SVC GROUP LIMITED
AND CONTROLLED ENTITIES

ABN: 68 009 161 522

Half-Year Financial Report
31 December 2011

CONTENTS

DIRECTORS' REPORT

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

Directors

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

Mr Anthony Crimmins (appointed 1 September 2011)
Mr Brett Crowley
Mr Ian Dorney
Mr Boris Patkin (resigned 31 August 2011)
Mr Richard Prichard

Operating Results

The consolidated loss of the consolidated group after providing for income tax for the half-year ended 31 December 2011 was $268,398 (2010: Loss of $200,344).

Review of Operations

During the current half-year period, the Board continued the effort to raise capital and work towards satisfying compliance with ASX Listing Rules with a view to have the Company's securities reinstated for trading with ASX.

The Company's main activities during or since the end of the half-year period include:

- completing most debt restructure by converting a total liability of $1,674,923 into equity in accordance with the Annual General Meeting results;
- commencing a capital raising for up to $300,000 and receiving total proceeds of $199,400 as at 31 December 2011;
- executing a Joint Venture Agreement with Coast and Country Developments Pty Ltd to develop a land in Hunter Valley to build up to 70 low cost homes; and
- continuing its effort to raise capital of up to $1,700,000 including restructuring the current capital structure to consolidate the total issued capital on a 1 for 7 basis, with an expectation this will be completed during the first half of the 2012 calendar year.

Auditor's Independence Declaration

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

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

Richard Pritchard
Director

Dated this 13th day of March 2012

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SVC GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011 there have been:

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

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

This declaration is in respect of SVC Group Limited and the entities it controlled during the period.

PROSPERITY AUDIT SERVICES

LUKE MALONE
Associate Director

13 March 2012

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Consolidated Statement of Comprehensive Income

For The Half-Year Ended 31 December 2011

	Half-Year ended 31 December 2011 $	Half-Year ended 31 December 2010 $
Revenue from continuing operations		
Interest income	130	657
Other income	6,000	-
	6,130	657
Expenses		
Consulting fees	-	(48,600)
Directors fees	(70,500)	(31,100)
Finance costs	-	(75,650)
Legal fees	(298)	(15,322)
Provision for doubtful debts	(60,000)	-
Other expenses	(143,730)	(30,329)
Loss before income tax expense	(268,398)	(200,344)
Income tax expense	-	-
Loss for the period	(268,398)	(200,344)
Other comprehensive income		
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	(268,398)	(200,344)
Loss attributable to:		
- members of the Parent Entity	(208,398)	(200,344)
Total comprehensive loss attributable to:		
- members of the Parent Entity	(268,398)	(200,344)
Loss per share		
Basic and diluted loss per share (cents)	(0.2)	(0.5)

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

As At 31 December 2011

	Note	31 December 2011 $	30 June 2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		20,576	1,855
Financial assets		50,222	10,000
Other current assets		38,079	206,052
TOTAL CURRENT ASSETS		108,877	217,907
TOTAL ASSETS		108,877	217,907
CURRENT LIABILITIES			
Trade and other payables		548,778	1,466,929
Financial liabilities		219,400	816,804
TOTAL CURRENT LIABILITIES		768,178	2,283,733
TOTAL LIABILITIES		768,178	2,283,733
NET LIABILITIES		(659,301)	(2,065,826)
EQUITY			
Issued capital	4	44,918,677	43,243,754
Reserves		493,152	493,152
Accumulated losses		(46,071,130)	(45,802,732)
TOTAL EQUITY		(659,301)	(2,065,826)

The accompanying notes form part of this financial report .

Consolidated Statement of Changes In Equity

For The Half-Year Ended 31 December 2011

		Reserves		
	Issued capital $	**Option reserve $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2010	42,806,452	493,152	(45,427,540)	(2,127,936)
Total comprehensive loss for the period	-	-	(200,344)	(200,344)
Balance at 31 December 2010	42,806,452	493,152	(45,627,884)	(2,328,280)
Balance at 1 July 2011	43,243,754	493,152	(45,802,732)	(2,065,826)
Total comprehensive loss for the period	-	-	(268,398)	(268,398)
Transactions with owners in their capacity as owners				
Shares issued during the period	1,674,923	-	-	1,674,923
Balance at 31 December 2011	44,918,677	493,152	(46,071,130)	(659,301)

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2011

	Half-Year ended 31 December 2011 $	Half-Year ended 31 December 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(161,809)	(21,793)
Interest received	130	369
Net cash used in operating activities	(161,679)	(21,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to other entities	(14,000)	-
Net cash used in investing activities	(14,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital raising	194,400	-
Net cash provided by financing activities	194,400	-
Net increase/(decrease) in cash and cash equivalents	18,721	(21,424)
Cash and cash equivalents at the beginning of period	1,855	59,852
Cash and cash equivalents at the end of period	20,576	38,428

The accompanying notes form part of this financial report.

Notes to Financial Statements
For the Half-Year Ended 31 December 2011

1. Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*

This interim financial report is intended to provide users with an update on the latest annual financial statements of SVC Group Limited and its controlled entities (the Group). As such it does not contain all the notes of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Impact of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

Certain new accounting Standards and Interpretations have been published that are not mandatory at 31 December 2011. Management has assessed the new accounting standards and interpretations that have been published but are not mandatory for the half-year reporting period and concluded that none of these new standards and interpretations is relevant to the Group.

Notes to Financial Statements
For the Half-Year Ended 31 December 2011 (continued)

1. Basis of Preparation (continued)

(b) Going concern basis of accounting

During the half-year ended 31 December 2011, the consolidated entity recorded a consolidated operating loss of $268,398 and reported net liabilities of $659,301. In addition, the Company has converted total liabilities of $1,674,923 into equity. However, the entity continued its reliance upon shareholder capital and unsecured borrowings to meet its business and loan obligations. The continuing viability of the entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon the following key events:

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

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

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

Notes to Financial Statements
For the Half-Year Ended 31 December 2011 (continued)

1. Basis of Preparation (continued)

I. Debt restructure and capital raising subsequent to balance date

The Company has accomplished the following transactions as at 31 December 2011 and subsequent to balance date:

(i) Pursuant to a deed dated 18 March 2010 and approved by the Annual General Meeting of 31 August 2011, the Company agreed to settle a payable balance of $269,000 with a creditor by converting the payable balance into ordinary shares. The share conversion is yet to occur.

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

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

II. Proposed capital raising

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

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

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

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

III. Business plan

In 2008 the then Board of Directors of the Company embarked on a sell down of all the property assets held within the portfolio, 2008 coincided with the GFC and property prices were depressed, at the end of this liquidation period the Company was left in a difficult financial position. The residential property market stabilised in 2009-10 in line with improvements to domestic, economic and financial conditions. The situation in 2010-11 was a slightly more risky one, with rising interest rates and weak levels of dwelling commencements prevailing in the first few months of the year. Late 2011 has seen the Reserve bank of Australia begin reducing interest rates which will have a stimulatory effect on the housing market. 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.

Notes to Financial Statements
For the Half-Year Ended 31 December 2011 (continued)

1. Basis of Preparation (continued)

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

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

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

On 3 October 2011, the Company announced the execution of a Joint Venture Agreement with Coast and Country Developments Pty Ltd to develop a land in the Hunter Valley to size up to 70 low cost homes.

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

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

Uncertainties

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

Notes to Financial Statements
For the Half-Year Ended 31 December 2011 (continued)

2. Segment reporting

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

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

Segment assets

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

Segment liabilities

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

	Half-year 2011		**Half-year 2010**	
	Corporate office $	**Total $**	**Corporate office $**	**Total $**
Total segment revenue	6,130	6,130	657	657
Inter-segment revenue	-	-	-	-
Revenue from external customers	6,130	6,130	657	657
Loss before income tax	(268,398)	(268,398)	(200,344)	(200,344)
Depreciation and amortisation	-	-	-	-
Impairment of assets	60,000	60,000	-	-
Income tax expense	-	-	-	-
	31 December 2011		**30 June 2011**	
Total segment assets	108,877	108,877	217,907	217,907
Total segment liabilities	768,178	768,178	2,283,733	2,283,733

3. Financial liabilities

The Company has commenced a capital raising pursuant to resolutions of 2011 Annual General Meeting. As at 31 December 2011, the Company has received a total amount of $199,400 for shares issued. Share allotment was completed subsequent to the balance date (Note 6).

Notes to Financial Statements
For the Half-Year Ended 31 December 2011 (continued)

4. Equity securities issued

	2011 Shares	2010 Shares	2011 $	2010 $
Issue of ordinary shares during the half-year:				
Converting liabilities into ordinary shares	47,864,775	-	1,674,923	-

The issue of shares to extinguish certain liabilities was approved by shareholders at the Annual General Meeting held on 31 August 2011.

5. 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.

6. Events after Balance Date

There has not arisen in the interval since 31 December 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) On 20 January 2012, the Company withdrew the Replacement Prospectus issued on 22 October 2011;

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

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

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

- issue of 10,000,000 pre consolidation shares at $0.0015 each to raise $15,000;
- consolidation of current share capital on a 1 for 7 basis;
- issue of up to 85,000,000 new shares post share consolidation at 2 cents each to raise $1,700,000; and
- issue of 24,000,000 new shares to Alto Capital upon completion of the capital raising in accordance with the Corporate Advisory Mandate Agreement; and

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 3 to 12 are in accordance with the Corporations Act 2001, including:

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

   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.

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

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

Richard Pritchard
Director

Dated this 13th day of March 2012

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF SVC GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of SVC Group Limited for the half-year ended 31 December 2011, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the SVC Group (the consolidated entity). The consolidated entity comprises both SVC Group Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF SVC GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2011 (con't)

Independence

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us believe that the half-year financial report of SVC Group Limited is not in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and

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

Material uncertainty in relation to the going concern basis

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity incurred a net loss of $268,398 for the half year ended 31 December 2011 and reported net liabilities of $659,301 as at 31 December 2011. These conditions along with other matters described in Note 1 indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

PROSPERITY AUDIT SERVICES

LUKE MALONE
Associate Director

13 March 2012

Sydney