

**Viento Group Limited**

ABN 79 000 714 054

**Financial Report  
for the year ended  
30 June 2011**

## **COMPANY INFORMATION**

### **DIRECTORS**

R C Nichevich – Executive Chairman  
S Heffernan – Executive Director  
R E King – Non-Executive Director  
J Farrell – Non-Executive Director

### **COMPANY SECRETARY**

D R Wright

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### **INTERNET HOME PAGE**

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Crowe Horwath Perth  
Level 6, 256 St Georges Terrace  
Perth WA 6000  
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### **BANKERS**

Commonwealth Bank of Australia  
1254 Hay Street  
West Perth WA 6005

National Australia Bank  
330 Collins Street  
Melbourne VIC 3000

### **SHARE REGISTRY**

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### **STOCK EXCHANGE LISTING**

Australian Securities Exchange (ASX Code: VIE)

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## **Introduction**

Viento Group Limited is a boutique property fund manager with \$215 million in assets under management. The company manages a Diversified Fund, three commercial syndicates and two residential subdivision syndicates. The Funds Management business was established in 2001.

The past year has been a very volatile and difficult period for the economy. The property markets have suffered from a lack of confidence, liquidity and risk aversion. This has manifested in lower valuations for properties and tighter lending criteria from the banking system.

As a consequence of these economic circumstances the company has been focused on asset protection for our investors and day to day management of the properties and the banking arrangements. The company does not expect any growth from the business in the 2012 financial year.

The Company has been involved in a number of actions to protect its investors' interests including a successful application to the Takeovers Panel, a successful repudiation of an attempt to replace the Board, a successful defense of an application to the Takeover Panel and a successful defense of a proposed takeover.

The company is continually reviewing its strategic plan to assess and consider other alternatives for growth and the provision of an adequate return for shareholders. The future of the company over the next two to three years is sound however the longer term future is under review.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES CHAIRMAN'S REPORT

Dear Shareholder

The Company is pleased to report on the 2011 financial year.

The Company has declared a profit after including the revaluation of the Constance Range Iron Ore asset. The operating results were impacted by significant corporate costs and delays in settling sales on the residential subdivision projects prior to 30 June 2011. These settlements have now commenced from August 2011.

The beginning of the 2011 financial year showed signs of improved conditions for valuations, banking liquidity and investor appetite. As the year progressed there has been a marked deterioration in all of these areas. There has been a negative impact on the company and its investors. Commercial property markets for "B" grade buildings have deteriorated with higher capitalisation rates being applied by valuers and lower Loan to Value Ratios being demanded by the banks. The meeting of these two forces has had a negative impact on market confidence and therefore on our business.

A strong effort by management has enabled the company to sell four assets, owned by the syndicates and the Diversified Property Fund at acceptable prices during the early part of the financial year. This has enabled the company to manage the various property portfolios in these difficult times. The market malaise is impacting on our ability to sell properties in fixed term syndicates. The Company will continue to work through these difficulties with the aim of winding up the fixed term syndicates as soon as possible.

The residential property market sentiment is at a low ebb being fuelled by the low level of confidence in the community generally, the pressure exerted by continuing high Australian interest rates and more stringent banking covenants. Our recapitalisation of the Viento Diversified Property Fund being an open ended fund has been difficult. The combination of all of the above circumstances has impacted on our attempts to recapitalise and reopen the fund. The Board continues to search for potential investors interested and capable of providing capital to recapitalise the fund.

During the financial year the Company has been successful in a number of corporate matters including an application to the Takeovers Panel to protect shareholder interests, a rebuttal of an attempt to replace the Board of the company, a defence of an application to the Takeovers Panel related to the Board replacement and the defence of a proposed takeover.

This corporate activity has involved significant cost and time and has been of no benefit to shareholders. The Directors have acted to protect shareholders from attempts to win control of the company without paying an appropriate premium.

During the year the company has improved its shareholder base. This has been achieved with the placement of 6.5 million shares at 15c per share and the proposal for a new shareholder to acquire 9.4 million shares from an existing shareholder.

The company is pleased to have Mr John Farrell, join the Board during the year. Mr Farrell is an experienced public company director and brings a wealth of experience and contacts to the Board.

There is an increasing level of corporate activity and investor/planner agitation that the company has not been immune from. The Directors have and will continue to act to defend the best interests of its investors and shareholders. The Directors are examining various initiatives to generate a satisfactory return for our shareholders.

The Directors are pleased to report that the company is on a sound footing with a profitable year expected in the 2012 financial year, cash in the bank and no debt on the Balance Sheet.

The company has maintained close contact with the financiers of our Managed Investment Schemes. This has resulted in their ongoing support and understanding. The company is appreciative and thankful for their continued backing.

None of the progress we have made in the last year would have been possible without the hard work and goodwill of our staff. They have all been outstanding.

The company thanks the investors and planning groups that have continued to understand our strategic efforts and recognise the progress being made.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES CHAIRMAN'S REPORT**

### **Performance**

The consolidated profit after tax for the year was \$1.482 million. A focus on company costs has seen the cost base of the business continue to remain low. Unfortunately the increase in legal expenses resulting from several corporate issues mentioned above has resulted in increased expenses, mainly legal and advisory fees, which have cost the company \$550,000 for the 2011 financial year.

### **Share Placement**

During the 2011 financial year two major share placements were completed.

The first placement of 500,000 shares was foreshadowed in announcement 20 December 2010 and was made to Gresham Advisory Partners, in lieu of a retainer amounting to \$85,000 (17 cents per share), Gresham undertook a broad ranging strategic review of the company and the issue is subject to voluntary escrow until 21 March 2012. The second placement of 6,500,000 ordinary shares was to Hanscon Holdings Pty Ltd which raised gross proceeds of \$975,000 at 15 cents per share.

### **Dividend Policy**

The Directors have not declared a dividend for the 2011 financial year. The Directors have recommended a dividend for the 2012 Financial Year in the form of a distribution of one share in Constance Range Limited for every share held in Viento.

### **Environment**

The economic environment has deteriorated considerably during the past financial year. It would appear that the lack of confidence in Australia and internationally are leading Australians to be increasingly risk averse. In reflection of these expectations, the company is adopting a conservative attitude to capital management.

### **Outlook**

The current market conditions are such that the Directors do not wish to give any profit guidance. The Board will manage the business in the most efficient manner possible, prudently balancing risks with opportunities to maximise the long term growth and profitability of the Group. The Board will be examining opportunities in the property and mining services industry to deliver an acceptable return for shareholders. The strengthened shareholder base and the addition of an experienced Director will be of great assistance in growing the company.



**Robert Nichevich**  
EXECUTIVE CHAIRMAN

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

Your directors present their report on Viento Group Limited and its controlled entities for the financial year ended 30 June 2011.

### **GROUP STRATEGY OVERVIEW**

The 2011 financial year has seen volatility in the International markets and volatility in the political leadership in Australia. As with many other property fund managers and listed entities, the changed investment climate and realignment of global capital markets has impacted the Group. Company Management have been under pressure to manage the various investment projects and products and have had to deal with a minority of dissatisfied investors and planners. Despite all this effort and with it improvement in the properties and occupancy there has been little reward for shareholders or investors.

The Board are constantly working on our strategy to achieve the best possible result for our investors and our shareholders. The key objective of having a strong supportive shareholder base is being completed and the Company has successfully raised new capital during the year. The Company will be keeping shareholders abreast of further news as the strategy develops.

### **OPERATING RESULTS FOR THE YEAR**

The consolidated profit of the group after providing for income tax amounted to \$1,482,000 (2010: \$2,123,000), revenue for the year was \$4,849,000 (2010: \$2,933,000) and profit before tax was \$1,319,000 (2010: \$24,000).

These figures include a profit on the revaluation of our Constance Range investment of \$1,720,000. The investment in Constance Range has been re-valued under AASB 139. The directors consider that this revaluation is necessary to give a 'true and fair' view as it is based on an independent valuation and will represent the value of the in-specie distribution being made in the 2012 financial year.

### **PROPERTY DIVISION**

#### **Overview**

The 2011 financial year saw the Group's property funds management business challenged by the difficult national and international economic conditions. Expectations of returning confidence in the market and improved property values proved to be illusory. The company has found the opposite to be the case culminating in reduced values, a dearth of buyers and difficult financing conditions.

The quality of the properties has been improved with capital applied to properties where possible and there has been an improvement in occupancy levels in the properties across the Board.

Our strategy is to protect investors' capital and manage the challenges on a day to day basis. The Directors will continue to be careful and conservative in decision making. A number of opportunities have been offered to the company however none of the proposals have met our investment hurdles. We see opportunity increasing in this market and remain alert to taking advantage of them as they arise.

#### **Viento Diversified Property Fund (VDPF)**

Due to economic conditions the performance of the VDPF has been negatively impacted over the past year, with a total return over the past 12 months of negative 7%. Property re-valuations were mixed with the gross assets under management decreasing by \$24.55 million to \$111.7million (2010=136.25 million) due to a combination of asset sales and valuation reductions. We are fortunate to have had the services of our Executive Director, Shane Heffernan, in achieving sales of the two properties at satisfactory prices in this very difficult market.

During the year ended 30 June 2011, one of the Syndicates, VDPF, recognised a \$5.2 million liability payable to the Victorian State Revenue Office for stamp duty, penalties and interest. The stamp duty assessment is in relation to the acquisition of units in the First Enterprise, V3 and 925 Property Syndicates in 2008. The Group disputes the entire amount of the assessment and lodged a notice of objection to the assessment on 27 April 2011. In addition to the \$5.2 million of stamp duty payable, the VDPF also raised a provision for stamp duty, penalties and interest payable in the amount of \$1.537 million. It should be noted that the audited financial statements for VDPF for the year ended 30 June 2011 contained disclosures regarding the ability of VDPF to continue as a going concern, should the stamp duty liability be due and payable. In addition, the independent auditors report on the VDPF 30 June 2011 financial statements included an emphasis of matter paragraph in relation this issue.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

Due to the uncertainty surrounding the financial and property markets combined with negative investors' sentiment, the Manager suspended all applications and withdrawals from the Fund from October 2008. This included the suspension of regular investments and reinvestment of distributions. Distributions, applications and withdrawals are currently suspended.

Our primary objective for the Fund is to reopen the fund to applications and redemptions as soon as possible. We are working to protect investors' capital and improve the performance of the Fund. To achieve this we have implemented the following initiatives to achieve our goals:

- Implemented an aggressive leasing strategy to address changing market conditions targeting tenants who are seeking price sensitive or cost driving leasing options
- Implemented an in-house leasing initiative
- Reduced problem debtors by implementing an improved program of pursuing tenant arrears
- Prudently managed the cash flow for the Fund through the implementation of a strict regime to manage and control property operating expenses
- Limited capital expenditure to leasing incentives that guarantee income, plant and equipment lifecycle costs, mandatory occupational health and safety matters and compliance requirements.
- Sold poorly performing properties to improve cash flow and yield.

The Fund comprises nine assets, with a broad geographic coverage across 5 states predominantly in retail and commercial property sectors.

### **Property Investment Syndicates**

The Group currently administers three commercial property syndicates and two property subdivision syndicates.

The Metro Property Syndicate is due to expire in October 2011. We are currently marketing the properties for sale. The Metro Property Syndicate has previously been extended by unit holders vote for a period of two years.

The Première Property Syndicate is in the process of selling the single remaining property and returning the capital to unit holders. A property was sold in January 2011 and the remaining property is currently being marketed for sale.

The New Enterprise Property Syndicate is due to expire in June 2012. Two of the three properties have been sold during the year and we have retained the remaining property to improve occupancy before placing it on the market for sale.

### **Property Subdivision Syndicates**

The Group currently administers two residential property subdivision syndicates.

Viento Property Ltd is the responsible entity of two property subdivision syndicates, the Southern River Syndicate and Henley Brook Syndicate. For both Syndicates, capital is progressively returned to syndicate investors over the life of the subdivision project. Viento will receive fees based on a percentage of the sales prices of lots sold. Consistent with the nature of each subdivision project, the majority of the returns are expected to flow through in the later years of the project as lot sales are achieved and settled.

Development of the first two stages at Southern River is complete with first settlements of lot sales commencing in August 2011. Plans are being finalised to start on stage three of this project and there are eight stages in the development.

Henley Brook has completed stage one with settlements due in October and stage two yet to be completed with settlements due in February 2012. Plans are in place to commence development of stage three in early 2012 with settlements due in 2012. This project is likely to have 12 stages to be completed at six monthly intervals.

The market for residential subdivisions is suffering through declining property prices, difficult financing requirements and low confidence among prospective buyers.

The company is working with all stake holders to successfully overcome these challenges.

### **FORESTRY ASSETS**

Viento continues to hold interests in forestry investment products that the Group marketed in earlier years, and to manage the interests of investors who hold such interests. The group has not marketed forestry investment products since June 2003.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

The consolidated group's interest in forestry assets was subject to an independent revaluation at 30 June 2011, resulting in a net revaluation decrement of \$33,000 (2010: increment \$107,000). The value of the forestry assets at 30 June 2011 was \$1.952 million (2010: \$1.985 million). The Statement of Comprehensive income amount of \$204,000 includes current year expenditure written off.

The Group owns 370 hectares of forestry assets on Kangaroo Island, with investors in the Viento forestry scheme owning a further 360 hectares. The investments have been valued assuming that an export facility will be constructed on Kangaroo Island prior to the scheduled harvest in 2015, as we believe Kangaroo Island has forestry plantations significant enough to support a commercially viable export facility.

There are an estimated 17,500 hectares of plantations of both Tasmanian Blue Gums (14,000) and pine (3,500) on Kangaroo Island. These plantations are estimated to produce over 3 million cubic metres of wood chips over a ten year period. The value per annum of this production is estimated to be \$30 million.

Over the period since the group first planted Tasmanian blue gums on the island annual growth has been in the range of 18 to 22 mean annual increment per hectare representing a commercially sustainable growth rate. Significantly these growth rates are in the top quartile of growth rates around Australia.

The Directors believe that the existing plantations and the good growth of the plantations make a strong case for a commercial wood chipping operation to be developed on the Island.

However without the development of an export facility the forestry assets will be worth considerably less as sawn timber.

### **EXPLORATION DIVISION**

Viento Group's wholly owned subsidiary, Constance Range Pty Ltd (CRPL) is the holder of a 70% joint venture interest in the Constance Range iron ore exploration project in North West Queensland. A valuation of the project was completed valuing the asset at \$1.72m. This valuation has been taken up in the financial statements through the profit and loss. The asset comprises 310mt of hematite ore grading 51%Fe of which Constance Range Limited is entitled to 70%.

Viento is the manager of the joint venture with all costs borne by the joint ventures pro rata. Costs are minimal at this point in the project development. Once the distribution in specie is made the new entity's Directors will likely raise further funds for development of the project in the new corporate structure. To assist with future development, the company has entered into a non-binding association with neighbouring mining groups to form the Constance Range Iron Ore Alliance. This group has exploration rights over approximately 2,300 square kilometres of leases.

### **COMPLIANCE**

There were no significant compliance breaches reported to ASIC for the VDPF and the five property syndicates during the 2010/11 year. The Compliance Committee for Viento Property Limited comprised a majority of independent members and it met four times during the year. The compliance plan auditors are completing their audit of the VDPF and the five property syndicates.

The Group's compliance regime and risk management systems aim to ensure the business continues to have a strong regulatory focus to benefit all stakeholders.

### **FINANCIAL POSITION**

The net assets of the consolidated group have increased from \$11.047 million at 30 June 2010 to \$13.561 million at 30 June 2011. The cash position of \$2.7 million has increased compared to that of the previous year (\$2.1 million).

### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The group has a base of approximately \$215 million in property funds under management. The size of the portfolio is insufficient to provide the necessary return for the company's shareholders.

The current and near term economic malaise in investor sentiment and property is a cause for concern. As a consequence the focus will be on using the knowledge and experience of the executive and Board to assess niche opportunities in property and in other areas through a thorough review of the Strategic Plan.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

The Board and Management remain focussed on delivering returns to its shareholders. As previously advised the current Board's strategic plan is to grow the Company in three key areas, by:

- recapitalising the Viento Diversified Property Fund,
- developing our Subdivision Business, and
- participating in the mineral resources boom.

### **DIRECTORS**

The names of directors in office at any time during or since the end of the year are:

Mr R C Nichevich

Mr R E King

Mr S Heffernan (appointed 20 December 2010)

Mr J Farrell (appointed 1 May 2011)

Mr G Young (resigned 31 December 2010)

The Board would like to thank Gordon Young for his contribution as a director. Gordon resigned in order to pursue personal business interests.

The board was pleased to re-appoint Robert Nichevich, Executive Chairman for a further two years from the 1<sup>st</sup> July 2011. The Board believes that Mr Nichevich has successfully managed the Company through a very difficult period, post the GFC and the various demanding corporate issues encountered by the company over the past two years.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **COMPANY SECRETARY**

The company secretary is Mr D R Wright, B.Comm, CPA, GradDipACG, ACIS. Mr Wright was appointed to the position of Company Secretary on 15 December 2009. He has over 16 years experience in the financial services industry. He held roles as Company Secretary of the Group's subsidiaries from January 2009.

### **PRINCIPAL ACTIVITIES**

The principal activities of the consolidated group during the financial year were:

- Development, marketing and management of direct property investment products; and
- The ongoing management of agribusiness investment product.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

### **OPERATING RESULTS**

The consolidated profit of the consolidated group after providing for income tax amounted to \$1.482 million (2010: profit of \$2.123 million). The profit is primarily the result of the revaluation of Constance Range Pty Ltd's investment in the Constance Range Iron Ore Exploration Project of \$1.72 million. Revenue for the year was \$4.849 million (2010: \$2.933 million).

### **DIVIDENDS**

No recommendation has been made for payment of a dividend for the year ended 30 June 2011. The Directors have recommended a dividend for the 2012 Financial Year in the form of a distribution of one share in Constance Range Limited for every share held in Viento.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the consolidated group during the financial year.

### **AFTER BALANCE DATE EVENTS**

On 6<sup>th</sup> July 2011 the Takeovers Panel declined to make a declaration of unacceptable circumstances in response to an application lodged by Mariner Corporation Ltd.

On 29<sup>th</sup> July Mariner Corporation announced a highly conditional takeover bid for Viento Group at 17 cents per share. On 1 September Mariner's takeover bid was withdrawn citing that a key condition of 90% acceptance was considered unlikely. Viento is considering legal action against Mariner and its directors.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

During September the company negotiated the assignment of the sublease at Riparian Plaza Brisbane to an unrelated third party in exchange for a one off payment of \$144,000 being the fair value of the difference between market rental and the existing terms. This assignment releases us from \$490,000 of future obligations. This is the last of the costs left to the company following the Company restructure.

Subsequent to year end the directors have recommended a dividend for the 2012 Financial Year in the form of a distribution of one share in Constance Range Pty Limited for every share held in Viento. The carrying amount of the Constance Range asset to be distributed is \$1,720,000 being the independent valuation report received for this asset and brought to account at 30 June 2011.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in future financial years.

### FUTURE DEVELOPMENTS

There are no further likely developments of which the directors are aware which could be expected to affect the results of the company's and the consolidated group's operations in future years.

### ENVIRONMENTAL ISSUES

The consolidated group's operations are subject to significant environmental regulation under the laws of the Commonwealth, State and Local Authorities. The consolidated group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the financial year under review.

### INFORMATION ON DIRECTORS

**Mr R C Nichevich** Executive Chairman, age 63

Qualifications FCA, FAICD

Experience Director since November 1987. Mr Nichevich has held the positions of Managing Director from 1992 to July 2007, Executive Chairman from November 2005 to November 2007, non-executive director from November 2007 to December 2008 and has been re-appointed as Executive Chairman since December 2008.

Rob is a Chartered Accountant with extensive financial management experience and a twenty year track record of working for the Group transitioning the business from its beginnings in mining and exploration to its growth into property funds management.

Interest in Shares and Options 10,860,000 ordinary shares  
Nil

Directorships held in other listed entities Rob has not served as a director of any other listed companies, other than that noted, as at the reporting date or in the past three years.

**Mr R E King** Director (Independent non-executive), age 59

Qualifications B.Ec (Hons)

Experience Director since November 2007. Ray has spent 17 years in the financial services industry in a range of investment advisory roles. He is currently Managing Director of Sovereign Investment Research providing specialist investment advice and management consulting to institutional investors on alternative asset classes and investments.

Prior to this role, Ray was manager of asset consulting services at Towers Perrin before moving to Head of Wholesale Business at Industry Fund Services, where he managed the investment advisory services to a range of major industry superannuation funds and several corporate and public sector superannuation funds and authorities.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

	Ray commenced his career in market research with Broken Hill Proprietary Co Ltd, before moving into a principal economist role with Australia Post. He was then appointed to chief economist roles at both Telecom Australia and the State Electricity Commission of VIC, before becoming director of financial policy & operations for the Victorian State Department of Management and Budget/Treasury.
Interest in Shares and Options	100,000 ordinary shares; and Nil
Directorships held in other listed entities	Ray has no other directorships in any other listed companies as at the reporting date or in the past three years.
<b>Mr S Heffernan</b>	Executive Director, age 57
Qualifications	FAPI, Assoc Dip Vals, Licensed Real Estate Agent
Experience	<p>Director since December 2010. Shane has been a director of Viento subsidiaries including the responsible entity Viento Property Ltd and Viento Property Services Pty Ltd for the entire financial year.</p> <p>Shane has over 30 years' experience in real estate and property related professions. Formerly a Director of Raine &amp; Horne Victoria (now Savills), he is currently Managing Director of real estate consultancy, Tranzact Property. Shane holds tertiary qualifications in Real Estate and Valuations. He is a Licensed Real Estate Agent (No. 003478L) and a Fellow of the Australian Property Institute.</p>
Interest in Shares and Options	Nil
Directorships held in other listed entities	Shane has no other directorships in any other listed companies as at the reporting date or in the past three years.
<b>Mr J Farrell</b>	Director (non-executive), age 63
Experience	<p>Director since 12 May 2011.</p> <p>John has significant management experience in the property sector, particularly sourcing land for subdivision developments, construction and investment. His previous roles include founding Managing Director of Oceanfast Limited, a world class yacht builder, and Managing Director of VDM Group Limited, an international consulting, construction and contracting group.</p>
Interest in Shares and Options	6,500,000 shares via indirect interest
Directorships held in other listed entities	John is not a director of any other listed companies, as at the reporting date. In the last three years John held a directorship with VDM Group Limited from its listing on the ASX in January 2006 to 26 April 2009.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

### **REMUNERATION REPORT**

This report details the nature and amount of remuneration for the key management personnel of Viento Group Limited. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors and executives of the Company including the executives receiving the highest remuneration.

#### **Remuneration Policy**

The remuneration policy of Viento Group Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short term and, in certain circumstances, long term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Viento Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated group is as follows:

The performance of key management personnel is measured against criteria agreed biannually with each key management person and is based on a combination of personal and corporate performance objectives. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives. No bonuses were paid in relation to the achievement of profit component for the 2010 or 2011 financial years however a bonus may be paid subsequent to year end to company staff based on the profit for the year.

Key management personnel may be entitled to participate in share and option arrangements as determined by the Board from time to time. Any options not vested on the termination date lapse.

The key management personnel receive a superannuation guarantee contribution as required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares and options are valued using the Black-Scholes methodology.

The Board determines the proportion of fixed and variable compensation for each of the key management personnel.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to substantially change in the immediate future. The employment conditions of the key management personnel are formalised in contracts of employment. Details of the key management personnel employment contracts are set out below.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The executive directors determine payments to the non-executive directors and review their remuneration as required, based on market practice, duties and accountability. Independent advice is sought when required. The maximum total remuneration limit for non-executive directors was set at \$450,000 per annum at the 2007 Annual General Meeting and non-executive fees currently total \$100,000 per annum. The directors are encouraged to hold shares in the company.

#### **Fixed Remuneration**

Fixed remuneration consists of base remuneration (which is calculated on a total costs basis and includes any FBT charges related to employee benefits) as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual, department and overall performance of the consolidated group. In addition, external consultants provide advice to ensure key management personnel's remuneration is competitive in the market place. A key management person's remuneration is also reviewed on promotion.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### REMUNERATION REPORT (cont)

#### Performance Based Remuneration

Performance based remuneration includes short-term incentives and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided in the form of options and or shares of Viento Group Limited.

#### *Short-Term Incentive Bonuses*

Each year key performance indicators (KPIs) are set for the key management personnel. The KPIs generally include a combination of measures relating to personal performance, the performance of the consolidated group and the performance of the relevant segment. The split of KPI's between personal performance, the performance of the consolidated group and the performance of a department depend on the nature of the role of the key management personnel. Those key management personnel who have responsibility for the management of a department will have their KPIs aligned to the performance of the department while those who have responsibility for administrative functions will have their KPIs aligned to personal performance as well as the performance of the consolidated group.

The Board reviews the performance bonuses to gauge their effectiveness against achievement of set goals and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

#### *Long-Term Incentives*

Long-term incentives are offered by the Board of Viento Group Limited to key management personnel on a case by case basis. The company does not have an established Share Option Plan.

In December 2004 and November 2005, shareholder approval was obtained for specific Share Incentive Plans for key management personnel. Refer to Note 5 of the attached financial statements for details of the Share Incentive Plans and Note 10 for loans to directors and executives.

#### **Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration**

The Company performance element of short-term incentive bonuses is calculated in reference to the net profit of the Group. As noted in the table below, the Group made a profit in the current year. As a result, a staff bonus has been provided for in the financial statements and payment is to be made after year end.

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Revenue	\$6.9m	\$9.3m	\$3.1m	\$2.9m	\$4.9m
Net Profit/(Loss)	\$0.2m	\$(2.2m)	\$(8.5m)	\$2.1m	\$1.48m
Share Price at Year End	\$0.430	\$0.200	\$0.10	\$0.11	\$0.135
Dividends Paid	-	-	-	-	-
Earnings Per Share	0.53	(4.65)	(16.04)	4.49	3.01

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**REMUNERATION REPORT (cont)**

**Key Management Personnel Remuneration**

The remuneration for key management personnel of the consolidated group during the year was as follows:

2011 Key Management Person Directors	Primary		Super- annuation		Termin- ation Benefits \$	Share Based Payment		Total \$	Perform- ance Related
	Salary & Fees \$	Cash Bonus \$	Non-cash Benefits \$	Contri- bution \$		Options \$	Share Incentive Plan \$		
Mr R C Nichevich	300,000	-	1,391	-	-	-	-	301,391	0%
Mr S Heffernan <sup>1</sup>	193,669	-	-	-	-	-	-	193,669	0%
Mr J Farrell <sup>2</sup>	39,500	-	-	-	-	-	-	39,500	0%
Mr R E King	50,000	-	-	-	-	-	-	50,000	0%
Mr G Young <sup>3</sup>	20,833	-	-	-	-	-	-	20,833	0%
	604,002	-	1,391	-	-	-	-	605,393	
<b>Executives</b>									
Mr K J Murphy <sup>4</sup>	34,989	-	783	1,406	-	-	-	37,178	0%
Mr D R Wright	164,373	-	2,426	14,794	-	5,400	-	186,993	0%
Ms J Wilson <sup>5</sup>	131,950	-	2,426	11,875	-	2,160	-	148,411	0%
	331,312	-	5,635	28,075	-	7,560	-	372,582	
	935,314	-	7,026	28,075	-	7,560	-	977,975	

<sup>1</sup> Mr Heffernan was appointed as Director effective 20 December 2010 under a service agreement with his private company Heffernan Property Group Pty Ltd. Mr Heffernan has been employed in an executive capacity for the whole of the financial year and the payments include director fees for his subsidiary directorships.

<sup>2</sup> Mr Farrell was appointed as Director effective 1 May 2011 under a service agreement with his private company Farrell Consultants Pty Ltd.

<sup>3</sup> Mr Young resigned as Director effective 31 December 2010.

<sup>4</sup> Mr Murphy resigned effective 31 August 2010.

<sup>5</sup> Ms Wilson resigned effective 30 June 2011.

\* Non cash benefits relate to car parking benefit received.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**REMUNERATION REPORT (cont)**

**Key Management Personnel Remuneration**

The remuneration for key management personnel of the consolidated group during the year was as follows:

2010 Key Management Person Directors	Primary		Super- annuation		Termin- ation Benefits \$	Share Based Payment		Total \$	Perform- ance Related
	Salary & Fees \$	Cash Bonus \$	Non-cash Benefits* \$	Contri- bution \$		Options \$	Share Incentive Plan \$		
Mr R C Nichevich	300,000	-	3,333	-	-	-	-	303,333	0%
Mr J S Diamond <sup>1</sup>	19,113	-	-	1,720	-	-	-	20,833	0%
Mr R E King	46,216	-	-	3,784	-	-	-	50,000	0%
Mr G Young <sup>2</sup>	29,714	-	-	-	-	-	-	29,714	0%
	<u>395,043</u>	<u>-</u>	<u>3,333</u>	<u>5,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,880</u>	
<b>Executives</b>									
Mr P G Webse <sup>3</sup>	26,705	-	-	-	-	-	-	26,705	0%
Mr K J Murphy	209,934	-	4,695	8,436	-	-	-	223,065	0%
Mr D R Wright <sup>4</sup>	151,185	-	4,695	13,607	-	948	-	170,435	0%
Ms R L Pope <sup>5</sup>	19,878	-	978	1,789	-	-	-	22,645	0%
Ms J Wilson <sup>6</sup>	85,167	-	2,739	7,665	-	-	-	95,571	0%
	<u>492,869</u>	<u>-</u>	<u>13,107</u>	<u>31,497</u>	<u>-</u>	<u>948</u>	<u>-</u>	<u>538,421</u>	
	<u>887,912</u>	<u>-</u>	<u>16,440</u>	<u>37,001</u>	<u>-</u>	<u>948</u>	<u>-</u>	<u>942,301</u>	

<sup>1</sup> Mr Diamond resigned as Director effective 27 November 2009.

<sup>2</sup> Mr Young was appointed as Director effective 27 November 2009 under a service agreement with his private company Brochloch Pty Ltd.

<sup>3</sup> Mr Webse resigned as Company Secretary effective 15 December 2009.

<sup>4</sup> Mr Wright was appointed as Company Secretary on 15 December 2009, Mr Wright previously held the role of Chief Accountant with Viento Group Limited.

<sup>5</sup> Ms Pope resigned effective 11 September 2009.

<sup>6</sup> Ms Wilson was appointed Head of Marketing effective 5 November 2009.

\* Non cash benefits relate to car parking benefit received.

**Options Issued as Part of Remuneration for the Year Ended 30 June 2011**

During the financial year the company has granted a total of 270,000 options, for no consideration, over unissued ordinary shares of Viento Group Limited to six employees including non key management personal.

Management Personnel	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Viento Employees	-	270,000	26/08/10	\$0.054	\$0.125	26/08/10	26/08/13
	-	<u>270,000</u>					

The options issued above are not issued based on performance criteria, but are issued to increase goal congruence between key staff and company. All options were granted for nil consideration. The options vest on the first exercise date set out above. One of the above seven staff includes Mr D R Wright who holds the title of Chief Financial Officer and Company Secretary:

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**REMUNERATION REPORT (cont)**

**Options Issued as Part of Remuneration for the Year Ended 30 June 2011 (cont)**

Key Management Personnel	Options Granted as Part of Remuneration \$	Total Remuneration Represented by Options %	Options Exercised \$	Options Lapsed \$	Options Forfeited \$	Total \$
Mr D R Wright	5,400	2.8%	2,000	-	-	2,000
Ms J WILSON	2,160	1.5%	-	-	-	-
	<u>7,560</u>		<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>

**Shares Issued on Exercise of Compensation Options**

There were no options exercised during the year that were granted as compensation in prior periods.

**Employment Contracts of Key Management Personnel**

Remuneration and other terms of employment key management personnel employed at 30 June 2011 are formalised in employment or consultancy contracts. The major provisions of the contracts are set out below:

Mr R C Nichevich, Executive Chairman

- Service Agreement with Koy Pty Ltd.
- Term of Agreement – Commenced 1 June 2009 for 2 years. Note: In light of the General Meeting that took place on 23 June 2011, it was mutually agreed between the independent directors and the Executive Chairman that the contract be extended by one month until the conclusion of the General Meeting.
- Base fee of \$300,000 per annum
- Additional fee of \$150,000 if the company achieves the 2011 Target. The 2011 Target is an operating profit before tax of not less than \$2.5 million as stated in the audited accounts of the company for the financial year ended 30 June 2011 and the achievement of an average daily share price of 30 cents for the 3 month period to 30 May 2011.
- If the Company terminates the Agreement on or after the first anniversary of the commencement dated and before the second anniversary of the commencement date the Company must pay the 2011 Bonus whether or not the 2011 Target is achieved.
- If the Company terminates the Agreement in either of the circumstances outlined above the Company must pay Koy Pty Ltd a termination payment of \$150,000.

Mr D R Wright, Chief Financial Officer & Company Secretary

- Term of Agreement – Commenced 14 March 2007 until termination.
- The annual base salary as at 30 June 2011 is \$180,000, inclusive of statutory superannuation.
- Incentive payment of up to 10% of salary dependant on performance and to company profits.
- Payment in lieu of notice on early termination by employer, other than for gross misconduct, equal to 6 weeks base salary
- Six months termination in the event that there is a change of control of the company and/or the board and the position is abolished or changed.

Mr J Farrell, Director

- Term of Agreement – Commenced 12 May 2011 until termination.
- Directors fee of \$50,000 per annum plus a consultancy fee of \$70,000 for the first year for finding developing and managing projects for the company plus a fee for new business to be negotiated on a project by project basis.

Mr S Heffernan , Executive Director

- Term of Agreement – Commenced 20 December 2010 until termination.
- Directors fee of \$50,000 per annum plus executive consulting fees of \$165,000 per annum.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**MEETINGS OF DIRECTORS**

During the financial year, nineteen meetings of directors were held. Attendances by each director during the year were as follows:

<b>Directors</b>	<b>Directors' Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number Attended</b>
R C Nichevich	19	19
R E King	19	17
S Heffernan	13	13
J Farrell	5	4
G Young	6	6

The company formed a separate committee to for a takeover panel application lodged by Mariner Corporation Ltd.

<b>Directors</b>	<b>Committees Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number Attended</b>
R E King	5	5
S Heffernan	5	5

No other separate committees were formed due to the current size and composition of the Board. Refer to the Corporate Governance Policy for further details.

**INSURANCE OF DIRECTORS AND OFFICERS**

During the year the consolidated group paid premiums to insure all officers of the parent entity and its controlled entities. The officers of the parent entity covered by the insurance policy include the directors, former directors, secretaries and all executive officers. The policy also includes cover for directors and executive officers of all subsidiary entities. The insurance contract specifically prohibits disclosure of the nature of the insured liabilities, the limit of aggregate liability and the premiums paid.

**INDEMNIFYING DIRECTORS AND OFFICERS**

The parent entity has agreed to indemnify all directors and officers against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as a director or officer, except where the liability arises out of conduct involving a lack of good faith.

**OPTIONS**

At the date of this report, the unissued ordinary shares of Viento Group Limited under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
26 August 2010	29 September 2013	\$0.125	250,000
			<u>250,000</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

The Board of directors is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 100: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Fees for non-audit services paid or payable to the external auditors for the year ended 30 June 2011 were nil:

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 20 of the directors' report.

**ROUNDING OF AMOUNTS**

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of directors.



**R C NICHEVICH**  
Director

Dated this 30 day of September 2011  
Melbourne, Victoria



## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Viento Group Limited for the year ended 30 June 2011, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

*Crowe Horwath Perth*

CROWE HORWATH PERTH

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

CYRUS PATELL  
Partner

Signed in Perth, 30 September 2011

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Viento Group Limited is responsible for the corporate governance of the consolidated Group. The Board guides and monitors the business and affairs of Viento Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The principal features of Viento Group Limited's corporate governance regime and compliance with the ASX Corporate Governance Principles and Recommendations are set out in this Corporate Governance Statement. For further information on corporate governance matters adopted by Viento Group Limited, refer to our website: [www.vientogroup.com](http://www.vientogroup.com)

### **Board of Directors**

The Board is accountable to shareholders for the performance of Viento Group Limited.

#### **Roles and Functions of the Board and Senior Management**

(ASX Corporate Governance Principles and Recommendations: 1.1)

The Board has adopted a charter that sets out the functions and responsibilities of the Board within governance structure of Viento Group Limited and its subsidiaries. The conduct of the Board is also governed by the Company's Constitution.

The primary responsibilities of the Board are to:

- Validate and approve corporate strategy, the annual budget and financial plans;
- Appoint and assess the performance of the Executive Chairman and oversee succession plans for senior executives;
- Establish appropriate levels of delegation to the Executive Chairman;
- Monitor the performance of senior management and implementation of strategy and ensure that appropriate resources are available;
- Approve key executive appointments and review and approve executive remuneration;
- Monitor Board composition, Director selection and Board processes and performance;
- Oversee the Company and Group including review and ratification of systems of risk management, internal compliance and control, codes of conduct and legal compliance;
- Approve and monitor financial and other reporting;
- Monitor and influence the culture, reputation and ethical standards of the Company and Group;
- Report to and communicate with shareholders.

Senior executives reporting to the Executive Chairman have their roles and responsibilities defined in position descriptions.

Viento Group Limited's Board Charter is available on its website.

Directors are encouraged to have direct communications with management and other employees within the Group to facilitate the carrying out of their duties.

The Board, Board Committees (where applicable) or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Executive Chairman. A copy of any such advice received is made available to all members of the Board.

#### **Executive Remuneration and Performance**

(ASX Corporate Governance Principles and Recommendations: 1.2, 8.2)

The Board annually reviews the performance of the Executive Chairman. At the commencement of each financial year, the Board and the Executive Chairman agree a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

- (a) financial measures of the Company's performance;
- (b) the extent to which key operational goals and strategic objectives are achieved;
- (c) development of management and staff;
- (d) compliance with legal and Company policy requirements; and
- (e) achievement of key performance indicators.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Executive Chairman assesses the performance of the senior executives within the Company which directly report to him. This is performed through a formal performance appraisal process and measured against key performance indicators, including the business performance of the Company, and agreed at the beginning of each financial year.

An evaluation of senior executives takes place bi-annually during the financial year in accordance with the Performance Evaluation Policy.

An evaluation of the Executive Chairman's performance as Chief Executive Officer was not conducted during the financial year.

A summary of Viento Group Limited's Performance Evaluation Policy is available on its website.

### Independence of Directors

(ASX Corporate Governance Principles and Recommendations: 2.1)

The Board considered Mr Ray King and Mr Gordon Young to be independent as they are non-executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the independent exercise of their judgement. Mr Shane Heffernan acts as an executive director to the board of Viento Group which could be considered to impair his independence. A majority of the Board, between 1 July and 20 December 2010 were independent. Since 20 December 2010 a majority of the board are not independent.

In assessing the independence of Directors, the Board considers whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

During the financial year ended 30 June 2011, the Viento Group Limited Board comprised the following Directors:

<b>Name</b>	<b>Position</b>	<b>First Appointed</b>
Robert Nichevich	Executive Chairman and Chief Executive Officer	1987
Ray King	Independent Non-Executive Director	2007
Gordon Young	Independent Non-Executive Director, resigned 31 December 2010	2009
Shane Heffernan	Executive Director, appointed 20 December 2010	2010
John Farrell	Non-Executive Director, appointed 12 May 2011	2011

The Directors determine the size of the Board, with reference to the Constitution and Viento Group Limited's Board Charter, which provides there will be a minimum of three Directors and a maximum of 15 Directors. However, it is the current intention of the Board to limit the maximum number of Directors to no more than six.

The Directors are satisfied that the structure of the Board is appropriate for the size of the Company, the nature of its operations and its current financial standing. The structure and composition of the Board is subject to ongoing review.

For information on 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 Directors' report.

Details of the number of Board meetings and the attendance of Directors are detailed in the Directors' report.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

### **Chair should be Independent**

(ASX Corporate Governance Principles and Recommendations: 2.2)

During the financial year the Company did not comply with *Recommendation 2.2: The chairperson should be an independent director*, for the reasons set out below.

Mr R C Nichevich is the executive chairman of the Company. He is not considered independent due to his substantial shareholding in the Company.

No member of the Board may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the shareholders. Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated by the Board to ensure that they continue to contribute effectively to the Board. Nominations for appointment to the Board are considered by the Directors as a whole and with the objective to ensure that the Board comprises Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

### **Role of Chairperson and Chief Executive Officer**

(ASX Corporate Governance Principles and Recommendations: 2.3)

During the financial year the Company did not comply with *Recommendation 2.3. The roles of the chairperson and chief executive officer should not be exercised by the same individual* for the reasons set out below.

The role of the Chairman and Chief Executive Officer were exercised by the same individual, Mr R C Nichevich. In light of the global economic crisis and in order to reduce costs and preserve the Company's cash position, the Board appointed the Chairman to also provide operational management to the Company. The Board does not expect to appoint a chief executive office in the near term.

The Executive Chairman's responsibilities as Chief Executive Officer include the overall operational, business management and financial performance of Viento Group Limited, whilst also managing the Group in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals.

### **Board Remuneration and Performance Review**

(ASX Corporate Governance Principles and Recommendations: 2.5)

The Board aims to conduct an annual review of the role of the Board, assessing its performance over the previous 12 months and examining ways of assisting the Board in performing its duties more effectively.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board charter.

The method and scope of the performance evaluation is set by the Board and may include a Board self-assessment checklist to be completed by each Director or the board collectively. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of non-executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

There was no formal performance review of the Board during the financial year as the focus of the directors has been on stabilising the group's operations and strengthening the boards mix of expertise. A performance review of the board is intended to be conducted during the first half of the 2012 financial year.

Non-executive Directors receive fees (including statutory superannuation) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for non-executive Directors is \$450,000 per annum. The Directors set the individual non-executive Directors fees within the limit approved by shareholders. The total fees paid to non-executive Directors during the reporting period were \$304,002 however \$143,669 of this amount relates to payments to Shane Heffernan in his capacity as an executive officer.

### **Code of Ethics and Conduct**

(ASX Corporate Governance Principles and Recommendations: 3.1)

The Company has a Directors' Code of Conduct and a Corporate Code of Conduct which promote ethical and responsible decision-making by Directors and employees.

The Codes of Conduct set out the:

- Practices necessary to maintain confidence in the Company's integrity;
- Practices necessary to take into account legal obligations and expectations of stakeholders; and
- Responsibility and accountability of individuals for reporting and investigating unethical practices.

The Company's Directors' Code of Conduct and Corporate Code of Conduct are available on its website.

### **Securities Dealing Policy**

(ASX Corporate Governance Principles and Recommendations: 3.2)

The Company has a Securities Dealing Policy regarding Directors, employees and consultants trading in its securities. The policy defines the restrictions on Directors, employees and consultants from acting on material information until it has been released to the market and adequate time has been given for the information to be reflected in the security's prices.

Directors, employees, consultants and their associates are not permitted to deal in the Company's securities during the following closed periods:

1. In the period from 1 January to 3 business days after the announcement of the Company's half-year result; nor
2. In the period from 1 July to 3 business days after the announcement of the Company's full year result; nor
3. In the two month period before the annual general meeting of the Company to 3 business days after the announcement of the results of the annual general meeting.

Directors, employees, consultants and their associates must not trade in the Company's securities without advising the Executive Chairman (or other person designated for this purpose) in advance and must receive written clearance before any dealing in the Company's securities. Clearance will not be given during a closed period.

The Company's Directors and executives who are participating in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

The Company's Securities Dealing Policy is available on its website.

### **Board Committees**

(ASX Corporate Governance Principles and Recommendations: 2.4, 4.1, 4.2, 4.3, 8.1)

The current size and composition of the Board, with an Executive Chairman and two independent non executive Directors, and the operations of the Company, are not sufficient to establish Committees to assist the Board in fulfilling its duties and that would meet the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Recommendations. However, in the future, should the size and composition of the Board and the operations of the Company warrant it, the Board will give consideration to the establishment of the following committees:

Nomination Committee;  
Audit Committee; and  
Remuneration Committee.

During the financial year the Company did not comply with *Recommendation 2.4: The Board should establish a nomination committee, Recommendation 4.1: The Board should establish an audit committee, Recommendation 4.2: Structure the audit committee so that it consists of only non-executive Directors, consists of a majority of independent Directors, is chaired an independent chairperson who is not chairperson of the Board and has at least three members and Recommendation 4.3: The audit committee should have a formal charter and Recommendation 8.1 The Board should establish a remuneration committee*, for the reasons set out above.

However, matters typically dealt with by the abovementioned committees and the functions of those committees are dealt with by the full Board.

The Board meets with the external auditor at least twice a year to review the adequacy of the existing external arrangements, with particular emphasis on scope, quality and independence of the audit. The external auditor will be required to report to the Board on its findings in relation to annual audits and half-yearly audit reviews as part of the process of the review and sign-off by the Board. The auditor will be rotated as is statutorily required.

### Continuous Disclosure

(ASX Corporate Governance Principles and Recommendations: 5.1)

Viento Group Limited's Continuous Disclosure Policy sets out the obligations under the ASX Listing Rules and Corporations Act for all Directors and employees in relation to continuous disclosure and the type of information that requires disclosure. The Policy also provides procedures for internal notification and external disclosure, as well as procedures promoting understanding of compliance with the disclosure requirements and for monitoring compliance.

In addition, the Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of information in the course of their duties as a Director of the Company, or any company within the Group.

The Executive Chairman is the person primarily responsible for ensuring that the Company complies with its continuous disclosure obligations.

The Company's Continuous Disclosure Policy is available on its website.

### Communications with Shareholders

(ASX Corporate Governance Principles and Recommendations: 6.1)

The Company has a Shareholder Communications Policy which has been designed to promote effective communication with shareholders and encourage shareholder participation at annual general meetings. The Policy requires that shareholders are informed of all major developments that impact on the Company. The Executive Chairman has primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- distribution of the half-yearly and annual reports (in hardcopy when requested) via the Company's web site;
- disclosures and announcements made to the ASX, which are placed on the Company's website;
- notices and explanatory memoranda of annual general meetings and general meetings;
- occasional letters from the Executive Chairman to specifically inform shareholders of key matters of interest; and
- the Company's website, where all reports, ASX announcements and media releases are posted.

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

The Shareholder Communications Policy also provides that the Company's external auditor is required to attend each annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's Communications with Shareholders Policy is available on its website.

### **Recognise and Manage Risk**

(ASX Corporate Governance Principles and Recommendations: 7.1, 7.2, 7.3)

The Company has established policies for the oversight and management of material business risks.

The Board is responsible for approving and reviewing the Company's risk management policy. The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks.

The policy identifies potential risks by means of a comprehensive list of events across the elements of the business structure. Potential risks are assessed according to the likelihood of the risk event and the impact on the organisation. Risks with low likelihood and low impact have been excluded from the policy.

The Board has required and management has reported to the Board on the effectiveness of the management of the Company's material business risks.

When considering its review of the financial reports, the Board receives a written statement from the Executive Chairman and the Chief Financial Officer, that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

The Board reviews the effectiveness of risk management and internal compliance and control on an annual basis.

A summary of the policies on risk management is available on the Company's website.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

		<b>CONSOLIDATED GROUP</b>	
		<b>2011</b>	<b>2010</b>
	<i>note</i>	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>	2	4,849	2,933
Employee Benefits Expense		(1,662)	(1,718)
Professional Services Fees		(793)	(280)
Commission Expense		(125)	(149)
Occupancy Expense		(198)	(234)
Finance Expense		(30)	(6)
Administration Expense		(438)	(436)
Depreciation and Amortisation Expense	3	(58)	(78)
Gross Increment (Decrement) in Forestry Plantations	3	(204)	107
Bad & Doubtful Debts Expense	3	(22)	(115)
<b>Profit/(Loss) Before Income Tax Expense</b>		<u>1,319</u>	<u>24</u>
Income Tax (Expense)/Benefit	4	163	2,099
<b>Profit/(Loss) for the year</b>		<u>1,482</u>	<u>2,123</u>
<b>Other comprehensive income</b>			
Net revaluation of listed investments		(9)	59
Deferred tax movement	4	16	-
<b>Other comprehensive income for the year net of tax</b>		<u>7</u>	<u>59</u>
<b>Total comprehensive income for the year</b>		<u>1,489</u>	<u>2,182</u>
Profit attributable to:			
Members of the parent entity		<u>1,482</u>	<u>2,123</u>
Total comprehensive income attributable to:			
Members of the parent entity		<u>1,489</u>	<u>2,182</u>
<b>Overall Operations</b>			
Basic earnings per share (cents per share)	8	3.06	4.49
Diluted earnings per share (cents per share)	8	3.03	4.49

The accompanying notes form part of these financial statements.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	<i>Note</i>	<b>CONSOLIDATED GROUP</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>			
Cash and cash equivalents	9	2,731	2,098
Trade and other receivables	10	3,120	2,486
Financial assets	12	1,865	154
Other current assets	13	221	203
<b>Total Current Assets</b>		7,937	4,941
<b>Non Current Assets</b>			
Trade and other receivables	10	1,370	1,839
Financial assets	12	569	569
Plant and equipment	15	122	173
Biological assets	16	1,952	1,985
Deferred tax assets	19	3,056	2,798
Intangible assets	17	14	14
<b>Total Non Current Assets</b>		7,083	7,378
<b>Total Assets</b>		15,020	12,319
<b>Current Liabilities</b>			
Trade and other payables	18	696	563
Short-term provisions	20	58	49
Other current liabilities	21	25	56
<b>Total Current Liabilities</b>		779	668
<b>Non Current Liabilities</b>			
Deferred tax liabilities	19	674	595
Long-term provisions	20	6	9
<b>Total Non Current Liabilities</b>		680	604
<b>Total Liabilities</b>		1,459	1,272
<b>Net Assets</b>		13,561	11,047
<b>Equity</b>			
Issued capital	22	20,236	19,231
Reserves	23	1,477	1,450
Accumulated Losses		(8,152)	(9,634)
<b>Total Equity</b>		13,561	11,047

The accompanying notes form part of these financial statements

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

		\$000	\$000	\$000	\$000	\$000
		Share Capital Ordinary	Share Based Payments Reserve	Financial Assets Reserve	Accumulat ed losses	Total
<b>CONSOLIDATED GROUP</b>	<i>Note</i>					
<b>Balance at 30 June 2009</b>		19,231	1,386	21	(11,757)	8,881
Profit attributable to members of the parent entity					2,123	2,123
Total other comprehensive income for the year				59		59
Cancellation of outstanding options			(16)			(16)
<b>Balance at 30 June 2010</b>		<u>19,231</u>	<u>1,370</u>	<u>80</u>	<u>(9,634)</u>	<u>11,047</u>
Profit attributable to members of the parent entity					1,482	1,482
Total other comprehensive income for the year				7		7
Exercise of options		9				9
Options issued as remuneration			20			20
Issue of share capital		1,041				1,041
Cancellation of shares		(45)				(45)
<b>Balance at 30 June 2011</b>		<u>20,236</u>	<u>1,390</u>	<u>87</u>	<u>(8,152)</u>	<u>13,561</u>

The accompanying notes form part of these financial statements

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	CONSOLIDATED GROUP	
		2011	2010
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		3,680	2,337
Payments to suppliers and employees		(3,550)	(3,224)
Interest received		66	79
Finance expenses paid		(5)	(6)
Income tax (paid)/refunded		-	-
<b>Net cash provided by/(used in) operating activities</b>	26	<u>191</u>	<u>(814)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of:			
– Plant & equipment		(7)	(18)
– Forestry plantations		(171)	(153)
Loans to:			
– Other		-	4
Loans repaid by:			
– Other		22	-
<b>Net cash provided by/(used in) investing activities</b>		<u>(156)</u>	<u>(167)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares:			
– Issuing shares		953	-
– Exercise of options		9	-
Loans to related entities		(364)	-
<b>Net cash provided by financing activities</b>		<u>598</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>		633	(981)
<b>Cash at the beginning of the year</b>		<u>2,098</u>	<u>3,079</u>
<b>Cash at the end of the year</b>	9	<u><u>2,731</u></u>	<u><u>2,098</u></u>

The accompanying notes form part of these financial statements

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report includes the consolidated financial statements and notes of Viento Group Limited and controlled entities ('Consolidated Group' or 'Group'). The Group is domiciled in Australia.

**Basis of Preparation**

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

The separate financial statements of the parent entity have not been presented as permitted by the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

**Accounting Policies**

**a) Principles of Consolidation**

A subsidiary (controlled entity) is an entity over which Viento Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing whether the group controls another entity, the existence and effect of holdings of actual and potential voting rights that are currently exercisable or convertible are considered. A list of controlled entities is contained in Note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group 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 consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the consolidated Statement of Financial Position and the consolidated Statement of Comprehensive Income.

**b) Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at the acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised as the excess of cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. If the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is greater than cost of acquisition, the surplus is immediately recognised in profit or loss but only after a reassessment of the identification and measurement of the net assets required.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**c) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). 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 substantively enacted by the Statement of Financial Position date.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects the movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Tax Consolidation**

Viento Group Limited and its wholly owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax liabilities. Such taxes are measured using the "stand-alone taxpayer" approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Taxation Officer that it had formed an income tax consolidated group to apply from 1 January 2004. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

The deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**d) Plant and Equipment**

Plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Plant and equipment is depreciated on a straight-line basis over its useful life to the group commencing from the time the asset is held ready for use. Depreciation rates used for plant and equipment generally range between 7.5% and 40%.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**e) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**f) Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not carried at fair value through profit or loss. Transaction costs related to instruments carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income. Financial instruments are classified and measured as set out below.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**Classification and Subsequent Measurement**

**(ii) Financial assets at fair value through profit and loss**

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking or are expected to be disposed of in the next period, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch, or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

**(iii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**(iv) Available-for-sale financial assets**

Available-for sale financial assets are non-derivative assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

**(v) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments, option pricing models and independent valuations as required.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

**g) 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 Statement of Comprehensive Income. Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

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.

**h) Interests in Joint Ventures**

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations and joint venture entities are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests in joint ventures are shown in Note 11.

The group's interests in joint venture entities are brought to account using the proportionate consolidation method which combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**i) Intangibles**

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Trademarks**

Trademarks are recognised at cost of acquisition. Trademarks have an infinite life and are tested annually for impairment and carried at cost less accumulated impairment losses.

**j) Biological Assets**

The consolidated group has interests in forestry plantations, through plantation areas established and maintained on its own account.

Forestry plantations owned by the consolidated group are valued at fair value at each reporting date and the increment or decrement in the fair value between reporting periods is recognised in the Statement of Comprehensive Income. Fair value is determined annually by independent valuation.

As there is no active and liquid market for immature forestry plantations, fair value less estimated point of sale costs is based on forecast plantation growth and yields and forecast net present values of future net cash flows from harvest and the costs of maintaining plantations to maturity.

**k) Employee Benefits**

Provision is made for the group'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. 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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected cash flows.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

**Equity-settled Compensation**

The fair value of the options to which directors and employees become entitled is measured at grant date and recognised over the period in which the directors and employees become unconditionally entitled to the equity. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of options expected to be vested is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**l) 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.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**m) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits 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 Statement of Financial Position.

**n) Revenue and Other Income**

Revenue is measured at fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria for each of the Group's activities as described below.

Establishment and other management fees comprise revenue earned through the provision of products or services to syndication and fund entities.

Completion fees and Incentive fees are revenue earned through the successful completion of a syndicate as applicable and as defined under the relevant PDS. These fees are recognised on completion of a syndicate.

Revenue earned from the agribusiness project is recognised in the period in which the underlying services are provided.

Gain or loss on disposal is calculated as the difference between the net proceeds on disposal and the carrying amount of the asset at the time of disposal.

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

All revenue is stated net of the amount of goods and services tax (GST).

**o) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

**p) 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 Taxation 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 Statement of Financial Position are shown inclusive of GST.

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

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**q) Segment Accounting Policies**

As of 1 July 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.

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.

**r) Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**s) Rounding of Amounts**

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and, accordingly amounts in the financial report and directors' report have been rounded to the nearest thousand dollars.

**t) Critical Accounting Estimates and Judgments**

The preparation of financial statements requires directors and management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience, current trends and economic data, obtained both externally and within the group, including expectations future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

*Key Estimates and Judgements - 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 16 – Biological Assets.

Refer also to note 10 Trade Receivables and note 12 Financial Assets for additional information about impairment. Management considers that no impairment indicators of non current receivables are considered to exist at balance date.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**  
**Critical Accounting Estimates and Judgments (cont)**

*Provision for impairment of receivables*

Included in trade debtors at 30 June 2011 are amounts owing by the Viento Diversified Property Fund (VDPF) to the Group of \$1.31m. This amount has been discounted using an appropriate rate of 9% to take into consideration the time value of money. The directors consider this balance will be fully recoverable on the basis that the VDPF currently has significant positive Net Assets and is forecasting to extinguish this outstanding liability to the Group over the next three years. As such no impairment provision has been recognised. In addition the directors note that management fees owed by the fund are approximately twelve months overdue at balance date. This is because the Fund needs all of its free cash to meet bank loan covenants and capital works requirements. No provision for non-recoverability of overdue management fees totalling \$1,079k at balance date has been raised.

*Revaluation of Constance Range*

During the year the directors revalued the Group's investment in the Constance Range Iron Ore Exploration Project. The revaluation was performed through the Statement of Comprehensive Income and is further disclosed in note 2 Revenue and note 12 Financial Assets. The revaluation is based on the results of an external valuation received and the intended distribution of Constance Range Pty Ltd in the form of a one for one dividend to shareholders.

*Recognition of tax losses*

In accordance with the group's accounting policies for deferred taxes a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances. This includes estimates and judgements about future capital requirements, future operations performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 19.

**u) New Accounting Standards and Interpretations**

There were no new accounting standards adopted during the financial year to 30 June 2011.

**v) New Accounting Standards for application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The amendments are not expected to impact the Group.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

The financial report was authorised for issue on 30 September 2011 by the Board of directors

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**CONSOLIDATED GROUP**

**2011**                      **2010**  
**\$000**                      **\$000**

**2. REVENUE**

Sales Revenue

– Management Fee Income	2,318	2,305
– Other Fee Income	455	279
Total sales revenue	<u>2,773</u>	<u>2,584</u>

Other Revenue

– Leasing Fee Revenue	80	146
– Interest Received	276	58
– Other Revenue	1,720	145
Total other income	<u>2,076</u>	<u>349</u>
<b>Total Revenue</b>	<u><u>4,849</u></u>	<u><u>2,933</u></u>

Management fees relate to all management fees received for managing the funds under management. Other Fee income are various fees earned from the sale of the Oxley Mall and Elernmore assets previously held by the Viento Diversified Property Fund.

Other Revenue of \$1,720,000 relates to the revaluation to 'fair value' of the group's investment in the Constance Range Iron Ore Exploration Project 'through the profit and loss'. Refer to note 1(f) accounting policy and note 11, Interest in Joint Ventures.

**3. PROFIT/(LOSS) FOR THE YEAR**

**2011**                      **2010**  
**\$000**                      **\$000**

**(a) Expenses**

Depreciation of non current assets		
– Plant and equipment	(58)	(78)
Bad and doubtful debts		
– Other debtors	(22)	(115)
Rental expense on operating leases		
– Minimum lease payments	(223)	(222)
(Decrement)/Increment in Tree valuation	(204)	107

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>4. INCOME TAX</b>		
a. The components of tax expense/(benefit) comprise:		
Current tax	-	-
Deferred tax	19 (163)	(2,094)
Under/(over) provision in respect of prior years	-	(5)
Write off deferred tax asset in respect of prior years	-	-
	<u>(163)</u>	<u>(2,099)</u>
b. Prima facie tax payable on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2010: 30%)	396	7
	<u>396</u>	<u>7</u>
Add: Tax effect of:		
- other non allowable items	8	4
- write downs to recoverable amounts	-	-
- tax assets recouped during the period	-	-
- other net timing differences	-	1
	<u>8</u>	<u>12</u>
Less: Tax effect of:		
- revaluations of assets	(516)	-
- other net timing differences	(30)	(60)
- Provisions	-	(59)
- Current year (reinstatement)/write off DTA/DTL	-	(1,880)
- Recoupment of prior year tax losses/adjustments	(3)	(112)
- Current year capital losses recognised	(18)	-
Recoupment of prior year tax losses/adjustments	<u>(570)</u>	<u>(2,111)</u>
Income tax (benefit)	(163)	(2,099)
Imputation credits	-	-
Income tax (benefit) attributable to entity	<u>(163)</u>	<u>(2,099)</u>
c. Component of deferred tax charged to other comprehensive income:		
Prior year understatement of tax benefit	16	-
	<u>16</u>	<u>-</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**5. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Key Management Personnel Compensation**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
Short Term Employee Benefits	942,340	904,352
Post-Employment Benefits	28,075	37,001
Share Based Payments	7,560	948
	<b>977,975</b>	<b>942,301</b>

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

**(b) Option Holdings**

**Number of Options Held by Key Management Personnel**

	<b>Balance 1.7.10</b>	<b>Granted as Compensation</b>	<b>Options Exercised</b>	<b>Net Change Other</b>	<b>Balance 30.6.11</b>	<b>Total Vested 30.6.11</b>	<b>Total Exercisable 30.6.11</b>	<b>Total Unexercisable 30.6.11</b>
<b>Directors</b>								
Mr R E King	300,000	-	-	(300,000)	-	-	-	-
<b>Other Key Management Personnel</b>								
Mr D R Wright	20,000	100,000	(20,000)	-	100,000	100,000	100,000	-
Ms J Wilson	-	40,000	-	-	40,000	40,000	40,000	-

	<b>Balance 1.7.09</b>	<b>Granted as Compensation</b>	<b>Options Exercised</b>	<b>Net Change Other</b>	<b>Balance 30.6.10</b>	<b>Total Vested 30.6.10</b>	<b>Total Exercisable 30.6.10</b>	<b>Total Unexercisable 30.6.10</b>
<b>Directors</b>								
Mr J D Diamond	300,000	-	-	(300,000)	-	-	-	-
Mr R E King	300,000	-	-	-	300,000	-	200,000	100,000
<b>Other Key Management Personnel</b>								
Mr D R Wright	-	20,000	-	-	20,000	-	-	20,000
Mr P G Webse	300,000	-	-	(300,000)	-	-	-	-

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**5. KEY MANAGEMENT PERSONNEL COMPENSATION (cont)**  
**(c) Shareholdings**

**Number of Shares Held by Key Management Personnel**

	Balance 30.6.10	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.11
<b>Key Management Personnel</b>					
<b>Directors</b>					
Mr R C Nichevich	10,860,000	-	-	-	10,860,000
Mr R E King	100,000	-	-	-	100,000
Mr G Young <sup>1</sup>	50,000	-	-	(50,000)	-
<b>Other Key Management Personnel</b>					
Mr D Wright	-	-	20,000	-	20,000

<sup>2</sup> Mr Young resigned as Director effective 31 December 2010.

	Balance 30.6.09	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.10
<b>Key Management Personnel</b>					
<b>Directors</b>					
Mr R C Nichevich	10,860,000	-	-	-	10,860,000
Mr J S Diamond <sup>1</sup>	20,700	-	-	(20,700)	-
Mr R E King	100,000	-	-	-	100,000
Mr G Young <sup>2</sup>	-	-	-	50,000	50,000
<b>Other Key Management Personnel</b>					
Mr P G Webse <sup>3</sup>	22,000	-	-	(22,000)	-

<sup>1</sup> Mr Diamond resigned as Director effective 27 November 2009.

<sup>2</sup> Mr Young was appointed Director 27 November 2009 and had a pre existing share holding of 50,000 shares.

<sup>3</sup> Mr Webse resigned effective 15 December 2009.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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**5. KEY MANAGEMENT PERSONNEL COMPENSATION (cont)**

**(d) Loans to Key Management Personnel**

Refer to Note 10(b) for details of loans to key management personnel.

**(e) Share Incentive Plans**

At the annual general meeting held on 29 November 2005, shareholders approved a Share Incentive Plan for Mr Nichevich. The details of the Plans are as follows:

***Maximum Number of Incentive Shares***

The executives have the opportunity to acquire up to the following number of Shares in the company pursuant to the Plans:

- Mr R C Nichevich – 1,000,000 Incentive Shares

These maximum amounts include the Initial Entitlements referred to below.

***Initial Entitlement and further incentive shares***

The executives were allotted with the following Initial Entitlements of Shares pursuant to the Plans:

- Mr R C Nichevich – 200,000 Incentive Shares on 19 December 2005.
- No further entitlements were available or were earned this year (2010: nil).
- There are no further earn in entitlements still available.

***Termination Event***

A Termination Event occurs where the executive resigns from employment with the company, other than by agreement with the company or has his or her employment contract terminated for cause. If a Termination Event occurs prior to the Earned Incentive Shares being issued, the Executive shall cease to be entitled to the Earned Incentive Shares which have not been allotted and shall have no claim against the company in this regard. However, the company may, at its discretion, determine that the executive shall be entitled to all or part of the Earned Incentive Shares, on terms acceptable to the company, if the executive retires prior to the Earned Shares being allotted by reason of ill health or any other reason the company determines what is acceptable to it in its absolute discretion. If the company determines that the executive shall be entitled to some or all of the Earned Incentive Shares in these circumstances, it may impose such conditions as it considers appropriate on those shares being allotted. In the case of Mr Nichevich, if the company terminates his service agreement by notice by paying him the termination fee, Mr Nichevich shall continue to be entitled to earn the Incentive Shares, subject to the earnings conditions being met.

***Restriction Period***

Certain Incentive Shares allotted will be subject to a period following allotment within which they cannot be transferred, sold or the subject of an option, trust or mortgage. There are restrictions in respect of both the Initial Allotment and Further Incentive Shares. The restrictions are set out below:

**Part 1**

**INITIAL ENTITLEMENTS**

Mr Nichevich's Initial Entitlements are no longer subject to any restriction periods due to the passage of time.

**Part 2**

**FURTHER INCENTIVE SHARES**

<i>Amount</i>	<i>Restriction Period</i>
As to 1/3 <sup>rd</sup> of the relevant tranche	None
As to 1/3 <sup>rd</sup> of the relevant tranche	For 1 year from the date of the allotment of the relevant tranche
As to 1/3 <sup>rd</sup> of the relevant tranche	For 2 years from the date of the allotment of the relevant tranche

If a Termination Event occurs within the Restriction Period, subject to the company obtaining shareholders' approval under Section 257D of the Corporations Act, the company shall be entitled to buy-back the Restricted Shares for a total consideration of \$1.00 for the entire Restricted Shares. This means \$1.00 for the entire Restricted Shares, not \$1.00 per share. If the company is unable to obtain approval to the buy-back of the Shares within 90 days of the Termination Event, or the company gives notice to the Executive that it does not want to buy-back the Restricted Shares, the company shall be entitled to require that the Restricted Shares be sold and the proceeds of the sale be paid to the company.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**5. KEY MANAGEMENT PERSONNEL COMPENSATION (cont)**

**Loans**

The company has agreed to lend the executives an amount equal to the Subscription Amount of \$0.35 per share. The loans shall be free of interest. The loans are secured by a share mortgage in favour of the company over the Shares. The loans must be repaid in full within 7 years of the date of the first advance. The loans shall be repaid from all dividends received in respect of the Incentive Shares and at the discretion of the company at least 50% of all after tax profit share bonuses received by the executive under the terms of his or her employment with the company or which are paid to him or her ex-gratia by the company or related bodies corporate. The loans must be repaid in full no later than 1 month after a Termination Event. The loans are repayable on demand if an Event of Default occurs.

The Share Mortgages will remain in force over all allotted Incentive Shares notwithstanding the partial repayment of the Loan. The company will release the Share Mortgages once the loans have been repaid in full. The company's right to recover the loans is limited to the amount it will receive on realisation of its security under the Share Mortgages. The company will pay any stamp duty payable in respect of the Share Mortgages.

Incentive Shares will be in certificated form during the Restriction Period and during the period of the Share Mortgages the Shares will be the subject of share certificates and will not be tradeable through the system operated by the ASX Settlement and Transfer Corporation Pty Ltd. The company will hold the share certificates. These measures are aimed at protecting the company's security over the Shares.

See Note 10(b) for details of loans in relation to the Share Incentive Plans.

	<b>CONSOLIDATED GROUP</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>6. AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the consolidated group		
Crowe Horwath Perth		
Auditing or reviewing the financial report <sup>1</sup>	40	35
Other regulatory audit services	-	-
	<u>40</u>	<u>35</u>
Non-Audit Services	-	-
	<u>-</u>	<u>-</u>

<sup>1</sup> 2011 Includes \$5,000 of additional fees relating to the 2010 audit

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**CONSOLIDATED GROUP**  
**2011**            **2010**  
**\$000**            **\$000**

**7. DIVIDENDS**

No dividends have been declared or paid in respect of the financial year ended 30 June 2011 (2010: nil).

Franking account:

The balance of the franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years

	328	328
--	-----	-----

**8. EARNINGS PER SHARE**

- (a) Reconciliation of earnings to profit or loss  
Profit/(loss)  
Earnings used to calculate basic and dilutive EPS

	1,482	2,123
	1,482	2,123

	<b>Number</b>	<b>Number</b>
--	---------------	---------------

- (b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS  
Weighted average number of options outstanding during the year used in the calculation of dilutive EPS  
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS

	48,507,841	47,324,572
	291,395	-
	48,799,236	47,324,572

- (c) Basic Earnings Per Share  
Diluted Earnings Per Share

	3.06	4.49
	3.03	4.49

All options outstanding at 30 June 2011 are considered dilutive.

**9. CASH AND CASH EQUIVALENTS**

Cash at bank and in hand

	<b>2011</b>	<b>2010</b>
	2,731	2,098
	2,731	2,098

*Reconciliation of Cash*

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents

	2,731	2,098
	2,731	2,098

The Commonwealth Bank holds performance guarantees relating to the rental of the Melbourne office premises to the value of \$22,821 (2010: \$22,821). This amount is held on term deposit with the bank and appears in the Statement of Financial Position under Other Current Assets.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	<i>Note</i>	<b>CONSOLIDATED GROUP</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$000</b>	<b>\$000</b>
<b>10. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Term debtors	10(a)	15	21
Trade debtors	28(b)	1,100	1,866
Loan to VDPF Syndicate		500	-
Other debtors		1,645	738
Less provision for doubtful debts		(140)	(139)
		<u>1,505</u>	<u>599</u>
		<u>3,120</u>	<u>2,486</u>
<b>Non Current</b>			
Term debtors	10(a)	395	395
Less provision for doubtful debts		(65)	(120)
		<u>330</u>	<u>275</u>
Trade debtors	28(b)	94	1,429
Loan to VDPF Syndicate		810	-
Other debtors		87	95
key management personnel	10(b)	49	40
		<u>1,370</u>	<u>1,839</u>

Movements in the provision for impairment of receivables are as follows:

Opening Balance	259	120
Release of provision for impairment during the year	(54)	-
Receivables written off during the year	-	139
Closing Balance	<u>205</u>	<u>259</u>

**Refer to note 28 for an aging analysis of trade and other receivables.**

**(a) Term Debtors**

To secure these debtors, a charge is held over the underlying assets. Where collection of the debtor is doubtful and the assessed value of the assets is less than the amount outstanding, a provision for doubtful debt is recognised for the shortfall. Interest rates are fixed at the time of entering into the contract and are 10% per annum (2010: 10%).

**(b) Loan to VDPF Syndicate**

During the year Viento Group Ltd entered into a loan agreement with the Viento Diversified Property Fund to allow the Fund to repay to Viento Property Ltd long overdue rollover fees. Therefore \$1.3 million of trade debtors are now included in the Loan to VDPF Syndicate in the parent entity. At balance date these receivables have been discounted by \$90,464.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**10. TRADE AND OTHER RECEIVABLES (cont)**

**(b) Key Management Personnel Loans**

	Balance at Beginning of Year \$000	Balance at End of Year \$000	Interest Charged \$000	Interest not Charged \$000	Provision for Impairment \$000	Number of Individuals
<b>Key Management Personnel</b>						
2011	40	49	-	2	-	1
2010	36	40	-	2	-	1

Loans were provided to key management personnel for the sole purpose of acquiring ordinary shares in Viento Group Limited at \$0.35 each pursuant to share incentive plans approved by shareholders at a general meetings held on 22 December 2004 and 29 November 2005.

The loans are interest free and are for a period of 7 years from the date of the first advance. The loans are secured by a share mortgage in favour of the company over the shares. Recourse for the loans is limited to the proceeds from sale of the secured shares. Provision for impairment relates to the reduced available proceeds available to repay the loans from the on market sale of the shares in Viento Group Ltd (ASX code:VIE).

No repayments were made in the current year. The movement in loan balances reflects the change in value of the security which the Group holds over the loans.

At no stage during the year did any one individual have a loan in excess of \$100,000. Interest not charged was calculated at the rate of 6% (2010: 6%).

**11. INTEREST IN JOINT VENTURES**

**(a) Interest in Joint Ventures**

A controlled entity, Constance Range Pty Ltd (CRPL), is in joint venture with Kimberley Metals Ltd (KML) to develop the Constance Range iron ore deposits (the Project). Under the joint venture agreement, KML had a right to earn 30% equity in the Project by completing a pre-feasibility study. Under a supplementary agreement, dated 1 April 2008, KML completed the earning of its 30% equity by paying \$250,000 in cash to CRPL. KML may elect to earn an additional 20% equity in the Project by completing a bankable feasibility study with a proposed budget of \$5 million. Unless, and until, KML elects to earn an additional 20% equity in the Project both parties will contribute to development and construction costs on a pro rata basis. On 30 May 2010 KML waived its right to earn the additional 20% joint venture interest. Viento Group Limited continues to hold a 70% share of CRPL.

The Directors have recommended a dividend for the 2012 Financial Year in the form of a distribution of one share in Constance Range Limited for every share held in Viento. The whole of the equity of Constance Range Pty Ltd will be distributed to Viento shareholders on a 1 for 1 basis in the 2012 financial year.

**(b) Interest in Joint Venture Entities**

The consolidated group has a 10% interest (2010: 10%) in the Cudgen Joint Venture, whose principal activity is to rezone and subsequently develop approximately 40 hectares of land into residential lots in Kingscliff, New South Wales. In February 2009 a recapitalisation agreement was entered into whereby loans made to the venture by existing parties were converted to capital and new investors contributed an additional \$3.836m in return for an 80% interest. During 2011 the Group did not contribute anything to the joint venture and as such there has been no movement in the balance. The interest is considered recoverable and no provision for impairment has been made.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. FINANCIAL ASSETS**

**CONSOLIDATED GROUP**

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Current Financial Assets Available for Sale	1,865	154
Non Current Financial Assets Available for Sale	569	569
Total Financial Assets Available for Sale	<u>2,434</u>	<u>723</u>

**Available for sale financial assets comprise:**

Listed investments, at fair value		
- shares in listed corporations	32	41
Unlisted investments, at fair value		
- units in property syndicates	113	113
- units in Kingscliff land unit trust	89	89
- interest in Cudgen Joint Venture	480	480
- investment in Constance Range Exploration Project	1,720	-
	<u>2,434</u>	<u>723</u>

Available for sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

**Impairment Losses**

During the year the only negative movement in the above available for sale financial assets were for the revaluation of the listed company investment of (\$9,000) (2010: (\$46,000)) which is included in other comprehensive income.

**Revaluation of Constance Range's investment in the Constance Range Iron Ore Exploration Project**

During the year the asset was 'fair valued through the profit and loss' based on the results of an external valuation received and the likely distribution of the Constance Range Pty Ltd in the form of a one for one dividend to shareholders.

The valuation was prepared by Al Maynard and Associates Pty Ltd Consulting Geologists. The valuation is based on the 'current cash value' of Constance Range Pty Ltd a 100% owned subsidiary of Viento Group Ltd. The valuation has been prepared in accordance with the requirements of the Valmin code (1997) and updated version (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

**13. OTHER ASSETS**

**CONSOLIDATED GROUP**

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Other Current Assets</b>		
Prepayments	194	176
Security deposits	27	27
	<u>221</u>	<u>203</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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14. CONTROLLED ENTITIES	Country of Incorporation	Percentage Owned (%)	
		2011	2010
(a) <b>Controlled Entities</b>			
<b>Parent Entity</b>			
Viento Group Limited	Aust		
<b>Subsidiaries of Viento Group Limited</b>			
Constance Range Pty Ltd	Aust	100	100
QTIF Pty Ltd	Aust	100	100
Viento Property Services Pty Ltd	Aust	100	100
Viento Finance Pty Ltd	Aust	100	100
Viento Forestry Pty Ltd	Aust	100	100
Viento Property Limited	Aust	100	100
Viento Global Properties Pty Ltd	Aust	100	100
Convex Alternative Strategies Pty Ltd	Aust	100	100

All entities have a financial year end of 30 June 2011.

15. PLANT AND EQUIPMENT	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
Plant and equipment at cost	370	377
Accumulated depreciation	(248)	(204)
Total plant and equipment	<u>122</u>	<u>173</u>

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

Balance at the beginning of the year	173	242
Additions	7	18
Disposals	-	-
Depreciation expense	(58)	(87)
Carrying amount at the end of the year	<u>122</u>	<u>173</u>

**16. BIOLOGICAL ASSETS**

At net market value:

Opening balance	1,985	1,725
Acquisitions	-	-
Maintenance, rent and insurance	171	153
Market value increment/(decrement)	(204)	107
Closing balance	<u>1,952</u>	<u>1,985</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**16. BIOLOGICAL ASSETS (cont)**

(a) Nature of Asset

The company maintains ownership of Eucalyptus Globulus trees growing on 370 hectares (2010: 370 hectares) on Kangaroo Island, South Australia.

Plantation values are not static. Trees are capable of biological growth and will change in value over time as the trees mature. They will also change in value as woodchip prices change or if growth or health of plantation trees are affected by various agricultural risks such as drought, fire and pest damage.

The net market value of the asset has been determined in accordance with an independent valuation carried out on 19 August 2011 by Mr David Geddes, BSc (For), AQIMM, MACFA, CPMgr, of Geddes Management Pty Ltd.

(b) Acquisitions

There were no acquisitions during the year (2010, zero).

(c) Assumptions

Significant assumptions made in determining the net market value of the plantation timber include:

- (i) the discount rate used in the valuation was 9.1% (2010: 9.4%);
- (ii) the inflation rate for Australia used was 3.3% (2010: 3.1%) and the risk free rate of return was 5.75% (2010: 5.75%);
- (iii) the valuation was conducted on a pre tax basis; and
- (iv) it has been assumed that an export facility will be constructed on Kangaroo Island prior to the scheduled harvest in 2015 (2009: 2015).
- (v) Development of an export facility prior to the scheduled harvest date.

(d) Other Risks

**i) Without the development of an export facility the value of the trees is negligible.**

- ii) Maintenance of projected growth rates until time of harvest – any period of projected drought can adversely impact on growth rates.
- iii) Achievement of woodchip prices – blue gum woodchip prices have been maintained in the last three years when many other commodities exported from Australia have significantly dropped in price as a result of global economic turmoil. However, in this period, in real terms, the price has been eroded by inflation. An oversupply of woodchip from Australia in the next few years could adversely impact prices.
- iv) Interest rates, inflation rates and bond rates all impact the discount rate used in valuation calculations. Any increase in the discount rate will adversely impact future tree values.
- v) Harvesting and port handling costs – any increase in these costs will reduce future tree values.

(e) Other Information

There are an estimated 17,500 hectares of plantations of both Tasmanian Blue Gums (14,000) and pine (3,500).

Over the period since the company first planted Tasmanian blue gums on the island annual growth has been in the range of 15 to 22 mean annual increment per cubic metre representing a commercially sustainable growth rate.

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	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>17. INTANGIBLE ASSETS</b>		
<b>Goodwill</b>		
Goodwill at cost	2,182	2,182
Accumulated impaired losses	(2,182)	(2,182)
Net carrying value	<u>-</u>	<u>-</u>
<b>Trademarks</b>		
Trademarks at cost	14	14
Accumulated impaired losses	-	-
Net carrying value	<u>14</u>	<u>14</u>
<b>Total Intangibles</b>	<u>14</u>	<u>14</u>

**Movements in carrying amounts**

*Goodwill - none*

*Trademarks- none*

Trademarks have an indefinite life and are being carried at net book value. As the trademark is the name "Viento" it is envisaged it will be used indefinitely in association with the investment products and services that are offered by the consolidated group.

	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>18. TRADE &amp; OTHER PAYABLES</b>		
<b>Current</b>		
Trade creditors	411	244
Sundry creditors and accruals	285	319
	<u>696</u>	<u>563</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>19. TAX</b>		
<b>(a) Assets</b>		
NON-CURRENT		
Deferred tax assets comprises:		
Provisions	123	134
Impairment of assets	587	542
Future income tax benefits of losses	2,226	1,994
Other	120	128
Write off DTA to Statement of Comprehensive Income	-	-
	3,056	2,798
Movements in deferred tax assets:		
Opening balance	2,798	-
Credited/(Charged) to Statement of Comprehensive Income	242	2,694
Current year – (charge)/credit to equity	16	104
Write off DTA to Statement of Comprehensive Income	-	-
Closing balance	3,056	2,798
<b>(b) Liabilities</b>		
NON-CURRENT		
Deferred tax liabilities comprise:		
Tax allowances relating to property, plant & equipment	-	-
Fair value gain adjustments	-	-
Other	-	-
Reinstatement/(Write off) DTL to Statement of Comprehensive Income	674	595
	674	595
Movements in deferred tax liabilities:		
Opening balance	595	-
Current year - charge/(credit) to Statement of Comprehensive Income	79	595
Current year – charge/(credit) to equity	-	-
Write off DTL to Statement of Comprehensive Income	-	-
Closing balance	674	595

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>20. PROVISIONS</b>		
<b>Analysis of Total Provisions</b>		
Current Provision for Valuations	10	11
Current Employee Benefits – Annual Leave	48	38
Total Current Provisions	<u>58</u>	<u>49</u>
Non-Current Employee Benefits – Long Service Leave	6	9
	<u>64</u>	<u>58</u>
<b>Provision for Valuation</b>		
Amount at the start of the year	11	-
Amount charged to the provision as an expense	11	11
Amount of provision utilised during the year	(12)	-
Closing balance of the provision	<u>10</u>	<u>11</u>
<b>Employee Benefits Current – Annual Leave</b>		
Amount at the start of the year	38	32
Amount charged to the provision as an expense	79	65
Amount of provision utilised during the year	(69)	(59)
Closing balance of the provision	<u>48</u>	<u>38</u>
<b>Employee Benefits Non Current – Long Service Leave</b>		
Amount at the start of the year	9	11
Amount charged to the provision as an expense	(3)	(2)
Amount of provision utilised during the year	-	-
Closing balance of the provision	<u>6</u>	<u>9</u>
	<u>64</u>	<u>58</u>

	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>21. OTHER LIABILITIES</b>		
<b>Current</b>		
Unearned income	<u>25</u>	<u>56</u>

Unearned income relates to an annual management fee received upfront which is recognised on a straight line basis over the course of the year.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>22. ISSUED CAPITAL</b>		
Ordinary shares on issue 1 July	19,231	19,231
Shares issued for cash	956	-
Shares based payment	85	-
Exercise of share options	9	-
Shares cancelled	(45)	-
Shares on issue at 30 June	20,236	19,231

Refer to note 8 Earnings per share for details about the number of shares outstanding.  
The company does not have authorised capital or par value in respect of its issued shares.

**(a) Ordinary shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

At 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.

During the year the number of shares outstanding changed as a result of several transactions including the net \$953,550 share placement to Hanscon Holdings Pty Ltd, \$85,500 shares issued as remuneration to Gresham Partners Pty and the \$45,000 cancellation of shares held on escrow for a former employee for non-payment of their share loan.

**(b) Partly Paid Shares**

There were no partly paid shares outstanding at any time during the year.

**(c) Options**

- (i) For information relating to any share options issued to key management personnel during the financial year and the options outstanding at year-end, refer to Note 29.
- (ii) For information relating to options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 29.

**23. RESERVES**

**Share Based Payment Reserve**

The share based payment reserve records items in relation to the valuation of employee shares and share options.

**Financial Assets Reserve**

The financial assets reserve records revaluations of financial assets and some deferred tax.

All movements and balances are disclosed in the statement in changes in equity on page 29.  
These movements are also included in the Statement of comprehensive income on page 27.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**CONSOLIDATED GROUP**  
**2011**      **2010**  
**\$000**      **\$000**

**24. CAPITAL AND LEASING COMMITMENTS**

**Operating lease commitments**

Non cancellable operating leases contracted for but not provided in the financial statements

Payable:

- not later than 12 months	240	314
- between 12 months and 5 years	326	549
- greater than 5 years	-	-
	566	863

The operating lease commitments relate predominately to the rental of office properties.

The Brisbane office lease is for a period of 5 years 8 months commencing on 1 January 2008 finishing 1 September 2013, this office is no longer used by Viento and has been subleased at arms length to a third party. The sublease expired on 1 July 2011. The Melbourne office lease has expired and we are currently renegotiating new lease terms.

In September 2011 we negotiated the assignment of the sublease at Riparian Plaza Brisbane to an unrelated third party in exchange for a one off payment of \$144,000 being the fair value of the difference between market rental and the existing terms. This assignment reduces the total commitments shown above by \$455,000 (or \$311,000 net of the payment itself).

**25. CONTINGENT LIABILITIES**

Estimates of the potential financial effect of contingent liabilities that may become payable:

The Commonwealth Bank holds performance guarantees relating to the rental of the Melbourne office premises to the value of \$22,821 (2010: \$22,821). The company has provided a deposit of \$22,821 to the Bank as security in relation to the guarantee. The National Australia bank holds a performance guarantee relating to the rent of the Brisbane office premises to the value of \$108,817 (2010: \$108,817).

**CONSOLIDATED GROUP**  
**2011**      **2010**  
**\$000**      **\$000**

**26. CASH FLOW INFORMATION**

**(a) Reconciliation of Cash Flow from Operations with the Profit/(Loss) after Income Tax**

Profit/(loss) after income tax	1,482	2,123
Non-cash flows in profit		
Gain on revaluation on Constance Range	(1,720)	-
Loss/(Gain) on revaluation of assets	150	(107)
Depreciation	58	78
Impairment release	(43)	(9)
Doubtful debts	(54)	115
Employee benefits expense	31	(15)
Write down of receivable due in greater than 1 year	25	(145)
Changes in Assets and Liabilities		
(Increase) / decrease in receivables and other assets	224	(604)
Increase / (decrease) in payables and provisions	201	(151)
Increase / (decrease) in income tax balances	(163)	(2,099)
Cash flows from operations	191	(814)

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**27. RELATED PARTIES**

**(a) Parent entity**

The parent entity within the Group is Viento Group Limited.

**(b) Key management personnel**

Disclosures relating to key management personnel remuneration and loan arrangements are set out in the Remuneration Report, Note 5 and Note 10(b).

Other transactions with key management personnel include:

Aggregate amounts of each of the transactions with key management personnel are as follows:

	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>Amounts recognised as revenue or expense:</b>		
- Consultancy fee expense	-	3

**(c) Associated entities**

During the year the group advanced money to two property syndicates to help them with short term financing. The interest rate charged was the same as the CDA bank account interest rate and therefore covered the opportunity cost of funds only. The group also advanced money to the VDPF at below independently advised interested rates.

	CONSOLIDATED GROUP	
	2011	2010
	\$000	\$000
<b>Loans to associated entities:</b>		
Balance as at beginning of period	-	-
Loans advanced	3,157	323
Loan repayments received*	(1,483)	(323)
	1,674	-
<b>Amounts recognised as revenue or expense:</b>		
- Interest revenue**	211	1

\*Loan repayments received included amounts owing from the VDPF long term debtors and these amounts are included under operating cash flows in the Statement of Cash Flows. The balance of loans to associated entities are included within the balances in note 10 receivables.

\*\*Interest revenue is accrued or invoiced to 30 June 2011 and is included in the balance sheet as debtors/accrued income respectively.

**d) Balance and terms of loans to associated entities**

Related Party	2011	2010	Applicable
	\$000	\$000	Interest rate
Viento Diversified Property Fund	1,310	-	9.00%
Southern River Property Syndicate	300	-	4.65%
Henley Brook Property Syndicate	64	-	4.65%
	1,674	-	

All amounts are owing to the parent entity Viento Group Ltd and are unsecured. The VDPF loan is a long term loan and the interest rate charged is based on independent advice. The Syndicate loans are provided to meet short term financing requirements and the CBA CDA interest rate is charged.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**28. FINANCIAL RISK MANAGEMENT**

**(a) Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for Group operations. Derivatives are not used by the Group.

**a. Treasury Risk Management**

Senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

**b. Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are liquidity risk and credit risk. There is no interest rate risk as the group is debt free.

*Liquidity Risk*

The Group's main liquidity risks arise on cash and receivables balances that must be maintained under Australian Financial Services Licence requirements. As at balance date, liquidity of \$1,081,091 was restricted based on 0.5% of funds under management.

The Group manages liquidity risk by monitoring forecast cash flows, restructuring financial arrangements and ensuring that adequate cash is available to meet its obligations.

*Credit Risk*

At balance date the maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Group's principal exposure to financial instruments relates to receivables (mainly fees and recoverable expenses) from funds managed by Viento Property Limited. Valuations of property assets are provided to the Group every six months which currently show adequate net assets to be able to settle their debts.

**c. Capital Management**

Management controls the capital of the group primarily to operate and grow a funds management business. This includes compliance with Australian Financial Services Licence requirements and ensures the group can fund its operations and continue as a going concern. Management looks to realise investments and release capital to achieve these aims.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

All cash at bank and short term deposits of the Group are held with banks rated AA by Standard and Poor.

**(b) Financial Instruments**

**(i) Financial Instrument Composition and Maturity Analysis**

The tables on the following pages reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**28. FINANCIAL RISK MANAGEMENT (cont)**

Consolidated Group	Weighted Average Effective Interest		Fixed Interest Rate Maturing						Floating Interest		Non-interest bearing		Total	
	Rate		Within 1 Year		1 to 5 Years		Over 5 Years		Rate					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>														
Cash and cash equivalents	3.9%	2.8%	-	-	-	-	-	-	2,731	2,098	-	-	2,731	2,098
Receivables	4.22%	9.75%	15	21	1,743	430	-	-	364	16	2,430	3,982	4,552	4,449
Investments	-	-	-	-	-	-	-	-	-	-	2,434	723	2,434	723
Biological Assets	-	-	-	-	-	-	-	-	-	-	1,952	1,985	1,952	1,985
Security deposits	4.7%	4.4%	27	27	-	-	-	-	-	-	-	-	27	27
<b>Total Financial Assets</b>			<b>42</b>	<b>48</b>	<b>1,743</b>	<b>430</b>	<b>-</b>	<b>-</b>	<b>3,095</b>	<b>2,114</b>	<b>6,816</b>	<b>6,690</b>	<b>11,696</b>	<b>9,282</b>
<b>Financial liabilities</b>														
Trade and sundry payables	0.0%	0.0%	-	-	-	-	-	-	-	-	696	563	696	563
Other loans	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>696</b>	<b>563</b>	<b>696</b>	<b>563</b>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
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**28. FINANCIAL RISK MANAGEMENT (cont)**

	2011				2010			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>								
Listed Investments - shares in listed corporations	32	-	-	32	41	-	-	41
Unlisted investments, at fair value- units in property syndicates	-	113	-	113	-	113	-	113
Unlisted investments, at fair value- - units in unlisted trust	-	-	89	89	-	-	89	89
Unlisted investments, at fair value- - interest in associates	-	-	2,200	2,200	-	-	480	480
	<u>32</u>	<u>113</u>	<u>2,289</u>	<u>2,434</u>	<u>41</u>	<u>113</u>	<u>569</u>	<u>723</u>

Included within level 1 hierarchy are listed investments which are valued based on the share price at reporting date.

Included within level 2 hierarchy are units in an unlisted property trust managed by Viento Property Limited, a wholly owned subsidiary of Viento Group. These valuations are based on the historic transaction value. No impairment is considered to exist and they have not been revalued as the units can not be redeemed until the completion of the syndicate.

Other than the investment in Constance Range Iron Ore Exploration project "the project" which has been fair valued to \$1,720,000 from \$0, Level 3 assets are carried at the value implied by their most recent transaction value. The project is carried at fair value based on a valuation received during 2011. They have been considered for impairment and none has been found to exist based on a combination of techniques including comparisons of recent similar asset sales, historic and recent external valuations as well as negotiations taking place at the date of this report.

**Trade Debtors**

Trade debtors are non-interest bearing and are generally on 30 to 60 day terms. No provision for impairment loss has been recognised on trade debtors at balance date as management are satisfied that payment will be received in full.

However, non current trade debtors are discounted to present value at 9% pa interest based on the risk specific to this asset class which is the interest rate charged to long overdue debtors. During the year the discount was increased from \$65,987 at June 2010 to \$90,464 at June 2011 with the \$24,477 charge allocated to the statement of comprehensive income as interest expense in the finance expense line.

The ageing analysis of trade debtors is as follows:

	Note	CONSOLIDATED GROUP	
		2011 \$000	2010 \$000
The ageing analysis of trade debtors is as follows:			
0 – 30 days		36	302
31 – 60 days		18	372
61 – 90 days *		246	320
91 days + *		894	2,301
Trade Debtors	10	<u>1,194</u>	<u>3,295</u>

\* considered past due but not impaired

Trade and sundry payables are expected to be paid as follows:

Less than 6 months	696	563
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>696</u>	<u>563</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**28. FINANCIAL RISK MANAGEMENT (cont.)**

**(ii) Net Fair Values**

The fair values of the Group's financial assets and liabilities are materially in line with their carrying values.

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at balance date.

The fair values of financial instruments that are not traded in an active market (for example, investments in unlisted trusts) are determined using valuation techniques. The Group uses a combination of discounted cash flows, recent sales prices and cost to determine value.

**(iii) Sensitivity Analysis – Interest Rate Risk**

At balance date, if interest rates had changed by +/- 100 basis points from the year end rates, the Group's profit after tax and equity would have been impacted as follows:

	<b>CONSOLIDATED GROUP</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Change in profit after tax		
- Increase in interest rate by 1%	49	25
- Decrease in interest rate by 1%	(49)	(25)
Change in equity		
- Increase in interest rate by 1%	49	25
- Decrease in interest rate by 1%	(49)	(25)

**29. SHARE BASED PAYMENTS**

On 26 August 2010, 270,000 share options were granted to employees, in one tranche of 270,000 options. The exercise price of these options is \$0.125 and they are exercisable between 26 August 2010 and 26 August 2013. The options were granted to six employees, for no consideration.

All options granted to key management personnel are over ordinary shares in Viento Group Limited, which confer a right of one ordinary share for every option held.

During the year the company engaged Gresham Advisory Partners as an external consultant in exchange for 500,000 fully paid shares in lieu of cash payment. At issue date the share price of 17 cents corresponds to an expense in the Statement of Comprehensive Income and movement in share capital of \$87,500.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**29. SHARE BASED PAYMENTS (cont)**

	Consolidated Group			
	2011	2010	2011	2010
	Numb er of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Options outstanding at beginning of the year	700,000	0.87	900,000	0.40
Granted	270,000	0.125	140,000	0.10
Cancelled	-	-	(340,000)	1.00
Exercised	(80,000)	0.106	-	-
Expired	(640,000)	0.944	-	-
Outstanding at year-end	250,000	0.125	700,000	0.87
Exercisable at year-end	250,000	0.125	600,000	1.00

The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.125 and a weighted average remaining contractual life of 2.25 years. Exercise price of all options outstanding at 30 June 2011 was \$0.125.

Refer to Note 5 for details of options issued to key management personnel.

The weighted average fair value of options granted during the year was \$0.054. The fair value was calculated using a Black-Scholes option pricing model applying the following inputs.

Weighted average exercise price \$0.125

Weighted average life of the option 3 years

Underlying share price \$0.11

Expected share price volatility 100%

Risk free interest rate 4.35%.

**30. PARENT ENTITY DISCLOSURES**

	2011	2010
	\$000	\$000
Current Assets	2,315	1,949
Total Assets	10,205	9,824
Current Liabilities	502	409
Total Liabilities	3,614	4,488
Total Shareholders Equity	6,591	5,336
<i>Includes Share Based Payment Reserve</i>	1,390	1,370
<i>Includes Financial Asset Reserve</i>	(18)	(25)
Profit/(Loss) for the year	218	569
Total comprehensive income (loss) for the year	245	592

Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries - nil

Details of any contingent liabilities - nil

Details of any contractual commitments for the acquisition of property, plant or equipment - nil

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
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**31. AFTER BALANCE DATE EVENTS**

On the 6<sup>th</sup> of July the Takeovers Panel declined to make a declaration of unacceptable circumstances in response to an application lodged by Mariner Corporation Ltd corporate.

On the 29<sup>th</sup> of July Mariner announced a highly conditional takeover bid for Viento Group at 17 cents per share. conditional on 90% acceptance. On the 1<sup>st</sup> of September Mariner's takeover bid was withdrawn on the basis that one key condition of 90% acceptance was considered unlikely. As Mariner would have known this from the start Viento is considering legal action against Mariner and its directors.

During September we negotiated the assignment of the sublease at Riparian Plaza Brisbane to an unrelated third party in exchange for a one off payment of \$144,000 being the fair value of the difference between market rental and the existing terms. This assignment releases us from \$490,000 of future obligations.

Subsequent to year end the directors have recommended a dividend for the 2012 Financial Year in the form of a distribution of one share in Constance Range Pty Limited for every share held in Viento. The carrying amount of the Constance Range asset to be distributed is \$1,720,000 being the independent valuation report received for this asset and brought to account at 30 June 2011.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in future financial years.

**NOTE 32 – ECONOMIC DEPENDENCY**

The Group is dependent upon the management fee income from six property syndicates for its continued existence and ability to carry out its normal activities. These syndicates are Viento Diversified Property Fund (VDPF), Henley Brook Syndicate, Southern River Syndicate, Metro Property Syndicate, Premiere Property Syndicate and New Enterprise Property Syndicate.

Under their Constitutions, the following Syndicates will be terminated in the 2011/12 financial year: Metro Property Syndicate (October 2011) and New Enterprise Property Syndicate (June 2012). In addition, the Premiere Property Syndicate expired in May 2011. Consequently the management fee income earned by the Group from these Syndicates will cease during the next financial year. The remaining Syndicates will expire in financial years subsequent to 2011/12.

During the year ended 30 June 2011, one of the Syndicates, VDPF, recognised a \$5.2m liability payable to the Victorian State Revenue Office for stamp duty, penalties and interest. The stamp duty assessment is in relation to the acquisition of units in the First Enterprise, V3 and 925 Property Syndicates in 2008. The Group disputes the entire amount of the assessment and lodged a notice of objection to the assessment on 27 April 2011. In addition to the \$5.2m of stamp duty payable, the VDPF also raised a provision for stamp duty, penalties and interest payable in the amount of \$1,536,637. It should be noted that the audited financial statements for VDPF for the year ended 30 June 2011 contained disclosures regarding the ability of VDPF to continue as a going concern, should the stamp duty liability be due and payable. In addition, the independent auditors report on the VDPF 30 June 2011 financial statements included an emphasis of matter paragraph in relation this issue.

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' DECLARATION

1. In the opinion of the directors of Viento Group Limited:
  - a) the financial statements and notes, as set out on pages 27 to 63 are in accordance with the Corporations Act 2001 including:
    - i) give a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
    - ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
  - b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.
  - c) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the Corporations Regulations 2001.
  - d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  
2. The directors have been given the declarations by the Executive Chairman and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



**R C NICHEVICH**  
Director

Dated this 30<sup>th</sup> day of September 2011

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Report □

We have audited the accompanying financial report of Viento Group Limited and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements and notes comply with International Financial Reporting Standards. □

#### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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.

#### *Independence*

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

#### *Basis for Qualified Opinion*

During the financial year, the parent entity's wholly owned subsidiary Constance Range Pty Ltd was subject to an independent valuation. Constance Range Pty Ltd owns a 70% interest in the Constance Range Iron Ore Exploration Project (CRIOEP). Viento Group Limited (the parent entity) obtained an independent valuation of Constance Range Pty Ltd of \$1.72m as a stand-alone company, based on its 70% interest in CRIOEP.

The parent entity's intention is to distribute its investment in Constance Range Pty Ltd to its shareholders via an in-specie distribution.

The parent entity has restated Constance Range Pty Ltd's investment in CRIOEP to fair value, based on the independent valuation and on the basis that the investment in CRIOEP is a financial asset valued at fair value through the profit & loss, in accordance with *AASB 139 – Financial Instruments: Recognition and Measurement*. In the stand-alone parent entity financial statements, the investment in the equity of Constance Range Pty Ltd would be treated as a financial asset. Similarly, the investment held by Constance Range Pty Ltd in the equity of CRIOEP would be a financial asset. On the application of *AASB 127 – Consolidated and Separate Financial Statements*, the relevant financial assets would have been eliminated on consolidation.

Constance Range Pty Ltd's investment in CRIOEP is considered to be a jointly controlled asset under *AASB 131 – Interests in Joint Ventures*, which requires to be accounted for on a proportionate consolidation basis. The material assets held by CRIOEP are its mineral interests in Constance Range, North Queensland. These interests are therefore required to be accounted for under *AASB 6 – Exploration for and Evaluation of Mineral Resources*.

AASB 6 permits the use of either the cost or revaluation model subsequent to initial recognition. If the revaluation model is applied it needs to be consistent with the classification of the assets. The CRIOEP is in the nature of an intangible asset. As such, the revaluation model required to be used would be the model that applies under *AASB 138 – Intangibles*. For the purpose of AASB 138, the revaluation model should only be used when an active market exists. This is not the case for exploration and evaluation costs. Accordingly, we believe that Constance Range Pty Ltd should apply the cost model under AASB 6. As a result, the current accounting treatment adopted by the consolidated entity is a departure from Australian Accounting Standards.

Had the requirements under AASB 127 been correctly applied as well as the cost model under AASB 6, the revenue, profit before income tax, net assets and equity of the consolidated entity would have reduced by \$1.72m.

#### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2011. The directors of the consolidated entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act

2011. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of the consolidated entity for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.



CROWE HORWATH PERTH



CYRUS PATELL  
Partner

Signed at Perth, 30 September 2011

**VIENTO GROUP LIMITED (ABN 79 000 714 054) & CONTROLLED ENTITIES**  
**SHAREHOLDER INFORMATION**  
**AS AT 26 September 2011**

The following additional information is provided in accordance with the listing rules.

**Distribution of Shareholdings**

Range	Number of Holders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	275	81,785	0.15
1001 – 5,000	230	560,699	1.03
5,001 – 10,000	86	617,793	1.14
10,001 – 100,000	136	4,575,648	8.41
More than 100,001	35	48,568,647	89.27
Total	762	54,404,572	100.00

**Unmarketable Parcels**

The number of shareholders holding less than a marketable parcel is 470.

**Twenty Largest Shareholders**

Shareholder	Shares Held	% of Issued Capital
Koy Pty Ltd / Deluge Holdings Pty Ltd	10,860,000	19.96%
Timebuild Pty Ltd / Delta Ace Pty Ltd / Indian Ocean Capital (WA) Pty Ltd	9,638,410	17.72%
Hanscon Holdings Pty Ltd	6,500,000	11.95%
Mariner Corp Ltd	4,839,615	8.90%
Vernon Finance Ltd	3,511,250	6.45%
Moat Investments Pty Ltd	2,987,568	5.49%
JP Morgan Nominees Australia Ltd	2,136,170	3.93%
McMullin Nominees Pty Ltd	1,066,447	1.96%
Ihop Pty Ltd	844,115	1.55%
Castle Partners Pty Ltd	790,755	1.45%
Gresham Partners Capital Ltd	500,000	0.92%
Owen Stuart Lennie	360,000	0.66%
John E Gill Trading Pty Ltd	343,250	0.63%
Liliana Teofilova	340,467	0.63%
HSBC Custody Nominees	339,711	0.62%
Qld Technology Innovation Fund Pty Ltd	319,566	0.59%
Atheling Pty Ltd	310,400	0.57%
Mr Malcolm Brian Kemp & Mrs Suzanne Marie Kemp	300,426	0.55%
Dene Brentnall	280,000	0.51%
Alessandro T Gambotto	252,624	0.46%
<b>Top 20 holders of fully paid shares (grouped)</b>	<b>46,520,774</b>	<b>85.51%</b>

**VIENTO GROUP LIMITED (ABN 79 000 714 054) & CONTROLLED ENTITIES**  
**SHAREHOLDER INFORMATION**  
**AS AT 26 September 2011**

**Substantial Shareholders**

<b>Holder</b>	<b>Number of Ordinary Shares</b>	<b>% of Issued Capital</b>
Koy Pty Ltd / Deluge Holdings Pty Ltd	10,860,000	19.96
Timebuild Pty Ltd / Delta Ace Pty Ltd / Indian Ocean Capital (WA) Pty Ltd	9,638,410	17.72
Hanscon Holdings Pty Ltd	6,500,000	11.95
Mariner Corporation Ltd	4,839,615	8.90
Vernon Finance Ltd	3,453,500	6.35
Moat Investment Pty Ltd <Moat Investment A/C>	2,987,586	5.49

**Voting Rights**

Ordinary fully paid shares: On a show of hands every member present in person or by proxy shall have one vote and on a poll each share shall have one vote.

Options: No voting rights attach to the options.

**UNQUOTED SECURITIES**

**Options**

A total of 540,000 unlisted options are on issue. The tranches of unlisted options are as follows:

<b>Exercise Date</b>	<b>Exercise Price</b>	<b>Number of Options</b>	<b>Option Holder</b>
29-Sep-2013	\$0.125	190,000	Viento Employees
30-Jun-2014	\$0.150	350,000	Viento Employees