



MARINER | FINANCIAL
INVESTMENT BY DESIGN

MARINER FINANCIAL LIMITED
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31 August 2009

The Manager
Company Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir

Mariner Financial Limited (MFI) – Full Year Results (Unaudited)

Attached is the preliminary final report (Appendix 4E) for the year ended 30 June 2009

The net loss after tax is \$61.6 million. This includes a \$44.8 million net loss for the half year.

As previously outlined, the Company continues to actively market its residual assets with sales expected to be concluded shortly.

At the same time, the Company has begun to implement a new business strategy that will focus on generating advisory fee income from arranging wholesale structured transactions on behalf of institutional and high net worth investors. A number of transactions are already in development stage.

Yours sincerely

W E B Ireland
Managing Director

31 August 2009

The Manager
Company Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir

**MARINER FINANCIAL LIMITED
PRELIMINARY FINAL REPORT (APPENDIX 4E) - FOR THE YEAR ENDED 30 JUNE 2009**

The directors of Mariner Financial Limited announce the consolidated results of the group for the year ended 30 June 2009 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

The statutory accounts are in the process of being audited. It is anticipated that the audited statutory accounts will be completed and lodged prior to 30 September 2009.

	% change	A\$'000
Total revenue and income	Down 54%	13,604
Net loss from ordinary activities after tax attributable to members	Down 6%	(61,623)
Net loss after tax attributable to members	Down 6%	(61,623)

DIVIDENDS FOR THE YEAR ENDED 30 JUNE 2009:

No dividends have been paid or declared during the financial year ended 30 June 2009. Dividends are not expected to be paid or declared in the immediate term.

NET TANGIBLE ASSETS PER SHARE

	30 June 2009 \$ per share	30 June 2008 \$ per share
Net Tangible Assets	\$0.01	\$0.26

The remainder of the information requiring disclosure to comply with ASX listing Rule 4.3A is attached.

REVIEW OF OPERATIONS AND GOING CONCERN

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 group can meet its known funding requirements. The cash flow forecasts contain limited contingencies to allow for delays or shortfalls in asset sales.
- The retirement of \$3.6m of outstanding Convertible Notes during the period and the successful renegotiation of repayment terms associated with the remaining \$5.2m of Convertible Notes which has linked their repayment to sales proceeds from specified asset sales and has extended their maturity to 1 July 2011.
- The successful restructuring of repayment terms with the majority of existing creditors. The Company has a premises lease which matures in December 2016 and ongoing subletting positions are being followed up to reduce this commitment. The analysis for solvency is based on current lease payment arrangements, which may be subject to renegotiation in the future for amounts which are currently uncertain. The ability to meet these revised repayment terms in the near term is dependent upon the completion of the group's asset sale program and receipt of contracted cash payments in December 2009. The ability to meet these obligations over the remaining contractual period are reliant upon sub letting and the successful implementation of the new business plan.
- The group has lowered recurring operating expenses significantly by reducing the permanent headcount from 70 to two full time staff. The balance of remaining staff is contractors who will be contracted as and when needed by the Company. All known employee entitlements have been discharged or have been provided for.
- The group's track record in demonstrating an ability to complete asset sales in a difficult market environment. The Company raised proceeds of \$8.8m during the year principally relating to the following asset sales:

Transactions completed in the six months to 31 December 2008

- 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
- Management Rights for Mariner Infrastructure Trust No. 1
- Management Rights for Mariner Mortgage Trust

Transactions completed in the six months to 30 June 2009

- Management Rights for Mariner Coastal Land Fund
 - Sale of shares in Mariner Credit Corporation Limited
- The sale of the Management Rights for Mariner Property Trust No.1 for cash proceeds of \$75,000 was concluded in July 2009.
 - The Company is actively marketing the following assets for sale with the status of the respective sales processes and related implications for going concern outlined below:
 - Southern Distribution Hub Pty Ltd (the Hub) – a signed letter of intent has been accepted to sell the Hub. The agreement provided for an exclusive period of due diligence, and settlement is proposed for 16 September 2009. The agreed deposit proceeds have not been received as yet. A draft share sales agreement is being negotiated between the parties which is expected to be executed in the near term and the agreement is expected to be only conditional upon receipt of FIRB approval. No issues have been identified to date which should impact FIRB approval being granted in the event the transaction proceeds. The Company has also signed an agreement with its joint venture partner (GWID) to recover \$2.0m in relation to an outstanding loan to the Hub from its share of the proceeds from any asset sale. Net proceeds to MFL on sale exceed the carrying amount and are expected to be able to meet the outstanding Convertible Note Holder commitments.

The Hub, a jointly incorporated entity, has a \$17.5m non-recourse borrowing which is due for repayment on 30 November 2009. Further, the Company has provided a guarantee for 12 months interest coverage if the loan is not repaid prior to its maturity date. The interest guarantee for 12 months (based on current interest rate levels) is estimated at approximately \$900,000. However it is possible that the interest margin will be increased as part of any refinancing negotiations that may occur. The assumption is that this interest will be payable in monthly instalments.

In the event that this transaction or any alternative transaction is not completed prior to the maturity date of the loan facility, a significant risk exists in the current market environment in relation to the prospects of being able to refinance the loan facility. If the loan facility is not refinanced and the financial institution exercises its contractual right to take possession of the asset for disposal, a significant risk exists that the sale value achieved could be significantly below the carrying value of the asset at 30 June 2009.

The proceeds from any asset sale are currently secured by the Convertible Note Holders. The Company's ability to repay the credit notes and continue as a going concern is dependent upon its ability to dispose of this asset at a value which approximates its carrying value.

- MSS Moore Park Limited (Mariner Property Trust No. 2) – The group is looking to dispose of the management rights to this asset. The management rights are currently under due diligence and the proceeds of this disposal are anticipated to extinguish a creditor who has currently agreed to staged repayments of their outstanding debt.
- Killalea Coastal Investments Limited – the Company has verbally agreed to sell its shareholding to a third party. A draft sales agreement is being negotiated between the parties and the counterparty is completing due diligence. The final sales documents are expected to be finalised and concluded shortly. The indicative offer is at its carrying amount.
- Cattle loans – the Company has been in negotiations with a financial institution to repurchase these loans and/or reduce the quantum of cash collateral in place. Upon completion, this is expected to release up to \$600,000 of free cash flow to the Company. Whilst negotiations are indicative that a transaction may be completed no draft transaction documentation is under discussion at this time.
- Loan receivable from related trust (SIGT) – the Company has commenced a sales process subsequent to year end whereby a number of interested parties have completed due diligence and negotiations are ongoing. Whilst negotiations are indicative that a transaction may be completed no draft transaction documentation is under discussion at this time. In the event that a transaction is not completed, the Company has guaranteed to fund \$3.0m of lease residual values which will be progressively due and payable as leases expire commencing February 2010 and ending September 2012. The income trail from this investment is expected to generate a commercial return.
- The Company has raised provisions for all known legal obligations and claims (refer other provisions, below). The solvency analysis has not incorporated any other potential future claims.

Whilst the group's principal focus has been on completing the asset sale process in order to repay all outstanding creditors, the group has commenced the implementation of its new business plan to generate advisory fee income from arranging wholesale structured transactions on behalf of institutional investors. Whilst no fee income has been generated to date, a number of transactions are in the early stages of development.

The directors acknowledge that significant 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 market conditions which remain difficult although have improved in recent months and the ability to sublease the group's Head Office premises. In the event that certain asset sales are delayed the group's ability to continue as a going concern will be reliant on its ability to renegotiate terms with the remaining creditors. The long term viability of the group is contingent upon its ability to successfully implement its new business plan which will be outlined in the 2009 annual report.

OTHER PROVISIONS

Other significant provisions and revaluations made during the period include:

- Onerous contract (rental lease) and leasehold improvements – provision of \$1.8 million
- Asset revaluations (unrealised loss) - \$30.0 million
- Asset valuations (realised loss) - \$20.7 million.

During the year the Company placed two of its subsidiaries, Mariner Treasury Limited (Receivers and Managers appointed) and EcoPoint Property Management 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 EcoPoint Management Limited (Receivers and Managers appointed) up to April 2009 and has removed the assets and liabilities from the balance sheet for nil consideration.

The group's interest guarantee to MTL over the first tranche of the Floating Rate Notes is reflected in the current liabilities in the balance sheet and is also included in the group's cash projections. This guarantee ensures that the liquid assets of Mariner Treasury Limited equal the outstanding Notes' previous six months interest. This is measured at the end of December and June each year. The Company paid the administrator's request for \$115,000 in July 2009 to satisfy the guarantee to June 2009. A similar amount has been accrued as a liability to be paid in January 2010. However it is noted that the maximum interest obligation for the period (assuming interest rates remain at current levels) is approximately \$300,000.

On 15 October 2008, following the receipt of updated valuations for the assets of the Mariner German Property Trust (MGPT) and the Mariner Japan Property Trust (MJPT), the Company deconsolidated these two Trusts. 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.

In summary, the activities of the financial year have resulted in the reduction of net assets from \$63.9m to \$2.4m, and streamlining of business operations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2009 the following transactions are in various stages of completion:

- **CONVERTIBLE NOTES:** The Note Holders have agreed to defer the maturity of the Convertible Notes until 1 July 2011. 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, the proceeds from these asset sales will be used to repay the Convertible Note Holders.

- **MARINER PROPERTY TRUST No.1** The Management Rights were disposed of in July 2009 for \$75,000 consideration.
- **RELEASE OF FUNDS IN TRUST ACCOUNT SET ASIDE FOR FUTURE INSURANCE PAYMENTS:** A prepayment of \$550,000 was returned in cash on 19 August 2009.
- **EMPLOYEE SHARE PLAN:** The employee share plan was finalised and closed out on 28 August 2009.

SUMMARY

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The accounts are in the process of being audited and we believe that an Emphasis of Matter in relation to going concern (refer to the comments above re going concern) is likely to be issued.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

The full 2009 financial report will be available at www.marinerfunds.com.au once the audit has been completed.

Yours faithfully

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke that ends in a sharp upward curve.

W E B Ireland
Managing Director
Mariner Financial Limited

Mariner Financial Limited and Controlled Entities

Income Statement

For the year ended 30 June 2009

	Notes	Consolidated	
		2009	2008
		\$'000	\$'000
Revenue and income			
Management fees		3,167	6,971
Transaction fees		532	2,808
Administration fees		424	625
Rental Income		221	120
Interest income		1,477	7,147
Dividends		505	4,840
Other income		278	18
Sale of management rights		5,132	-
Gain on change of control on deconsolidation		-	2,200
Realised gain on financial assets at fair value		1,868	-
Share of gain on equity accounted investments		-	4,580
Total revenue and income		<u>13,604</u>	<u>29,309</u>
Expenses			
Administration and office costs		(4,219)	(4,673)
Management services		(2,058)	(2,975)
Employment costs		(8,733)	(13,536)
Depreciation and amortisation expense		(216)	(356)
Impairment of fixed assets		(683)	-
Borrowing costs		(2,811)	(7,665)
Professional fees		(3,692)	(2,488)
Property trust expenses		(1,017)	(799)
Commission		(231)	(1,072)
Other expenses		(1,308)	(4,881)
Unrealised loss on assets and liabilities held for sale	5	(6,630)	(10,745)
Realised loss on disposal of financial assets at fair value	2(b)	(3,340)	(40,167)
Net changes in fair value of financial assets at fair value through profit or loss		(348)	784
Impairment of loan to associate	4	(21,438)	(5,649)
Loss on disposal of associates	2(a)	(11,559)	-
Loss on disposal of controlled entities	8	(6,551)	-
Write off of capitalised costs		(393)	(7,001)
Total expenses		<u>(75,227)</u>	<u>(101,223)</u>
Loss before income tax		(61,623)	(71,914)
Income tax credit		-	6,663
Net loss after income tax		<u>(61,623)</u>	<u>(65,251)</u>
Basic loss per share		(25.0) cents	(26.5) cents

Mariner Financial Limited and Controlled Entities

Balance Sheet

As at 30 June 2009

	Notes	Consolidated	
		2009 \$'000	2008 \$'000
Current assets			
Cash and cash equivalents	3(a)	874	6,051
Cash on deposits	3(b)	166	-
Loans and other receivables	4	4,858	31,077
Work in Progress		-	2,524
Financial assets at fair value through profit or loss		1,132	23,197
Assets classified as held for sale	5	12,500	148,133
Investments in equity accounted investees		-	21,385
Other assets		770	205
Total current assets		<u>20,300</u>	<u>232,572</u>
Non-current assets			
Cash on deposits	3(b)	1,508	12,300
Receivables	4	826	1,243
Investments in subsidiaries		-	-
Property, plant and equipment		162	1,044
Other assets		-	1,223
Total non-current assets		<u>2,496</u>	<u>15,810</u>
Total assets		<u>22,796</u>	<u>248,382</u>
Current liabilities			
Payables		3,653	4,520
Loans and borrowings	6	5,432	31,008
Financial liabilities at fair value through profit or loss		-	1,568
Liabilities classified as held for sale	5	8,543	123,703
Provisions		1,853	459
Total current liabilities		<u>19,481</u>	<u>161,258</u>
Non-current liabilities			
Loans and borrowings	6	880	13,272
Financial liabilities at fair value through profit or loss		-	9,989
Total non-current liabilities		<u>880</u>	<u>23,261</u>
Total liabilities		<u>20,361</u>	<u>184,519</u>
Net assets		<u>2,435</u>	<u>63,863</u>
Equity			
Share Capital		125,591	125,591
Reserves		(2,711)	(2,906)
Accumulated losses		(120,445)	(58,822)
Total equity		<u>2,435</u>	<u>63,863</u>

Mariner Financial Limited and Controlled Entities

Statement of changes in equity

For the year ended 30 June 2009

30 June 2009	Consolidated					
	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	-	105	-	-	-	105
Total loss for the year	-	-	-	-	(61,623)	(61,623)
Disposal of overseas subsidiary	-	-	90	-	-	90
Balance at 30 June 2009	125,591	650	-	(3,361)	(120,445)	2,435

30 June 2008	Consolidated					
	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
Share based payments	-	65	-	-	-	65
Issue of shares – dividend reinvestment plan	753	-	-	-	-	753
Issue of shares – exercise of convertible notes	1,666	-	-	(142)	-	1,524
Foreign exchange translation differences	-	-	(30)	-	-	(30)
Total loss for the year	-	-	-	-	(65,251)	(65,251)
Dividend paid	-	-	-	-	(6,368)	(6,368)
Balance at 30 June 2008	125,591	545	(90)	(3,361)	(58,822)	63,863

Mariner Financial Limited and Controlled Entities

Statement of cash flows

For the year ended 30 June 2009

	Notes	Consolidated	
		2009	2008
		\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations		5,277	8,298
Cash payments in the course of operations		(19,757)	(36,863)
Proceeds from sale of management rights		5,132	-
Interest received		1,477	5,630
Borrowing costs paid		(2,549)	(7,665)
		<hr/>	<hr/>
Net cash used in operating activities	7	(10,420)	(30,600)
Cash flows from investing activities			
Dividends received		505	4,840
Payments for assets held for sale		-	(63,969)
Proceeds from sale of assets held for sale		-	54,157
Purchase of investments at fair value through profit and loss		-	(10,305)
Proceeds from sale of investments at fair value through profit and loss		13,258	46,720
Cash outflows from disposal of subsidiaries		(9,404)	-
Cash inflow from acquisition of subsidiary		293	-
Payment for property, plant and equipment		(19)	(494)
Proceeds from sale of associates		3,701	-
Proceeds from sale of subsidiary		-	2,200
Loans to related parties		(379)	(27,494)
		<hr/>	<hr/>
Net cash from investing activities		7,955	5,655
Cash flows from financing activities			
Repayments from borrowings		(13,338)	(19,790)
Dividends paid		-	(5,615)
		<hr/>	<hr/>
Net cash used in financing activities		(13,338)	(25,405)
Net decrease in cash and cash equivalents			
		(15,803)	(50,350)
Cash, deposits and cash equivalents at the beginning of the financial year			
		<hr/>	<hr/>
		18,351	68,701
Cash, deposits and cash equivalents at the end of the financial year			
		2,548	18,351
Less: Cash deposits not available for use by the Group	3	<hr/>	<hr/>
		(1,674)	(12,300)
Cash and cash equivalents at the end of the financial year	3	<hr/> <hr/>	<hr/> <hr/>
		874	6,051

Mariner Financial Limited and Controlled Entities

For the year ended 30 June 2009

1 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (included Australian interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial reports of the Group and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

Appendix 4E, Preliminary Final Report was approved by the Board of Directors on 28 August 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(c) Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As set out from page 2, the directors acknowledge that 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 market conditions which remain difficult although have improved in recent months and the ability to sublease the group's Head Office premises. In the event that certain asset sales are delayed the group's ability to continue as a going concern will be reliant on its ability to renegotiate terms with the remaining creditors. The long term viability of the group is contingent upon its ability to successfully implement its new business plan which will be outlined in the 2009 annual report.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Use of estimates and judgements

The preparation of financial statements 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.

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.

Mariner Financial Limited and Controlled Entities

For the year ended 30 June 2009

Consolidated
2009 **2008**
\$'000 **\$'000**

2 (a) Loss on disposal of associates

Red Rock Development Joint Venture	(6,066)	-
Spring Beach	(1,503)	-
The Cove	(1,346)	-
Mariner Mortgage Management Limited	(2,644)	-
	<u>(11,559)</u>	<u>-</u>

(b) Realised loss on disposal of financial assets at fair value

Decrease in fair value on listed and unlisted shares	(3,340)	(40,167)
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3 Cash and cash equivalents

(a) Cash and cash equivalents

Cash at bank and on hand	874	2,894
Bank short term deposits	-	3,157
	<u>874</u>	<u>6,051</u>

(b) Cash deposits not available for use by the Group

Current	166	-
Non current	1,508	12,300
	<u>1,674</u>	<u>12,300</u>

The reserved are cash deposits held to meet covenants for associated entities, third party loan covenants, lease bonds and cash reserves required to be maintained for regulatory reasons.

4 Loans and other receivables

Current

Trade debtors	913	1,562
Other debtors	519	437
Loans to controlled entities	-	-
Loans to associates	220	2,606
Loans to other related parties	28,798	32,121
Less: provisions for impairment	(25,592)	(5,649)
	<u>4,858</u>	<u>31,077</u>

Non-current

Receivables	826	1,243
	<u>826</u>	<u>1,243</u>

Interest is charged on loans to associates and other related parties at market rates.

Mariner Financial Limited and Controlled Entities

For the year ended 30 June 2009

5 Assets and liabilities classified as held for sale

Assets held for sale

	Consolidated	
	2009 \$'000	2008 \$'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 Southern Distribution Hub Pty Ltd		
Investment properties – at fair value less costs to sell	12,500	-
	12,500	-
	12,500	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 Southern Distribution Hub Pty Ltd		
Non-recourse loans and borrowings	8,543	-
	8,543	-
	8,543	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 the company has initiated an active sales and marketing process. Investment properties in the Hub were valued at \$25 million (30 June 2008: \$37.5 million) by an independent valuer as at 31 December 2008. The property is carried at \$12.5 million, being the lower of carrying amount when first reclassified as held for sale and fair value less costs to sell.

Interest is payable on the loan facility of \$8,543,000 at BBSY plus 1.55%. The facility is limited recourse, secured over the project assets and matures in November 2009.

A signed letter of intent has been accepted to sell the Hub. The agreement provided for an exclusive period of due diligence, and settlement is proposed for 16 September 2009. The agreed deposit proceeds have not been received as yet. A draft share sales agreement is being negotiated between the parties which is expected to be executed in the near term and the agreement is expected to be only conditional upon receipt of FIRB approval. No issues have been identified to date which should impact FIRB approval being granted in the event the transaction proceeds. The Company has also signed an agreement with its joint venture partner (GWID) to recover \$2.0m in relation to an outstanding loan to the Hub from its share of the proceeds from any asset sale. Net proceeds to MFL on sale are expected to be able to meet the outstanding Convertible Note Holder commitments.

Mariner Financial Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2009

5 Assets and liabilities classified as held for sale - continued

The Hub, a jointly incorporated entity, has a \$17.5m non-recourse borrowing which is due for repayment on 30 November 2009. Further, the Company has provided a guarantee for 12 months interest coverage if the loan is not repaid prior to its maturity date. The interest guarantee for 12 months is estimated at approximately \$900,000 and the assumption is that this interest will be payable in monthly instalments.

6 Loans and borrowings

	Consolidated	
	2009	2008
	\$'000	\$'000
Current		
Secured		
Convertible notes at amortised cost	5,219	8,760
Bank Loans – secured*	-	8,041
Bank loans	213	-
Secured notes – Floating rate notes	-	13,999
Other borrowings	-	208
	5,432	31,008
Non-current		
Secured		
Bank Loans - secured	-	1,168
Bank loans	880	-
Secured notes – Floating rate notes	-	11,163
Unsecured		
Loans – other parties	-	941
	880	13,272

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

The terms and conditions of the convertible notes were renegotiated on the 6th of March 2009 with a maturity date of 31 March 2010. Following the renegotiation of terms, the convertible notes pay interest at 9% per annum, which is capitalised. The timing of repayment of principal are linked to the earlier of the sales of one asset of the Group or maturity. Subsequent to the reporting date, the maturity date of the convertible notes was extended to 1 July 2011.

In June 2009, The Company transferred 3,616,877 units in Mariner Coastal Land Fund at a price of 50 cents per unit to reduce the number of convertible notes outstanding for a total price of \$1.9 million.

During the financial year, the floating rate notes held by Mariner Treasury Limited have been deconsolidated from the Group balance sheet as detailed in Note 8.

Mariner Financial Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2009

7 Reconciliation of net cash flows from operating activities

	Consolidated	
	2009	2008
	\$'000	\$'000
Operating loss after income tax	(61,623)	(65,251)
<i>Adjustments for:</i>		
Depreciation and amortisation	216	356
Impairment of fixed assets	682	-
Net loss on disposal of non-current assets	3	-
Net loss from investment activities	47,883	51,158
Income tax credit	-	(6,663)
Operating loss before changes in working capital	(12,839)	(20,400)
(Increase)/decrease in trade and other debtors	654	(3,613)
(Decrease)/ increase in payables	372	(6,678)
Increase in provisions	1,393	91
Net cash flow from operating activities	(10,420)	(30,600)

8 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.

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.

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.

On 31 March 2009 sale of Mariner Credit Corporation Limited to Pentagon Properties Group Pty Limited was completed. Mariner Retirement Solutions Limited was the head entity, which is a wholly owned subsidiary of Mariner Financial Limited.

In April 2009, the Company placed EcoPoint Property Management Limited (Receivers and Managers appointed) into voluntary administration. Consequently, the group has consolidated the results of EcoPoint Management Limited (Receivers and Managers appointed) up to April 2009 and has removed the assets and liabilities from the balance sheet for nil consideration.