-	-
Trade and other payables	1,252,876	1,252,876	1,252,876	-	-	-	-
	2,355,657	2,355,657	2,355,657	-	-	-	-

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, there is no currency risk. The Group's main interest rate risk arises from convertible notes. Convertible notes issued at variable rates of 9% expose the Group to cash flow interest rate risk. As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2011 Weighted average interest rate	**2011 Balance**	**2010 Weighted average interest rate**	**2010 Balance**
		$		$
Convertible notes	9.00%	796,804	9.00%	737,781
Financial liabilities	-	20,000	-	365,000

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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

	Increase in interest rate by 1%		Decrease in interest rate by 1%	
	Profit $	Equity $	Profit $	Equity $
2011				
Convertible notes	**(7,968)**	-	**7,968**	-
2010				
Convertible notes	**(7,378)**	-	**7,378**	-

This analysis assumes that all other variables remain constant.

NOTE 20 – PARENT ENTITY INFORMATION

	2011 $	2010 $
Assets		
Current assets	157,907	167,720
Non-current assets	36	36
Total assets	157,943	167,756
Liabilities		
Current liabilities	2,283,734	2,355,657
Total liabilities	2,283,734	2,355,657
Equity		
Issued capital	43,243,754	42,806,452
Reserves	393,153	393,153
Accumulated losses	(45,762,698)	(45,387,505)
	(2,125,791)	(2,187,901)
Financial performance		
(Loss) profit for the year	(375,192)	(418,728)
Other comprehensive income	-	-
Total comprehensive loss for the year	(375,192)	(418,728)

The Parent Entity has not entered into any financial guarantees which are outstanding and has no contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2011 and 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 21. EVENTS AFTER REPORTING DATE

There has not arisen in the interval since 30 June 2011 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) 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.

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

NOTE 22. COMPANY DETAILS

Shell Villages and Resorts Limited

Level 9,
5 Hunter Street
Sydney NSW 2000

The principal places of business are:

Shell Villages and Resorts Limited
Level 9,
5 Hunter Street
Sydney NSW 2000

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 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

prosperity audit services

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES & RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Independence

In conducting our audit, 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 9 of the financial report.

Auditor's Opinion

In our opinion, the financial report of Shell Villages & 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 2011 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.

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 $375,192 for the year ended 30 June 2011 and reported net current liabilities of $2,065,826 as at 30 June 2011 and net cash outflows from operations of $102,997. 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 5 to 7 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Shell Villages and Resorts Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

PROSPERITY AUDIT SERVICES

PAUL HORNE
Partner

22 August 2011
Sydney

prosperity audit services

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHELL VILLAGES & RESORTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2011

Report on the Financial Report

We have audited the accompanying financial report of Shell Villages and Resorts Limited (the company), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Shell Villages and Resorts Limited and Controlled Entities (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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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 names of the joint company secretary are Mr Brett Crowley and Mr Richard Pritchard

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.

7 MATERIAL CONTRACTS

7.1 Summary of Material Contracts

Set out below is a summary of the material contracts to which the Company is a party that may be material in terms of the Offer for the operation of the business of the Company or otherwise may be relevant to a potential investor in the Company (**Material Contacts**).

The whole of the provisions of the agreements are not repeated in this Prospectus and any intending applicant who wishes to gain a full knowledge of the content of the Material Contracts should inspect the same at the registered office of the Company.

7.2 Deed of Settlement and Release with AND Technologies

SVC is indebted to AND Technologies Pty Limited (AND Technologies) in the total sum of $329,860, comprising principal plus interest, calculated up to 31 December 2008. Further interest of approximately $40,000 has accrued since that date. The principal arose as a result of the provision of consulting services to the Company by AND Technologies.

By deed dated 18 March 2010, the Company agreed to settle its debt with AND Technologies on the following terms:

(a) $30,000 cash, which has already been paid;

(b) $35,000 cash, which is to be paid within one month of the date on which the Company's shares resume trading on ASX;

(c) $35,000 cash, which is to be paid within 12 months of the date on which the Company's shares resume trading on ASX; and

(d) $269,000 of equity in the Company, which is to take place as follows:

  (i) Date of Conversion—five trading days after the date on which the Company's shares resume trading on ASX;

  (ii) Price of conversion—the five day VWAP after five days' trading on ASX;

  (iii) Shares allotted to—AND Technologies; and

  (iv) Terms—the Shares are ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid shares on issue.

At a meeting of the Shareholders of SVC on 31 August 2011, the Shareholders approved the issue of Shares to AND Technologies, for the equity conversion to take place in the above manner, and the Shares to be allotted no later than 30 November 2011.

Upon reinstatement of its Shares and after five days' trading in SVC's Shares, SVC is to issue Shares in accordance with the above terms and ASX Listing Rules.

The Company intends to settle the cash component of its debt with AND Technologies using the funds raised from the Sophisticated Offer described in Section 2.10.

7.3 Deed of Joint Venture Agreement

7.3.1 Background

On 1 October 2011, SVC entered into a binding Deed of Joint Venture Agreement (**JV Agreement**) with Coast and Country Developments Pty Limited (**CCD**) to develop a property known as Lot 99, Carrs Road, Neath, Hunter Valley. The aim of the JV Agreement is the joint endeavour of developing the site into a modular home cabin housing village with approximately 70 individual pre-manufactured cabin-style homes, which will then be subject to sale and long-term lease arrangements.

7.3.2 Key terms

CCD will retain ownership of the land, while the manufactured homes will be subject to sale. Each site will include a cabin manufactured off-site. The sale would include a premium, which will provide a return to SVC of its costs, with any remaining profit to be shared 80% to SVC and 20% to CCD. CCD will retain all long-term management rights to the new development, terms of which will form part of the lease arrangements with the tenants.

CCD will contribute the land and SVC will project manage and pay for the following:

(a) detailed site plan of development and submission to Council;

(b) project management; and

(c) all infrastructure requirements and liaison with authorities including:

  (i) electricity;

  (ii) water;

  (iii) sewer; and

  (iv) roads.

SVC will source and place the pre-manufactured homes and connect them to services. SVC may, if it chooses, set up display areas and manage the sales process.

7.3.3 Conditions precedent

Under the terms of the JV Agreement, SVC will be required to obtain re-capitalisation and re-quotation of its Shares within three months of execution of the JV Agreement. SVC must apply to the local council for a development approval within six months of re-quotation of its Shares and begin construction within one month of achieving the development approval.

CCD must permit SVC to register a caveat on title of the land prior to the start of construction.

7.3.4 Agreed budget and programme of work

The construction of the village will be in distinct stages. This is so that sales can keep up with the pace of the development, thus enabling SVC to manage its capital in a manner that reduces its risk exposure to the project. SVC is under no obligation to develop a subsequent stage until at least 80% of newly built homes from the previous stage have been sold. Both JV parties must agree to a budget and work programme before commencement of work on any stage.

7.4 Corporate Advisory Agreement with EQ Financial

7.4.1 Background

The Company has entered into a corporate advisory agreement with EQ Financial Pty Limited (**EQF**) in relation to the raising of capital pursuant to this Prospectus. Two Directors of the Company, Ian Dorney and Richard Pritchard, are employees of EQF. See Section 2.8.1 for further information.

7.4.2 Key terms

Under the terms of the Corporate Advisory Agreement, EQF will:

(a) provide assistance in the marketing of the Offer;

(b) assist in the presentation of the Company's business to brokers;

(c) advise on input to documents such as presentations;

(d) participate in Offer-related meetings;

(e) produce a short list of interested brokers; and

(f) market the Offer to its own clients, who it reasonably believes might be appropriate to accept the Offer.

In return, SVC will pay to EQF;

(a) 2% of all funds raised, and additionally;

(b) 6% of any amounts raised from its own clients.

7.5 Management Consultancy Agreement

Richard Pritchard, a current Non-Executive Director and joint Company Secretary of the Company, has entered into a management consultancy agreement with the Company to oversee the operation and implementation of the Hunter Valley joint venture. An overview of Mr Pritchard's experience for this role is set out in Section 5.1.1. Under the terms of the agreement, Mr Pritchard will be paid at a rate of $125 per hour plus superannuation at the statutory rates required. The consultancy service he will provide in return will be to manage all aspects of the Hunter Valley joint venture, including;

- engaging professional services, town planners, legal advisers etc.;
- managing the development application submission process;
- managing the creation of a detailed project budget and financial projections;
- managing the tender and quotation process to applying contractors for provision of services and materials;
- managing the project monthly accrued expenditure costs and budget comparison;
- reporting to the board on technical and financial issues and project progress on a regular basis.

The expected costs of engaging Mr Pritchard are incorporated into the budgeted costs of the Hunter Valley joint venture as described in Section 2.5.

7.6 Consultancy Agreement with HD Consulting

SVC has entered into a consultancy agreement with HD Consulting (HDC) to facilitate the search for new projects in NSW and negotiate terms for those projects, post re-capitalisation. Under the terms of the agreement:

(a) SVC will pay HDC $10,000 per month and 2% of the acquisition price of any property that SVC acquires as a result of HDC's identification;

(b) At the end of each month, HDC is obliged to produce a verbal and written report on opportunities it has sought on behalf of SVC;

(c) HDC will produce financial models for the development of key property assets that the Board agrees to consider further;

(d) HDC may, if desired by the Board, engage in discussion with the vendor and begin negotiations on SVC's behalf to attain the property; and

(e) SVC is under no obligation to continue engaging the services of HDC and may terminate the agreement at any time without notice.

8 RISK FACTORS

There are numerous risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with the Company's business.

This section identifies areas the Directors regard as major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares pursuant to this Prospectus.

Applicants should be aware that there are risks associated with any share investment. The value of the Shares may be above or below the issue price under this Prospectus. The Shares allotted under this Prospectus carry no guarantee in respect of profitability, dividends or return of capital.

The Shares offered under this Prospectus should be regarded as speculative and investors should be aware that they may lose some or all of their investment. Investors should consider whether the Shares offered under this Prospectus are a suitable investment having regard to their own individual investment objectives, financial circumstances and the risk factors set out below. This list is not exhaustive and, if in any doubt, investors should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

Specific risks that investor should consider include the following:

8.1 Government and regulatory policies, legislation and regulation

The business of property development is exposed to significant issues of legislative compliance and regulatory approval, as set by the Commonwealth, state and local governments. To proceed with the proposed development, SVC must apply to and seek approval from Cessnock City Council, as described in Section 4.3.2. There can be no assurance that the required approvals will be received at all or in a timely manner.

Failure to obtain regulatory approvals or any delays in obtaining regulatory approvals could:

- adversely affect the ability of the Company to develop the property under the JV agreement;
- impose significant additional costs if an appeal of an adverse decision is be sought;
- diminish the value of the Company's joint venture; and/or
- affect the market value of the Company.

Failure to comply with government regulations or conditions imposed on any regulatory approvals if they are received can result in official warnings, fines, injunctions, civil penalties and/or criminal prosecution, which may adversely affecting the Company's financial position.

8.2 Development risks

Decisions to proceed with property development projects such as the Company's Hunter Valley joint venture are based on the Company's internal profit projections, which attempt to predict the possible outcome of a development based primarily on the building development cost in relation to the saleable value of the completed homes at the time of commencement.

During construction of the properties and connection of the related infrastructure services, unforseen events can cause a significant increase in project costs, including:

- difficult site conditions, such as rock in excavations for services causing delays and additional expense to excavate;
- long delays due to adverse weather; or
- remedial work required owing to poor or soft ground conditions with consequential additional cost and delays.

There can be no assurance that the project, once developed, will produce the projected financial return. If market conditions change significantly between commencement of the development and its completion for sale, this can have a significant effect on the projected financial return. The financial viability of the project can be affected by:

- an inability to attract property purchasers or to sell the property at a profit;
- changes in market conditions for the sale and purchase of property;
- changes in interest rates, which can affect purchaser sentiment; and
- inflation.

8.3 Joint Venture Agreement and partner risk

The Company has entered into a Joint Venture Agreement with Coast and Country Development Pty Limited (**CCD**) (see Section 7.3) for the purposes of undertaking the proposed development. Should SVC fail to fulfil its obligations under the JV Agreement, including funding its portion of the joint venture as and when agreed, then CCD may withdraw from the joint venture, adversely affecting SVC's projected financial returns from the project.

CCD will retain ownership of the land that is the subject of the proposed development. Should CCD enter insolvency and/or have its assets re-possessed by a mortgagor, there is a significant risk of financial loss to SVC, including possible loss of the cost and value of the improvements made to the property up to that date.

8.4 Insurance risks

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with public companies is not always available and where available often the costs can be prohibitive.

8.5 Dependence on personnel

There is a risk that the Company may not be able to obtain or attract the qualified personnel necessary for the development of its business. A loss of the services of existing personnel and/or the failure to recruit key management personnel required may harm the Company's business.

8.6 Uncertainty of future profitability

The Company has incurred significant losses in the past. The past performance should not impact the future opportunities for the Company and it is therefore not possible to evaluate the Company's future prospects based on past performance.

8.7 Acquisitions

In addition to the risks identified above, the Company has stated it will also review and consider other business opportunities. Consequently this strategy may result in the Company making acquisitions of, or significant investments in, complementary or alternative companies or assets. Any such transactions would be accompanied by the risks inherent in making acquisitions of companies and assets. For example, there may be liabilities in connection with such acquisitions that are not identified in the Company's due diligence or the acquisitions may not prove to be successful.

Furthermore, risks associated with such acquisitions will also arise from the Company's ability to execute the acquisition and then to correctly manage the business operations and growth strategies moving forward. In addition, any acquisition may be subject to all or any shareholder and regulatory approvals, which may include re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

General risks that investors should consider include the following:

8.8 Economic and government risks

The future viability of the Company also depends on a number of other factors that may affect the performance of all industries, and associated performance of share markets including, but not limited to, the following:

- general economic conditions in Australia and its major trading partners;
- changes in government policies, taxation and other laws;
- the strength of the equity and share markets in Australia and throughout the world;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- natural disasters, social upheaval or war in Australia or overseas; and
- other factors beyond the control of the Company.

8.9 Future capital needs

Further funding of projects and potential acquisitions may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

If the Company fails to obtain adequate funds when needed, the Company may:

- delay or cease its property development activities, or other aspects of its business;
- be forced to sell any assets on unfavourable terms; and/or
- have to reduce or cease operations.

8.10 Other factors

Since the Company's Shares have ceased trading on ASX, there has been no public market for the Shares. It is important to recognise that, once the Shares are requoted on ASX, their price may rise or fall as they may trade at a price below or above the application price. There can also be no assurance that an active trading market will develop with the shares.

Specific factors that may impact the Company's share price regardless of its operating performance include:

- the issue of additional shares or securities, including the availability of additional shares for sale from time to time;
- the overall market perception of the property sector;
- developments in the company's relationships with industry partners;
- reports published by security analysts;
- merger and acquisition activity;
- litigation of disputes involving the company or others;
- changes in Australian tax laws that affect the company or its investors;
- changes in the company's key personnel; and
- changes to the regulatory environment that specifically impact on the property industry or any publicity relating specifically to the property industry.

Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse effect on the company's operating financial performance.

9 ADDITIONAL INFORMATION

9.1 Company information

The Company was incorporated on 7 January 1986 as Defiance Mining NL and admitted to the Official List of ASX in March 1986. The Company's Shares were suspended from trading on ASX on 1 October 2008.

9.2 Rights attaching to shares

Shares issued pursuant to the Offer will rank equally with all other fully paid ordinary shares on issue.

The rights attaching to the Shares are set out in the constitution of the Company. A broad summary (although not an exhaustive or definitive statement) of the rights attaching to the Shares is outlined below.

9.2.1 Ranking of shares

At the date of this Prospectus, all Shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with existing Shares.

9.2.2 Voting rights

Subject to any special rights or restrictions (at present there are none), at any Shareholder meeting, each Shareholder present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

9.2.3 Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

9.2.4 Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

9.2.5 Transfer of shares

Subject to the constitution of the Company, the Corporations Act and other relevant laws, the Shares are freely transferable.

9.2.6 General meetings

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's constitution, the Corporations Act and any other laws.

9.2.7 Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- divide among the Shareholders the whole or any part of the Company's property; and
- decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets (following full satisfaction of all creditors' debts) on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

9.3 Continuous disclosure and market price of Shares

The Company is a 'disclosing entity' for the purposes of Part 1.2A of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information that it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company's Shares are currently suspended and as such no market price is available.

9.4 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has, or has had within two years before lodgement of this Prospectus with ASIC:

- any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; and
- no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director, either to induce him or her to become, or to qualify them as a Director, or otherwise, for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

9.4.1 Shareholding qualifications

Directors are not required to hold any Shares under the constitution of the Company.

9.4.2 Directors' security holdings

Set out in the table below are details of the Directors' relevant interests in the Shares of the Company as at the date of this Prospectus.

Directors and their associates	Shares
Richard Pritchard	12,192,972
Brett Crowley	3,275,000
Ian Dorney	1,600,000
Anthony Crimmins	–
Total	**17,067,972**

9.4.3 Directors' remuneration

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting or, prior to an amount being fixed in general meeting, an amount determined by the Directors. The current aggregate remuneration for all non-executive Directors (as set by the Company in general meeting) will be not more than $320,000 per annum (allowing for the appointment of future Directors) to be apportioned among the non-executive Directors in such a manner as they determine.

9.5 Interests and fees of professionals

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with has, or had within two years before lodgement of this Prospectus with ASIC:

- any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; and
- not recorded any amounts or benefits or has not agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offer.

Prosperity Advisers has acted as auditors of the Company. Fees payable to Prosperity Advisers for work done in relation to past auditing total approximately $72,000. Prosperity Advisers has not provided any service in relation to this Prospectus or the recapitalisation of the company. Fees payable to Prosperity Advisers have been charged in accordance with their normal hourly rates.

EQ Financial Pty Limited (**EQF**) is corporate adviser to the Company for the purpose of this Offer, as described in Section 7.4. No fees have been paid to EQF to date. The Company expects to pay EQF $20,000–30,000 for its services in relation to the Offer (see Section 9.7 for details of the expenses of the Offer).

Computershare Investor Services Pty Limited remains the Company's Share Registry and will be paid for these services at normal commercial rates.

9.6 Consents

Each of the parties referred to in this Section 9:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 9; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 9.

EQ Financial has given, and has not before lodgement of this Prospectus withdrawn its consent to being named in this Prospectus as Corporate Advisor to the Company. EQ Financial has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

9.7 Expenses of the Offer

The expenses of the Offer and recapitalisation proposal are expected to comprise the following estimated costs and are exclusive of any GST payable by the Company.

	Minimum Subscription	Maximum Subscription
	($)	($)
Corporate advisory fees*	20,000	30,000
Broker commissions	50,000	90,000
Printing and design	7,000	7,000
ASIC fees	3,000	3,000
Total	**80,000**	**130,000**

* The Corporate adviser is EQ Financial Pty Limited (see Sections 2.8.1 and 7.4). Ian Dorney and Richard Pritchard, who are current Directors of SVC, are employees of EQ Financial Pty Limited.

9.8 Litigation

There is currently no past, present or pending litigation of which the Company is aware against either the Company or the Company's Directors.

9.9 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of the Directors accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

9.10 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of shares in response to an electronic application form subject to compliance with certain provisions. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and it will send you free of charge either a hard copy or a further electronic copy of the Prospectus or both. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered. In such a case, the application monies shall be dealt with in accordance with Section 722 of the Corporations Act.

10 DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of the Company,

Richard Wyn Pritchard
Chairman

21 October 2011

11 GLOSSARY

A$ or $ means an Australian dollar.

AFSL means Australian Financial Services License.

AND Technologies means AND Technologies Pty Limited (ACN 080 389 797).

Application Form means the application form accompanying this Prospectus relating to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

Board means the board of Directors as constituted from time to time.

CCD means Coast and Country Developments Pty Limited (ABN 28 130 670 263).

Closing Date means the closing date of the Offer as set out in Section 2.5.

Company means SVC Group Limited (ABN 68 009 161 522).

Conditions means the conditions to the Offer, which are set out in Section 3.2.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director mean a director of the Company at the date of this Prospectus.

EQF means EQ Financial Pty Limited (ABN 90 087 696 526).

Exposure Period means the period of seven days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.

HDC means HD Consulting (NSW BN98415325).

JV Agreement or Joint Venture Agreement means the Deed of Joint Venture Agreement between the Company and CCD to develop a property known as Lot 99, Carrs Road, Neath, Hunter Valley, which is summarised in Section 7.3.

Lodgement Date means the date this Prospectus was lodged with ASIC as set out in Section 2.5.

Material Contracts means the material contracts to which the Company is a party that may be material in terms of the Offer for the operation of the business of the Company or otherwise may be relevant to a potential investor in the Company, and which are summarised in Section 7.

Offer means the offer of Shares under this Prospectus as set out in Section 3.

Opening Date means the opening date of the Offer as set out in Section 2.5.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Sophisticated Offer means the offer of 60,000,000 Shares at $0.005 per Share to persons who are identified as exempt full disclosure under Section 708 of the Corporations Act to raise $300,000, as described in Section 2.10 and approved at the Annual General Meeting of Shareholders on 31 August 2011.

SVC means SVC Group Limited (ABN 68 009 161 522).

Sydney Time means time as observed in Sydney, New South Wales.

VWAP means Volume Weighted Average Price.

APPLICATION FORM

SVC Group Limited

ABN 68 009 161 522

This Application Form forms part of the Replacement Prospectus dated 21 October 2011. The instructions on how to complete A-I are on the reverse of this Form.

Use BLOCK LETTERS.

I/we apply for ________________ Shares at $0.01 per Share = $ ________________

A Insert Number of Shares applied for (in multiples of 10,000 Shares)

B Please make sure that the amount of your cheque(s) equals this amount and is made payable to SVC Group Limited— Subscription Account

COMPLETE FULL NAME AND ADDRESS DETAILS

INSERT CORRECT TITLE GIVEN NAMES

(MR/MRS/MISS/MS) (IN FULL) SURNAME OR COMPANY NAME

C

JOINT APPLICANT OR ACCOUNT DESIGNATION (E.G. <SUPERFUND A/C>)

D

NUMBER / STREET OR PO BOX NO E-MAIL ADDRESS

E

SUBURB OR TOWN STATE POSTCODE

CONTACT NUMBER (DAYTIME) CONTACT NAME

F

HIN—EXISTING CHESS PARTICIPANTS ONLY

PIN YOUR CHEQUE(S) HERE

H

DRAWER	BANK	BRANCH	AMOUNT ($)

I

I/ we declare that this application is complete according to the declaration /appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company. Returning this Application Form with your cheque for the application monies will constitute your offer to subscribe for Shares in the Company.

NO SIGNATURE REQUIRED

Each applicant must complete all applicable sections of the Application Form (in block letters) and return it, together with a cheque for the total amount due, to:

Company Secretary
SVC Group Limited
PO Box N723 Grosvenor Place
SYDNEY NSW 1220

For those parties that would prefer an electronic transfer of funds, the Company's bank account details are as follows:

Account name	SVC Group Limited
Bank	Westpac Banking Corporation, 275 George Street SYDNEY NSW 2000
BSB	034 117
Account number	211 253
SWIFT code	WPAC AU2S

Applicants who have queries may contact richard.pritchard@svcgroup.com.au.

A Enter the NUMBER OF SHARES that you are applying for on the face of the Application Form. Applications can be accepted or rejected at the absolute discretion of the Directors.

B Enter the TOTAL AMOUNT of application money payable. To calculate the amount, multiply the number of Shares for which you are applying by $0.01 per Share.

C Enter the FULL NAME(S) and TITLES of all legal entities that are to be recorded as the registered holders(s).

D Account designations are optional.

E Enter the POSTAL ADDRESS for all communications from the Company. You may also provide an email address, this is optional and does not replace the need for a postal address.

F Enter the daytime telephone number and contact person for any queries regarding this application.

G If you are sponsored in CHESS by a stockbroker or other CHESS participant, enter your HIN.

H Complete check details as requested. All cheques or bank drafts (which are to be expressed in Australian currency) are to be made payable to 'SVC Group Ltd' and crossed 'Not Negotiable'.

I It is not necessary to sign the application form. By completing and lodging this application form, the applicant:

- declares that they have read the information to which this application relates and that all details and statements made are complete and accurate
- agrees to be bound by the Constitution of the Company
- acknowledges that they have made their own enquires concerning the Company and its business and affairs and have relied on their own judgement as to whether to invest in the Company and have not relied on any statements or representations made by the Company or its directors and employees, other than in respect of public releases made to Australian Securities Exchange Limited
- acknowledges that the Company has provided the applicant(s) a Prospectus disclosure document for the issue of the Shares; and
- acknowledges that this Application Form is governed by the laws of New South Wales.