

VIENTO
DIRECT PROPERTY

ABN 51 095 920 648 AFSL 224663

2007/08

FINANCIAL REPORT
Diversified Property Fund

ARSN 096 494 576 ABN 98 323 129 920

CORPORATE DIRECTORY

THE MANAGER & ISSUER

Viento Property Limited
ABN 51 095 920 648 AFSL No. 224663

REGISTERED OFFICE

Level 19, Riparian Plaza 71 Eagle Street Brisbane QLD 4000

BUSINESS OFFICE

Level 3, 11 Queens Road Melbourne VIC 3004
Telephone (03) 9866 7019 Facsimile (03) 9866 7029
Toll Free 1300 55 55 05
www.vientogroup.com

INDEPENDENT COMPLAINTS RESOLUTION SERVICE

Financial Industry Complaints Service Limited
(ABN 64 068 901 904)
31 Queen Street Melbourne VIC 3000
PO Box 579 Collins Street West VIC 8007
Telephone (Toll Free) 1800 335 405 Facsimile (03) 9621 2291
E-mail fics@fics.asn.au
www.fics.asn.au

COMPLAINTS INFORMATION

Viento Property Limited is committed to fair and prompt dealings with all complaints and welcomes suggestions for service improvement.

Investors in Viento Property Limited products are entitled to make an oral or written complaint. If you wish to make a complaint, please contact:

Kevin Mumford – Complaints Officer
Viento Property Limited
Locked Bag 105 South Melbourne VIC 3205

Hand deliveries to:
Melbourne Business office.
Phone: 1300 55 55 05

If you make a complaint:

- Your complaint will be recorded in the Manager's complaints register and acknowledged in writing;
- Progress in dealing with your complaint will be monitored by the Manager's Complaints Officer;
- The Complaints Officer for Viento Property Limited, Kevin Mumford, must deal with the complaint within 60 days and then notify you in writing of any action taken or proposed to resolve the complaint and of details of the external complaints resolution procedure; and
- If you are not satisfied with the outcome, you may take your complaint to the independent complaints service listed below, without prejudice to other avenues of redress:

Financial Industry Complaints Service Limited
PO Box 579 Collins Street West VIC 8007
Phone: 1800 335 405

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

CONTENTS

	Page
Review of Operations	1
Directors' Report	2
Income Statement	9
Balance Sheet	10
Statement of Changes in Net Assets Attributable to Unitholders – Liability	11
Cash Flow Statement	12
Notes to the Financial Statements	13
Directors' Declaration	46
Auditor's Independence Declaration	47
Independent Auditor's Report	48

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2008

The WRF Property Fund was redeveloped and rebranded as the Viento Diversified Property Fund in November 2007. The Viento Diversified Property Fund is an unlisted, open ended diversified Property Fund. The Fund aims to provide tax effective income and capital growth with low volatility.

The Fund provides both retail and wholesale investment opportunities via financial planning networks and wrap accounts. It is also suitable for self managed super funds and direct investors.

The Viento Diversified Property Fund distribution for the year to 30 June 2008 was 7.55 cents per unit. The Viento Diversified Property Fund provided a total return of 12.373% for the 2008 financial year and grew gross assets by approximately \$151.3 million to \$189.9 million.

The Asset allocation as at the 30th June 2008 was as follows;

	Actual 30-06-08	Benchmark Asset Allocation
Cash	1%	3%
LPT's	0%	12%
Direct Property	<u>99%</u>	<u>85%</u>
	100%	100%

The Fund has had a successful year, with the acquisition of 9 properties via the purchase of the units in the Elermore Property Syndicate, First Enterprise Property Syndicate, V3 Property Syndicate and the 925 Property Syndicate.

Whilst this has left us overweight in direct property the Fund is evaluating its position to enhance liquidity and provide enhanced fund performance.

On 28 November 2007, the John Street Singleton shopping centre development was disposed of by the John Street Singleton Trust, a wholly owned subsidiary of the Fund for \$8 million, an excellent result which reduced the funds development risk.

On 8 February 2008, the Fund sold the Trinity Heights shopping centre in Bathurst, New South Wales for \$6.5 million.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

Report by Directors of the Responsible Entity

The Directors of Viento Property Limited (ABN 51 095 920 648), the Responsible Entity of the Viento Diversified Property Fund – formerly the WRF Property Fund (“the Fund”) present their report together with the Financial Report of the Fund for the year ended 30 June 2008 and the auditor’s report thereon.

Responsible Entity

The responsible entity of the Viento Diversified Property Fund is Viento Property Limited (“the Responsible Entity”), which has been the responsible entity since 15 April 2002.

The Directors of Viento Property Limited in office at any time during or since the end of the year are:

Name and Qualifications	Age	Experience and Special responsibilities
M Kluge BAppSc, MSc (London) Appointed as Director 31 October 2007	51	Managing Director of the parent company Viento Group Ltd. Has over 24 years experience in the funds management industry, including 14 years at Suncorp and the last 8 as General Manager of Investments.
S A Barrett MBA, Assoc Dip Bus Mgt, DFS(FP), RE Agts Rep, MAICD Director since 4 September 2003.	39	Has 15 years experience in the Investment and Finance industries. She is Head of Marketing and Distribution for the Viento Group Ltd group of companies.
A Micelotta Director since 26 June 2006.	43	Is a licensed real estate agent with over 15 years experience in the commercial real estate industry. He is Head of Property for the Viento Group Ltd group of companies.
R C Nichevich FCA, FAICD Resigned as Director 31 October 2007.	60	Extensive experience in management and chartered accounting. He was a Non-Executive Director of the parent company, Viento Group Ltd.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008**

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

The registered office of the Responsible Entity is Level 19, Riparian Plaza, 71 Eagle Street Brisbane QLD 4000. The register of investors is located at the office of the Responsible Entity at Level 3, 11 Queens Road, Melbourne, Victoria.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia.

The investment activities continue to be in accordance with the investment policy of the Fund as outlined in the current Product Disclosure Statement. Due to recent direct property asset acquisitions, the Fund's direct property holding as at 30 June 2008 was 99%.

The Fund invests in a range of Property assets including direct property, listed and unlisted property trusts and property syndicates. Gearing may be used to enhance performance and yield of the Fund.

The investment policy of the Fund continues to be that detailed in the current Product Disclosure Statement and in accordance with the Constitution of the Fund.

The Fund itself did not have any employees during the year, and there has been no significant change in its activities.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008**

Operating Results

The profit from continuing operations of the Fund for the year ended 30 June 2008 was \$895,733 (2007: \$870,965). This includes unrealised gains and losses on investment property of \$4,415,836 (2007: \$87,997).

Distributions paid or payable in respect of the financial year were:

	2008		2007	
	\$	Cents per unit	\$	Cents per unit
July	111,525	0.65	-	-
August	119,494	0.67	143,402	1.30
September	122,074	0.65	74,428	0.65
October	127,746	0.65	76,158	0.65
November	157,975	0.65	82,861	0.65
December	161,146	0.65	85,963	0.65
January	155,976	0.61	80,471	0.60
February	151,767	0.59	82,464	0.60
March	219,803	0.58	92,703	0.65
April	225,081	0.59	113,520	0.77
May	232,696	0.61	117,450	0.77
Final distribution payable	526,733	0.65	106,011	0.65
	2,312,016	7.55	1,055,431	7.94

Review and Results of Operations

The review of operations for the year ended 30 June 2008 is discussed in the Review of Operations contained on page 1 of this report.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008

Performance

	2008 %	2007 %
Growth return	3.81	1.35
Distribution return	8.56	9.00
Total return	12.37	10.35
The relevant benchmark (i)	10.66	10.34

(i) The relevant benchmark is the 10-year bond yield + 2.25%.

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6.0 Product Performance – calculation and presentation of returns.

Units on Issue

The movement of the units on issue of the Fund for the year was as follows:

	2008 no.	2007 no.
Opening balance	16,883,620	10,255,823
Units issued	81,464,356	6,890,336
Units redeemed	(17,089,064)	(262,539)
	<u>81,258,912</u>	<u>16,883,620</u>

	\$	\$
Value of the Fund's net assets attributable to unitholders – liability as at 30 June	76,929,420	14,953,444

The basis for the valuation of the Fund's assets is disclosed in Note 1 to the financial statements.

Interests of the Responsible Entity and Associates

Interests of the Responsible Entity and its associates have been disclosed in Note 23 to the financial statements.

Fees paid to the Responsible Entity

The following fees were paid or payable to Viento Property Limited (Responsible Entity) and Viento Group Ltd (Parent Company) out of Fund property during the financial year.

	\$	\$
Viento Property Limited		
Manager's fees paid or payable	345,182	113,105
Acquisition fees on the purchase of property assets	2,760,500	414,553
Reimbursable expenses paid or payable	58,591	63,053
Commissions paid or payable	428,021	69,362
	<u>3,592,294</u>	<u>660,073</u>
Viento Group Ltd		
Accounting and registry fees paid or payable	40,000	40,000
	<u>3,632,294</u>	<u>700,073</u>

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008**

Derivatives and Other Financial Instruments

The Fund's investments and trading activities expose it to changes in interest rates as well as credit and liquidity risk. Viento Property Ltd has policies and procedures in each of these areas to manage these exposures which are discussed in Note 17.

State of Affairs

The Viento Diversified Property Fund (the "Fund") was created by a Constitution dated 24 April 2001 (the Constitution). The Constitution and the Compliance Plan dated 24 April 2001 have been lodged with the Australian Securities and Investments Commission.

The Fund was formed to invest in a range of Property assets including property, listed and unlisted property trusts and property syndicates.

On 28 November 2007, the John Street Singleton shopping centre development was disposed of by the John Street Singleton Trust, a wholly owned subsidiary of the Fund for \$8 million.

On 22 November 2007 the Fund acquired all the units in the Elermore Property Syndicate, the owner of the Elermore Vale Shopping Centre, for a total consideration of \$6.865 million. The consideration was satisfied by the issue of 7.188 million units in the Fund to those unitholders in the Elermore Property Syndicate. The property acquired is a single level enclosed neighbourhood shopping centre, with the major anchor tenant a BiLo Supermarket and 16 specialty stores.

On 8 February 2008, the Fund sold the Trinity Heights shopping centre in Bathurst, New South Wales for \$6.5 million.

On 24 March 2008 the Fund acquired all the units in the First Enterprise Property Syndicate, the owner of the City Centre Building in Campbelltown, New South Wales, Oxley Mall in Bowral, New South Wales and the Summerhill Village Shopping Centre in Reservoir, Victoria for a total consideration of \$23.591 million. The consideration was satisfied by the issue of 24.205 million units in the Fund to those unitholders in the First Enterprise Property Syndicate.

On 1 June 2008 the Fund acquired all the units in the V3 Property Syndicate, the owner of the Parkinson Plaza Shopping Centre in Queensland, 11 Queens Road, Melbourne in Victoria and Highviews Building in Blacktown New South Wales for a total consideration of \$26.394 million. The consideration was satisfied by the issue of 27.055 million units in the Fund to those unitholders in the V3 Property Syndicate.

On 1 June 2008 the Fund acquired all the units in the 925 Property Syndicate, the owner of the Mirrabooka Office Complex in Western Australia and the office building at 14 Queens Road, Melbourne in Victoria for a total consideration of \$15.275 million. The consideration was satisfied by the issue of 15.455 million units in the Fund to those unitholders in the 925 Property Syndicate.

Proceedings on Behalf of a Company

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

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008**

Subsequent Events

In the period since balance date the portfolio has been reviewed resulting in four properties being identified for possible disposal. They have since been marketed for sale. The properties are 11 Queens Rd, Melbourne VIC, Parkinson Plaza Shopping Centre, Parkinson, QLD, Summerhill Village Shopping Centre, Reservoir, VIC and Oxley Mall, Bowral, NSW.

As at the date of this report, the Responsible Entity had concluded a formal tender process for Summerhill Village Shopping Centre, and on 22 September 2008 resolved to accept a binding offer of \$17,650,000 for the property. If the property is sold, a loss on disposal of an estimated \$2.7 million will be reflected in the financial statements for the year ended 30 June 2009.

Other than the matters stated above, there are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.

Likely Developments

Likely developments in the operations of the Fund and the expected results of the operations in future financial years have been discussed where appropriate within this financial report.

It is the Directors intention to focus on growing the size of the Fund which will enable it to purchase further direct property and other property related investments (in accordance with the Fund's investment policy). The major benefits being increased property, geographic and manager diversification and the reduction of the associated risks.

Environmental Issues

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory legislation.

Indemnifying Officers or Auditor

During or since the end of the financial year no insurance premiums have been paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or auditors of the Fund.

Under the Constitution the Responsible Entity, including its directors and officers, is entitled to be indemnified out of the Fund's assets for any loss, damage, expense or other liability, incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund. This right of indemnity does not apply to the extent any loss, damage or costs are attributable to a breach of trust where the Responsible Entity failed to show the degree of care and diligence required of a trustee.

The Responsible Entity has paid premiums in respect of a contract insuring persons who are or have been a director or secretary of the Responsible Entity and includes any other person who is concerned, or takes part, in the management of the Responsible Entity. The liabilities include costs and expenses that may be incurred in defending civil proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or a related body corporate. The insurance contract prohibits the disclosure of the amount of the premium and the nature of the liability insured.

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

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2008**

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 47 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors of Viento Property Limited.

A handwritten signature in black ink, appearing to read 'M Kluge', is written over a light grey rectangular background.

M Kluge
Director
Viento Property Limited

Dated this 23rd day of September 2008
Brisbane, Queensland

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	Economic Entity		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
<i>Investment Income</i>					
Rental income		5,477,840	1,813,835	2,587,773	1,693,392
Interest		374,209	478,503	324,472	462,397
Increase in fair value of investment property	9	5,457,316	87,997	301,170	87,997
Sale of inventory	8	410,062	-	-	-
Distributions	3	21,533	31,597	1,782,870	31,597
<i>Total Investment Income</i>		<u>11,740,960</u>	<u>2,411,932</u>	<u>4,996,285</u>	<u>2,275,383</u>
<i>Expenses</i>					
Direct property expenses		(1,666,294)	(464,025)	(744,290)	(332,430)
Administration expenses	3	(602,319)	(210,034)	(553,899)	(198,795)
Borrowing costs	3	(2,774,234)	(866,908)	(2,428,301)	(866,908)
Decrease in fair value of investment property	9	(1,041,480)	-	(1,041,480)	-
Loss on sale of property		(64,348)	-	(64,348)	-
Impairment of goodwill	10	(4,696,552)	-	(4,696,552)	-
<i>Total Expenses</i>		<u>(10,845,227)</u>	<u>(1,540,967)</u>	<u>(9,528,870)</u>	<u>(1,398,133)</u>
<i>Profit/(Loss) from Continuing Operations</i>		<u>895,733</u>	<u>870,965</u>	<u>(4,532,585)</u>	<u>877,250</u>
<i>Finance Costs</i>					
Distributions to unitholders		(2,312,016)	(1,055,431)	(2,312,016)	(1,055,431)
<i>Total Finance Costs</i>		<u>(2,312,016)</u>	<u>(1,055,431)</u>	<u>(2,312,016)</u>	<u>(1,055,431)</u>
<i>Change in Net Assets Attributable to Unitholders</i>	13	1,416,283	184,466	6,844,601	178,181
<i>Net Profit Attributable to Unitholders</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

BALANCE SHEET
AS AT 30 JUNE 2008

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	15(a)	2,397,462	859,285	987,368	733,085
Trade and other receivables	4	1,261,205	346,954	1,398,234	346,007
Other current assets	5	382,018	91,201	53,406	47,023
Total Current Assets		<u>4,040,685</u>	<u>1,297,440</u>	<u>2,439,008</u>	<u>1,126,115</u>
Non-Current Assets					
Financial assets	6	2,759,221	2,956,635	73,278,486	7,125,684
Inventories	8	-	6,431,002	-	-
Investment property	9	183,075,737	28,137,525	21,100,000	28,137,525
Other non-current assets	5	121,210	31,681	49,327	31,681
Intangibles	10	-	250,744	-	250,744
Trade and other receivables	4	-	-	32,405,124	-
Total Non-Current Assets		<u>185,956,168</u>	<u>37,807,587</u>	<u>126,832,937</u>	<u>35,545,634</u>
Total Assets		<u>189,996,853</u>	<u>39,105,027</u>	<u>129,271,945</u>	<u>36,671,749</u>
Current Liabilities					
Trade and other payables	11	7,317,836	438,857	4,230,539	399,371
Short-term borrowings	12	18,521	4,271,296	1,154	4,271,296
Total Current Liabilities		<u>7,336,357</u>	<u>4,710,153</u>	<u>4,231,693</u>	<u>4,670,667</u>
Non-Current Liabilities					
Long-term borrowings	12	105,731,076	19,441,430	53,532,942	17,041,430
Total Non-Current Liabilities		<u>105,731,076</u>	<u>19,441,430</u>	<u>53,532,942</u>	<u>17,041,430</u>
Total Liabilities Excluding Net Assets					
Attributable to Unitholders		<u>113,067,433</u>	<u>24,151,583</u>	<u>57,764,635</u>	<u>21,712,097</u>
Net assets attributable to unitholders					
- Liability		<u>76,929,420</u>	<u>14,953,444</u>	<u>71,507,310</u>	<u>14,959,652</u>

The accompanying notes form part of these financial statements

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<i>Unitholders Funds</i>					
Opening balance at 1 July		14,858,609	9,404,650	14,864,817	9,404,573
Net contributions by unitholders (net of transactions costs)		63,434,040	5,638,425	63,434,040	5,638,425
Increase/(Decrease) in net assets attributable to unitholders - liability		<u>(1,416,283)</u>	<u>(184,466)</u>	<u>(6,844,601)</u>	<u>(178,181)</u>
	13	<u>76,876,366</u>	<u>14,858,609</u>	<u>71,454,256</u>	<u>14,864,817</u>
<i>Financial Assets Reserve</i>					
Opening balance at 1 July		94,835	61,733	94,835	61,733
Revaluation of available for sale assets		<u>(41,781)</u>	<u>33,102</u>	<u>(41,781)</u>	<u>33,102</u>
	14	<u>53,054</u>	<u>94,835</u>	<u>53,054</u>	<u>94,835</u>
<i>Total Net Assets Attributable to Unitholders - Liability at the End of the Year</i>		<u>76,929,420</u>	<u>14,953,444</u>	<u>71,507,310</u>	<u>14,959,652</u>

The accompanying notes form part of these financial statements

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<i>Cash Flows from Operating Activities</i>					
Interest received		385,831	478,503	353,094	462,397
Distributions received		30,550	40,552	938,546	40,552
Receipts from customers		5,558,495	1,990,442	2,243,441	1,857,499
Payments to suppliers		(5,180,454)	(773,347)	(677,960)	(639,401)
Borrowing costs		(3,003,864)	(1,019,684)	(2,569,399)	(1,019,684)
<i>Net Cash Provided by Operating Activities</i>	15(b)	<u>(2,209,442)</u>	<u>716,466</u>	<u>287,722</u>	<u>701,363</u>
<i>Cash Flows from Investing Activities</i>					
Payments for investment properties		-	(15,335,000)	-	(15,335,000)
Receipts from investment property		14,500,000	-	10,658,666	-
Capitalised property costs		(68,014)	(1,265,484)	(18,455)	(1,265,484)
Payments for property trust investments		(41,333)	(281,922)	(42,180)	(31,178)
Proceeds on sale of property trusts		-	50,000	-	50,000
Investment in subsidiary, net of cash acquired		531,059	-	(358,426)	(2,400,744)
Payments for inventories		(1,494,556)	(3,370,091)	-	-
<i>Net Cash (used in)/provided by Investing Activities</i>		<u>13,427,156</u>	<u>(20,202,497)</u>	<u>10,239,605</u>	<u>(18,982,406)</u>
<i>Cash Flows from Financing Activities</i>					
Proceeds from borrowings		36,807,870	15,640,422	36,797,345	13,240,422
Repayments of borrowings		(36,112,309)	(2,027,543)	(4,291,011)	(907,543)
Net proceeds from issue of units		8,070,962	6,612,937	8,071,806	6,612,937
Payments for redemption of units		(16,129,594)	(825,981)	(16,129,594)	(825,981)
Loans to subsidiaries				(32,405,124)	
Finance costs - distribution to unitholders		(1,880,843)	(1,175,244)	(1,880,843)	(1,175,244)
Payment for establishment costs		(435,623)	(148,530)	(435,623)	(148,530)
<i>Net Cash provided by Financing Activities</i>		<u>(9,679,537)</u>	<u>18,076,061</u>	<u>(10,273,044)</u>	<u>16,796,061</u>
Net (decrease)/increase) in cash and cash equivalents		1,538,177	(1,409,970)	254,283	(1,484,982)
Cash and cash equivalents at the beginning of the year		859,285	2,269,255	733,085	2,218,067
<i>Cash and Cash Equivalents at the End of the Year</i>	15(a)	<u>2,397,462</u>	<u>859,285</u>	<u>987,368</u>	<u>733,085</u>

The accompanying notes from part of these financial statements

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Basis of Preparation

The Fund is a registered Managed Investment Scheme under the Corporations Act 2001. The Financial Report of the Fund is for the year ended 30 June 2008.

The Financial Report is a general purpose financial report prepared in accordance with Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board 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 statements and notes also comply with International Financial Reporting Standards. 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 accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Financial Report covers the economic entity of the Viento Diversified Property Fund and controlled entities. The Viento Diversified Property Fund is domiciled in Australia.

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising of the financial statements and notes thereto, complies with International Financial Reporting Standards.

The Financial Report covers the economic entity of the Viento Diversified Property Fund and controlled entities. The Viento Diversified Property Fund is a registered managed investment scheme established and domiciled in Australia.

It is recommended that this financial report be read in conjunction with any public announcements made by the Fund during the financial year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

b) Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Basis of Preparation (continued)

c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

d) Going concern

While consolidated current payables are \$7,336,357 compared to consolidated current assets of \$4,040,685, the accounts haven been prepared on a going concern basis. The directors believe that the entities debts will be payable as and when they become due as they have identified four investment properties for sale, these properties include Oxley Mall, Summerhill, Parkinson and 11 Queens Road.

2 Significant Accounting Policies

The accounting policies set out below have been adopted by the Fund in the preparation of the Financial Report and have been consistently applied to all years presented.

(a) Principles of Consolidation

A controlled entity is an entity the Fund has the power to control the financial and operating policies of, so as to obtain benefits from its activities. The Fund's controlled entities are listed in note 22.

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 the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-entity 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 policies applied by the parent entity.

(b) Investment Property

Investment property is carried at fair value, determined by the directors or independent valuation. Changes in fair value are recorded in the income statement. Refer to Note 9 Investment Property for further details on fair value determination.

An independent valuation is carried out on each property at least every 2 years.

Investment property is not depreciated.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

2 Significant Accounting Policies (continued)

(c) Revenue and Expenses

Revenue

Lease income from operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight line basis over the term of the lease. Lease income includes gross rental revenue and recoverable outgoings.

Interest income is recognised in the income statement using the effective interest rate method.

Distribution and dividend income is recognised when the right to receive a distribution or dividend has been established.

Other income is recognised on an accruals basis, which is when the Fund becomes entitled to receive it.

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

Expenses

Expenses are brought to account on an accrual basis.

Borrowing Costs

Borrowing costs include interest and bank charges, which are expensed as incurred, and impairment of borrowing costs.

Loan establishment costs are initially capitalised by being offset against the loan amount and then impaired over the life of the loan or five years, whichever is the lesser.

(d) 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 ('ATO'). 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 are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

2 Significant Accounting Policies (continued)

(e) Financial Instruments

Financial instruments are initially measured at cost on transaction date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to a reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Issued Units

As the Fund has a fixed termination date a contractual obligation exists for the Fund to deliver cash or another financial asset to the unitholders. AASB 132: Financial Instruments: Presentation, therefore requires the issued units and retained profits to be classified as a financial liability, titled net assets attributable to unitholders. Accordingly the Fund has no equity and the distributions paid and payable to unitholders are classified as a finance cost in the income statement, while distributions payable are classified as a payable in the balance sheet.

Bank Borrowings

Interest-bearing bank loans and overdrafts are recognised at fair value, net of transaction costs.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Finance Costs

Finance costs – distribution to unitholders, represents amounts distributed to unitholders based upon their unitholding during the financial year and are recognised when a distribution is declared by the Fund.

Finance costs (excluding distributions to unitholders), are recognised using the effective interest rate applicable to the respective financial liability.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

2 Significant Accounting Policies (cont.)

(h) Inventory of Development Property

AASB 102 "Inventories" prescribes the measurement of inventories (including development property for sale), including the amount to be initially recognised as an asset in the balance sheet and later recognised as an expense in the income statement.

Inventories are measured at the lower of cost or net realisable value on an item by item basis. Net realisable value is the net amount an entity expects to realise from the sale of inventory in the ordinary course of business.

The costs of inventories, such as sub-divided blocks of land being developed for re-sale, is the aggregation of all of the costs of purchase net of any discounts or rebates, the cost of conversion to finished or saleable product, and other costs involved in the development of land, administration and selling.

Upon sale of an item of inventory the carrying amount of that item is recognised as an expense in the income statement in the period in which the related revenue is recognised.

(i) Distributions and Taxation

Under current legislation the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

The Fund fully distributes its taxable income in accordance with the Fund constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution. Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any future realised capital gains.

(j) Transfers to/from Unitholders' Funds

Non-distributable income, which may comprise unrealised changes in the fair value of financial assets, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are transferred to unitholders' funds.

These items are transferred from the unitholders' funds to be included in the determination of distributable income in the period for which they are assessable for taxation purposes.

(k) Determination of Unit Exit Prices

The unit exit price is determined as the net asset value of the Fund adjusted for estimated transaction costs, divided by the number of units on issue.

(l) Accounting Estimates and Judgments

Critical accounting estimates and judgments

The Directors of the Responsible Entity evaluate estimates and judgments incorporated in the financial report based on the historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund and Responsible Entity.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

2 Significant Accounting Policies (cont.)

(m) Intangibles

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 its net assets 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 losses. Gains or losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(n) Comparative Figures

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

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
3	Income and Expenses				
	Investment Income				
	Distributions - Listed Property Trusts	7,442	10,991	7,442	10,991
	Distributions - Unlisted Property Trusts	14,091	20,606	1,775,428	20,606
	Distribution Income	<u>21,533</u>	<u>31,597</u>	<u>1,782,870</u>	<u>31,597</u>
	Administration Expenses				
	Custodian fees	44,171	30,500	28,008	25,000
	Managers fees	345,182	122,755	345,182	122,755
	Other administration expenses	212,966	56,779	180,709	51,040
	Total Administration Expenses	<u>602,319</u>	<u>210,034</u>	<u>553,899</u>	<u>198,795</u>
	Borrowings Costs				
	Other persons	2,643,004	812,593	2,321,092	812,593
	Amortisation of loan establishment costs	131,230	54,315	107,209	54,315
	Total Borrowing Costs	<u>2,774,234</u>	<u>866,908</u>	<u>2,428,301</u>	<u>866,908</u>
4	Trade and Other Receivables				
	Current				
	Rental debtors	369,563	205,446	219,715	205,446
	Prepayments	411,032	21,400	22,348	21,034
	Accrued income	103,806	82,158	75,000	81,577
	Distributions receivable	2,669	11,685	856,010	11,685
	GST receivable	365,595	-	224,857	-
	Other debtors	8,540	26,265	304	26,265
		<u>1,261,205</u>	<u>346,954</u>	<u>1,398,234</u>	<u>346,007</u>
	Non Current				
	Inter-entity receivable	-	-	32,405,124	-
		<u>-</u>	<u>-</u>	<u>32,405,124</u>	<u>-</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

4 Trade and Other Receivables (continued)

Past due but not impaired

As of 30 June 2008 the fund had past due but not impaired trade receivables. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Up to 6 months		369,563	205,446	219,715	205,446
		<u>369,563</u>	<u>205,446</u>	<u>219,715</u>	<u>205,446</u>

5 Other Assets

Current

Security deposits		329,816	81,877	32,151	37,699
Lease incentives		52,202	9,324	21,255	9,324
		<u>382,018</u>	<u>91,201</u>	<u>53,406</u>	<u>47,023</u>

Non-Current

Lease incentives		121,210	31,681	49,327	31,681
		<u>121,210</u>	<u>31,681</u>	<u>49,327</u>	<u>31,681</u>

6 Financial Assets

Non-Current

Listed Property Trust: Westfield Group

(i)

Opening balance at 1 July		251,217	218,115	251,217	218,115
Purchase of Units		21,333	-	21,333	-
Revaluation increment/(decrement) to fair value		(48,993)	33,102	(48,993)	33,102
		<u>223,557</u>	<u>251,217</u>	<u>223,557</u>	<u>251,217</u>

Unlisted Property Trust: UBS Property Securities Fund (ii)

Opening balance at 1 July		-	-	-	-
Purchase of Units		20,000	-	20,000	-
Revaluation increment/(decrement) to fair value		(9,754)	-	(9,754)	-
		<u>10,246</u>	<u>-</u>	<u>10,246</u>	<u>-</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6 Financial Assets (continued)

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<i>Unlisted Property Trusts:</i>					
Elernore Property Syndicate		-	-	6,864,777	-
First Enterprise Property Syndicate		-	-	23,590,594	-
925 Property Syndicate		-	180,000	15,275,398	180,000
V3 Property Syndicate		-	-	24,778,109	-
Southern River (iii)		2,525,418	2,525,418	2,525,419	2,525,418
John Street Singleton Trust (iv)		-	-	10,386	4,169,049
		2,525,418	2,705,418	73,044,683	6,874,467
Total available for sale financial assets		2,759,221	2,956,635	73,278,486	7,125,684

- (i) The Westfield Group is a retail property group. The Fund holds 13,680 units at \$16.28 each as at 30 June 2008.
- (ii) The UBS Property Securities Fund is an unlisted property trust. The Fund holds 9,641 units at \$1.06 each as at 30 June 2008.
- (iii) The Fund holds 1,834,000 ordinary units and 1,320,480 bonus units in Southern River Syndicate at a total value of \$2,494,240. Capitalised acquisition fee of the Southern River units amounted to \$31,178.
- (iv) The Fund owns all of the units issued in the trust.

7 Acquisition of Subsidiaries

Business combination

On 22 November 2007 the Fund purchased 100% of the units in the Elernore Property Syndicate, the owner of the Elernore Vale Shopping Centre in New South Wales. The purchase price was satisfied by the issue of 7,188,246.6487 units at an issue price of 0.955 cents totaling \$6,864,720. The issue was based on the market price as at the date of purchase.

On 24 March 2008 the Fund acquired all the units in the First Enterprise Property Syndicate, the owner of the City Centre Building in Campbelltown, New South Wales, Oxley Mall in Bowral, New South Wales and the Summerhill Village Shopping Centre in Reservoir, Victoria for a total consideration of \$23,590,595. The consideration was satisfied by the issue of 24,248,519.889 units in the Fund to those unitholders in the First Enterprise Property Syndicate. The issue was based on the market price as at the date of purchase.

On 1 June 2008 the Fund acquired all the units in the V3 Property Syndicate, the owner of the Parkinson Plaza Shopping Centre in Queensland, 11 Queens Road, Melbourne in Victoria and Highviews Building in Blacktown New South Wales for a total consideration of \$26,394,493. The consideration was satisfied by the issue of 27,055,068.6757 units in the Fund to those unitholders in the V3 Property Syndicate.

On 1 June 2008 the Fund acquired all the units in the 925 Property Syndicate that it did not already own, the owner of the Mirrabooka Office Complex in Western Australia and the office building at 14 Queens Road, Melbourne in Victoria for a total consideration of \$15,078,280. The consideration was satisfied by the issue of 15,455,391.5539 units in the Fund to those unitholders in the 925 Property Syndicate.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7 Acquisition of Subsidiaries (continued)

The purchase price of the Elermore Property Syndicate was allocated as follows:

Assets and liabilities acquired at acquisition date:	\$ Pre- acquisition carrying amounts	\$ Fair value adjustments	\$ Recognised values on acquisition
Cash and cash equivalents	40,096	-	40,096
Receivables	71,388	-	71,388
Investment Property	11,580,000	-	11,580,000
Payables and borrowings	(4,826,764)	-	(4,826,764)
Net identifiable assets and liabilities	<u>6,864,720</u>	-	6,864,720
Consideration paid via issue of units			6,864,720
Acquisition costs			289,556
Total costs of acquisition of Elermore Property Syndicate			<u>7,154,276</u>

Allocation of acquisition costs:

Net identifiable assets and liabilities			6,864,720
Goodwill (note 10)			289,556
			<u>7,154,276</u>

The purchase price of the First Enterprise Property Syndicate was allocated as follows:

Assets and liabilities acquired at acquisition date:	\$ Pre- acquisition carrying amounts	\$ Fair value adjustments	\$ Recognised values on acquisition
Cash and cash equivalents	254,844	-	254,844
Receivables	419,754	-	419,754
Investment Property	51,200,000	-	51,200,000
Payables and borrowings	(28,284,003)	-	(28,284,003)
Net identifiable assets and liabilities	<u>23,590,595</u>	-	23,590,595
Consideration paid via issue of units			23,590,595
Acquisition costs			1,280,000
Total costs of acquisition of First Enterprise Property Syndicate			<u>24,870,595</u>

Allocation of acquisition costs:

Net identifiable assets and liabilities			23,590,595
Goodwill (note 10)			1,280,000
			<u>24,870,595</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7 Acquisition of Subsidiaries (continued)

The purchase price of the V3 Property Syndicate was allocated as follows:

	\$	\$	\$
Assets and liabilities acquired at acquisition date:	Pre- acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	299,774	-	299,774
Receivables	190,941	-	190,941
Investment Property	62,447,193	(1,616,383)	60,830,810
Payables and borrowings	(36,543,415)	-	(36,543,415)
Net identifiable assets and liabilities	<u>26,394,493</u>	-	24,778,110
Consideration paid via issue of units			24,778,110
Acquisition costs			778,063
Goodwill			1,616,383
Total costs of acquisition of V3 Property Syndicate			<u>27,172,556</u>
 Allocation of acquisition costs:			
Net identifiable assets and liabilities			24,778,110
Goodwill (note 10)			<u>2,394,446</u>
			<u>27,172,556</u>

The purchase price of the 925 Property Syndicate was allocated as follows:

	\$	\$	\$
Assets and liabilities acquired at acquisition date:	Pre- acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	294,770	-	294,770
Receivables	360,788	-	360,788
Investment Property	33,210,132	-	33,210,132
Payables and borrowings	(18,590,235)	-	(18,590,235)
Net identifiable assets and liabilities	<u>15,275,455</u>	-	15,275,455
Consideration paid via issue of units			15,078,280
Units already held as investment			197,175
Acquisition costs			412,938
Total costs of acquisition of 925 Property Syndicate			<u>15,688,392</u>
 Allocation of acquisition costs:			
Net identifiable assets and liabilities			15,275,455
Goodwill (note 10)			<u>412,938</u>
			<u>15,688,393</u>

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

7 Acquisition of Subsidiaries (continued)

In the period since the acquisition each subsidiary contributed the following to Consolidated Profit:

Subsidiary	Acquisition Date	Profit Contribution
Elmore Property Syndicate	22 November 2007	\$105,175
First Enterprise Property Syndicate	24 March 2008	\$3,006,910
V3 Property Syndicate	1 June 2008	\$39,227
925 Property Syndicate	1 June 2008	\$90,905

First Enterprise Property Syndicate profit contribution includes \$2,681,000 in Property Revaluations.

If the acquisitions had occurred on 1 July 2007, management estimates that consolidated revenue would have been \$20,853,000 and consolidated profit for the period would have been \$8,651,000.

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
8 Inventories					
Land - John Street, Singleton		5,057,315	5,057,315	-	-
Development expenses capitalised		2,532,623	1,373,687	-	-
Disposal proceeds		(8,000,000)	-	-	-
Profit on sale of inventory		410,062	-	-	-
		<u>-</u>	<u>6,431,002</u>	<u>-</u>	<u>-</u>

On 28 November 2007, the John Street Singleton shopping centre development was disposed of by the John Street Singleton Trust, a wholly owned subsidiary of the Fund for \$8 million.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

9 Investment Property

Economic Entity

	Opening balance 1 July \$	Purchases/ (Disposals) \$	Capex \$	Source of valuation / appraisal	Valuation / Appraisal \$	Revaluation Amount \$	Fair value 30 June \$
2008							
Devonport Cinema Complex, TAS	5,200,000	-	-	Savills	4,600,000	(600,000)	4,600,000
Trinity Heights Shopping Centre, Bathurst, NSW *	6,306,045	(6,315,670)	9,625	n/a	-	-	-
Nightowl Village, Underwood, QLD	6,041,480	-	-	Viento Property	5,600,000	(441,480)	5,600,000
34-36 Chandos Street, St Leonards, NSW	10,590,000	-	8,830	Viento Property	10,900,000	301,170	10,900,000
Elmore Shopping Centre, NSW	-	11,580,000	21,460	Viento Property	11,890,960	289,500	11,890,960
City Centre Building, Campbelltown, NSW	-	14,600,000		Viento Property	14,800,000	200,000	14,800,000
Oxley Mall, Bowral, NSW	-	18,000,000	19,000	Viento Property	19,200,000	1,181,000	19,200,000
Summerhill Village Shopping Centre, Reservoir, VIC	-	18,600,000	-	Viento Property	19,900,000	1,300,000	19,900,000
Parkinson Plaza Shopping Centre, QLD	-	13,995,000	-	Viento Property	13,995,000	-	13,995,000
11 Queens Rd, Melbourne VIC	-	26,250,000	-	Viento Property	26,250,000	-	26,250,000
Highviews Building, Blacktown, NSW	-	20,000,000	585,810	Viento Property	22,491,268	1,905,458	22,491,268
14 Queens Rd, Melbourne VIC	-	21,935,000	175,132	Viento Property	22,348,509	280,188	22,348,509
Mirrabooka Office Complex, WA	-	11,100,000	-	Viento Property	11,100,000	-	11,100,000
						<u>4,415,836</u>	<u>183,075,737</u>

* Trinity Heights Shopping Centre was sold on 8 February 2008, for a loss of \$64,348.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

9 Investment Property (continued)

Economic Entity

	Opening balance 1 July	Purchases/(Disposals)	Acquisition costs/Capex	Source of valuation / appraisal	Valuation / Appraisal	Revaluation Amount	Fair value 30 June
	\$	\$	\$		\$	\$	\$
2007							
Devonport Cinema Complex, TAS	5,143,000	-	15	Viento Property	5,200,000	56,985	5,200,000
Trinity Heights Shopping Centre, Bathurst, NSW	6,306,045	-	-	Viento Property	6,070,000	-	6,306,045
Nightowl Village, Underwood, QLD	-	5,600,000	441,480	Viento Property	5,600,000	-	6,041,480
34-36 Chandos Street, St Leonards, NSW	-	9,735,000	823,988	Viento Property	10,590,000	31,012	10,590,000
						<u>87,997</u>	<u>28,137,525</u>

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

9 Investment Property (continued)

Parent Entity

	Opening balance 1 July	Purchases/ (Disposals)	Acquisition costs/Cape x	Source of valuation / appraisal	Valuation / Appraisal	Revaluation Amount	Fair value 30 June
	\$	\$	\$		\$	\$	\$
2008							
Devonport Cinema Complex, TAS	5,200,000	-	-	Savills	4,600,000	(600,000)	4,600,000
Trinity Heights Shopping Centre, Bathurst, NSW *	6,306,045	(6,315,670)	9,625	n/a	-	-	-
Nightowl Village, Underwood, QLD	6,041,480	-	-	Viento Property	5,600,000	(441,480)	5,600,000
34-36 Chandos Street, St Leonards, NSW	10,590,000	-	8,830	Viento Property	10,900,000	301,170	10,900,000
						<u>(740,310)</u>	<u>21,100,000</u>
2007							
Devonport Cinema Complex, TAS	5,143,000	-	15	Viento Property Ltd	5,200,000	56,985	5,200,000
Trinity Heights Shopping Centre, Bathurst, NSW	6,306,045	-	-	Viento Property Ltd	6,070,000	-	6,306,045
Nightowl Village, Underwood, QLD	-	5,600,000	441,480	Viento Property Ltd	5,600,000	-	6,041,480
34-36 Chandos Street, St Leonards, NSW	-	9,735,000	823,988	Viento Property Ltd	10,590,000	31,012	10,590,000
						<u>87,997</u>	<u>28,137,525</u>

* Trinity Heights Shopping Centre was sold on 8 February 2008, for a loss of \$64,348.

Valuation basis:

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction. The determination of fair value was mainly based on the present values of net future cash flows and the capitalisation of future rental income and, where available, market data for comparable properties. The independent valuations (as indicated above), which conform to Australian Valuation Standards, were based on assessments made by an independent valuer who is a member of the Australian Property Institute. The Directors appraisals have been prepared by executive directors' of the Responsible Entity. Both the independent valuers and directors of the Responsible Entity have recent experience in the relevant location and category of the investment properties being valued. Oxley Mall was externally valued at \$18,800,000 in December 2007, Summerhill was externally valued at \$18,700,000 in December 2007, Campbelltown was externally valued at 14,600,000 in December 2007, 14 Queens Road was externally valued at \$21,500,000 in March 2008, Mirrabooka was externally valued at \$11,100,000 in March 2008, Parkinson was externally valued at \$13,875,000 in March 2008, 11 Queens Road was externally valued at 26,000,000 in March 2008 and Blacktown was externally valued at \$20,000,000 in March 2008.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
10 Intangible Assets					
Goodwill					
Cost		4,696,552	250,744	4,696,552	250,744
Accumulated impaired losses		<u>(4,696,552)</u>	<u>-</u>	<u>(4,696,552)</u>	<u>-</u>
Net carrying value		<u>-</u>	<u>250,744</u>	<u>-</u>	<u>250,744</u>
Year ended 30 June 2008					
Balance at the beginning of the year		250,744	-	250,744	-
Acquisitions through business combinations:		-	250,744	-	250,744
V3 Property Syndicate		2,394,446		2,394,446	
Elernore Property Syndicate		289,556		289,556	
First Enterprise Property Syndicate		1,280,000		1,280,000	
925 Property Syndicate		412,938		412,938	
Other costs		68,868		68,868	
Transfer to profit on sale of inventory		(250,744)	-	(250,744)	-
Impairment loss		<u>(4,445,808)</u>	<u>-</u>	<u>(4,445,808)</u>	<u>-</u>
Net carrying value		<u>-</u>	<u>250,744</u>	<u>-</u>	<u>250,744</u>

Impairment testing for cash-generating units containing goodwill

Goodwill represents the excess of the cost of an acquisition over fair value of the entity's share of net identifiable assets of the acquired subsidiaries. Goodwill on acquisition of subsidiaries has been impaired.

Value in use was determined by discounting cash flows generated from the continuing use of the property. Revenue and cost assumptions have been determined by management and are in line with market rates. The values assigned to management forecasts are based on property industry trends, and both internal and external sources of information. Goodwill has an infinite life and is assessed for impairment for loss annually.

11 Trade and Other Payables

Current

Accounts payable	2,107,591	140,903	1,559,769	107,081
Accrued expenses	4,016,530	150,850	2,136,737	137,200
Unearned income	87,909	5,563	7,301	5,563
Distributions payable	1,105,806	95,559	526,732	95,559
GST payable	-	8,283	-	16,269
Other liabilities	-	37,699	-	37,699
	<u>7,317,836</u>	<u>438,857</u>	<u>4,230,539</u>	<u>399,371</u>

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

12 Interest Bearing Liabilities

Current

Short-term borrowings

Secured loans (i)	-	1,770,000	-	1,770,000
Unsecured loans - other (ii)	18,521	2,501,296	1,154	2,501,296
	<u>18,521</u>	<u>4,271,296</u>	<u>1,154</u>	<u>4,271,296</u>

Non-Current

Long-term borrowings

Secured loans (i)	106,770,700	19,620,000	54,000,700	17,220,000
Less: borrowings costs	(1,039,624)	(178,570)	(467,758)	(178,570)
	<u>105,731,076</u>	<u>19,441,430</u>	<u>53,532,942</u>	<u>17,041,430</u>

- (i) During the year the Fund made loan repayments of \$1,770,000. \$81,365,450 of the total loan of \$106,770,700 was fixed at an average rate of 7.20% per annum, with the balance at BBSY. The loans are secured by a registered mortgage over the properties in the Fund.
- (ii) On 30 March 2007 the Fund entered into a loan agreement with Viento Group Ltd (the Lender) for \$2,494,240 to finance the acquisition of 1,834,000 ordinary units and 1,320,480 bonus units in Southern River Syndicate from Viento Group Ltd. The loan was fully repaid on 14 December 2007.

The Fund has an unsecured insurance premium funding loan of \$18,521 (2007: \$7,056) for its property insurances. The loan is over a 10 month period from 1 November 2007. The interest rate on the loan is 4.5% (2007: 6.58%).

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
13 Unitholders' Funds				
<i>Movements in unitholders' funds during the year were as follows:</i>				
Opening balance	14,858,609	9,404,650	14,864,817	9,404,573
Applications paid	79,999,257	6,612,937	79,999,257	6,612,937
Redemptions paid	(16,129,594)	(825,981)	(16,129,594)	(825,981)
Transaction costs paid	<u>(435,623)</u>	<u>(148,531)</u>	<u>(435,623)</u>	<u>(148,531)</u>
Net Contributions by Unitholders	63,434,040	5,638,425	63,434,040	5,638,425
Net profit	895,733	870,965	(4,532,585)	877,250
Distributions paid or payable	<u>(2,312,016)</u>	<u>(1,055,431)</u>	<u>(2,312,016)</u>	<u>(1,055,431)</u>
Change in Net Assets Attributable to Unitholders -Liability	(1,416,283)	(184,466)	(6,844,601)	(178,181)
Total Unitholders Funds	<u>76,876,366</u>	<u>14,858,609</u>	<u>71,454,256</u>	<u>14,864,817</u>
Financial Assets Reserve (refer Note 14)	53,054	94,835	53,054	94,835
Total Net Assets Attributable to Unitholders - Liability	<u>76,929,420</u>	<u>14,953,444</u>	<u>71,507,310</u>	<u>14,959,652</u>
	No. of units	No. of units	No. of units	No. of units
<i>Movements in units on issue in the Fund were as follows:</i>				
Opening balance	16,883,620	10,255,823	16,883,620	10,255,823
Applications	81,464,356	6,890,336	81,464,356	6,890,336
Redemptions	<u>(17,089,064)</u>	<u>(262,539)</u>	<u>(17,089,064)</u>	<u>(262,539)</u>
Closing balance	<u>81,258,912</u>	<u>16,883,620</u>	<u>81,258,912</u>	<u>16,883,620</u>

All units in the Fund are of the same class and carry equal rights. Each unit confers upon the holder of that unit an undivided interest in the assets of the Fund in the proportion that the unit bears to the total number of units on issue. A unit does not entitle the holder to any particular asset or any particular part of the assets of the Fund.

14 Reserves	\$	\$	\$	\$
Financial Assets Reserve	<u>53,054</u>	<u>94,835</u>	<u>53,054</u>	<u>94,835</u>
Opening balance	94,835	61,733	94,835	61,733
Fair value increment/(decrement) on listed property trusts	<u>(41,781)</u>	<u>33,102</u>	<u>(41,781)</u>	<u>33,102</u>
Closing balance	<u>53,054</u>	<u>94,835</u>	<u>53,054</u>	<u>94,835</u>

The Financial Assets Reserve records the revaluation of Available-for-Sale Financial Assets.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Notes	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
15 Notes to the Statement of Cash Flows				
a) Cash				
For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.	2,397,462	859,285	987,368	733,085
b) Reconciliation of Profit from continuing operations to Net Cash Flows from Operations				
Profit from continuing operations	895,733	870,965	(4,532,585)	877,250
<i>Non-cash flows in Profit from continuing operations</i>				
Changes in fair value of investment properties	(4,415,836)	(87,997)	(740,310)	(87,997)
Amortisation expense	173,731	54,315	143,348	54,315
Impairment of goodwill	4,696,552		4,696,552	
Write back of non-recoverable expenses	-	(76,201)	-	(76,201)
<i>Changes in Assets and Liabilities</i>				
(Increase)/Decrease in trade & other receivables	102,237	(135,885)	57,670	(167,830)
(Increase)/Decrease in prepayments	113,596	-	(1,315)	-
(Increase)/Decrease in other assets	(784,267)	(252,825)	(19,127)	(223,149)
Increase/(Decrease) in payables	(2,991,188)	344,094	683,489	324,975
	(2,209,442)	716,466	287,722	701,363
c) Loan Facilities				
Loan facilities	108,292,021	23,534,156	54,591,154	21,134,156
Amount utilised	(106,789,221)	(23,534,156)	(54,001,854)	(21,134,156)
Unused Loan Facilities	1,502,800	-	589,300	-

Refer to Note 12 for further details on the loan facilities.

16 Commitments and Contingent Liabilities

There were no commitments for capital expenditure or any contingent liabilities at 30 June 2008.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17 Financial Risk Management

A. Financial Risk Management

Financial instruments of the Fund comprise of investments in financial assets for the purpose of generating a return on the investment made by the unitholders, in addition to derivatives, cash and cash equivalents, net assets attributed to unitholders, and other financial instruments such as trade debtors and creditors, which arrive directly from operations. The Fund's investments are classified as at fair value through profit and loss.

1) Treasury Risk Management

The directors of the Responsible Entity meet on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

The directors strategies seek to assist the Fund in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

2) Financial Exposures and Management

The Fund is exposed to interest rate risk, credit risk and liquidity risk arising from financial instruments it holds. The overall risk management program seeks to minimise potential adverse effect on the distributable earnings of the fund and are managed through a process of ongoing identification, measurement and monitoring.

The fund has no exposure to fluctuations in foreign currency or commodity price risks. The risk management policies adopted by the Syndicate to manage these risks are discussed as follows:

a) Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Fund uses interest rate hedges to manage interest risk exposure.

At 30 June 2008 the Fund has approximately 76% of its debt fixed.

b) Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the financial contracts. The fund is exposed to credit risks on its cash balance, receivables and financial assets.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

Concentrations of credit risk are minimised primarily by:

- Ensuring counterparties, together with the respective credit limits, are approved,
- Requesting bank guarantees or security deposits from tenants,
- Ensuring review on prospective tenants,
- Ensuring that transactions are undertaken with a large number of counterparties in different locations, and
- Cash and cash equivalents are held with high credit quality financial institutions.

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties, which are expected to be affected similarly by changes in economic or other conditions.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

17 Financial Instruments and Risk Management (continued)

c) Liquidity Risk

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilized borrowing facilities are maintained.

B. Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed periods of maturity. As such the amounts may not reconcile to the balance sheet. Although there is a component of long term borrowings at floating interest rates, the term to maturity is 1 to 5 years.

Economic Entity

	Weighted Average Effective Interest Rate %pa	Floating Interest Rate \$	Fixed interest maturing in or repriced at			Non- Interest Bearing \$	Total \$
			Within Year \$	1 to 5 Years \$	Over 5 Years \$		
2008							
Financial Assets:							
Cash	6.5%	2,397,462	-	-	-	-	2,397,462
Receivables		-	-	-	-	1,261,205	1,261,205
Other current assets Available for sale financial assets		-	-	-	-	382,018	382,018
Other financial assets		-	-	-	-	232,956	232,956
Other non-current assets		-	-	-	-	2,526,265	2,526,265
		-	-	-	-	121,210	121,210
		<u>2,397,462</u>	-	-	-	<u>4,523,654</u>	<u>6,921,116</u>
Financial Liabilities:							
Payables		-	-	-	-	(7,317,836)	(7,317,836)
Short term borrowings		-	(18,521)	-	-	-	(18,521)
Long term borrowings	7.5%	(25,405,250)	-	(81,365,450)	-	-	(106,770,700)
		<u>(25,405,250)</u>	<u>(18,521)</u>	<u>(81,365,450)</u>	-	<u>(7,317,836)</u>	<u>(114,107,057)</u>
Net financial assets /(liabilities)		<u>(23,007,788)</u>	<u>(18,521)</u>	<u>(81,365,450)</u>	-	<u>(2,794,182)</u>	<u>(107,185,941)</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17 Financial Instruments and Risk Management (continued)

Economic Entity

	Weighted Average Effective Interest Rate %pa	Floating Interest Rate \$	Fixed interest maturing in or repriced at			Non- Interest Bearing \$	Total \$
			Within Year \$	1 to 5 Years \$	Over 5 Years \$		
2007							
Financial Assets:							
Cash	5%	859,285	-	-	-	-	859,285
Receivables		-	-	-	-	346,954	346,954
Other current assets		-	-	-	-	91,201	91,201
Available for sale financial assets		-	-	-	-	251,217	251,217
Other financial assets		-	-	-	-	2,705,418	2,705,418
Other non-current assets		-	-	-	-	31,681	31,681
		<u>859,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,426,471</u>	<u>4,285,756</u>
Financial Liabilities:							
Payables		-	-	-	-	(438,857)	(438,857)
Short term borrowings	6.38%	-	(4,177,056)	-	-	-	(4,177,056)
Long term borrowings	6.37%	(6,023,750)	-	(11,196,250)	-	(2,494,240)	(19,714,240)
		<u>(6,023,750)</u>	<u>(4,177,056)</u>	<u>(11,196,250)</u>	<u>-</u>	<u>(2,933,097)</u>	<u>(24,330,153)</u>
Net financial assets /(liabilities)		<u>(5,164,465)</u>	<u>(4,177,056)</u>	<u>(11,196,250)</u>	<u>-</u>	<u>493,374</u>	<u>(20,044,397)</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17 Financial Instruments and Risk Management (continued)

Parent Entity

	Weighted Average Effective Interest Rate %pa	Floating Interest Rate \$	Fixed interest maturing in or repriced at Within Year \$	1 to 5 Years \$	Over 5 Years \$	Non- Interest Bearing \$	Total \$
2008							
Financial Assets:							
Cash	6.5%	987,368	-	-	-	-	987,368
Receivables		-	-	-	-	33,803,358	33,803,358
Other current assets		-	-	-	-	53,406	53,406
Available for sale financial assets		-	-	-	-	233,803	233,803
Other financial assets		-	-	-	-	73,044,683	73,044,683
Other non-current assets		-	-	-	-	49,327	49,327
		<u>987,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,184,577</u>	<u>108,171,945</u>
Financial Liabilities:							
Payables		-	-	-	-	(4,230,539)	(4,230,539)
Short term borrowings		-	(1,154)	-	-	-	(1,154)
Long term borrowings	7.5%	(22,880,250)	-	(31,120,450)	-	-	(54,000,700)
		<u>(22,880,250)</u>	<u>(1,154)</u>	<u>(31,120,450)</u>	<u>-</u>	<u>(4,230,539)</u>	<u>(58,232,393)</u>
Net financial assets /(liabilities)		<u>(21,892,882)</u>	<u>(1,154)</u>	<u>(31,120,450)</u>	<u>-</u>	<u>98,954,038</u>	<u>49,939,552</u>

	Weighted Average Effective Interest Rate %pa	Floating Interest Rate \$	Fixed interest maturing in or repriced at Within Year \$	1 to 5 Years \$	Over 5 Years \$	Non- Interest Bearing \$	Total \$
2007							
Financial Assets:							
Cash	5%	733,085	-	-	-	-	733,085
Receivables		-	-	-	-	346,007	346,007
Other current assets		-	-	-	-	47,023	47,023
Available for sale financial assets		-	-	-	-	251,217	251,217
Other financial assets		-	-	-	-	7,125,211	7,125,211
Other non-current assets		-	-	-	-	31,681	31,681
		<u>733,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,801,139</u>	<u>8,534,224</u>
Financial Liabilities:							
Payables		-	-	-	-	(399,371)	(399,371)
Short term borrowings		-	(1,777,056)	-	-	-	(4,177,056)
Long term borrowings	6.38%	(6,023,750)	-	(11,196,250)	-	(2,494,240)	(19,714,240)
	6.37%	<u>(6,023,750)</u>	<u>(1,777,056)</u>	<u>(11,196,250)</u>	<u>-</u>	<u>(2,893,611)</u>	<u>(24,290,667)</u>
Net financial assets /(liabilities)		<u>(5,290,665)</u>	<u>(1,777,056)</u>	<u>(11,196,250)</u>	<u>-</u>	<u>4,907,528</u>	<u>(15,756,443)</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17 Financial Instruments and Risk Management (continued)

Trade and other payable are expected to be paid as follows:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Less than 6 months	3,282,052	438,857	1,242,548	399,371
6 months to 1 year	4,035,784	-	2,987,990	-
1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
	<u>7,317,836</u>	<u>438,857</u>	<u>4,230,538</u>	<u>399,371</u>

C. Net Fair Values

The net fair values of listed investments are quoted at the last trade price as at balance date. Unlisted investments where a unit price is available are valued at the quoted sell price. For other assets and liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than those stated above.

The aggregate carrying amounts of financial assets and financial liabilities are not materially different to net fair values.

D. Sensitivity Analysis:

The fund has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis:

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
- Increase in interest rate by 2%	(460,820)	(103,290)	(438,520)	(105,810)
- Decrease in interest rate by 2%	460,820	103,290	438,520	105,810
Change in Equity				
- Increase in interest rate by 2%	(460,820)	(103,290)	(438,520)	(105,810)
- Decrease in interest rate by 2%	460,820	103,290	438,520	105,810

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

18 Capital Management

The directors control the capital of the fund in order to maintain a good debt-to-equity ratio and to ensure that the fund can fund its operations and continue as a going concern.

The fund's debt and capital includes financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The directors manage the fund's capital by assessing the fund's financial risks and adjusting its capital structure in response to changes in these risks and in the market. This includes the management of debt levels.

There have been no changes in the strategy adopted by management to control the capital of the fund since the prior year. The strategy is to maintain the funds gearing ratio between 50-70%.

The gearing ratios for the year ended 30 June 2008 and 30 June 2007 are as follows:

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total borrowings	12	106,770,700	23,891,296	54,000,700	21,491,296
Less cash and cash equivalents	15	<u>(2,397,462)</u>	<u>(859,285)</u>	<u>(987,368)</u>	<u>(733,085)</u>
Net Debt		104,373,238	23,032,011	53,013,332	20,758,211
Net assets attributable to unit holders	13	<u>76,929,420</u>	<u>14,953,444</u>	<u>71,507,310</u>	<u>14,959,652</u>
Total capital		<u>181,302,658</u>	<u>37,985,455</u>	<u>124,520,642</u>	<u>35,717,863</u>
Gearing ratio		58%	61%	43%	58%

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19 Operating Leases

Economic Entity

Minimum future lease receivables under non-cancellable leases are as follows:

	Within Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
2008				
Devonport Cinema Complex, TAS	627,581	3,087,879	294,183	4,009,643
Nightowl Village, Underwood, QLD	415,331	798,440	-	1,213,771
34-36 Chandos Street, St Leonards, NSW	857,324	878,399	-	1,735,723
Elmore Shopping Centre, NSW	1,174,364	3,727,122	197,836	5,099,323
Oxley Mall, Bowral, NSW	1,421,188	3,880,211	45,289	5,346,687
City Centre, Campbelltown, NSW	1,302,902	1,989,930	-	3,292,832
Summerhill Village, Reservoir, VIC	1,936,484	5,709,831	1,221,064	8,867,379
Blacktown, NSW	189,477	328,938	-	518,415
11 Queens Rd, Melbourne VIC	2,087,657	1,921,941	-	4,009,598
Parkinson, QLD	1,243,432	4,267,668	2,419,202	7,930,302
14 Queens Rd, Melbourne VIC	1,450,117	1,276,854	-	2,726,971
Mirrabooka Commercial Centre WA	1,002,758	487,506	-	1,490,264
	<u>13,708,615</u>	<u>28,354,719</u>	<u>4,177,574</u>	<u>46,240,908</u>
2007				
Devonport Cinema Complex, TAS	569,727	2,142,954	1,343,233	4,055,914
Trinity Heights Shopping Centre, Bathurst, NSW	502,985	1,429,103	761,973	2,694,061
Nightowl Village, Underwood, QLD	497,736	1,219,350	-	1,717,086
34-36 Chandos Street, St Leonards, NSW	810,669	442,840	-	1,253,509
	<u>2,381,117</u>	<u>5,234,247</u>	<u>2,105,206</u>	<u>9,720,570</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19 Operating Leases (continued)

Parent Entity

Minimum future lease receivables under non-cancellable leases are as follows:

	Within Year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
2008				
Devonport Cinema Complex, TAS	627,581	3,087,879	294,183	4,009,643
Nightowl Village, Underwood, QLD	415,331	798,440	-	1,213,771
34-36 Chandos Street, St Leonards, NSW	857,324	878,399	-	1,735,723
	<u>1,900,236</u>	<u>4,764,718</u>	<u>294,183</u>	<u>6,959,137</u>
2007				
Devonport Cinema Complex, TAS	569,727	2,142,954	1,343,233	4,055,914
Trinity Heights Shopping Centre, Bathurst, NSW	502,985	1,429,103	761,973	2,694,061
Nightowl Village, Underwood, QLD	497,736	1,219,350	-	1,717,086
34-36 Chandos Street, St Leonards, NSW	810,669	442,840	-	1,253,509
	<u>2,381,117</u>	<u>5,234,247</u>	<u>2,105,206</u>	<u>9,720,570</u>

Leases are negotiated on a tenant by tenant basis reflective of commercial terms and prevailing market conditions at the time of the negotiations. The Responsible Entity utilises a standard lease document and follows a prescribed process in relation to the preparation and execution of same.

20 Segment Information

The Fund operates solely in the business of property investment within Australia

21 Auditors' Remuneration

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<i>Remuneration of the auditor of the Fund for:</i>					
- Audit and review of the financial reports		40,000	14,903	33,500	12,403
- Compliance plan audit		13,200	3,200	3,300	3,200
		<u>53,200</u>	<u>18,103</u>	<u>36,800</u>	<u>15,603</u>

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

22 Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned	
		2008	2007
Parent Entity:			
Viento Diversified Property Fund	Aust	-	-
Subsidiaries of Viento Diversified Property Fund:			
The John Street Singleton Trust	Aust	100%	100%
Elmore Property Syndicate	Aust	100%	-
First Enterprise Property Syndicate	Aust	100%	-
V3 Property Syndicate	Aust	100%	-
925 Property Syndicate	Aust	100%	-

Acquisition of Controlled Entities

On 22 November 2007 the Fund purchased 100% of the units in the Elmore Property Syndicate, the owner of the Elmore Vale Shopping Centre in New South Wales. The purchase price was satisfied by the issue of 7,188,246.6487 units at an issue price of 0.955 cents totaling \$6,864,720. The Fund is entitled to all profits earned from the purchase date.

On 24 March 2008 the Fund acquired all the units in the First Enterprise Property Syndicate, the owner of the City Centre Building in Campbelltown, New South Wales, Oxley Mall in Bowral, New South Wales and the Summerhill Village Shopping Centre in Reservoir, Victoria for a total consideration of \$23,590,595. The consideration was satisfied by the issue of 24,248,519.889 units in the Fund to those unitholders in the First Enterprise Property Syndicate. The Fund is entitled to all profits earned from the purchase date.

On 1 June 2008 the Fund acquired all the units in the V3 Property Syndicate, the owner of the Parkinson Plaza Shopping Centre in Queensland, 11 Queens Road, Melbourne in Victoria and Highviews Building in Blacktown New South Wales for a total consideration of \$26,394,493. The consideration was satisfied by the issue of 27,055,068.6757 units in the Fund to those unitholders in the V3 Property Syndicate. The Fund is entitled to all profits earned from the purchase date.

On 1 June 2008 the Fund acquired all the units in the 925 Property Syndicate that it did not already own, the owner of the Mirrabooka Office Complex in Western Australia and the office building at 14 Queens Road, Melbourne in Victoria for a total consideration of \$15,078,280. The consideration was satisfied by the issue of 15,455,391.5539 units in the Fund to those unitholders in the 925 Property Syndicate. The Fund is entitled to all profits earned from the purchase date.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

23 Related Party Disclosures

The Responsible Entity of the Viento Diversified Property Fund is Viento Property Limited (ABN 51 095 920 648). Viento Property Limited is a wholly owned subsidiary of Viento Group Ltd (ABN 000 714 054), an Australian public company listed on the Australian Stock Exchange (Code: VIE).

a) Remuneration of Directors and Key Management Personnel

The Syndicate does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Syndicate. The directors and executives of the Responsible Entity are the Key Management Personnel ('KMP').

The Directors and Executives of the Responsible Entity are KMP of that entity and their names are:

Mr M Kluge	Director (appointed 31 October 2007)
Mr R C Nichevich	Director (resigned 31 October 2007)
Ms S Barrett	Director
Mr T Micelotta	Director

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross asset value.

No compensation is paid directly by the Fund to directors or to any of the KMPs' of the Responsible Entity.

Since the end of the financial year, no Director or KMP of the Responsible Entity has received or become entitled to any benefit because of a contract made by the Responsible Entity 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 Fund 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.

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 Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

Apart from those details disclosed in this note, no Director or KMP has entered into a contract for services with the Responsible Entity since the end of the previous financial year and there were no contracts involving Directors or KMP subsisting at year end.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

23 Related Party Disclosures (continued)

b) Responsible Entity's Fees and other Transactions

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Viento Property Limited					
Manager's fees paid or payable		345,182	113,105	345,182	113,105
Acquisition fees on the purchase of property assets		2,760,500	414,553	2,760,500	414,553
Reimbursable expenses paid or payable		58,591	63,053	46,097	58,395
Commissions paid or payable		428,021	69,362	428,021	69,362
		<u>3,592,294</u>	<u>660,073</u>	<u>3,579,800</u>	<u>655,415</u>
 Viento Group Ltd					
Accounting and registry fees paid or payable		40,000	40,000	40,000	40,000
		<u>3,632,294</u>	<u>700,073</u>	<u>3,619,800</u>	<u>695,415</u>

c) Related Party Transactions

- (i) Viento Group Ltd entered into an agreement on 30 December 2005 with Viento Property Limited, in its capacity as trustee for The John Street Singleton Trust (JSST), as part of the sale of JSST by the company to the Viento Diversified Property Fund (VDPF). In accordance with the terms of that agreement, Viento was required to pay an investment return of 9% per annum, payable monthly in arrears, on the amount of capital invested by the VDPF in the JSST until the completion of the development of the shopping centre. All rents or other financial returns received by the JSST in relation to the properties being used for the development of the shopping centre are offset against the amount payable by Viento.

The interest on investment in JSST amounted to \$155,226 during the financial year (2007: \$338,006). The net rent paid or payable to Viento by JSST for the year ended 30 June 2008 amounted to \$0 (2007: \$119,486).

As the Property has now been sold the agreement between VDPF and Viento is no longer in place.

- (ii) On 30 March 2007, Viento Group Ltd entered into an agreement with Viento Property Limited, in its capacity as responsible entity for the Viento Diversified Property Fund (VDPF), for the purpose of the acquisition of 1,834,000 ordinary units and 1,320,480 bonus units in Southern River Syndicate amounted to \$2,494,240. Viento Diversified Property Fund borrowed from Viento Group and was required to repay the principal in six equal monthly instalments commencing on 30 June 2008. In accordance with the agreement, the loan was repaid by the due date so no interest was paid/payable.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

23 Related Party Disclosures (continued)

c) Related Party Transactions

Related Party investments held by the Fund

The Fund may purchase and sell units in other approved funds and funds managed by the Responsible Entity in the ordinary course of business. Details of the Fund's investments in other funds and syndicates are set out below.

30 June 2008

Entity	Units held	Fair value \$	Interest held %	Units purchased	Units sold	Distribution paid / payable \$
Southern River Syndicate ⁽ⁱ⁾	1,834,000	2,494,240	19.19%	-	-	-
		2,494,240				

(i) 1,834,000 ordinary units and 1,320,480 bonus units

30 June 2007

Entity	Units held	Fair value \$	Interest held %	Units purchased	Units sold	Distribution paid / payable \$
925 Property Syndicate	180,000	180,000	1.29%	205,000	(25,000)	18,233
New Enterprise Property Syndicate	-	-		25,000	(25,000)	2,373
Southern River Syndicate ⁽ⁱ⁾		2,494,240	19.19%	1,834,000	-	-
		2,674,240		2,064,000	(50,000)	20,606

(i) 1,834,000 ordinary units and 1,320,480 bonus units

Units in the Fund held by Related Parties

Details of holdings in the Fund by Related Parties is set out below. No other related parties held units in the Fund during the year. There were no units in the Fund held by key management personnel.

30 June 2008

Entity	Relationship	Unit holding \$	Interest held %	Units issued	Units redeemed	Distribution paid / payable \$
Mr R C Nichevich	Director of Responsible Entity	322,724	-	322,724	-	2,098
Ms S Barrett	Director of Responsible Entity	172,120		172,120	-	1,119
		494,844		494,844	-	3,217

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

23 Related Party Disclosures (continued)

c) Related Party Transactions (continued)

30 June 2007

Entity	Relationship	Unit holding \$	Interest held %	Units issued	Units redeemed	Distribution paid / payable \$
Viento Group Ltd	Parent of Responsible Entity	-	-	10,820	(10,820)	70
		<u>-</u>		<u>10,820</u>	<u>(10,820)</u>	<u>70</u>

Units issued to Mr Nichevich and Ms Barrett represent units issued upon the acquisition of the subsidiaries during the year.

24 Subsequent Events

In the period since balance date the portfolio has been reviewed resulting in four properties being identified for possible disposal. They have since been marketed for sale. The properties are 11 Queens Rd, Melbourne VIC, Parkinson Plaza Shopping Centre, Parkinson, QLD, Summerhill Village Shopping Centre, Reservoir, VIC and Oxley Mall, Bowral, NSW.

As at the date of this report, the Responsible Entity had concluded a formal tender process for Summerhill Village Shopping Centre, and on 22 September 2008 resolved to accept a binding offer of \$17,650,000 for the property. If the property is sold, a loss on disposal of an estimated \$2.7 million will be reflected in the financial statements for the year ended 30 June 2009.

Other than the matters stated above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

25 Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the fund but are not yet effective and have not been adopted in the preparation of the financial statements at reporting date.

AASB 2007-3 Amendments to Australian Accounting Standards makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009, and relates to disclosure requirements of AASB114 *Segment Reporting* due to the issuing of AASB 8: *Operating Segments*. These amendments will involve changes to segment reporting. However, there will be no direct impact on the financial report as the fund does not fall within the scope of AASB 8.

**VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

25 Accounting Standards (continued)

AASB 8 Operating Segments makes amendments to AASB 114 *Segment Reporting*. AASB 2008 is applicable for annual reporting periods beginning on or after 1 January 2009. These amendments will involve changes to segment reporting. However, there will be no direct impact on the financial report as the fund does not fall within the scope of AASB 8.

AASB 2007-6 Amendments to Australian Accounting Standards makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 111 *Construction Contracts*, AASB 116 *Preoperty Plant and Equipment*, AASB 138 *Intangible Assets*. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009. This amendment will require the capitalisation of all borrowing costs directly to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the fund as it already capitalises borrowing costs related to qualifying assets.

The revised AASB 123 *Borrowing Costs* has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the fund as it already capitalises borrowing costs related to qualifying assets.

AASB 2007-8 Amendments to Australian Accounting Standards makes amendments to AASB 101 *Presentation of Financial Statements* and is applicable for annual reporting periods beginning on or after 1 January 2009. This amendment requires the presentation of a statement of comprehensive income.

The revised AASB 101 *Presentation of Financial Statements* is applicable for annual reporting periods beginning on or after 1 January 2009. This amendment requires the presentation of a statement of comprehensive income.

VIENTO DIVERSIFIED PROPERTY FUND
ARSN 096 494 576

DIRECTORS' DECLARATION

VIENTO DIVERSIFIED PROPERTY FUND

The directors of Viento Property Limited, the Responsible Entity of the Viento Diversified Property Fund, declare that:

1. The financial statements and notes, as set out on pages 9 to 45 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the Fund's financial position as at 30 June 2008 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



M Kluge
Director
Viento Property Limited

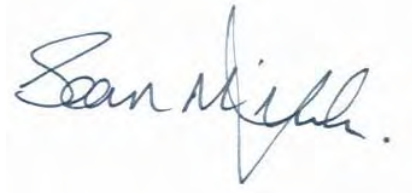
Dated this 23rd day of September 2008
Brisbane, Queensland

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 Diversified Property Fund for the year ended 30 June 2008, 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



SEAN MCGURK
Principal

Perth, WA

Dated this 23rd day of September 2008

INDEPENDENT AUDIT REPORT TO THE UNIT HOLDERS OF VIENTO DIVERSIFIED PROPERTY FUND

We have audited the accompanying financial report of the Viento Diversified Property Fund (the Syndicate), and the Syndicate and the controlled entities (the consolidated entity) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement 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 Syndicate and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the Responsible Entity, Viento Property Ltd, (the Directors) 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

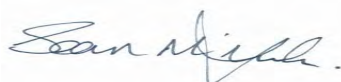
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Viento Property Ltd as the Responsible Entity for the Viento Diversified Property Fund are in the same terms as this auditor's report.

Auditor's Opinion

In our opinion, the financial report of the Viento Diversified Property Fund and the consolidated entity is in accordance with the Corporations Act 2001 including:

- a)
 - i. giving a true and fair view of the Syndicate's financial position as at 30 June 2008 and of their 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 23rd day of September 2008

Total Financial Solutions

Member Horwath International

WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

VIENTO

DIRECT PROPERTY

ABN 51 095 920 648 AFSL 224663

CONTACT

Tel (AUS)	1300 555 505
Tel (NZ)	0800 VIENTO
Fax	+ 61 3 9866 7029
E-mail	property@vientogroup.com
Web	www.vientogroup.com
Post	Locked Bag 105 South Melbourne VIC 3205
Deliveries	Level 3, 11 Queens Road Melbourne VIC 3004