

The Australian Securities & Investments Commission (ASIC) issued the Regulatory Guide 46 (sometimes referred to as the RG 46 or the guide) in September 2008. The RG 46 sets out eight disclosure principles that responsible entities must address for unlisted property schemes with retail investors. The disclosure principles are intended to assist retail investors understand the risks associated with investing in unlisted property schemes and to decide if such investments are suitable for them.

Viento Property Limited is the responsible entity (RE) of the Henley Brook Syndicate (the Syndicate), a close ended unlisted property syndicate which is due for completion upon the sale of all subdivided lots.

This document presents eight disclosure principles for the Syndicate and should be read in conjunction with the Syndicate's Product Disclosure Statement (PDS), annual financial statements and quarterly update reports. It will be updated for any material changes or at least every six months and a copy is available on the Viento website [www.vientogroup.com](http://www.vientogroup.com).

### Disclosure Principle 1: Gearing Ratio

*The gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities. The gearing ratio can assist investors to assess the potential risk to the scheme as a result of its borrowings. Gearing ratios can be impacted by interest rate and property value movements.*

The gearing ratio is calculated using the following formula:

$$\text{Gearing ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$$

The gearing ratio for the Henley Brook Syndicate as at 31 May 2011 was 47.9% and is within banking covenants.

**Note:** The above gearing ratio formula is defined by ASIC and is not the gearing related ratio (loan to value ratio) formula adopted by our financiers.

### Disclosure Principle 2: Interest Cover

*The interest cover indicates a scheme's ability to meet interest payments from earnings. A property scheme's interest cover is a key indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. For example, interest cover of 1.5 means that there is \$1.50 of earnings to service every \$1.00 of interest on debt.*

The interest cover is calculated using the following formula:

$$\text{Interest Cover} = \frac{\text{EBITDA*} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest Expense}}$$

\* EBITDA (earnings before interest, tax, depreciation and amortisation)

The Henley Brook Syndicate is a residential development syndicate that has not yet produced any revenue; therefore the interest cover calculation is not applicable at this time.

## Disclosure Principle 3: Scheme Borrowing

*This principle provides information on a scheme's borrowing maturity and credit facility expiry, and any associated risks or loan breaches. A scheme's borrowings are secured against its assets, and repayment of borrowings from secured creditors will rank ahead of unsecured creditors and equity investors in the scheme. Relatively short term borrowings are a risk factor if they are used to fund assets intended to be held long term. Refinancing could result in less favourable terms or the inability to refinance may result in the need to sell an asset on a forced sale basis with the risk that it may realise a capital loss.*

Henley Brook Syndicate	As at 31 May 2011
Lender	National Australia Bank
Loan Amount	\$14,459,754
Loan Facility Limit	\$21,800,000
Maturity Date	31 December 2011
Interest Rate	100% Variable
Loan covenant breaches	No breaches to report

The current bank loan relates to Stages 1 and 2. We will be applying to National Australia Bank to continue to provide finance for the remaining development stages and negotiations to that extent will be discussed at the appropriate time.

## Disclosure Principle 4: Portfolio Diversification

*This principle addresses the scheme's investment practices and portfolio risk. Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.*

The Henley Brook Syndicate involves the residential development of 40.56 hectares of land into approximately 525 residential lots located within an urban corridor of the Swan Valley approximately 18 km north east of Perth in Western Australia. The estate has been named 'Avonlee at Henley Brook'.

The Subdivision Plan prepared by town planners, Cardno, includes a total of 537 residential lots incorporating 215 green titled traditional sized lots and 322 survey-strata cottage sized lots. The plan also includes an additional 14 'special residential' lots fronting Park Street.

### SUBDIVISION APPROVAL

Delays in issuing the subdivision and other development-related approvals by the City of Swan and state government agencies have resulted in an amended completion date from 2010 to December 2015.

Subdivision approval was granted by an order of the State Administrative Tribunal for Stages 2, 3(a) and a portion of Stage 3(b) in January 2010.

Subdivision approval was granted by the Western Australian Planning Commission for Stage 1 of the proposed development in March 2011.

Pre-sales have been achieved in Stages 1 and 2.

Stage 1 comprises 14 lots, all of which are under contract. Construction is 100% complete. Settlement of lot sales and issue of land titles are anticipated in July 2011.

Stage 2 comprises 53 lots, 47 lots are under contract. Construction works are due to be completed by August 2011. Settlement for these lots is expected in October 2011.

## Disclosure Principle 4: Portfolio Diversification (cont.)

### PLANNING

#### (a) Applications

The subdivision application for the group housing sites (lots 105 and 106) was lodged with the City of Swan in January 2011. The application has been lodged with the Western Australian Planning Commission (WAPC) and comments have been received from all approval agencies.

Approval for this subdivision is expected in July 2011.

#### (b) Local Structure Plan

The plan has been prepared and will be lodged once the land ownership and management issues are resolved with the Department of Lands with regard to the land forming the pipeline easement. We anticipate resolution within one month.

Final endorsement of the Local Structure Plan by the Western Australian Planning Commission is expected (after advertising, processing of comments and consideration) is expected by September 2011.

Project Milestone	Timing
Adoption of Sub-Regional Plan	Adopted
Adoption of Albion Structure Plan	Endorsed by Council
Subdivision Approval for Stage 1 (early release area)	Approved
Subdivision Approval for Stages 2, 3(a) and part of Stage 3(b)	Approved
Development commenced	December 2010
Secure pumping station approval from Water Corporation	May 2011
Lodgement of Local Structure Plan	June 2011
Performance Agreement deed to be issued by the Water Corporation	June 2011
Finalise cost sharing arrangement and shared bonding for common infrastructure with Brookfield	June/July 2011
Finalise strata management model	July 2011
Stage 1 Titles issued	July 2011
Stage 2 Titles issued	September 2011
Approval of Local Structure Plan	February 2012
Complete pump station and pressure main	February 2012

### ENGINEERING

#### (a) Civil Works

Stage 1: Works were completed in early May (on schedule). Work for the lead-in sewer commenced in May with practical completion scheduled for June 2011.

Stage 2: The Acid Sulphate Soil tests yielded positive results and backfilling of the trenches was completed in April. The balance of the civil works for Stage 2 is due to be completed by August 2011.

#### (b) Service Extensions

Extensive negotiations occurred throughout 2010. Construction of the water main and gas pressure main along Lord Street is close to practical completion. Pressure testing was conducted in May and installation is scheduled for completion by the end of June 2011.

Viento Insider News provides investors with quarterly updates information on the diversification of all Viento managed investments and is available on the Viento website [www.vientogroup.com](http://www.vientogroup.com).

## Disclosure Principle 5: Valuation Policy

*This principle provides investors with details of the valuation policy and current valuations for the scheme. The value of property assets can be volatile, particularly when access to credit is constrained and more properties are on the market. A significant fall in valuation will mean an increase in gearing ratio and may impact loan covenants.*

All direct property assets are independently valued prior to acquisition, and every year following acquisition. All independent valuations are carried out by certified and practicing valuers who are registered with the appropriate professional bodies.

Between independent valuations, the board of Viento Property Limited will form an estimate of the impact on portfolio property values of developments in real property markets. These estimates of current capital value are tested and supported using commercially available software developed for property valuation estimates. These estimates are made on a six monthly basis and approved by the board of Viento Property Limited. If the board becomes aware of reasons to suspect that the carrying value of a real property could differ materially (i.e. up or down by 10% or more) from the latest external valuation, a new, independent valuation is to be sought.

The property was purchased in 2005 for \$12,500,000 (incl. GST). Details of the latest valuation are below.

Property	Valuation as at 7 June 2011	Valuer
Avonlee Estate, Lots 349 & 350 Park Street, Henley Brook WA 6055	\$32,477,500 (incl. GST)	CB Richard Ellis

## Disclosure Principle 6: Related Party Transactions

*This principle provides investors with information on the RE's approach to related party transactions. A conflict of interest may arise when a scheme invests in, makes loans or provides guarantees to related parties.*

Viento may from time to time enter into transactions with related parties. Any decision to appoint a related party will be made on the basis that:

- The decision to appoint a related party is in the best interests of the unit holders;
- The agreement is entered into on an arm's length basis and approved by the board of Viento Property Limited;
- Any remuneration paid to the related party from the Syndicate is within prevailing market rates; and
- The arrangements are documented in writing.

The RE of the unlisted property Syndicate in this document is Viento Property Limited (ABN 51 095 920 648). Viento Property Limited is a wholly owned subsidiary of Viento Group Limited (ABN 000 714 054) (parent entity), an Australian public company listed on the Australian Securities Exchange (Code: VIE).

The Syndicate does not directly employ personnel, however it is required to have an incorporated RE manage the activities of the Syndicate. The directors and executives of the RE and the parent entity are referred to as the Key Management Personnel ('KMP'). The Syndicate does not pay compensation to directors or to any of the KMPs of the RE.

No director or KMP of the RE or parent entity has received or become entitled to any benefit because of a contract made by the RE with a director or KMP, or with a firm of which the director or KMP is a member, or with an entity in which the director or KMP has a substantial interest.

### Loans to Directors and Key Management Personnel of the Responsible Entity

The Syndicate has not made, guaranteed or secured, directly or indirectly, any loans to the directors and KMP or their personally-related entities at any time during the reporting period.

## Disclosure Principle 6: Related Party Transactions (cont.)

### Other Transactions with Directors and Key Management Personnel of the Responsible Entity

From time to time directors and KMP or their personally-related entities may buy or sell units in the Syndicate. These transactions are subject to the same terms and conditions as those entered into by other investors in the Syndicate.

### Other Transactions with Directors and Key Management Personnel of the Responsible Entity

From time to time directors and KMP or their personally-related entities may buy or sell units in the Syndicate. These transactions are subject to the same terms and conditions as those entered into by other investors in the Syndicate.

### Detail of Related Party Transactions

All transactions with related parties are conducted on normal commercial terms and conditions. The RE is entitled to a management fee that is calculated as a proportion of net profit and/or a proportion of gross asset value. Please refer to page 16 of the scheme PDS for additional information about fees.

Responsible entity fees and other transactions	
Management fee	Nil management fees are currently being paid
Compliance fee	Fixed \$28,080 p.a.
Accounting fee	Fixed \$31,360 p.a.
Registry fee	Fixed \$9,520 p.a.
Reimbursable expenses paid	Costs paid by the RE on behalf of the syndicate are subsequently recovered. These relate to printing, postage and other directly allocable costs.

Units in the Syndicate held by Related Parties			
Entity	Relationship	Unit holding	Interest held
Deluge Holdings Pty Ltd (RC Nichevich)	Director of RE	90,000	0.82%
Koy Pty Ltd (RC Nichevich)	Director of RE	110,000	1.00%

## Disclosure Principle 7: Distribution Practices

*This principle provides investors with information on the scheme's distribution practices and will assist investors in assessing the sources of distributions and informing them of the sustainability of distributions from sources other than realised income.*

The Syndicate PDS refers to distributions as the amount earned by investors, after interest and all fees and expenses have been paid, and may include some return of capital.

The PDS forecast Total Return (which is an Internal Rate of Return) is 21.1% per annum over the life of the Syndicate. Forecast returns include profits and return of capital over time, generally in proportion with the number of lots settled each year upon commencement of selling, and will continue until all subdivided lots have been sold.

The revised forecast Total Return using current sales data (actual and forecasts) is 20%.

Distributions for the Syndicate are forecast to commence when lot sales have settled and the Syndicate is cash flow positive. First payments to investors were forecast to occur in December 2007. Planning delays have extended this to October 2012. Once distributions commence, returns will be uneven. Investors will not receive the same return each year.

## Disclosure Principle 8: Withdrawal Arrangements

*This principle provides investors with information regarding their withdrawal rights in each scheme. Unlisted property schemes often have limited or no withdrawal rights which means they can be difficult to exit.*

The Henley Brook Syndicate is an illiquid investment with no withdrawal arrangements. Final completion is scheduled for December 2015.

### Further Information

Financial statements and quarterly updates are available on the Viento website [www.vientogroup.com](http://www.vientogroup.com). Our quarterly newsletter, Viento *Insider News*, provides investors with updates on the diversification of all Viento managed investments and is available on the Viento website.

For a copy of the Product Disclosure Statement, please contact our Client Services team.

Email: [info@vientogroup.com](mailto:info@vientogroup.com)  
Phone: 1300 555 505  
Address: Level 3, 11 Queens Road Melbourne VIC 3004  
Locked Bag 105, South Melbourne VIC 3205

Date: 30 June 2011

**IMPORTANT INFORMATION AND DISCLAIMER:** The information provided in this investment update has been carefully prepared and reviewed and is based on various assumptions available to the RE at the time. Neither the RE nor any company related to the RE guarantees the performance or success of the managed investment scheme, the total distribution or the repayment of investors' subscriptions or any capital. Advisors and investors should appreciate that factors affecting results may be outside the control of the RE or may not be capable of being foreseen or accurately predicted. This report has been prepared for general information only. It does not take into account your current or future financial circumstances. You should consider these matters and read the Product Disclosure Statement (PDS) for the scheme before you make an investment decision on holding or acquiring units. Nothing in the information contained in this update is intended to induce you to acquire or dispose of your units in the scheme.