

VIENTO GROUP LIMITED
ABN 79 000 714 054
FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2009

VIENTO GROUP LIMITED ABN 79 000 714 054
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their financial report of the consolidated group for the half-year ended 31 December 2009.

DIRECTORS

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

Mr Robert C Nichevich

Mr Gordon Young (appointed 27 November 2009)

Mr Jack S Diamond (resigned 27 November 2009)

Mr Raymond E King

REVIEW OF OPERATIONS

The Viento Group recorded a loss after income tax of \$268,000 (2008: loss \$6,211,000). Revenue for the half-year was \$1,298,000 (2008: \$1,550,000).

We are pleased to report an improvement in the results for the last six months. These reflect the change in direction to being a focused Direct Property Fund Manager. The significant reduction in operating costs reflected in these results has been achieved without reducing our service levels or our operations.

The hard decisions made over the last twelve months have placed the company in a strong position vis a vis our peers. We have significant cash resources, good cash flow from fees increasing from our subdivision business and no debt on the balance sheet. Very few of our direct property fund management peers are in as strong a position.

Our commercial property syndicates and the Viento Diversified Property Fund have been impacted by the Global Financial Crisis through reduced property values, increased interest costs and increased uncertainty in the tenancies in the properties.

To protect the value of the properties and retain tenants we are required to spend funds on capital works. This essential expenditure has impacted on distributions and on the return received by investors in the various investment funds.

We are pleased to note this is not the case with our subdivision syndicates where the Loan to Value Ratios are well within Bank covenants and property values have increased over the past twelve months.

The groups focus has changed from reducing costs and improving operations to delivering a satisfactory return to our shareholders. To achieve this we have adopted the following strategies focusing on being a Direct Property Fund Manager;

1. Focus on protecting and improving our portfolio and in the process aim to restore as much value as possible for investors in our various commercial syndicates and in our Viento Diversified Property Fund.
2. Increase our Funds under Management in our subdivision business and add personnel to the division to grow the division.
3. Acquire Funds under Management from distressed managers.
4. Improve our distribution capability to enhance our ability to raise additional capital for new offerings and to grow existing projects.
5. Exit non-core assets and cash up the Balance Sheet.

The company believes these strategies reflect the continuing difficult economic conditions in this industry without risking the future of the company. We expect to grow and generate profits by following these strategies.

The success in rebuilding and strengthening the company has required hard work and commitment from our staff and our Directors. I am grateful for their endeavour, their resilience and their commitment.

We are looking forward to a brighter and successful future.

**VIENTO GROUP LTD ABN 79 000 714 054
AND CONTROLLED ENTITIES**

REGISTERED OFFICE

The registered office and principal place of business of Viento Group Limited and its controlled entities is:

Level 3
11 Queens Road
Melbourne, Victoria, 3004

Telephone: 03 9866 7019
Facsimile: 03 9866 7029

ROUNDING OF AMOUNTS

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded to the nearest \$1,000.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



R N Nichevich
Executive Chairman

Dated this 23rd day of February 2010, Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Viento Group Limited and its Controlled Entities for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 23rd day of February 2010

Total Financial Solutions

Member Horwath International

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A WHK Group firm

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2009

	Consolidated Group		
	31 Dec 09	31 Dec 08	
Note	\$'000	\$'000	
Revenue	2	1,298	1,550
Employee benefits expense		(787)	(2,094)
Termination payments		-	(454)
Professional services expense		(198)	(631)
Commission expense		(105)	(123)
Occupancy expense		(128)	(287)
Finance expense		(3)	(171)
Administration expense		(241)	(446)
Depreciation and amortisation expense		(48)	(508)
Write off of deferred establishment costs		-	(776)
Write off of loans to associates		-	(1,038)
Write down of inventories to net realisable value		-	(178)
Other		(56)	(31)
Loss before income tax		(268)	(5,187)
Income tax (expense)/benefit	3	-	(1,024)
Loss for the period		(268)	(6,211)
Other comprehensive income			
Decrease in employee share options liability		-	445
Financial assets reserve		(23)	130
Other comprehensive income for the period		(23)	575
Total comprehensive income		(291)	(5,636)
Loss attributable to:			
Members of the parent entity		(268)	(6,211)
Non-controlling interest		-	-
		(268)	(6,211)
Total comprehensive income attributable to:			
Members of the parent entity		(291)	(5,636)
Non-controlling interest		-	-
		(291)	(5,636)
Earnings per share from continuing operations			
From continuing operations			
Basic (loss)/earnings per share (cents)		(0.57)	(11.80)
Diluted (loss)/earnings per share (cents)		(0.57)	(11.80)

The accompanying notes form part of these financial statements.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Consolidated Group	
	31 Dec 09	30 Jun 09
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	2,379	3,079
Trade and other receivables	2,103	1,463
Financial assets	177	200
Other current assets	122	232
TOTAL CURRENT ASSETS	4,781	4,974
NON-CURRENT ASSETS		
Trade and other receivables	1,713	2,182
Financial assets	569	569
Plant and equipment	206	242
Biological assets	1,767	1,725
Intangible assets	14	14
TOTAL NON-CURRENT ASSETS	4,269	4,732
TOTAL ASSETS	9,050	9,706
CURRENT LIABILITIES		
Trade and other payables	403	723
Short-term provisions	27	32
Other current liabilities	39	59
TOTAL CURRENT LIABILITIES	469	814
NON-CURRENT LIABILITIES		
Trade and other payables	0	0
Long-term provisions	6	11
TOTAL NON-CURRENT LIABILITIES	6	11
TOTAL LIABILITIES	475	825
NET ASSETS	8,575	8,881
EQUITY		
Issued capital	19,231	19,231
Reserves	1,370	1,408
Retained earnings	(12,026)	(11,758)
TOTAL EQUITY	8,575	8,881

The accompanying notes form part of these financial statements.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital Ordinary	Share Based Payments Reserve	Financial Assets Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2008	19,156	546	(99)	(4,356)	15,247
Total comprehensive Income for the period	-	445	130	(6,211)	(5,636)
Shares issued during the period	50	-	-	-	50
Subtotal	19,206	991	31	(10,567)	9,661
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2008	19,206	991	31	(10,567)	9,661
Balance at 1 July 2009	19,231	1,386	22	(11,758)	8,881
Total comprehensive Income for the period	-	-	(23)	(268)	(291)
Employee options cancelled	-	(15)	-	-	(15)
Subtotal	19,231	1,371	(1)	(12,026)	8,575
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2009	19,231	1,371	(1)	(12,026)	8,575

The accompanying notes form part of these financial statements.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 Dec 09	31 Dec 08
	\$'000	\$'000
Cash Flow From Operating Activities		
Receipts from customers	949	3,121
Payments to suppliers & employees	(1,690)	(5,215)
Interest received	39	144
Income tax refund received	172	-
Interest paid	(3)	(192)
Net cash provided by / (used in) operating activities	<u>(533)</u>	<u>(2,142)</u>
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(10)	(22)
Payments for biological assets	(42)	(50)
Payments for other non-current assets	-	(6)
Loans to related parties	(143)	(205)
Loans repaid by related parties	28	-
Loans repaid by other parties	-	11
Net cash provided by / (used in) investing activities	<u>(167)</u>	<u>(272)</u>
Cash Flow From Financing Activities		
Proceeds from borrowings	-	215
Repayment of borrowings	-	(163)
Proceeds from borrowings from related entities	-	58
Net cash provided by / (used in) investing activities	<u>-</u>	<u>110</u>
Net increase / (decrease) in cash held	(700)	(2,304)
Cash at beginning of the year	<u>3,079</u>	<u>4,895</u>
Cash at end of the year	<u>2,379</u>	<u>2,591</u>

The accompanying notes form part of these financial statements.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Viento Group Limited during the interim reporting period in accordance with continuous disclosure requirements arising under 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 previous financial year except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

AASB 101 Presentation of Financial Statements

AASB 101 prescribes the content and structure of the financial statements. Changes reflected in the financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit and loss are now disclosed as components of 'other comprehensive income'. In this regard such items are no longer reflected as equity movements in the Statements of Changes in Equity.
- Other financial statements are renamed in accordance with the Standard.

AASB 8 Operating Segments

From 1 January 2009, operating segments are identified, and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker. For Viento Group, its chief operating decision maker is the board of directors and senior management.

Whilst the group has forestry and exploration interests, the group is mainly focused on property funds management, which is where it derives most of its income from. Furthermore, Viento Group has no geographical segment disclosure as all of its operations are in Australia.

As the transaction volume of forestry and exploration interest is immaterial to the group, the board of directors review consolidated results and the consolidated financial position of the group only.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 Dec 09	31 Dec 08
	\$'000	\$'000
NOTE 2: REVENUE		
Operating Revenue		
Management fee income	1,096	997
Completion fee income	-	177
Other fee income	69	150
	<u>1,165</u>	<u>1,324</u>
Other Revenue		
Leasing and rental revenue	70	66
Interest	41	144
Other revenues	22	16
	<u>133</u>	<u>226</u>
Total Revenue	<u>1,298</u>	<u>1,550</u>

NOTE 3: INCOME TAX

Given current economic uncertainty, the Directors have written off the recognised Deferred Tax Assets relating predominately to unused tax losses to the extent that they exceed Deferred Tax Liabilities as at 31 December 2008 and 2009. The directors do not believe there is convincing evidence that there will be taxable profits against which to utilise these losses.

NOTE 4: DIVIDENDS

No dividend has been provided for or paid during the half-year (2008: nil)

NOTE 5: BUSINESS COMBINATION

Current period

There has been no acquisition of businesses in the current period.

NOTE 6: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events subsequent to 31 December 2009 that have not been disclosed in these financial statements.

NOTE 7: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION 31 DECEMBER 2009

In the directors' opinion:

- a. The financial statements and notes, as set out on pages 5 to 10 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting; and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b. there are reasonable grounds to believe that Viento Group Limited 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 directors.



R N Nichevich
Executive Chairman
Dated this 23rd day of February 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF VIENTO GROUP LIMITED AND ITS CONTROLLED ENTITIES
REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Viento Group Limited and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Viento Group Limited and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA
Dated this 23rd day of February 2010

Total Financial Solutions

Member Horwath International

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