

The Australian Securities & Investments Commission (ASIC) issued the Regulatory Guide 46 (RG 46 Guide) in September 2008. The Guide sets out eight disclosure principles which responsible entities must address for unlisted property schemes with retail investors. The aim of the Guide is to provide improved disclosure to retail investors.

Viento Property Limited is the Responsible Entity (RE) of the Metro Property Syndicate (scheme). The Metro Property Syndicate is a close ended unlisted property syndicate which is due for completion in October 2011.

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

### Disclosure Principle 1: Gearing Ratio

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

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

The gearing ratio for the Metro Property Syndicate as at 30 September 2011 was 71.98% and is within banking covenants.

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

### Disclosure Principle 2: Interest Cover

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

The interest cover is calculated using the following formula:

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

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

The interest cover for the Metro Property Syndicate as at 30 September 2011 was 1.21 and is within banking covenants.

**Note:** The interest cover formula above is defined by ASIC and is not the interest cover-related formula (interest times cover) adopted by our financiers.

### Disclosure Principle 3: Scheme Borrowing

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

Metro Property Syndicate	
Lender	National Australia Bank
Loan Amount	\$10,235,000
Maturity Date	30 June 2012
Interest Rate	77% Fixed 23% Variable
Loan covenant breaches	Non Compliant

### Disclosure Principle 4: Portfolio Diversification

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

The Metro Property Syndicate was established as a 6-year fixed term property investment and incorporates two shopping centres located in South Grafton, NSW and Paralowie, SA. Across the portfolio there are two major tenants and 18 specialty tenants (excluding vacancies). The occupancy rate is 98.4% with a Weighted Average Lease Expiry (WALE) by income of 3.1 years.

The top five tenants in the Syndicate based on the percentage of portfolio income are:

Property	Tenant	% of portfolio gross income
South Grafton Shopping Centre, NSW	Bi-Lo	25.6%
Paralowie Shopping Centre, SA	Coles	19.7%
Paralowie Shopping Centre, SA	Civic Video	5.9%
South Grafton Shopping Centre, NSW	Guardian Southside Pharmacy	5.4%
Paralowie Shopping Centre, SA	Liquorland	4.6%

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

### Disclosure Principle 5: Valuation Policy

*This Principle provides investors with details of the valuation policy and current valuations for each scheme. The value of property assets can be volatile, and a significant fall in valuations will mean an increase in gearing ratio and may impact loan covenants.*

All direct property assets are independently valued prior to acquisition and every two years following acquisition or more frequently if required, to assess the value of each property in the portfolio. All independent valuations are carried out by certified and practising valuers who are registered with the appropriate professional bodies.

Between independent valuations, the board of Viento Property Limited will form an estimate of the impact on portfolio property values of developments in real property markets. These estimates of current capital value are tested and supported using commercially available software developed for property valuation estimates. These estimates are made on a six monthly basis and approved by the board.

If the board becomes aware of reasons to suspect that the carrying value of a real property could differ materially (i.e. up or down by 10% or more) from the most recent external valuation, the board will obtain a new, independent valuation.

Property	Valuation as at 30 June 2011	Valuer	Cap rate
Paralowie Shopping Centre, SA	\$8,200,000	Independent Valuation	9.50%
South Grafton Shopping Centre, NSW	\$5,700,000	Independent Valuation	9.50%

## Disclosure Principle 6: Related Party Transactions

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

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

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

The RE of the unlisted property scheme in this RG46 Guide 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).

The scheme does not employ personnel in their own right, however it is required to have an incorporated RE to manage the activities of the scheme. The directors and executives of the RE and the parent entity are the Key Management Personnel ('KMP').

The RE is entitled to a management fee which is calculated as a proportion of net profit and/or a proportion of gross asset value. See below for a more detailed description.

No compensation is paid directly by the schemes to directors or to any of the KMPs of the RE.

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

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

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

## Detail of Related Party Transactions

All transactions with related parties are conducted on normal commercial terms and conditions.

Responsible entity fees and other transactions	
Management Fee	0.60% of Gross Assets + 2.50% of Net Income
Compliance Fee	Fixed \$6,000 p.a.
Accounting Fee	Fixed \$18,800 p.a.
Registry Fee	Fixed \$12,800 p.a.
Reimbursable expenses paid	Costs paid by the RE on behalf of the Syndicate, subsequently recovered. These relate to printing, postage and other directly allocable costs.

## Disclosure Principle 7: Distribution Practices

*This principle provides investors with information on the schemes distribution practices and will assist investors in assessing the sources of distributions and be informed of the sustainability of distributions from sources other than realised income.*

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

In September 2008, the board reviewed its distribution policy and adopted the practice of paying distributions out of net income only. Since September 2008 all distribution payments have been paid from the net income of the scheme and have not been supplemented by drawing on unrealised capital gains or debt facilities.

## Disclosure Principle 8: Withdrawal Arrangements

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

The Metro Property Syndicate is an illiquid fixed term investment with no withdrawal arrangements.

## Further Information

You may obtain additional information about your investment by contacting our Client Services Manager.

Phone: 1300 555 505(Australia) or +61 3 9866 7019  
Email: info@vientogroup.com  
Registered Office: Level 3, 11 Queens Road Melbourne VIC 3004  
Postal Address: Locked Bag 105, South Melbourne VIC 3205

Financial statements and quarterly updates are available on the Viento website [www.vientogroup.com](http://www.vientogroup.com).

Dated: 30 September 2011

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