MARINER FINANCIAL LIMITED
ABN 54 002 989 782
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
HALF-YEAR ENDED 31 DECEMBER 2008

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report of Mariner Financial Limited ('the Company'), being the Company and its controlled entities (together referred to as 'the Group'), for the period ended 31 December 2008 and the review report thereon.

EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

NAME	POSITION
Mr W E B Ireland	Chairman
Mr D J Heaney	Non-executive Director
Mr A R Stockdale	Non-executive Director

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group during the period continued to focus on reducing debt through the orderly sale of assets as the Company exits from retail distribution, while this sector continues to suffer in the current economic environment.

CONSOLIDATED RESULTS

The consolidated net loss after tax attributable to members of the Company for the period was $44,825,639 (2007: loss of $13,909,661). The basic loss per share for the period was 18.15 cents (2007: loss per share of 5.68 cents) and net tangible assets per share were 7.7 cents (30 June 2008: 25.9 cents).

DIVIDENDS

The directors do not recommend the payment of a dividend (2007: 2.5 cents per share totalling $6,368,370 – partially franked).

REVIEW OF OPERATIONS AND GOING CONCERN

As confirmed in the directors' declaration on page 23 of the interim financial report, the directors have reached the conclusion that based on all available facts and information currently available, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is a going concern. In reaching this conclusion the directors have had regard to, amongst other things, the following:

- Short and medium term cash flow forecasts, combined with the Group's asset sale program indicate that the Company can meet its known funding requirements. The cash flow forecasts contain contingencies to allow for delays or shortfalls in asset sales.

- The retirement of $1.8 million of outstanding convertible notes on 30 January 2009 and the successful renegotiation of repayment terms associated with the remaining $6.9 million of convertible notes which has linked their repayment to sales proceeds from specified asset sales and has extended their maturity to 31 March 2010.

- The Group's recent track record in demonstrating an ability to complete asset sales in a difficult market environment. The Company raised proceeds of $8.8 million during the half year which principally related to the following asset sales:

  - Turtle Beach at 1770 (QLD)
  - Balance of proceeds from the sale of management rights for the Mariner Pipeline Income Trust
  - Management rights for Mariner American Property Income Trust and Mariner Infrastructure Trust No. 1
  - Management rights for Mariner Mortgage Trust (settled after reporting date).

DIRECTORS' REPORT (CONTINUED)

- The advanced status of the sales process for the following assets which is expected to be completed in the near term:

  - Southern Distribution Hub Pty Ltd ('the Hub')
  - Management rights for Mariner Property Trust No.1 and MSS Moore Park Limited

- The successful renegotiation of repayment terms with existing creditors.

- The Group has reduced recurring operating expenses significantly by reducing headcount by 70% with a further 10% scheduled for the second half of the year. This will leave a core team to manage the asset sale program and implement the new business plan (discussed below).

Whilst the Group's primary near term focus will be on completing the asset sale process, the Group's new business plan will be implemented with a focus on generating advisory based fee income from arranging wholesale structured transactions on behalf of institutional investors. The Group will also focus its efforts on turning around the performance of the Mariner Coastal Investment Fund where it expects to retain its management rights and generate value for shareholders.

The directors acknowledge that some uncertainty exists in relation to the Group's ability to meet its funding requirements. These uncertainties principally relate to the Group's ongoing ability to complete the remaining asset sales in difficult market conditions, the receipt of certain payments which are contingent upon the anticipated achievement of certain development approvals and the ability to sublease the Group's Head Office premises. In the event that certain asset sales or development approvals are delayed the Group's ability to continue as a going concern will be reliant on its ability to renegotiate terms with the convertible note holders. Further, the long term viability of the Group is contingent upon its ability to successfully implement the new business plan outlined above.

Other significant provisions and revaluations made during the period include:

- Onerous contract (rental lease) and leasehold improvements - $2.9 million
- Asset revaluations (unrealised loss) - $23.5 million
- Asset valuations (realised loss) - $7.3 million.

During the period the Company placed one of its subsidiaries, Mariner Treasury Limited (Receivers and Managers appointed) into voluntary administration. Consequently, the Group has consolidated the results of Mariner Treasury Limited (Receivers and Managers appointed) up to 2 October 2008, and has removed the assets and liabilities from the Group balance sheet for nil consideration.

On 15 October 2008, following the receipt of updated valuations for the assets of the Mariner German Property Trust and the Mariner Japan Property Trust, the Company has also deconsolidated these two Trusts during the half year. Due to the impact of the downwards revised valuations on net assets and Mariner Treasury Limited's (Receivers and Managers appointed) security position, the directors did not believe that the Group was exposed to any further risks and rewards associated with the two Trusts. Accordingly, control of MGPT and MJPT is considered to have ceased on 15 October 2008.

Discussions have taken place with convertible note holders to negotiate new repayment terms which are more aligned to asset sales. The outcome of this is outlined below in Matters Subsequent to the End of the Financial Half-year.

In summary, the activities of the last six months have resulted in the reduction of net assets from $63.9 million to $19.0 million, and streamlining of business operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from those disclosed elsewhere in the directors' report there are no significant changes during the period.

DIRECTORS' REPORT (CONTINUED)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

Since 31 December 2008, the following transactions are in various stages of completion:

- **CONVERTIBLE NOTES:** The terms and the conditions of the convertible notes were renegotiated on 29 January 2009 and again on 6 March 2009. $1.8 million of the convertible notes have been repaid, with $6.9 million remaining. In accordance with the 6 March 2009 Further Amending Deed to the Security Trust Deed, the note holders have agreed to defer the maturity of the convertible notes until 31 March 2010. The Company has provided the following assets as security:

    - Southern Distribution Hub Pty Ltd
    - Mariner Coastal Land Fund

    In the event the secured assets are sold in advance of the revised maturity date of the convertible notes, the proceeds from these asset sales will be used to repay the convertible note holders. The convertible note holders have agreed to cap their security entitlement to the anticipated first instalment received on the sale of the Hub to $1.0 million, or if Mariner Coastal Land Fund is sold before the Hub the proceeds on the sale of Mariner Coastal Land Fund will be capped to $1.0 million.

- **MARINER CREDIT CORPORATION LIMITED (MCCL):** A securities sale deed was signed on 30 January 2009 with a transfer of all remaining shares in MCCL to Pentagon Property Group Pty Limited (PPG) scheduled for no later than 31 March 2009. In the event MCCL is sold in accordance with the existing securities sale deed, the Group will realise a loss of $1,016,000 which has been provided for in the financial statements.

- **MARINER PROPERTY TRUST NO.1 AND MSS MOORE PARK LIMITED SALE OF THE MANAGEMENT RIGHTS:** Due diligence by two parties is currently being finalised and a heads of agreement is expected to be signed in the near future.

- **SOUTHERN DISTRIBUTION HUB**: Negotiations for the sale of the HUB are at an advanced stage and are expected to sign in the near future.

Other than the items mentioned above, there are no matters which significantly affected or may significantly affect:

(a) the Group's operations in future financial periods; or
(b) the results of those operations in future financial periods; or
(c) the Group's state of affairs in future financial periods;

other than that included in this report under the review of operations and significant changes in the state of affairs.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2008.

ROUNDING OFF OF AMOUNTS

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 6th day of March 2009.
This report is made with a resolution of the directors:

W E B IRELAND
MANAGING DIRECTOR

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Mariner Financial Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

Malcolm Ashcroft
Partner

Sydney

6 March 2009

Consolidated Interim Income Statement

	Notes	CONSOLIDATED Half-year ended 31 December 2008 $'000	CONSOLIDATED Half-year ended 31 December 2007 $'000
REVENUE AND INCOME			
Sale of management rights		5,132	-
Management fees		2,517	4,474
Transaction fees		-	2,918
Rental income		135	67
Interest income		664	3,995
Dividends		464	2,749
Realised net gain on disposal of financial assets at fair value through profit or loss		1,570	128
Other income		206	-
TOTAL REVENUE AND INCOME		10,688	14,331
EXPENSES			
Impairment of loan to associates	8	(2,974)	-
Impairment of loan to other related parties	8	(9,925)	-
Loss on change of control of controlled entities	21	(3,196)	-
Unrealised loss on held for sale assets		(7,186)	-
Loss on disposal of associates		(8,915)	-
Net changes in fair value of financial assets at fair value through profit or loss		(2,782)	(14,155)
Write off of capitalised costs		(646)	-
Administration and office costs		(3,914)	(3,899)
Management services		(1,546)	(606)
Employment costs		(6,781)	(7,726)
Depreciation expense		(164)	(144)
Impairment of fixed assets	10	(683)	-
Borrowing costs		(3,444)	(3,914)
Professional fees		(2,000)	(2,083)
Property expenses		(277)	-
Underwriting costs		-	(585)
Other expenses		(1,081)	(74)
TOTAL EXPENSES		(55,514)	(33,186)
LOSS BEFORE INCOME TAX		(44,826)	(18,855)
Income tax credit/(expense)	6	-	4,946
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(44,826)	(13,909)
Basic loss per share from continuing operations		(18.15) cents	(5.68) cents
Diluted loss per share from continuing operations		(18.15) cents	(5.23) cents

The notes to the accounts on pages 9 to 22 are an integral part of these financial statements.

CONSOLIDATED INTERIM BALANCE SHEET

		CONSOLIDATED	
	NOTE	31 DECEMBER 2008	30 JUNE 2008
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	7	9,046	18,351
Loans and other receivables	8	13,625	31,077
Work in progress		1,494	2,524
Financial assets at fair value through profit or loss	9	4,069	23,197
Assets classified as held for sale	11	24,213	148,133
Investments in equity accounted investees		-	21,385
Other assets		906	205
TOTAL CURRENT ASSETS		53,353	244,872
NON-CURRENT ASSETS			
Receivables	8	1,632	1,243
Property, plant and equipment	10	239	1,044
Other assets		9	1,223
TOTAL NON-CURRENT ASSETS		1,880	3,510
TOTAL ASSETS		55,233	248,382
CURRENT LIABILITIES			
Payables	12	5,072	4,060
Loans and borrowings	13	9,659	31,008
Financial liabilities at fair value through profit or loss	14	-	1,568
Liabilities classified as held for sale	11	17,068	123,703
Provisions	15	2,922	459
Other liabilities		521	460
TOTAL CURRENT LIABILITIES		35,242	161,258
NON-CURRENT LIABILITIES			
Loans and borrowings	13	981	13,272
Financial liabilities at fair value through profit or loss	14	-	9,989
TOTAL NON-CURRENT LIABILITIES		981	23,261
TOTAL LIABILITIES		36,223	184,519
NET ASSETS		19,010	63,863
EQUITY			
Share capital	16	125,591	125,591
Reserves		(2,933)	(2,906)
Accumulated losses		(103,648)	(58,822)
TOTAL EQUITY		19,010	63,863

The notes to the accounts on pages 9 to 22 are an integral part of these financial statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		CONSOLIDATED					
31 DECEMBER 2008	**NOTE**	**SHARE CAPITAL**	**SHARE BASED PAYMENT RESERVE**	**TRANSLATION RESERVE**	**OTHER RESERVES**	**RETAINED EARNINGS/ (LOSSES)**	**TOTAL**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
BALANCE AT 1 JULY 2008		125,591	545	(90)	(3,361)	(58,822)	63,863
Share based payments		-	(117)	-	-	-	(117)
Disposal of overseas subsidiary		-	-	90	-	-	90
Total loss for the period		-	-	-	-	(44,826)	(44,826)
BALANCE AT 31 DECEMBER 2008		125,591	428	-	(3,361)	(103,648)	19,010

		CONSOLIDATED					
31 DECEMBER 2007	**NOTE**	**SHARE CAPITAL**	**SHARE BASED PAYMENT RESERVE**	**TRANSLATION RESERVE**	**OTHER RESERVES**	**RETAINED EARNINGS/ (LOSSES)**	**TOTAL**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
BALANCE AT 1 JULY 2007		123,172	480	(60)	(3,219)	12,797	133,170
Issue of shares – dividend reinvestment plan		753	-	-	-	-	753
Issue of shares – exercise of convertible notes		1,282	-	-	(49)	-	1,233
Share options		-	(52)	-	-	-	(52)
Foreign exchange translation differences		-	-	(7)	-	-	(7)
Dividend paid		-	-	-	-	(6,368)	(6,368)
Total loss for the period		-	-	-	-	(13,909)	(13,909)
BALANCE AT 31 DECEMBER 2007		125,207	428	(67)	(3,268)	(7,480)	114,820

The notes to the accounts on pages 9 to 22 are an integral part of these financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	NOTES	CONSOLIDATED HALF-YEAR ENDED 31 DECEMBER 2008 $'000	CONSOLIDATED HALF-YEAR ENDED 31 DECEMBER 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		8,389	7,219
Cash payments in the course of operations		(16,829)	(17,031)
Interest received		664	3,995
Borrowing costs paid		(1,850)	(3,914)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(9,626)	(9,731)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		464	2,749
Purchase of investments at fair value through profit and loss		-	(25,389)
Proceeds from sale of investments at fair value through profit and loss		12,812	17,404
Payment for property, plant and equipment		(43)	(447)
Cash outflows from disposal of subsidiary		(1,145)	-
Cash inflow from acquisition of subsidiary		293	-
Proceeds from sale of associate		3,701	-
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		16,082	(5,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments)/proceeds from borrowings		(14,659)	8,229
Loans from/(to) related parties		4,680	(23,846)
Proceeds from issue of shares net of offer cost		-	753
Dividends paid		-	(6,368)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		(9,979)	(21,232)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,523)	(36,646)
CASH AND CASH EQUIVALENTS AT 1 JULY	7	19,556	68,701
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	16,033	32,055

The notes to the accounts on pages 9 to 22 are an integral part of these financial statements.

1 REPORTING ENTITY

Mariner Financial Limited is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as 'the Group') and the Group's interests in associates and jointly controlled entities.

The consolidated annual financial report of the Group for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 40, Chifley Tower, 2 Chifley Square, Sydney NSW 2000 or at www.marinerfunds.com.au.

2 BASIS OF PREPARATION

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 6 March 2009.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Apart from as disclosed below, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2008.

Certain comparative amounts have been reclassified in the comparative income statement to conform with the current period's presentation.

PROVISIONS FOR ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

4 GOING CONCERN

As confirmed in the director's declaration on page 23, the directors have reached the conclusion that based on all available facts and information currently available, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is a going concern. In reaching this conclusion the directors have had regard to, amongst other things, the following:

- Short and medium term cash flow forecasts, combined with the Group's asset sale program indicate that the Company can meet its known funding requirements. The cash flow forecasts contain contingencies to allow for delays or shortfalls in asset sales.

- The retirement of $1.8 million of outstanding convertible notes on 30 January 2009 and the successful renegotiation of repayment terms associated with the remaining $6.9 million of convertible notes which has linked their repayment to sales proceeds from specified asset sales and has extended their maturity to 31 March 2010.

- The Group's recent track record in demonstrating an ability to complete asset sales in a difficult market environment. The Company raised proceeds of $8.8 million during the half year which principally related to the following asset sales:

4 GOING CONCERN (CONTINUED)

- Turtle Beach at 1770 (QLD)
- Balance of proceeds from the sale of management rights for the Mariner Pipeline Income Trust
- Management rights for Mariner American Property Income Trust and Mariner Infrastructure Trust No. 1
- Management rights for Mariner Mortgage Trust (settled after reporting date).

• The advanced status of the sales process for the following assets which is expected to be completed in the near term:

  - Southern Distribution Hub Pty Ltd ('the Hub')
  - Management Rights for Mariner Property Trust No.1 and MSS Moore Park Limited

• The successful renegotiation of repayment terms with existing creditors.

• The Group has reduced recurring operating expenses significantly by reducing headcount by 70% with a further 10% scheduled for the second half of the year. This will leave a core team to manage the asset sale program and implement the new business plan (discussed below).

Whilst the Group's primary near term focus will be on completing the asset sale process, the Group's new business plan will be implemented with a focus on generating advisory based fee income from arranging wholesale structured transactions on behalf of institutional investors. The Group will also focus its efforts on turning around the performance of the Mariner Coastal Investment Fund where it expects to retain its management rights and generate value for shareholders.

The directors acknowledge that some uncertainty exists in relation to the Group's ability to meet its funding requirements. These uncertainties principally relate to the Group's ongoing ability to complete the remaining asset sales in difficult market conditions, the receipt of certain payments which are contingent upon the anticipated achievement of certain development approvals and the ability to sublease the Group's Head Office premises. In the event that certain asset sales or development approvals are delayed the Group's ability to continue as a going concern will be reliant on its ability to renegotiate terms with the convertible note holders. Further, the long term viability of the Group is contingent upon its ability to successfully implement the new business plan outlined above.

5 ESTIMATES

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

During the six months ended 31 December 2008, management reassessed its estimates in respect of:

- ability to prepare accounts on a going concern basis and solvency assessment (note 4)
- impairment of loans and receivables (note 8)
- the fair value of financial instruments (note 9)
- impairment of property, plant and equipment (note 10)
- the recoverability of deferred tax assets (note 6)
- the fair value of assets classified as held for sale (note 11) and property call options (note 9)
- the fair value of liabilities held for sale (note 11)

6 INCOME TAX EXPENSE/(CREDIT)

Mariner Financial Limited is the head entity of the tax consolidated group and is liable for the consolidated tax payable under the tax funding agreement. Income taxes payable and income tax benefits are transferred to the head entity and are reflected as a related party payable / receivable at the end of the year / period.

The Group's effective income tax rate in respect of continuing operations for the six months ended 31 December 2008 was nil percent (for the six months ended 31 December 2007: tax credit of 26 percent). This change in effective tax rate was caused mainly by the following factors (tax effect quoted):

DECEMBER 2008

- The operating loss results in a tax credit and a deferred tax asset of $13,447,800. The directors have elected to treat deferred tax balances conservatively and not carry forward these amounts as assets but to recognise them at the time against income realised in future years. This results in the tax credit being reversed and a nil income tax expense. As a result, tax balances of $29,748,800 have not been recognised as deferred tax assets (DTA) as at 31 December 2008 (30 June 2008: unrecognised DTA of $16,301,000).

DECEMBER 2007

- A permanent difference of $614,000 adjusted for in the 31 December 2007 half year period related to the income tax effect on prior period distribution income which is subject to income tax.

7 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Cash at bank and on hand	8,250	2,894
Bank short term deposits	796	15,457
	9,046	18,351

RECONCILIATION OF STATEMENT OF CASHFLOWS TO CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Cash and cash equivalents as presented in the Statement of cashflows	16,033	19,556
Less: cash reclassified as held for sale	(6,987)	-
Less: Security deposit not previously classified as cash and cash equivalents	-	(1,205)
Cash and cash equivalents	9,046	18,351

Included in cash and cash equivalents is an amount of $4.9 million (30 June 2008: $12.3 million) reserved as minimum cash deposits to meet covenants for associated entities, third party loan covenants, lease bonds and cash reserves required to be maintained for regulatory reasons.

8 LOANS AND OTHER RECEIVABLES

	CONSOLIDATED	
	31 DECEMBER 2008	30 JUNE 2008
CURRENT	$'000	$'000
Trade debtors	1,917	1,562
Other debtors	209	437
Loans to associates	3,662	2,606
Less: provisions for impairment	(2,974)	-
Loans to other related parties	26,385	32,121
Less: provisions for impairment	(15,574)	(5,649)
	13,625	31,077
NON-CURRENT		
Receivables	1,632	1,243
	1,632	1,243

Interest is charged on loans to associates at market rates. The loan to related parties is split into two tranches, with $1.9 million being interest free and payable on demand. The remaining $23.7 million earns interest at a rate set pari passu with the distribution rate applicable to stapled security holders in Mariner Coastal Investment Fund. The maturity date of this tranche is 1 November 2009.

As at 31 December 2008, two loans are considered to be impaired. The carrying values of the loans are the future expected cashflows, discounted at an appropriate rate.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	CONSOLIDATED	
	31 DECEMBER 2008	30 JUNE 2008
	$'000	$'000
Listed and unlisted shares at fair value	2,551	16,669
Investments – options at fair value	-	2,308
Property call options – at fair value	1,518	4,220
	4,069	23,197

Investments are recorded at their purchase price and are brought to account at fair value on the balance date based on quoted bid prices, the transaction prices of similar investments as at balance date or at the calculated unit price based on the net assets of the fund as at 31 December 2008.

Property call options are valued using the same principals of valuation of investment property disclosed in the last Annual Report.

10 PROPERTY PLANT AND EQUIPMENT

During the period the Group recognised an impairment charge of $683,000 against leasehold improvements and computer software assets. The net impact of this impairment charge is to reduce the net book value of these asset classes to nil.

	CONSOLIDATED	
	31 DECEMBER 2008	30 JUNE 2008
	$'000	$'000
Property plant and equipment – net book value	922	1,044
Impairment recognised	(683)	-
NET CARRYING VALUE	239	1,044

11 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
ASSETS HELD FOR SALE	**31 DECEMBER 2008**	**30 JUNE 2008**
	$'000	**$'000**
Assets of Mariner Germany Property Trust		
Cash and cash equivalents	-	1,857
Investment properties – at fair value	-	123,759
Other assets	-	2,936
	-	128,552
Assets of Mariner Japan Property Trust		
Cash and cash equivalents	-	2,839
Investment properties – at fair value	-	15,010
Other assets	-	1,732
	-	19,581
Assets of Mariner Credit Corporation Limited		
Cash and cash equivalents	6,987	-
Loans and receivables	2,392	-
Shares and options at fair value through profit or loss	2,289	-
Other assets	1,061	-
Impairment of assets held for sale	(1,016)	-
	11,713	-
Assets of Southern Distribution Hub Pty Ltd		
Investment properties – at fair value	12,500	-
	12,500	-
	24,213	148,133
LIABILITIES HELD FOR SALE		
Liabilities of Mariner Germany Property Trust		
Loans and borrowings	-	108,389
Other liabilities	-	1,399
	-	109,788
Liabilities of Mariner Japan Property Trust		
Loans and borrowings	-	12,754
Other liabilities	-	1,161
	-	13,915
Liabilities of Mariner Credit Corporation Limited		
Lifestyle Bonds – at fair value	8,853	-
Payables	167	-
	9,020	-
Liabilities of Southern Distribution Hub Pty Ltd		
Loans and borrowings	8,048	-
	8,048	-
	17,068	123,703

During the period the Group has reclassified the assets and liabilities of Southern Distribution Hub Pty Ltd ('The Hub'), an equity accounted associate as held for sale as there is an active sales and marketing process in operation. Investment properties in the Hub were valued by an independent valuer as at 31 December 2008. The fair value of the property held in the Hub is $25,000,000 (30 June 2008: $37,500,000). Interest is payable on the loan facility of $8,048,000 at BBSY plus 1.55%. The facility is limited recourse, secured over the project assets and matures in November 2009. Further details are disclosed in note 22.

11 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

Lifestyle Bonds are secured over all the secured assets of Mariner Credit Corporation Limited, a subsidiary of Mariner Financial Limited. The secured assets must at all times be an amount at least equal to 112% of the issuer's liabilities to make the regular monthly payments. Secured notes are governed by a trust deed that appoints an independent trustee to monitor the interests of the bond holders.

Under the deed, a charge over the assets of the issuer is granted to the trustee as security for payments to be made by the issuer to creditors. The nature of the charge granted is as follows:

- A fixed charge over all the marketable securities held by the issuer, and
- A floating charge over all the property which is not fixed.

The Mariner Lifestyle Bonds are issued for 7, 10, 12, 15, 17 or 20 year terms. All of the Bonds pay a return which is comprised of principal and interest. The Market-Linked Bonds pay a fixed rate return plus an additional market-linked payment on the tenth anniversary date based on the average of the end of week levels of the S&P/ASX 200 Index over the prior year. The Additional Interest Bonds provide the opportunity to receive quarterly additional interest payments when the interest rates rise above the BBSW rate.

A securities sale deed was signed on 30 January 2009 with a transfer of all remaining shares in Mariner Credit Corporation Limited to Pentagon Property Group Pty Limited (PPG) scheduled for no later than 31 March 2009. Consequently, the assets and liabilities of MCCL are now classified as assets and liabilities held for sale.

Based on the expected sales arrangement the Group has recognised impairment of the held for sale assets of Mariner Credit Corporation Limited of $1,016,000 to reflect the anticipated sales proceeds from its disposal.

12 PAYABLES

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Trade creditors	1,601	190
Other creditors and accruals	3,471	3,870
	5,072	4,060

13 LOANS AND BORROWINGS

		CONSOLIDATED	
CURRENT **SECURED**	**NOMINAL INTEREST RATE**	**31 DECEMBER 2008**	**30 JUNE 2008**
		$'000	**$'000**
Convertible notes at amortised cost	12.0%	8,784	8,760
Bank loans - secured (#)	BBSW +1%	655	8,041
Secured notes - floating rate notes	BBSW + 3.93%	-	13,999
Bank loans - unsecured (*)	10.0%	220	208
		9,659	31,008
NON-CURRENT **SECURED**			
Bank loans - secured	BBSW +1%	-	1,168
Secured notes - floating rate notes	BBSW + 3.93%	-	11,163
UNSECURED			
Bank loans - unsecured (*)	BBSW +3.65%	981	941
		981	13,272

This secured bank loan matures in August 2009. The loan is non-recourse and secured against a land asset of the Mariner Coastal Investment Fund.

* The loan facility requires that a first lost reserve of 10% of initial loan value must be maintained during the life of the loan and maintained at a minimum of $500,000. As at 31 December 2008 the amount in cash reserves is $662,000. The Group also provides interest cover of 3 months through a corporate guarantee. As at 31 December 2008 the amount is $26,000 which is included in the above reserve. The facility matures in October 2012. No loan covenants for this facility have been breached in the period.

The terms and conditions of the convertible notes were renegotiated on 6 March 2009. The dates of repayment of principal are linked to the sales of further assets of the Group. The repayment terms are disclosed in note 22 – Events Subsequent to the Reporting Date.

Following the renegotiation of terms, the convertible notes pay interest at 9% per annum. The notes have an option to convert to equity at the option of the convertible note holder at a price of $0.55 (after adjustment for the 1 for 1 bonus issue in April 2007). Notes that are not converted into ordinary shares will be redeemed at face value on or before 31 March 2010.

During the period, the floating rate notes held by Mariner Treasury Limited have been deconsolidated from the Group balance sheet as detailed in note 21.

On 10 September 2008 the secured bank loan of $8,041,000 was repaid.

14 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		CONSOLIDATED	
		31 DECEMBER 2008 $'000	**30 JUNE 2008 $'000**
	NOMINAL INTEREST RATE		
CURRENT			
SECURED			
Lifestyle Bonds – at fair value	4.25%-7.50%	-	1,568
		-	1,568
NON-CURRENT			
SECURED			
Lifestyle Bonds – at fair value	4.25%-7.50%	-	9,989
		-	9,989

Lifestyle Bonds at fair value are now classified as liabilities held for sale – refer note 11.

15 PROVISIONS

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Provision for annual leave entitlements	169	459
Provision for terminations	583	-
Provision for onerous lease	2,170	-
	2,922	459

PROVISION FOR TERMINATIONS

During the period, the Group has recognised a provision for termination costs in respect of staff that will be made redundant in the second half of the financial year. All staff have been advised of redundancy plans.

PROVISION FOR ONEROUS LEASE CONTRACTS

During the period the Group has recognised a provision for its non-cancellable lease for office space which, due to changes in its activities the Group no longer fully utilises. The lease expires in 2016. Management believes that the facilities can be sublet for the remaining lease term, but changes in market conditions have meant that the potential rental income is lower than the rental expense. The lower of the expected cost of terminating the lease contract and the obligation for the discounted future payments, net of expected rental income from the sub lease, has been provided for.

16 CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
246,948,316 ordinary shares, fully paid (June 2008: 246,948,316)	125,591	125,591

There have been no movements in the number of shares issued during the period.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(B) SHARES ISSUED NOT PAID

As 31 December 2008, 7,840,000 shares (June 2008: 7,840,000 shares) were issued under the Employee Share Scheme. Those shares are not paid and are subject to a lien until the vesting period expires and are not traded until fully vested and accordingly are not reported in issued shares in (a).

17 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2008.

Liquidity management is addressed in note 4 – Going Concern.

18 DIVIDENDS

No dividend has been declared or paid for the period ending 31 December 2008.

A dividend declared at 2.5 cents per share, totalling $6,368,369 was paid in October 2007 and was partially franked and was based upon issued shares totalling 254,734,810.

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	31 DECEMBER 2007 $'000
Final dividend paid - nil (2007: 2.5 cents per share)	-	6,368

19 RELATED PARTIES

There have been no significant changes to the related party transactions disclosed in the last Annual Report. Related party loans for which an impairment has been recognised are set out in note 8.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Apart from as disclosed below, there were no transactions with directors and key management personnel for the half year to 31 December 2008 other than their usual remuneration.

KEY MANAGEMENT PERSONNEL TERMINATION PAYMENTS

During the period and subsequent to the reporting date the following Key Management Personnel received termination payments and payments in lieu of leave entitlements as set out below:

	TERMINATION BENEFIT $	PAYMENTS IN LIEU OF LEAVE $	TOTAL $
BRENT CUBIS – COO/CFO			
Received in the period	137,639	26,409	164,048
Received after reporting date	100,080	19,203	119,283
TOTAL PAYMENT	237,719	45,612	283,331
ROBERT MOLINARI – GENERAL COUNSEL			
Received in the period	120,707	66,022	186,729
Received after reporting date	60,353	33,010	93,363
TOTAL PAYMENT	181,060	99,032	280,092

20 SEGMENT INFORMATION

The Group comprised the following main business segments:

- Retirement and Superannuation – the origination, structuring, distribution and marketing of financial products aimed at the retirement and superannuation markets;
- Property and Infrastructure Investment and Development – the origination, structuring, distribution, marketing, development and management of property and infrastructure;
- Corporate Investment Portfolio – strategic corporate investments held by the Group.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Retirement and Superannuation		Property/Infrastructure Investment and Development		Corporate Investment Portfolio		Eliminations		Consolidated	
In thousands of AUD	Half-year ended 31 December 2008	Half-year ended 31 December 2007	Half-year ended 31 December 2008	Half-year ended 31 December 2007	Half-year ended 31 December 2008	Half-year ended 31 December 2007	Half-year ended 31 December 2008	Half-year ended 31 December 2007	Half-year ended 31 December 2008	Half-year ended 31 December 2007
External revenues	1,374	1,325	1,019	2,792	9,530	12,727	-	-	11,923	16,844
Intersegment revenue	(92)	(14)	-	-	-	-	(1,143)	(2,499)	(1,235)	(2,513)
Segment revenue	1,282	1,311	1,019	2,792	9,530	12,727	(1,143)	(2,499)	10,688	14,331
Segment Expense	(250)	(346)	(2,561)	(596)	(35,794)	(38,096)	594	811	(38,011)	(38,227)
Segment result	1,032	965	(1,542)	2,196	(26,264)	(25,369)	(549)	(1,688)	(27,323)	(23,496)
Unallocated expenses									(2,170)	(16)
Results from operating activities									(29,493)	(23,912)
Net finance costs									(3,444)	(3,914)
Share of profit/(loss) from equity accounted investees									(11,889)	8,971
Income tax credit/(expense)									-	4,946
Profit for the period									(44,826)	(13,909)

20 SEGMENT INFORMATION (CONTINUED)

	Retirement and Superannuation		Property/Infrastructure Investment and Development		Corporate Investment Portfolio		Eliminations		Consolidated	
In thousands of AUD	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008
Segment assets	20,248	24,378	5,959	(3,510)	50,956	113,042	(21,930)	93,087	55,233	226,997
Investment in equity accounted investees	-	-	-	21,385	-	-	-	-	-	21,385
Unallocated assets										
Total assets	20,248	24,378	5,959	17,875	50,956	113,042	(21,930)	93,087	55,233	248,382
Segment liabilities	15,243	12,126	6,426	(3,864)	22,029	62,529	(7,475)	113,728	36,223	184,519
Unallocated liabilities										
Total liabilities	15,243	12,126	6,426	(3,864)	22,029	62,529	(7,475)	113,728	36,223	184,519
Depreciation									164	144

	Australia		US		Germany		Japan		Consolidated	
In thousands of AUD	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Revenue from external customers	9,129	13,848	1,559	483	-	-	-	-	10,688	14,331
	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008	31 December 2008	30 June 2008
Segment assets	55,362	216,883	-	223	-	26,264	-	5,012	55,233	248,382

21 SUBSIDIARIES DISPOSED DURING THE PERIOD

On 2 October 2008 the Company placed one of its subsidiaries, Mariner Treasury Limited (Receivers and Managers appointed) into voluntary administration. Control of that subsidiary is considered to have ceased on that date. As a result, the Group has consolidated the results of Mariner Treasury Limited (Receivers and Managers appointed) up to 2 October 2008, and has deconsolidated the assets and liabilities from the Group balance sheet for nil consideration. The impact of the loss of control of Mariner Treasury Limited (Receivers and Managers appointed) is set out below.

Mariner Treasury Limited holds security against the assets of Mariner German Property Trust (MGPT) and Mariner Japan Property Trust (MJPT). MGPT and MJPT were controlled entities of the Company as at 30 June 2008.

On 15 October 2008, following the receipt of updated valuations for the assets of the Mariner German Property Trust and the Mariner Japan Property Trust, the Company has also deconsolidated these two Trusts during the half year. Due to the impact of the downwards revised valuations on net assets and Mariner Treasury Limited's (Receivers and Managers appointed) security position, the directors did not believe that the Group was exposed to any further risks and rewards associated with the two Trusts. Accordingly, control of MGPT and MJPT is considered to have ceased on 15 October 2008. The impact of the loss of control of MGPT and MJPT is set out below.

On 7 November 2008, following the sale of the management rights of the Mariner American Property Income Trust, Mariner Financial Inc, the Group's US subsidiary was sold for nil consideration. The impact of the loss of control is set out below.

EFFECT OF DISPOSALS ON THE FINANCIAL POSITION OF THE GROUP

	AS AT DECONSOLIDATION DATE $ '000
CURRENT ASSETS	
Cash and cash equivalents	1,145
Loans and other receivables	263
Assets classified as held for sale	148,133
Other assets	4
TOTAL CURRENT ASSETS	149,545
CURRENT LIABILITIES	
Payables	(56)
Loans and borrowings	(22,187)
Liabilities classified as held for sale	(123,703)
Provisions	(368)
TOTAL CURRENT LIABILITIES	(146,314)
NON-CURRENT LIABILITIES	
Deferred tax liabilities	(35)
TOTAL NON-CURRENT LIABILITIES	(35)
TOTAL LIABILITIES	(146,349)
NET ASSETS	3,196
CONSIDERATION RECEIVED	-
LOSS ON DECONSOLIDATION	(3,196)

	$'000
Consideration received, satisfied in cash	-
Cash disposed of	(1,145)
NET CASH OUTFLOW	(1,145)

22 EVENTS SUBSEQUENT TO REPORTING DATE

Except as set out below, there have been no subsequent events or transactions that have arisen since the end of the financial year, which in the opinion of the directors, would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

Since 31 December 2008, the following transactions are in various stages of completion:

- **CONVERTIBLE NOTES:** The terms and the conditions of the convertible notes were renegotiated on 29 January 2009 and again on the 6 March 2009. $1.8 million of the convertible notes have been repaid, with $6.9 million remaining. In accordance with the 6 March 2009 Further Amending Deed to the Security Trust Deed, the note holders have agreed to defer the maturity of the convertible notes until 31 March 2010. The Company has provided the following assets as security:

    - Southern Distribution Hub Pty Ltd
    - Mariner Coastal Land Fund

  In the event the secured assets are sold in advance of the revised maturity date of the convertible notes, the proceeds from these asset sales will be used to repay the convertible note holders. The convertible note holders have agreed to cap their security entitlement to the anticipated first instalment received on the sale of the Hub to $1.0 million, or if Mariner Coastal Land Fund is sold before the Hub the proceeds on the sale of Mariner Coastal Land Fund will be capped to $1.0 million.

- **MARINER CREDIT CORPORATION LIMITED (MCCL):** A securities sale deed was signed on 30 January 2009 with a transfer of all remaining shares in MCCL to Pentagon Property Group Pty Limited (PPG) scheduled for no later than 31 March 2009. In the event MCCL is sold in accordance with the existing securities sale deed, the Group will realise a lost of $1,016,000 which has been provided for in the financial statements.

- **MARINER PROPERTY TRUST NO.1 AND MSS MOORE PARK LIMITED SALE OF THE MANAGEMENT RIGHTS:** Due diligence by two parties is currently being finalised and a heads of agreement is expected to be signed in the near future.

- **SOUTHERN DISTRIBUTION HUB**: Negotiations for the sale of the HUB are at an advanced stage and are expected to sign in the near future.

23 COMMITMENTS

The Group has a joint venture arrangement in place over Solutions Investments Group Trust (the Trust). The Trust participates in lease arrangements with a major Australian bank. The Trust acquires the leased asset at the end of the lease term and pays the residual value to the Australian bank. Mariner Financial Limited has provided a guarantee to the Australian bank of $3 million in respect of payment of future residual values when the leases expire. The Company anticipates that residual values will be funded firstly from a cash deposit of $1,949,000 in the Trust (until February 2010) and then by the Trust's cash from operations which will be generated from inertia rental payments and asset sale proceeds. Based on forecast cash inflows and outflows, the Trust is expected to have sufficient funds to fund residual value payments when the leases expire. Further, Mariner Financial Limited receives monthly income from the Trust and from February 2010 this is expected to be sufficient to fund monthly residual values if required under the guarantee.

DIRECTORS' DECLARATION

In the opinion of the directors of Mariner Financial Limited ('the Company'):

1. (a) the financial statements and notes set out on pages 5 to 22, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Group as at 31 December 2008 and of its performance, for the half-year ended on that date; and

   (ii) complying with Australia Accounting Standards 134 Interim Financial Report, and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporation Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial half-year ended 31 December 2008.

Dated at Sydney this 6th March 2009.
Signed in accordance with a resolution of the directors:

W E B IRELAND
MANAGING DIRECTOR

KPMG

Independent auditor's review report to the members of Mariner Financial Limited

We have reviewed the accompanying interim financial report of Mariner Financial Limited, which comprises the interim consolidated balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration of the Group comprising Mariner Financial Limited and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim 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 controls relevant to the preparation and fair presentation of the interim 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mariner Financial Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Whilst we draw attention to the uncertainties regarding the Group's ability to continue as a going concern as described below, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mariner Financial Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualification to the above, we draw attention to Note 4 in the financial statements which sets out the basis upon which the directors believe the Group will be able to continue as a going concern.

Under the terms of the revised agreement reached with the convertible note holders on 6 March 2009, the Group is required to repay the outstanding balance of $6.8m by no later than 31 March 2010. Further, the Group has provided a fixed and floating charge over the proceeds of certain specified asset sales which are expected to be completed no later than the revised maturity date.

The Group's ability to settle its convertible note obligations outlined above and to continue to fund its daily operations is contingent on its ongoing ability to complete the remaining asset sales in difficult market conditions and the receipt of certain payments which are contingent upon the anticipated achievement of certain development approvals. The outcome of these events cannot be presently determined with certainty although as outlined in Note 4 the directors anticipate these matters will occur within a timeframe sufficient to meet the above debt obligations and cash flow needs and accordingly the financial report is prepared on a going concern basis. In the event that certain asset sales or development approvals are delayed the Company's ability to continue as a going concern will be reliant on its ability to renegotiate terms with the convertible note holders and creditors.

The existence of these uncertainties may cast significant doubt about the Group's ability to realise its assets at their carrying amounts in the financial report.

KPMG.

KPMG

Malcolm Ashcroft
Partner

Sydney

Date: 6 March 2009