

**Viento Group Limited**

ABN 79 000 714 054

**Financial Report  
for the year ended  
30 June 2010**

## **COMPANY INFORMATION**

### **DIRECTORS**

R C Nichevich – Executive Chairman  
R E King – Non-Executive Director  
G Young – Non-Executive Director

### **COMPANY SECRETARY**

D R Wright

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### **AUDITOR**

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Perth WA 6000  
Telephone: +61 8 9481 1448

### **BANKERS**

Commonwealth Bank of Australia  
1254 Hay Street  
West Perth WA 6005

National Australia Bank  
330 Collins Street  
Melbourne VIC 3000

### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
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Applecross WA 6153  
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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 \$240 million in assets under management and a nine year track record in property syndication and funds management.

The company is focused entirely on direct property in the property funds management industry. Viento manages closed end fixed term syndicates and open ended property funds holding commercial property as well as syndicates developing residential land subdivisions.

Property markets appear to have troughed following the effects of the downturn in the world economy. A major impact on Viento's business operations has been the reduction in property values due to increases in property capitalisation rates and vacancies. As investor sentiment recovers we are witnessing improved property market conditions with greater stability in property values and increased leasing enquiries.

Viento management is focusing on protecting our investors' capital through proactive property management. As the financial and economic environment improves we would expect to see an improvement in property values and occupancy rates.

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

Dear Shareholder

We are pleased to report on a successful 2009/2010 financial year.

The group has returned a modest profit before tax, stopping the erosion of investor capital in our funds. Our Balance Sheet is stronger and, consequently, we are expecting a profitable 2010/2011 financial year and an improvement in the performance of our funds.

Our immediate strategic imperative is to satisfy the objectives of the investors in our funds and syndicates. This will require the sell down of the closed end syndicates as they reach maturity and the restoration of distributions and liquidity in the Viento Diversified Property Fund.

We are now in the process of selling assets from the various syndicates before returning capital to investors. The first property sale was completed early in July 2010. The issue of liquidity and distributions from the Viento Diversified Property Fund may prove more difficult. We are constrained by banking covenants and increases in the cost of debt. In the past year the interest rate cost has increased by over 2 per cent.

A number of researchers are suggesting that we are at or near the bottom of the property cycle and there is commentary that interest rates may reduce rather than increase in the foreseeable future. This change of view after two and a half very difficult years is encouraging for our investors and shareholders. Our operational experience supports the view that the outlook looks bright for property with continuing stabilisation of direct property markets and stronger underlying demand and activity. We have weathered a significant economic storm and are well positioned to take advantage of the expected uplift.

Viento's immediate future is secure, with the development of our subdivision syndicates generating significant fees over the next three years. The group is debt free, has cash in hand and significant funds under management. We are well resourced and have a good reputation. All of these are the necessary ingredients to grow the business and our next challenge is to grow funds under management.

Naturally investors are risk averse after suffering losses and illiquidity from the global financial downturn. We are seeing a change in sentiment as investors begin to include direct property as part of their future asset allocations and we intend to be part of this next growth phase in the property industry. We believe that this is the right time to invest in property and our focus will be on growing our business through this cycle.

We have a strong relationship with the financiers of our Managed Investment Schemes. Their ongoing support and understanding have been of the highest order and we are thankful for their 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.

We wish to thank our investors and planning groups that have continued to understand our strategic efforts and recognise the progress being made. The group is in a strong position to deliver to its investors and shareholders in the year ahead.

### **Performance**

The consolidated profit after tax for the year was \$2,123,000. Looking at this result on a before tax basis we achieved a profit before tax of \$24,000. The deferred tax balances were re-instated as at 30 June 2010, the impact of which is an income tax benefit being recognised of \$2,099,000.

The group achieved significant progress in reducing the cost base of the business to an appropriate level on which to build a solid property funds management business.

### **Dividend Policy**

The Directors have not declared a dividend for the 2010 financial year. For the foreseeable future, the Directors intend to continue with the policy of retaining profits to ensure any capital requirements required as part of the growth and development of the organisation are prudently funded, rather than through acquiring debt.

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

**Environment**

The Group has felt the impact of the turmoil in financial markets as a result of the global credit crisis, in relation to the appetite for investment products, valuation of the investments within existing products and the tightening of credit available to investors. Now that the current market conditions are improving, the Directors of Viento are intent on ensuring the Group takes advantage of market conditions and new investment opportunities as they arise.

**Outlook**

Given the nature of investment markets and the difficulties in projecting the level of funds under management in both the unit trust and syndication markets the Board is uncomfortable with offering earnings guidance or projecting earnings forecasts for the Group. The Board would like to reassure shareholders that it 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.

**Robert Nichevich**  
EXECUTIVE CHAIRMAN

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES REVIEW OF OPERATIONS**

### **GROUP STRATEGY OVERVIEW**

The 2009/2010 financial year has seen stabilisation in the investment markets. As with many other property fund managers and listed entities, the changed investment climate and realignment of global capital markets has impacted the Group. After a detailed review of operations in the first half of the 2008/09 financial year, the group went through a significant restructure with a consolidation of operating expenses across all areas to strengthen its overall financial position.

During the past financial year, the Group's key activities remained focused on the management of our property related investment products. The reduction in property values has seen a need to manage the debt exposures in our various Funds. The economic downturn increased vacancies and impacted the cash flow of some of our products. To manage this, distributions are suspended in the Viento Diversified Property Fund and the New Enterprise Property Syndicate. Distributions continued for the Première and Metro Property Syndicates.

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

The consolidated profit of the group after providing for income tax amounted to \$2,123,000 (2009: loss of \$8,460,000). Revenue for the year was \$2,933,000 (2009: \$3,140,000). The deferred tax balances were re-instated as at 30 June 2010, the impact of which is an income tax benefit being recognised of \$2,099,000. Looking at this result on a before tax basis we achieved a profit before tax of \$24,000 (2009: loss of \$7,530,000).

### **PROPERTY DIVISION**

#### **Overview**

The 2010 financial year saw the Group's retail investor property funds management business stabilise in the aftermath of the global economic downturn. Our funds have all faced their own unique challenges. Indicators are that we have reached the bottom of the property downturn and we have seen the stabilisation of property values and vacancies within our portfolio.

Our strategy is to protect investor's capital and develop conservative, transparent direct property investment vehicles.

The property division is based in Melbourne and maintains a presence in Perth.

#### **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 (10%). Property re-valuations were mixed with the gross assets under management decreasing by \$1,950,000 to \$136,250,000.

Due to the uncertainty surrounding the financial and property markets combined with negative investor's sentiment, the Manager suspended all applications and withdrawals from the Fund from October 2008. This included the suspension of both regular investments and reinvestment of distributions. As at the end of 2009/10 the suspension to application and withdrawals was still in place.

The Directors of Viento Property Limited made the very difficult decision to suspend Fund distribution for the April – June 2009 quarter and for the 2009/10 financial year in order to maintain cash reserves which will allow the Fund to continue to;

- Provide funds for leasing incentives
- Provide funds for essential capital works
- Pay down debt thus mitigating the impact of declining property values.

On 10 May 2010 the VDPF launched a product disclosure document (PDS) to raise \$7m to raise capital, to reduce debt and enhance the Funds properties. If the capital raising is unsuccessful the VDPF may be forced to sell further assets.

Our primary objective for the Fund is to preserve investors' capital and improve the performance of the Fund and 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 manage the cash flow for the Fund through the implementation of a strict regime to manage and control property operating expenses.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES REVIEW OF OPERATIONS**

- Limit capital expenditure to leasing incentives that guarantee income, plant and equipment lifecycle costs, mandatory occupational health and safety matters and compliance requirements.

The Fund comprises 11 assets, with a broad geographic coverage across 5 states and predominantly in retail and commercial property sectors.

### **Property Investment Syndicates**

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

In October 2009, the Metro Property Syndicate was due to expire. We were of the opinion that to sell the properties in what is a depressed and oversupplied market would not be in the best interest of unitholders. Therefore Viento recommended an extension of the Syndicate term for a further two years by way of special resolution to allow for market conditions to stabilise and valuation fundamentals to return. Unitholders voted in favour of the resolution and the Metro Property Syndicate has been extended until 25 October 2011.

In June 2010, the New Enterprise Property Syndicate was due to expire. We were of the opinion that the current market for selling property is difficult and it is unlikely that favourable sale prices would be achieved if all of the Properties were sold in the current market, the Cove Hill property has potential unrealised value that we can take advantage of to improve the ultimate sale price and improve the return to Unitholders and in its current state, we were unlikely to obtain a favourable sale price or even a sale offer for the Artarmon property. Therefore Viento recommended an extension of the Syndicate term for a further two years by way of special resolution to allow for market conditions to stabilise and valuation fundamentals to return. Unitholders voted in favour of the resolution and the New Enterprise Property Syndicate has been extended until 4 June 2012. Distributions remain suspended.

The Première Property Syndicate is performing to expectations, however the major tenant at the Rockingham cinema complex has given notice to vacate in accordance with their lease and will be vacating the premises in May 2011. Viento Property is endeavouring to find a suitable replacement tenant prior to the vacancy occurring to minimise the impact on the syndicate.

### **Property Subdivision Syndicates**

Viento Property Ltd is also the responsible entity of two property subdivision syndicates – Southern River Syndicate and Henley Brook Syndicate. Each syndicate aims to deliver returns to investors that are commensurate with development risk.

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 values of the new 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 has commenced at Southern River and we anticipate development at Henley Brook to commence this calendar year.

## **FORESTRY DIVISION**

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.

The consolidated group's interest in trees was subject to an independent revaluation at 30 June 2010, resulting in a revaluation increment of \$107,000 (2009: decrement of \$47,000). Further trees were acquired during the year as a result of an investor going bankrupt and the Group having the trees as security. The value of the trees at 30 June 2010 was \$1,985,000 (2009: \$1,725,000).

The forestry investments of the group reside on Kangaroo Island, along with other agriculture investment companies. 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 tree plantations significant enough to support a commercially viable export facility.

Without the development of an export facility the value of the trees is considered negligible.

## **VIENTO GROUP LIMITED & CONTROLLED ENTITIES REVIEW OF OPERATIONS**

There are an estimated 17,500 hectares of plantations of both Tasmanian Blue Gums (14,000) and pine (3,500). 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 \$30m.

Over the period since the group first planted Tasmanian blue gums on the island annual growth has been in the range of 18 to 25 mean annual increment per cubic metre 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.

### **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.

Last year a valuation of the project was completed valuing the asset at \$1.5m whilst it is in the financial statements at nil value. The asset comprises 310mt of hematite ore grading 51%Fe. The project is joint ventured with all costs borne by the joint venturer.

The Board is assessing various means of returning value for this asset to shareholders.

### **COMPLIANCE**

There were no significant compliance breaches reported to ASIC for the VDPF and the five property syndicates during the 2009/10 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 \$8.881 million at 30 June 2009 to \$11.047 million at 30 June 2010.

The cash position of \$2.1 million has reduced when compared to that of the previous year (\$3.1 million). Current trade and other receivables are \$2.5 million with non-current trade and other receivables at \$1.8 million. Trade and other payables are \$0.6 million.

The Directors believe that Viento Group will continue to grow revenue streams from new and existing funds under management from the continuing operation and development of the Group's businesses, strategies and investments.

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

The group has a strong base of approximately \$240 million in funds under management, predominately in property, with an established retail investor distribution network and an adequate Statement of Financial Position.

The focus of the executive team for the year to 30 June 2011, with the singular strategic vision of building funds under management, is to:

- Stabilise the VDPF and syndicate portfolios and look for opportunities to create or realise value for unitholders, and to be in a position to move forward with opportunities which may become available due to the current unsettled property market conditions.
- Review the domestic property sector to identify particular areas for growth where the group can deliver a pipeline of investment product for both retail and institutional investors.
- Consider all other opportunities in the direct property funds management sector.

## **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 2010.

### **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 G Young (appointed 27 November 2009)

Mr J S Diamond (resigned 27 November 2009)

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 15 years experience in the financial services industry. He held roles as company secretary of the Groups subsidiaries from January 2009 and completed his Graduate Diploma in Applied Corporate Governance in June 2010.

The company would like to thank former company secretary Peter Webse, B.Bus, FCIS, FCPA for his contribution to the group over the previous six years. Mr Webse resigned his post on 15 December 2009 to pursue his personal business interests.

### **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 \$2,123,000 (2009: loss of \$8,460,000). The profit is primarily the result of the reinstatement of the deferred tax balances of \$2,099,000. Revenue for the year was \$2,933,000 (2009: \$3,140,000).

### **DIVIDENDS**

No recommendation has been made for payment of a dividend for the year ended 30 June 2010.

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

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

#### *Changes in controlled entities*

On 1 July 2009, the company acquired the remaining 37.5% of the issued capital of Convex Alternative Strategies Pty Ltd, taking its holding to 100%.

### **AFTER BALANCE DATE EVENTS**

No 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.

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

**INFORMATION ON DIRECTORS**

<b>Mr R C Nichevich</b>	Executive Chairman, age 62
Qualifications	FCA, FAICD
Experience	<p>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.</p> <p>Mr Nichevich 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.</p>
Interest in Shares and Options	10,860,000 ordinary shares
Directorships held in other listed entities	Mr Nichevich 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.
<b>Mr R E King</b>	Director (Independent non-executive), age 58
Qualifications	B.Ec (Hons)
Experience	<p>Director since November 2007. Mr King 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.</p> <p>Prior to this role, Mr King 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.</p> <p>Mr King 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 &amp; operations for the Victorian State Department of Management and Budget/Treasury.</p>
Interest in Shares and Options	100,000 ordinary shares; and Options to acquire a further 300,000 ordinary shares.
Directorships held in other listed entities	Mr King has no other directorships in any other listed companies as at the reporting date or in the past three years.
<b>Mr G Young</b>	Director (Independent non-executive), age 49
Qualifications	Hons. B.Compt, CA
Experience	<p>Director since 27 November 2009. Mr Young has over 15 years experience in the commercial property market and is qualified as a Chartered Accountant. Previously, Mr Young was Head of Property at UniSuper. Prior, he was engaged at NAB as Director, Structured Property Finance for NAB Capital and has held several other significant roles including the establishment of BellRock Investments Ltd, a funds management company managing listed and unlisted property investment vehicles, and heading up the funds management operations of Centro Properties Group in its formative years.</p>
Interest in Shares and Options	51,000 ordinary shares.
Directorships held in other listed entities	Mr Young has no other directorships in any other listed companies as at the reporting date or in the past three years.

## **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 2009 or 2010 financial years.

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 broke even in the current year. As a result, no payments were made under this element of the incentive plans.

	2006	2007	2008	2009	2010
Revenue	\$13.1m	\$6.9m	\$9.3m	\$3.1m	\$2.9m
Net Profit/(Loss)	\$(1.2m)	\$0.2m	\$(2.2m)	\$(8.5m)	\$2.1m
Share Price at Year End	\$0.495	\$0.430	\$0.200	\$0.10	\$0.11
Dividends Paid	4 cents	-	-	-	-
Earnings Per Share	(2.75)	.53	(4.65)	(16.04)	4.49

**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 Share Incentive Plan		Total \$	Perform- ance Related
	Salary & Fees \$	Cash Bonus \$	Non-cash Benefits \$	Contri- bution \$		Options \$	\$		
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%
	395,043	-	3,333	5,504	-	-	-	403,880	
<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%
	492,869	-	13,107	31,497	-	948	-	538,421	
	887,912	-	16,440	37,001	-	948	-	942,301	

<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.

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

**REMUNERATION REPORT (cont)**

2009 Key Management Person Directors	Primary		Non-cash Benefits \$	Super- annuation	Termin- ation Benefits \$	Share Based Payment		Total \$	Perform- ance Related
	Salary & Fees \$	Cash Bonus \$		Contri- bution \$		Options \$	Share Incentive Plan \$		
Mr R C Nichevich - Executive Chairman <sup>1</sup>	253,354	-	1,892	1,720	-	-	-	256,966	-
Mr J S Diamond	45,872	-	-	4,128	-	8,828	-	58,828	15.0%
Mr R E King	45,872	-	-	4,128	-	2,610	-	52,610	5.0%
Mr I D Kent <sup>2</sup>	22,936	-	-	2,064	-	-	-	25,000	-
Mr M R Gordon <sup>3</sup>	19,607	-	-	1,765	-	-	-	21,372	-
Mr M R Kluge <sup>4</sup>	204,782	-	3,087	8,795	18,939	868,089	-	1,103,692	191.7%
	592,423	-	4,979	22,600	18,939	879,527	-	1,518,468	
<b>Executives</b>									
Mr P G Webse	145,612	-	64	-	-	1,275	-	146,951	0.9%
Mr K J Murphy <sup>5</sup>	21,503	-	601	-	-	-	-	22,104	-
Mr D R Wright	134,939	-	6,267	12,145	-	-	-	153,351	-
Ms R L Pope	119,266	2,500	6,267	10,959	-	-	-	138,992	1.8%
Mr A Micelotta <sup>6</sup>	178,296	25,000	6,007	11,849	10,098	(7,443)	-	223,807	7.8%
Ms S A Barrett <sup>7</sup>	84,858	-	2,691	5,380	323,786	-	-	416,715	-
Mr F L Connolly <sup>8</sup>	159,718	-	176	9,737	7,375	-	-	177,006	-
Mr K W Mumford <sup>9</sup>	88,070	-	129	7,542	15,391	-	-	111,132	-
	932,262	27,500	22,202	57,612	356,650	(6,168)	-	1,390,058	
	1,524,685	27,500	27,181	80,212	375,589	873,359	-	2,908,526	

<sup>1</sup> Mr Nichevich was appointed Executive Chairman on 9 December 2008.

<sup>2</sup> Mr Kent resigned as a Director effective 31 December 2008.

<sup>2</sup> Mr Gordon resigned as a Director on 4 December 2008.

<sup>4</sup> Mr Kluge resigned as a Director on 16 April 2009.

<sup>5</sup> Mr Murphy commenced as Head of Funds Management on 27 May 2009. Mr Murphy private company has been contracted to provide consultancy services to Viento Group Limited from 27 May 2009.

<sup>6</sup> Mr Micelotta resigned effective 3 June 2009 however is still receiving a consulting fee of \$24,000 p.a.

<sup>7</sup> Ms Barrett resigned effective 14 November 2008 however is still receiving a consulting fee of \$20,000 p.a.

<sup>8</sup> Mr Connolly was made redundant on 6 March 2009.

<sup>9</sup> Mr Mumford was made redundant on 16 January 2009.

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

**REMUNERATION REPORT (cont)**

**Options Issued as Part of Remuneration for the Year Ended 30 June 2010**

During the financial year the company has granted a total of 140,000 options, for no consideration, over unissued ordinary shares of Viento Group Limited to seven employees. Each employee was granted 20,000 options.

Management Personnel	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Viento Employees	-	140,000	25/09/09	\$0.0474	\$0.10	1/07/10	30/06/11
	-	140,000					

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:

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	948	0.6%	-	-	-	948
	948					948

**Shares Issued on Exercise of Compensation Options**

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

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### REMUNERATION REPORT (cont)

#### Employment Contracts of Key Management Personnel

Remuneration and other terms of employment key management personnel employed at 30 June 2010 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.
- Base fee of \$300,000 per annum
- Additional fee of \$150,000 if the company achieves the 2010 Target. The 2010 target is an operating profit before tax of not less than \$1.5 million as stated in the audited accounts of the company for the financial year ended 30 June 2010 and the achievement of an average daily share price of 20 cents for the 3 month period to 30 May 2010.
- 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 before the first anniversary of the commencement date, the Company must pay the 2010 Bonus whether or not the Company achieves the 2010 Target or on or after the first anniversary of the commencement date and before the second anniversary of the commencement date the Company must pay the 2010 Bonus only if the Company achieves the 2010 Target; and 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 2010 is \$170,000, inclusive of statutory superannuation.
- Incentive payment of up to 7% of salary dependant on performance and 3% related to company profits.
- Payment in lieu of notice on early termination by employer, other than for gross misconduct, equal to 6 weeks base salary
- Three months termination in the event that there is a change of control of the company and the position is made redundant.

Ms J Wilson, Head of Marketing and Communications

- Term of Agreement – Commenced 5 November 2009 until termination.
- The annual base salary for the year ended 30 June 2010 was \$141,700, inclusive of statutory superannuation.
- Payment in lieu of notice on early termination by employer, other than for gross misconduct, equal to 6 weeks base salary

Mr K J Murphy, Head of Funds Management

- Term of Agreement – Commenced 1 December 2009 until termination
- The annual base salary as at 30 June 2010 is \$218,000, inclusive of statutory superannuation
- Payment in lieu of notice on early termination by employer, other than for gross misconduct, equal to 1 months base salary

## VIENTO GROUP LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

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

Directors	Directors' Meetings	
	Number eligible to attend	Number Attended
R C Nichevich	9	9
R E King	9	9
G Young	6	5
J S Diamond	3	2

The company does not currently have any separate committees 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:

Grant Date	Date of Expiry	Exercise Price	Number under Option
28 March 2008	28 February 2011	\$0.85	200,000
28 March 2008	28 February 2011	\$1.00	200,000
28 March 2008	28 February 2011	\$1.15	200,000
25 September 2009	30 June 2011	\$0.10	100,000
			<hr/>
			700,000

During the year ended 30 June 2010, no ordinary shares of Viento Group Limited were issued on the exercise of options previously granted. No shares have been issued as a result of the exercise of options since that date. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

**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.

The following fees for non-audit services were paid or payable to the external auditors for the year ended 30 June 2010:

Accounting advisory services	-
Attendance at annual general meeting	-
	<u>-</u>
	<u>-</u>

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2010 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 13th day of September 2010  
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 2010, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Partner

Perth, WA

Dated this 13<sup>th</sup> day of September 2010

## **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 considers 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. A majority of the Board, with the exception of the Executive Chairman, are 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 2010, the Viento Group Limited Board comprised the following Directors:

Name	Position	First Appointed
Robert Nichevich	Executive Chairman and Chief Executive Officer	1987
Ray King	Independent Non-Executive Director	2007
Gordon Young	Independent Non-Executive Director, appointed 27 November 2009	2009
Jack Diamond	Independent Non-Executive Director, resigned 27 November 2009	2005

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.

### Chair should be Independent

(ASX Corporate Governance Principles and Recommendations: 2.2)

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

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 conducts 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 will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. 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.

There was no formal performance review of the Board during the financial year as the focus of the directors has been on stabilising the groups operations. A performance review of the board is intended to be conducted during the first half of the 2011 financial year.

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

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 \$100,547.

### **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 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.

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

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.

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.

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

### **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 2010**

		<b>CONSOLIDATED GROUP</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>	2	2,933	3,140
Employee Benefits Expense		(1,718)	(3,426)
Termination Payments		-	(454)
Professional Services Fees		(280)	(997)
Commission Expense		(149)	(227)
Occupancy Expense		(234)	(502)
Finance Expense		(6)	(384)
Administration Expense		(436)	(781)
Depreciation and Amortisation Expense	3	(78)	(135)
Loss on Disposal of Property, Plant and Equipment	3	-	(44)
Loss on Disposal of Investments	3	-	(1,381)
Increment (Decrement) in Forestry Plantations	3	107	(47)
Impairment of Assets	3	-	(341)
Write Off Deferred Establishment Costs		-	(658)
Write Off Loans to Associates	28(c)	-	(1,272)
Bad & Doubtful Debts Expense	3	(115)	(21)
<b>Profit/(Loss) Before Income Tax Expense</b>		<u>24</u>	<u>(7,530)</u>
Income Tax (Expense)/Benefit	4	2,099	(930)
<b>Profit/(Loss) for the year</b>		<u><u>2,123</u></u>	<u><u>(8,460)</u></u>
<b>Other comprehensive income</b>			
Adjustment to prior year retained earnings on disposal of Joint Venture		-	1,059
Net revaluation of listed investments		59	120
<b>Other comprehensive income for the year net of tax</b>		<u>59</u>	<u>1,179</u>
<b>Total comprehensive income for the year</b>		<u><u>2,182</u></u>	<u><u>(7,281)</u></u>
Profit attributable to:			
Members of the parent entity		<u>2,123</u>	<u>(8,460)</u>
Total comprehensive income attributable to:			
Members of the parent entity		<u>2,182</u>	<u>(7,281)</u>
<b>Overall Operations</b>			
Basic and Diluted earnings per share (cents per share)	8	4.49	(16.04)

The accompanying notes form part of these financial statements.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	<i>Note</i>	<b>CONSOLIDATED GROUP</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>			
Cash and cash equivalents	9	2,098	3,079
Trade and other receivables	10	2,486	1,463
Financial assets	12	154	200
Other current assets	13	203	232
<b>Total Current Assets</b>		<b>4,941</b>	<b>4,974</b>
<b>Non Current Assets</b>			
Trade and other receivables	10	1,839	2,182
Financial assets	12	569	569
Plant and equipment	15	173	242
Biological assets	16	1,985	1,725
Deferred tax assets	20	2,798	-
Intangible assets	17	14	14
<b>Total Non Current Assets</b>		<b>7,378</b>	<b>4,732</b>
<b>Total Assets</b>		<b>12,319</b>	<b>9,706</b>
<b>Current Liabilities</b>			
Trade and other payables	18	563	723
Short-term provisions	21	49	32
Other current liabilities	22	56	59
<b>Total Current Liabilities</b>		<b>668</b>	<b>814</b>
<b>Non Current Liabilities</b>			
Deferred tax liabilities	20	595	-
Long-term provisions	21	9	11
<b>Total Non Current Liabilities</b>		<b>604</b>	<b>11</b>
<b>Total Liabilities</b>		<b>1,272</b>	<b>825</b>
<b>Net Assets</b>		<b>11,047</b>	<b>8,881</b>
<b>Equity</b>			
Issued capital	23	19,231	19,231
Reserves	24	1,450	1,408
Accumulated Losses		(9,634)	(11,758)
<b>Total Equity</b>		<b>11,047</b>	<b>8,881</b>

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 2010**

		\$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 2008</b>		19,156	546	(99)	(4,356)	15,247
Loss attributable to members of the parent entity					(8,460)	(8,460)
Total other comprehensive income for the year				120	1,059	1,179
Reclassification of convertible notes	19	42				42
Employee share options expense	30		(487)			(487)
Exercised/lapsed employee options		33	1,327			1,360
<b>Balance at 30 June 2009</b>		<u>19,231</u>	<u>1,386</u>	<u>21</u>	<u>(11,757)</u>	<u>8,881</u>
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>

The accompanying notes form part of these financial statements

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	NOTE	CONSOLIDATED GROUP	
		2010 \$000	2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		2,337	4,969
Payments to suppliers and employees		(3,224)	(6,961)
Interest received		79	269
Finance expenses paid		(6)	(202)
Income tax (paid)/refunded		-	85
<b>Net cash provided by/(used in) operating activities</b>	27	<b>(814)</b>	<b>(1,840)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale:			
- Plant & equipment		-	6
- Investments		-	101
Payments for purchase of:			
- Plant & equipment		(18)	(21)
- Investments		-	-
- Forestry plantations		(153)	(78)
- Other non current assets		-	(3)
Loans to:			
- Other		4	-
Loans repaid by:			
- Other		-	12
<b>Net cash provided by/(used in) investing activities</b>		<b>(167)</b>	<b>17</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings:			
- Related entities		-	81
Loans to related entities		-	(74)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>7</b>
<b>Net increase/(decrease) in cash held</b>		<b>(981)</b>	<b>(1,816)</b>
<b>Cash at the beginning of the year</b>		<b>3,079</b>	<b>4,895</b>
<b>Cash at the end of the year</b>	9	<b>2,098</b>	<b>3,079</b>

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 2010**

**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.

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 2010**

**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 Australian 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 2010**

**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%.

**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.

**Classification and Subsequent Measurement**

**(i) 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, 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.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

**f) Financial Instruments (cont)**

**(ii) 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.

**(iii) 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.

**(iv) 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 and option pricing models.

**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 2010**

**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 2010**

**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. No such fees were recognised during 2010.

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) Convertible Notes**

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds are allocated and included in shareholders' equity, net of transaction costs. The carrying amount of the convertible notes is not remeasured in subsequent years.

**q) 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 2010**

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

**r) 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.

**s) Comparative Figures**

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

The only changes for 2010 are those resulting from the introduction of the Comprehensive Statement of Comprehensive Income and these can be seen on that statement.

**t) 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.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

**u) 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.

*Provision for impairment of receivable*

Included in trade debtors at 30 June 2010 are amounts owing by the Viento Diversified Property Fund (VDPF) to the Group of \$1.99m. These amounts have been discounted using the risk free rate of 4.71% to take into consideration the time value of money. The directors consider this balance will be fully recoverable on the basis that the 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.

**v) New Accounting Standards and Interpretations**

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory, these are summarised below.

*(i) AASB 8 Operating Segments*

As explained in note 1(r) the chief operating decision makers focus on the group result. As a result the segment notes disclosed by the group have been reduced as the business is primarily one of Property Syndicates & Funds Management and the other segments previously disclosed are considered immaterial for reporting purposes.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

*(ii) AASB 101 Presentation of Financial Statement*

The revised AASB 101 requires the presentation of a statement of comprehensive income, which the group has adopted. The statement of comprehensive income requires that changes in equity resulting from transactions with owners remain in the statement of changes of equity, whilst changes in equity not resulting from transactions with owner be classified as other comprehensive income in the Statement of comprehensive income. Furthermore if an entity has made a prior period adjustment or has reclassified items in the financial statements, it needs to disclose a third Statement of Financial Position. The group has not made any prior period adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations follows.

*(iii) AASB 9 Financial Instruments (applicable for annual reporting periods beginning on or after 1 January 2013).*

This standard will be applicable retrospectively and amend the classification and measurement of financial assets. The Group has not determined any potential impact on the financial statements and does not anticipate early adoption of these.

Subsequent to 30 June 2010 year end, the government announced the passage of the Corporations Amendment (Corporate Reporting Reform) Bill 2010. The changes contained within the Bill will come into effect for the financial year ended 30 June 2010.

*(iv) Abolition of parent entity financial reporting*

Where a company prepares consolidated financial statements, the sections of the Corporations Act which required that company to also prepare parent company financial statements have been repealed. The primary statements and notes should contain only consolidated results. The following disclosures have been included within note 9 to the accounts in respect of the parent entity and all the information has been calculated in accordance with Australian Accounting standards.

**w) 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. The Group has decided against early adoption of these standards.

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 applicable for annual reporting periods commencing on or after 1 January 2013. The Group has not yet determined the potential impact on the financial statements.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the annual improvements project. No changes are expected to materially affect the Group.

The other new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods have not been mentioned as they are not expected to have any impact on the Group's financial statements.

The financial report was authorised for issue on 13 September 2010 by the Board of directors.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>2. REVENUE</b>		
Sales Revenue		
– Management Fee Income	2,305	1,904
– Completion Fee Income	-	177
– Other Fee Income	279	521
Total sales revenue	<u>2,584</u>	<u>2,602</u>
Other Revenue		
– Rental Revenue	-	30
– Leasing Fee Revenue	146	36
– Interest Received	58	201
– Dividends	-	1
– R&D Grant Income	-	174
– Other Revenue	145	96
Total other income	<u>349</u>	<u>538</u>
<b>Total Revenue</b>	<u><u>2,933</u></u>	<u><u>3,140</u></u>
<b>3. PROFIT/(LOSS) FOR THE YEAR</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Expenses</b>		
Depreciation of non current assets		
– Plant and equipment	78	135
Impairment of non-current assets		
– Financial Assets	-	341
Bad and doubtful debts		
– Other debtors	115	21
Rental expense on operating leases		
– Minimum lease payments	222	502
Loss on disposal of assets		
– Plant and equipment	-	44
– Investments	-	1,381
Decrement/(Increment) in Tree valuation	(107)	47

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>4. INCOME TAX</b>		
a. The components of tax expense/(benefit) comprise:		
Current tax	-	(974)
Deferred tax	20 (2,094)	(470)
Under/(over) provision in respect of prior years	(5)	(85)
Write off deferred tax asset in respect of prior years	-	2,459
	<u>(2,099)</u>	<u>930</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% (2009: 30%)	7	(2,259)
	<u>7</u>	<u>(2,259)</u>
Add: Tax effect of:		
- other non allowable items	4	722
- write downs to recoverable amounts	-	16
- tax assets recouped during the period	-	-
- other net timing differences	1	(94)
	<u>12</u>	<u>(1,615)</u>
Less: Tax effect of:		
- revaluations of assets	-	(10)
- other net timing differences	(60)	651
- Provisions	(59)	-
Current year (reinstatement)/write off DTA/DTL	(1,880)	1,989
Recoupment of prior year tax losses/adjustments	(112)	(85)
Income tax (benefit)	(2,099)	930
Imputation credits	-	-
Income tax (benefit) attributable to entity	<u>(2,099)</u>	<u>930</u>

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

**(a) Key Management Personnel Compensation**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
Short Term Employee Benefits	904,352	1,579,366
Post Employment Benefits	37,001	80,212
Long Term Benefits	-	-
Termination Benefits	-	375,589
Share Based Payments	948	873,359
	942,301	2,908,526

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 1.7.09</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)	-	-	-	-

	<b>Balance 1.7.08</b>	<b>Granted as Compensation</b>	<b>Options Exercised</b>	<b>Net Change Other</b>	<b>Balance 30.6.09</b>	<b>Total Vested 30.6.09</b>	<b>Total Exercisable 30.6.09</b>	<b>Total Unexercisable 30.6.09</b>
<b>Directors</b>								
Mr M R Kluge	23,100,000	-	-	(23,100,000)	-	-	-	-
Mr J D Diamond	400,000	-	-	(100,000)	300,000	-	-	300,000
Mr R E King	300,000	-	-	-	300,000	-	-	300,000
<b>Other Key Management Personnel</b>								
Mr A Micelotta	200,000	-	-	(200,000)	-	-	-	-
Mr P G Webse	300,000	-	-	-	300,000	-	-	300,000
Mr F L Connolly	-	500,000	-	(500,000)	-	-	-	-

**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 30.6.09	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.

	Balance 30.6.08	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.09
<b>Key Management Personnel</b>					
<b>Directors</b>					
Mr R C Nichevich	10,860,000	-	-	-	10,860,000
Mr J S Diamond	20,700	-	-	-	20,700
Mr R E King	100,000	-	-	-	100,000
Mr M R Gordon	6,658,880	-	-	(6,658,880) <sup>1</sup>	-
Mr M R Kluge	10,069,566	-	-	(10,069,566) <sup>2</sup>	-
Mr I D Kent	300,000	-	-	(300,000) <sup>3</sup>	-
<b>Other Key Management Personnel</b>					
Mr P G Webse	22,000	-	-	-	22,000
Ms S A Barrett	180,000	-	-	(180,000) <sup>4</sup>	-

<sup>1</sup> Mr Gordon resigned as a Director on 4 December 2008.

<sup>2</sup> Mr Kluge resigned as a Director on 16 April 2009.

<sup>3</sup> Mr Kent resigned as a Director effective 31 December 2008.

<sup>4</sup> Ms Barrett resigned effective 14 November 2008.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
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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 (2009: 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 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>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>6. AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the consolidated group		
WHK Horwath		
Auditing or reviewing the financial report	35	-
Other regulatory audit services	-	-
	35	-
Non-Audit		
Other corporate services	-	31
	-	31
PricewaterhouseCoopers		
Auditing or reviewing the financial report	-	84
Other regulatory audit services	-	4
	-	88
<i>These costs relate to the 2009 audit</i>	-	88

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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**CONSOLIDATED GROUP**  
**2010**      **2009**  
**\$000**      **\$000**

**7. DIVIDENDS**

No dividends have been declared or paid in respect of the financial year ended 30 June 2010 (2009: 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

2,123	(8,460)
2,123	(8,460)

- (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

Number	Number
47,324,572	52,740,175
-	-
47,324,572	52,740,175

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

4.49	(16.04)
4.49	(16.04)

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	<b>2010</b>	<b>2009</b>
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	2,098	3,079
	<u>2,098</u>	<u>3,079</u>
<i>Reconciliation of Cash</i>		
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	<u>2,098</u>	<u>3,079</u>

The Commonwealth Bank holds performance guarantees relating to the rental of the Melbourne office premises to the value of \$22,821 (2009: \$22,821). This amount is held on term deposit with the bank and appears in the Statement of Financial Position under Other Current Assets.

	<i>Note</i>	<b>CONSOLIDATED GROUP</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$000</b>	<b>\$000</b>
<b>10. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Term debtors	10(a)	21	21
Trade debtors	29(b)(i)	1,866	934
Other debtors		738	508
Less provision for doubtful debts		(139)	-
		<u>599</u>	<u>508</u>
		<u>2,486</u>	<u>1,463</u>
<b>Non Current</b>			
Term debtors	10(a)	395	395
Less provision for doubtful debts		(120)	(120)
		<u>275</u>	<u>275</u>
Trade debtors	29(b)(i)	1,429	1,784
Other debtors		95	87
– key management personnel	10(b)	40	36
		<u>1,839</u>	<u>2,182</u>

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

Opening Balance	120	144
Provision for impairment during the year	-	(2)
Receivables written off during the year	139	(22)
Closing Balance	<u>259</u>	<u>120</u>

**Refer to note 29 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 (2009: 10%).

**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>						
2010	36	40	-	2	-	1
2009	146	36	-	9	(61)	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% (2009: 9%).

**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

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

The consolidated group has a 10% interest (2009: 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 2010 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.

**12. FINANCIAL ASSETS**

	CONSOLIDATED GROUP	
	2010 \$000	2009 \$000
Current Financial Assets Available for Sale	154	200
Non Current Financial Assets Available for Sale	569	569
Total Financial Assets Available for Sale	<u>723</u>	<u>769</u>

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

**Available for sale financial assets comprise:**

Listed investments, at fair value		
- shares in listed corporations	41	87
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
	<u>723</u>	<u>769</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 movement in the above available for sale financial assets were for the revaluation of the listed company investment of (\$46,000) (2009: (\$54,000)) which is included in other comprehensive income.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
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	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>13. OTHER ASSETS</b>		
<b>Other Current Assets</b>		
Prepayments	176	209
Security deposits	27	23
	<u>203</u>	<u>232</u>

14. CONTROLLED ENTITIES	Country of Incorporation	Percentage Owned (%)	
		2010	2009
<b>(a) 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 Capital Pty Ltd	Aust	100	100
Viento Finance Pty Ltd	Aust	100	100
Viento Forestry Pty Ltd	Aust	100	100
Viento Investment Pty Ltd	Aust	100	100
Viento Management Pty Ltd	Aust	100	100
Viento Meta Growth Pty Ltd	Aust	100	100
Viento Mortgages 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	62.5

All entities have a financial year end of 30 June 2010.

**(b) Acquisition of 100% interest in Convex Alternative Strategies Pty Ltd**

On 1 July 2009, the Group acquired the remaining 37.5% interest in Convex Alternative Strategies Pty Ltd (formerly Viento Alternative Strategies) for \$1 consideration.

	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>15. PLANT AND EQUIPMENT</b>		
Plant and equipment at cost	377	461
Accumulated depreciation	(204)	(219)
Total plant and equipment	<u>173</u>	<u>242</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	242	406
Additions	18	23
Disposals	-	(52)
Depreciation expense	(87)	(135)
Carrying amount at the end of the year	<u>173</u>	<u>242</u>

**16. BIOLOGICAL ASSETS**

At net market value:

Opening balance	1,725	1,649
Acquisitions	-	41
Maintenance, rent and insurance	153	82
Market value increment/(decrement)	107	(47)
Closing balance	<u>1,985</u>	<u>1,725</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. BIOLOGICAL ASSETS (cont)**

(a) Nature of Asset

The company maintains ownership of Eucalyptus Globulus trees growing on 370 hectares (2009: 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 13 August 2010 by Mr David Geddes, BSc (For), AQIMM, MACFA, CPMgr, of Geddes Management Pty Ltd.

(b) Acquisitions

There were no acquisitions during the year. In 2009 the Group acquired an additional 9 hectares of plantations during the year following forfeiture of a loan. The 9 hectares were held as security over the loan which reverted to the Group upon receipt of final dividend bankruptcy payment by the debtor.

(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 9.38% (2009: 9.14%);
- (ii) the inflation rate for Australia used was 3.1% (2009:1.5%) and the risk free rate of return was 5.75% (2009: 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) The achievement of woodchip prices – blue gum woodchip prices have retained value in the last two years when many other commodities exported from Australia have significantly dropped in price as a result of global economic turmoil. An oversupply of woodchip from Australia in the next few years could adversely impact prices, but the pricing strength in the last 12 months and the “preferred product” status of blue gum woodchip, suggests little negativity in future woodchip pricing. Nevertheless, volumes of woodchip sold from Australia have been depressed over the last two years.
- 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 18 to 24 mean annual increment per cubic metre representing a commercially sustainable growth rate.

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. The cost of building a full port facility on the island is estimated to cost in the vicinity of \$30m which based on the production rates above could be recovered one year into a ten year cutting plan.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

CONSOLIDATED GROUP  
**2010**      **2009**  
**\$000**      **\$000**

**17. INTANGIBLE ASSETS**

**Goodwill**

Goodwill at cost	2,182	2,182
Accumulated impaired losses	(2,182)	(2,182)
Net carrying value	<u>-</u>	<u>-</u>

**Trademarks**

Trademarks at cost	14	14
Accumulated impaired losses	-	-
Net carrying value	<u>14</u>	<u>14</u>

**Total Intangibles**

	<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  
**2010**      **2009**  
**\$000**      **\$000**

**18. TRADE & OTHER PAYABLES**

**Current**

Trade creditors	244	396
Sundry creditors and accruals	319	327
	<u>563</u>	<u>723</u>

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**19. FINANCIAL LIABILITIES**

This note is from the prior year financial statements and is included as it is referenced in the comparative section of the Statement of Changes in Equity.

	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>(a) Convertible notes:</b>		
Proceeds from issue of convertible notes	-	-
Amount classified as equity on issue	-	-
Accreted interest capitalised	-	-
Reclassification of convertible loan notes to equity	-	-
Carrying amount of liability at 30 June 2010	-	-

On 31 December 2008 the notes converted into 4,201,120 ordinary shares at \$0.70 per share.

On 25 February 2008, the Convertible Note Deed between the company and Bydand Capital Pty Ltd was amended. The effect of the amendment was to remove the obligation of the company to repay the amount advanced of \$2,940,784 on maturity and for the notes to be converted on that date provided that there are no moneys owing pursuant to the original deed. Due to this amendment, the convertible notes have been reclassified to equity.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>CONSOLIDATED GROUP</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>20. TAX</b>		
<b>(a) Assets</b>		
NON-CURRENT		
Deferred tax assets comprises:		
Provisions	134	64
Impairment of assets	542	1,483
Future income tax benefits of losses	1,994	1,896
Other	128	14
Write off DTA to Statement of Comprehensive Income	-	(3,457)
	<u>2,798</u>	<u>-</u>
Movements in deferred tax assets:		
Opening balance	-	2,027
Credited/(Charged) to Statement of Comprehensive Income	2,694	1,430
Current year – (charge)/credit to equity	104	-
Write off DTA to Statement of Comprehensive Income	-	(3,457)
Closing balance	<u>2,798</u>	<u>-</u>
<b>(b) Liabilities</b>		
NON-CURRENT		
Deferred tax liabilities comprise:		
Tax allowances relating to property, plant & equipment	-	7
Fair value gain adjustments	-	504
Other	-	486
Reinstatement/(Write off) DTL to Statement of Comprehensive Income	595	(997)
	<u>595</u>	<u>-</u>
Movements in deferred tax liabilities:		
Opening balance	-	1,003
Current year - charge/(credit) to Statement of Comprehensive Income	595	(14)
Current year – charge/(credit) to equity	-	8
Write off DTL to Statement of Comprehensive Income	-	(997)
Closing balance	<u>595</u>	<u>-</u>

**Recognition of net deferred tax asset**

The directors have decided to recognise the deferred tax balance on the basis that the group is forecasting profits into the foreseeable future and intend to be able to utilise them in full.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>21. PROVISIONS</b>		
<b>Analysis of Total Provisions</b>		
Provision for Valuations	11	-
Employee Benefits Current – Annual Leave	38	32
Employee Benefits Non-Current – Long Service Leave	9	11
	<u>58</u>	<u>43</u>
<b>Provision for Valuation</b>		
Amount at the start of the year	-	-
Amount charged to the provision as an expense	11	-
Amount of provision utilised during the year	-	-
Closing balance of the provision	<u>11</u>	<u>-</u>
<b>Employee Benefits Current – Annual Leave</b>		
Amount at the start of the year	32	189
Amount charged to the provision as an expense	65	125
Amount of provision utilised during the year	(59)	(282)
Closing balance of the provision	<u>38</u>	<u>32</u>
<b>Employee Benefits Non Current – Long Service Leave</b>		
Amount at the start of the year	11	3
Amount charged to the provision as an expense	(2)	8
Amount of provision utilised during the year	-	-
Closing balance of the provision	<u>9</u>	<u>11</u>
	<u>58</u>	<u>43</u>

	CONSOLIDATED GROUP	
	2009	2009
	\$000	\$000
<b>22. OTHER LIABILITIES</b>		
<b>Current</b>		
Unearned income	<u>56</u>	<u>59</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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>23. ISSUED CAPITAL</b>		
Ordinary shares - fully paid	19,231	19,231
	19,231	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.

There were no movements in the number of shares outstanding during the year.

**(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 30.

(ii) For information relating to options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 30.

**24. 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.

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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**CONSOLIDATED GROUP**  
**2010**      **2009**  
**\$000**      **\$000**

**25. 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	314	333
- between 12 months and 5 years	549	864
- greater than 5 years	-	-
	863	1,197

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 is subleased at arms length to a third party. The sublease is valid until 1 July 2011 and the future sublease receipts totalling \$143,000 have not been included as offsets in the above commitments note. A new lease was entered into for the Melbourne office on 1 February 2009 which is for a period of two years. The company has an option to renew this lease for an additional term of 2 years.

**26. 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 (2009: \$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 (2009: \$108,817).

**CONSOLIDATED GROUP**  
**2010**      **2009**  
**\$000**      **\$000**

**27. CASH FLOW INFORMATION**

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

Profit/(loss) after income tax	2,123	(8,460)
Non-cash flows in profit		
Loss on disposal of assets	-	1,425
Gain on revaluation of biological assets	(107)	47
Depreciation	78	135
Impairment release	(9)	341
Doubtful debts	115	(2)
Employee benefits expense	(15)	873
Borrowing cost on convertible notes	-	42
Write down of receivable due in greater than 1 year	(145)	210
Write off deferred establishment costs	-	658
Write off loans to associates	-	1,272
Write downs to recoverable amounts of intercompany loans	-	-
Changes in Assets and Liabilities		
(Increase) / decrease in receivables and other assets	(604)	1,749
Increase / (decrease) in payables and provisions	(151)	(1,154)
Increase / (decrease) in income tax balances	(2,099)	1,024
Cash flows from operations	(814)	(1,840)

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**28. 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	
	2010	2009
	\$000	\$000
<b>Amounts recognised as revenue or expense:</b>		
- Consultancy fee expense	3	205
- Interest expense	-	118

**(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.

	PARENT AND CONSOLIDATED GROUP	
	2010	2009
	\$000	\$000
<b>Loans to associated entities:</b>		
Balance as at beginning of period	-	1,547
Loans advanced	323	167
Loan repayments received	(323)	(196)
Loans Converted to Capital	-	(246)
Loans Written Off	-	(1,272)
	-	-
<b>Amounts recognised as revenue or expense:</b>		
- Interest revenue	1	61

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**29. 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.

**(i) 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.

**(ii) 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 \$1,385,674 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. At balance date these receivables represented 39% of Group financial assets. 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.

**(iii) 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  
NOTES TO THE FINANCIAL STATEMENTS  
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**29. FINANCIAL RISK MANAGEMENT (cont)**

Consolidated Group	Weighted Average Effective Interest Rate		Fixed Interest Rate Maturing						Floating Interest Rate		Non-interest bearing		Total	
	2010	2009	Within 1 Year		1 to 5 Years		Over 5 Years		2010	2009	2010	2009	2010	2009
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>														
Cash and cash equivalents	2.8%	2.6%	-	-	-	-	-	-	2,098	3,077	-	2	2,098	3,079
Receivables	9.75%	8.9%	21	40	430	43	-	-	16	-	3,982	3,617	4,449	3,700
Investments	-	-	-	-	-	-	-	-	-	-	723	769	723	769
Biological Assets	-	-	-	-	-	-	-	-	-	-	1,985	1,725	1,985	1,725
Security deposits	4.4%	3.65%	27	23	-	-	-	-	-	-	-	-	27	23
<b>Total Financial Assets</b>			<b>48</b>	<b>63</b>	<b>430</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>2,114</b>	<b>3,077</b>	<b>6,690</b>	<b>6,113</b>	<b>9,282</b>	<b>9,296</b>
<b>Financial liabilities</b>														
Trade and sundry payables	0.0%	0.0%	-	-	-	-	-	-	-	-	563	723	563	723
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>563</b>	<b>723</b>	<b>563</b>	<b>723</b>

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

2010	2010				2009			
	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	41	-	-	41	87	-	-	87
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 associate	-	-	480	480	-	-	480	480
	<u>41</u>	<u>113</u>	<u>569</u>	<u>723</u>	<u>87</u>	<u>113</u>	<u>569</u>	<u>769</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.

Level 3 assets are carried at the value implied by their most recent transaction. 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 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 using the risk free interest rate of 4.71%.

During the year the discount was reduced due to the passage of time from \$211,011 at June 2009 to \$65,987 at June 2010. This difference of \$145,024 has been treated as interest income in the Statement of Comprehensive Income.

The ageing analysis of trade debtors is as follows:

	Note	CONSOLIDATED GROUP	
		2010 \$000	2009 \$000
The ageing analysis of trade debtors is as follows:			
0 – 30 days		302	914
31 – 60 days		372	-
61 – 90 days *		320	20
91 days + *		<u>2,301</u>	<u>1,784</u>
Trade Debtors	10	<u>3,295</u>	<u>2,718</u>

\* considered past due but not impaired

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

Less than 6 months	563	723
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>563</u>	<u>723</u>

**(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.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**29. FINANCIAL RISK MANAGEMENT (cont.)**

**(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>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
Change in profit after tax		
- Increase in interest rate by 1%	25	22
- Decrease in interest rate by 1%	(25)	(22)
Change in equity		
- Increase in interest rate by 1%	25	22
- Decrease in interest rate by 1%	(25)	(22)

**30. SHARE BASED PAYMENTS**

On 25 September 2009, 140,000 share options were granted to employees, in one tranche of 140,000 options. The exercise price of these options is \$0.10 and they are exercisable between 1 July 2010 and 30 June 2011. The options were granted in equal numbers to seven employees, for no consideration. The options vested on 1 July 2010 and must be exercised on 30 June 2011. The options are cancelled if the employee leaves the company prior to vesting date.

The following other share-based payment arrangements existed at 30 June 2010 from the previous period:

On 28 March 2008, 300,000 shares options were granted to a non-executive director, in three tranches of 100,000 options. The first tranche has an exercise price of \$0.85 and is exercisable between 28 November 2008 and 28 February 2011. The second tranche has an exercise price of \$1.00 and is exercisable between 28 November 2009 and 28 February 2011. The third tranche has an exercise price of \$1.15 and is exercisable between 28 November 2010 and 28 February 2011.

On 28 March 2008, 300,000 shares options were granted to an employee, in three tranches of 100,000 options. The first tranche has an exercise price of \$0.85 and is exercisable on or before 28 February 2011. The second tranche has an exercise price of \$1.00 and is exercisable between 28 November 2009 and 28 February 2011. The third tranche has an exercise price of \$1.15 and is exercisable between 28 November 2010 and 28 February 2011.

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.

**VIENTO GROUP LIMITED & CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**30. SHARE BASED PAYMENTS (cont)**

	Consolidated Group 2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Options outstanding at beginning of the year	900,000	0.40	24,400,000	0.99
Granted	140,000	0.10	500,000	1.00
Cancelled	(340,000)	1.00	(23,700,000)	1.00
Exercised	-	-	-	-
Expired	-	-	(300,000)	0.45
Outstanding at year-end	700,000	0.87	900,000	1.00
Exercisable at year-end	600,000	1.00	100,000	0.40

There were no options exercised during the year ended 30 June 2010 (2009 nil).

The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.87 and a weighted average remaining contractual life of 0.7 years. Exercise prices range from \$0.10 to \$1.15 in respect of options outstanding at 30 June 2010.

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 \$0.047. The fair value was calculated using a Black-Scholes option pricing model applying the following inputs.

- Weighted average exercise price \$1.00
- Weighted average life of the option 3.25 years
- Underlying share price \$0.15
- Expected share price volatility 100%
- Risk free interest rate 5.43%.

Included under employee benefits expense in the Statement of Comprehensive Income is an expense of \$6,636 (2009: \$873,000). The current year expense relates to the value of employee options granted. The majority of the 2009 expense related to the adjustment of share based payment transactions following key management personnel ceasing employment.

**31. PARENT ENTITY DISCLOSURES**

	2010 \$000	2009 \$000
Current Assets	1,949	2,748
Total Assets	9,824	8,604
Current Liabilities	409	374
Total Liabilities	4,488	3,856
Total Shareholders Equity	5,336	4,749
<i>Includes Share Based Payment Reserve</i>	1,370	1,385
<i>Includes Financial Asset Reserve</i>	(25)	21
Profit/(Loss) for the year	569	(9,067)
Total comprehensive income (loss) for the year	592	(8,093)

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

**32. AFTER BALANCE DATE EVENTS**

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.

## 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 26 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 2010 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 13th day of September 2010

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VIENTO GROUP LIMITED

### Report on Financial Report

We have audited the accompanying financial report of Viento Group Limited and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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

### *Independence*

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

*Auditor's Opinion*

In our opinion, the financial report of the consolidated entity is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the 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 of the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2010. The directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Partner

Perth, WA

Dated this 13<sup>th</sup> day of September 2010



**VIENTO GROUP LIMITED (ABN 79 000 714 054) & CONTROLLED ENTITIES  
SHAREHOLDER INFORMATION  
AS AT 17 AUGUST 2010**

**Distribution of Shareholdings**

Range	Number of Holders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	273	81,945	0.17
1001 – 5,000	238	589,649	1.25
5,001 – 10,000	90	657,632	1.39
10,001 – 100,000	148	5,114,851	10.81
More than 100,001	48	40,880,495	86.38
Total	797	47,324,572	100.00

**Unmarketable Parcels**

The number of shareholders holding less than a marketable parcel is 484.

**Twenty Largest Shareholders**

Shareholder	Shares Held	% of Issued Capital
Merrill Lynch Aust Nom PL Berndale A/C	6,658,880	14.07%
Koy PL	4,121,041	8.71%
Moat Inv PL Moat Inv A/C	2,987,568	6.31%
Bell Potter Nom Ltd Bb Nom A/C	2,901,000	6.13%
Delta Ace PL	2,781,120	5.88%
Deluge Holdings PL	2,497,423	5.28%
ANZ Nom Ltd Cash Income A/C	2,256,096	4.77%
Deluge Holdings PL Nichevich S/F A/C	1,862,577	3.94%
Bydand Cap PL	1,420,000	3.00%
Deluge Holdings PL Nichevich S/F A/C	1,395,000	2.95%
McMullin Nominees PL	866,447	1.83%
Castle Partners PL	790,755	1.67%
Ihop PL Keppel Inv Unit A/	718,265	1.52%
Lake House Inv PL Craig Dunstan S/F	699,600	1.48%
Mammoth Nom PL	630,755	1.33%
Qld Technology Innovation Kluge S/F A/C	569,566	1.20%
Vernon Finance Ltd	500,000	1.06%
Indian Ocean Cap WA PL Indian Ocean S/F A	468,180	0.99%
Lake House Inv PL	410,400	0.87%
HSBC Custody Nom Aust	391,711	0.83%
<b>Top 20 holders of fully paid shares (grouped)</b>	<b>34,926,384</b>	<b>73.82%</b>

**VIENTO GROUP LIMITED (ABN 79 000 714 054) & CONTROLLED ENTITIES  
SHAREHOLDER INFORMATION  
AS AT 17 AUGUST 2010**

**Substantial Shareholders**

<b>Holder</b>	<b>Number of Ordinary Shares</b>	<b>% of Issued Capital</b>
Merrill Lynch Aust Nom PL Berndale A/C	6,658,880	14.07
Koy Pty Ltd / Deluge Holdings Pty Ltd	6,618,464	13.99
Moat Investment Pty Ltd <Moat Investment A/C>	2,987,586	6.31

**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 700,000 unlisted options are on issue. The holders of the unlisted options are as follows:

<b>Exercise Date</b>	<b>Exercise Price</b>	<b>Number of Options</b>	<b>Name of Holder</b>
28/02/11	\$0.85	100,000	Alldan Pty Ltd
28/02/11	\$0.85	100,000	Platinum Corporate Secretariat Pty Ltd
28/02/11	\$1.00	100,000	Alldan Pty Ltd
28/02/11	\$1.00	100,000	Platinum Corporate Secretariat Pty Ltd
28/02/11	\$1.15	100,000	Alldan Pty Ltd
28/02/11	\$1.15	100,000	Platinum Corporate Secretariat Pty Ltd
30/06/11	\$0.10	20,000	Huay Shin (Angeline) Chia
30/06/11	\$0.10	20,000	Damian Richard Wright
30/06/11	\$0.10	20,000	Georgina Maree Dowsley
30/06/11	\$0.10	20,000	Simon Bennett Knobel
30/06/11	\$0.10	20,000	Lydia Chloe Helga Kypros