

**VIENTO GROUP LIMITED**  
**ABN 79 000 714 054**  
**FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2010**

AND CONTROLLED ENTITIES

**DIRECTORS' REPORT**

Your directors present their financial report of the consolidated group for the half-year ended 31 December 2010.

**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 (resigned 31 December 2010)

Mr Raymond E King

Mr Shane M Heffernan (appointed 20 December 2010)

**REVIEW OF OPERATIONS**

The Viento Group recorded a loss after income tax of \$45,000 (2009: loss \$268,000). Revenue for the half-year was \$1,569,000 (2009: \$1,298,000).

We are pleased to report a small loss for the last six months. The result has been impacted by substantial professional fees incurred through our application to the Takeovers Panel. The cost and time incurred was considerable, but necessary to safeguard our shareholders.

In our application to the Panel we submitted that parties on our share register were associates in relation to Viento. We submitted that the conduct of these parties, and structural links and relationships between them, evidenced that they had a relevant interest in Viento of 30.16%. We also submitted that the circumstances were unacceptable because they constitute breaches of s606 (20% prohibition) and s671B (substantial holding provisions) of the *Corporations Act*. We further submitted that there have been breaches of s672B (tracing notice provisions) and that the circumstances result in an acquisition of control of Viento not taking place in an efficient, competitive and informed market (s602(a)) and the market not being fully informed (s602(b)).

The Takeovers Panel saw fit to declare that the circumstances constituted unacceptable circumstances in relation to the affairs of Viento. As a result of the successful application, the Takeovers Panel ordered the shares in excess of 20% be vested in the Commonwealth (ASIC). ASIC must sell the shares within 3 months from the date of appointing an investment bank or stock broker and the Associated Parties must give notice of their combined substantial holding as required under Part 6C.1 of the *Corporations Act*.

The property investment market is still challenging with valuations marginally improving, the cost of finance is rising and demand for retail and office space remains soft. The group is managing these challenges in a number of ways. Our focus is on improving the lease profile and re-investing surplus funds on capital improvements to add value to the buildings.

Unit holders in the Viento Diversified Property Fund were asked to recapitalise the Fund during the past six months. Unfortunately the minimum subscription was not achieved. The structure of the offer was positively received by investors, however most were not in a position to add to their existing property investments. To recapitalise the Fund, further property sales are being progressed. Should negotiations result in one or more successful sales the Fund will be recapitalised to the extent required to meet banking loan covenants.

The sell down of longer dated syndicates is continuing to enable the repayment of capital to investors in the syndicates. Each of the syndicates is for a fixed term and these were extended by two years with the express intention of being wound down and funds returned.

The two residential subdivision syndicates are being developed with the first settlements at the Southern River syndicate due in April 2011. Further settlements in both syndicates will continue for the next three years. Our fees are paid as a percentage of the settled sales. As a result of this sales activity and the careful management of our costs we will expect to be profitable for the next three years.

To assist the company to grow and improve returns to our shareholders we have employed Gresham Advisory Partners, an investment bank, to consider and advise on strategic options.

The board has worked on disposing of non-core assets and will be activating a distribution in specie of our holding in the Constance Range Iron Ore asset through a dividend during the six month period to 30 June 2011.

We have been fortunate to have the support of our two banking groups. They have recognised the hard work, honest and reliable efforts from the company officers. This mutual respect has enabled the company to manage the various investment vehicles through a tough period of property investment. We are grateful for the commercial attitude displayed by our bankers.

The success in rebuilding and strengthening the company has required hard work and commitment from our staff and our directors. On your behalf I express our gratitude for their endeavour, their resilience and their commitment.

We are looking forward to a bright 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 2010.

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 24<sup>th</sup> day of February 2011

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 Ltd for the half-year ended 31 December 2010, 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.

CROWE HORWATH PERTH AUDIT PARTNERSHIP

A handwritten signature in black ink, appearing to read "Cyrus Patell", written over a faint horizontal line.

CYRUS PATELL  
Partner

Perth, WA

Dated this 24<sup>th</sup> day of February 2011

VIENTO GROUP LIMITED ABN 79 000 714 054 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED  
31 DECEMBER 2010

	<b>Consolidated Group</b>	
	<b>31 Dec 10</b>	<b>31 Dec 09</b>
	<b>Note</b>	
		<b>\$'000</b>
Revenue	2	1,443
Revaluation of share loan receivable		126
Employee benefits expense		(845)
Professional services expense		(286)
Commission expense		(62)
Occupancy expense		(175)
Finance expense		(3)
Administration expense		(243)
Depreciation and amortisation expense		(31)
Other		-
		<hr/>
Loss before income tax		(76)
Income tax (expense)/benefit	3	31
Loss for the period		<hr/> <hr/>
		<hr/>
<b>Other comprehensive income</b>		
Movement in Share Based Payments Reserve		20
Movement in Financial Assets Reserve		2
Other comprehensive income for the period		<hr/>
		(23)
		<hr/>
<b>Total comprehensive income</b>		<hr/> <hr/>
		(23)
		<hr/>
Loss attributable to:		
Members of the parent entity		(45)
Non-controlling interest		-
		<hr/>
		(45)
		<hr/>
Total comprehensive income attributable to:		
Members of the parent entity		(23)
Non-controlling interest		-
		<hr/>
		(23)
		<hr/>
<b>Losses per share from continuing operations</b>		
From continuing operations		
Basic (loss)/earnings per share (cents)		(0.095)
Diluted (loss)/earnings per share (cents)		(0.095)

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 2010**

	<b>Consolidated Group</b>	
	<b>31 Dec 10</b>	<b>30 Jun 10</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,691	2,098
Trade and other receivables	2,958	2,486
Financial assets	157	154
Other current assets	171	203
<b>TOTAL CURRENT ASSETS</b>	<b>4,977</b>	<b>4,941</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	1,471	1,839
Financial assets	569	569
Plant and equipment	149	173
Biological assets	2,086	1,985
Deferred tax assets	2,869	2,798
Intangible assets	14	14
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,158</b>	<b>7,378</b>
<b>TOTAL ASSETS</b>	<b>12,135</b>	<b>12,319</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	382	563
Short-term provisions	55	49
Other current liabilities	28	56
<b>TOTAL CURRENT LIABILITIES</b>	<b>465</b>	<b>668</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term provisions	10	9
Deferred Tax Liabilities	636	595
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>646</b>	<b>604</b>
<b>TOTAL LIABILITIES</b>	<b>1,111</b>	<b>1,272</b>
<b>NET ASSETS</b>	<b>11,024</b>	<b>11,047</b>
<b>EQUITY</b>		
Issued capital	19,231	19,231
Reserves	1,472	1,450
Retained losses	(9,679)	(9,634)
<b>TOTAL EQUITY</b>	<b>11,024</b>	<b>11,047</b>

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 2010**

	<b>Issued Capital Ordinary</b>	<b>Share Based Payments Reserve</b>	<b>Financial Assets Reserve</b>	<b>Retained Losses</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2009</b>	19,231	1,386	22	(11,758)	8,881
Total comprehensive Income for the period	-	-	(23)	(268)	(291)
Employee options cancelled	-	(15)	-	-	(15)
<b>Subtotal</b>	19,231	1,371	(1)	(12,026)	8,575
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2009</b>	19,231	1,371	(1)	(12,026)	8,575
<b>Balance at 1 July 2010</b>	<b>19,231</b>	<b>1,370</b>	<b>80</b>	<b>(9,634)</b>	<b>11,047</b>
Total comprehensive Income for the period	-	20	2	(45)	(23)
Employee options cancelled	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>19,231</b>	<b>1,390</b>	<b>82</b>	<b>(9,679)</b>	<b>11,024</b>

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 2010

	<b>Consolidated Entity</b>	
	<b>31 Dec 10</b>	<b>31 Dec 09</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flow From Operating Activities</b>		
Receipts from customers	1,464	949
Payments to suppliers & employees	(1,863)	(1,690)
Interest received	31	39
Income tax refund received	-	172
Finance costs paid	(3)	(3)
<b>Net cash provided by / (used in) operating activities</b>	<u>(371)</u>	<u>(533)</u>
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant and equipment	(8)	(10)
Payments for biological assets	(55)	(42)
Loans to related parties	-	(143)
Loans repaid by related parties	27	28
Loans repaid by other parties	-	-
<b>Net cash provided by / (used in) investing activities</b>	<u>(36)</u>	<u>(167)</u>
<b>Cash Flow From Financing Activities</b>		
<b>Net cash provided by / (used in) financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash held</b>	(407)	(700)
<b>Cash at beginning of the period</b>	<u>2,098</u>	<u>3,079</u>
<b>Cash at end of the period</b>	<u><u>1,691</u></u>	<u><u>2,379</u></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 2010**

**NOTE 1: BASIS OF PREPARATION**

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with Australian Accounting Standard AASB 134 ensures compliance with International Financial Reporting Standard IAS 134.

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 2010 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 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.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include: Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditure on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	<b>Consolidated Entity</b>	
	<b>31 Dec 10</b>	<b>31 Dec 09</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 2: REVENUE</b>		
<b>Operating Revenue</b>		
Management fee income	1,069	1,096
Other fee income	84	69
	1,153	1,165
<b>Other Revenue</b>		
Leasing and rental revenue	135	70
Share loan revaluation	126	9
Interest	149	41
Other revenues	6	13
	416	133
<b>Total Revenue</b>	<b>1,569</b>	<b>1,298</b>

**NOTE 3: INCOME TAX**

At 30 June 2010 the deferred tax balances which had previously been written off were brought back onto the balance sheet. The basis of this decision was an improved and profitable budget position. On the basis of continued budgeted profitability the deferred tax balances continue to be recognised for the current financial half year end.

**NOTE 4: DIVIDENDS**

No dividend has been provided for or paid during the half-year (2009: 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 2010 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 2010**

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 2010 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 24<sup>th</sup> day of February 2011



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF VIENTO GROUP LTD REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Viento Group Ltd and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 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 2010 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 Ltd 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 the consolidated entity 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 2010 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.

CROWE HORWATH PERTH AUDIT PARTNERSHIP

A handwritten signature in black ink, appearing to read "Cyrus Patell".

CYRUS PATELL  
Partner

Perth, WA  
Dated this 24<sup>th</sup> day of February 2011