



MARINER | SECURITIES

# MSS Moore Park Group

Annual Report 2007



MSS Moore Park Group  
ARSN 114 788 635

Responsible Entity: Mariner Securities Limited  
ABN 87 002 163 180, AFSL 237 091

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# Directors' Report

The Directors present their report together with the Stapled financial report of MSS Moore Park Limited (the Company) and its controlled entity, HML Storage Proprietary Limited, together with Mariner Property Trust No. 2 (the Trust), which form the stapled entity (the Stapled Entity or MSS Moore Park Group) for the financial year ended 30 June 2007 and the audit report thereon.

The financial statements incorporate the assets and liabilities of all entities controlled by MSS Moore Park Group as at 30 June 2007 and the results of all stapled and controlled entities for the year then ended.

MSS Moore Park Limited was incorporated under the *Corporations Act 2001* on 16 June 2005, and the Stapled Entity began trading on 17 August 2005.

## **THE RESPONSIBLE ENTITY**

The Directors of MSS Moore Park Limited at any time during or since the end of the financial year are:

### **Bill Ireland – Executive Director**

Bill Ireland has a background in the stockbroking industry and the property industry. He worked with various Australian broking houses during the 1970s.

In the early 1980s he moved into the property industry before establishing the Challenger Group in 1986. As Managing Director and principal shareholder, he was instrumental in developing the foundations of the group, which listed on the Australian Stock Exchange in October 1987. After 16 years heading up Challenger, Bill stepped down as Managing Director in 2003 (he was Managing Director from 1987 to 2003) and established the Mariner Financial group.

Bill is the Managing Director of Mariner Financial Limited and became Chairman of Mariner Financial Limited on 1 May 2006. He was Chairman of Bio Tech Capital Limited from 2000 until November 2005 (ASX: BTC).

His leadership provides the direction and innovation required to develop and grow Mariner Financial Limited.

Date of appointment: 7 May 2003

**George Lucas – Executive Director**

*B.Sc., University of New South Wales*

George Lucas joined the Mariner Financial group in March 2004 and has assisted in the development and structuring of property and infrastructure funds. He has over 20 years' experience in the investment banking industry and has owned and managed a financial consultancy business. George previously headed the London equity derivative trading and structuring departments for First Chicago and was head trader in the same area at Citibank. He has extensive experience in developing and structuring new financial products and a wealth of knowledge in the application of the ever-increasing menu of financial instruments. Recently George has advised hedge fund managers both in Australia and internationally. He has also written books and tertiary courses on the use of derivatives.

Date of appointment: 10 November 2006

**Anthony Lee – Non-executive Director**

*B.A., Princeton University, New Jersey, USA*

*M.B.A., Chinese University of Hong Kong*

Anthony Lee is a director of Beyond International Limited (since 1994, ASX: BYI) and Aberon Pty Limited, a private investment company. He is also a director of the Cranbrook Foundation Limited. Before moving to Sydney from Hong Kong in 1987, Anthony was a corporate finance executive with a leading British merchant bank.

Date of appointment: 7 March 2002

**Irene Lee – Non-executive Director**

*B.A., Smith College, Massachusetts, USA*

*Barrister-at-Law, Gray's Inn, London*

Irene Lee is a non-executive director of QBE Insurance Group Limited (since 2002 ASX: QBE), Ten Network Holdings Limited (since 2000, ASX: TEN) and ING Bank (Australia) Limited. She has been a director of Alco Finance Group Limited (formerly Record Investments Limited 2001 to 9 June 2006, ASX: RCD), Record Funds Management Limited as RE for Record Realty Trust (2002 to 31 August 2005, ASX:RRT) and Beyond International Limited (from 1986 to 2004, ASX: BYI). She is also a Trustee of the Art Gallery of NSW and a member of the Takeovers Panel, Executive Council of UTS School of Business Management, and a member of the Advisory Council of JP Morgan Australia.

Irene has an extensive finance industry background, holding senior positions in investment banking and funds management in the UK, USA and Australia over the past 20 years.

Date of appointment: 3 June 1985

Date of resignation: 30 October 2006

# Directors' Report

## David Heaney – Non-executive Director

David Heaney has more than 38 years' experience in banking and corporate finance gained with the National Australia Bank Limited and subsidiary companies. David held several senior management positions in Australia and the United States, the most recent positions being General Manager, Corporate Banking Victoria, and Regional Director, Project and Structured Finance, prior to his retirement in August 1999.

He is currently an executive director of Thompson Partners Pty Limited, a consultancy company, and a non-executive director of Colopak Limited (since 2004, ASX: CKL), Gribbles Group Limited (from 2000 to 2004) and Redflex Holdings Limited (from 2001 to 2002). He brings strong banking and finance skills together with corporate governance experience to the Company.

Date of appointment: 20 June 2006

## Mark Phillips – Non-executive Director

*B.Comm. (Honours), M.Comm., University of New South Wales*

Mark Phillips has over 25 years' experience in investment markets, with expertise in managing investments, building portfolios and developing fund management businesses. Before joining Mariner Financial in March 2006, Mark was the Managing Director of Record Investments Limited for four years, where he played a key role in building the company's market capitalisation from under \$200 million to over \$1.5 billion.

Prior to this Mark was employed by the Commonwealth Bank of Australia for 20 years in various roles, including Chief Dealer – Interest Rate Swaps; Head of Long End Trading; Head of Qualitative Analysis; Head of Property Finance; and Head of Government Finance. He has been a director of Interlink Roads Pty Limited (operator of the M5 Motorway in Sydney) and of ASB Bank Limited in NZ.

Date of appointment: 20 June 2006

Date of resignation: 10 November 2006

## PRINCIPAL ACTIVITIES

The principal activities of the Stapled Entity during the financial year included investment in the operator HML Storage Pty Limited and investment in warehouse property. The operator carries on a self-storage business and has entered into a management agreement with Millers Self Storage Management Pty Limited to manage the self-storage business.

## **REVIEW AND RESULTS OF OPERATIONS**

MSS Moore Park Group has made a net profit before tax of \$2.378 million during the financial year ended 30 June 2007 (2006: \$0.061 million).

Distributions paid or declared by the Trust for the financial year are \$1,094,736 (2006: \$737,584).

This distribution comprised a return of 9.01% for the financial year (2006: 9.02%).

## **ENVIRONMENTAL REGULATIONS**

The entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

## **SHARES ISSUED ON EXERCISE OF OPTIONS**

No shares have been issued on exercise of options at the date of this report.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

No matter or circumstance has arisen since 30 June 2007 that has significantly affected or may significantly affect:

- (a) the Stapled Entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Stapled Entity's state of affairs in future financial years.

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

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the period ended 30 June 2007.

# Directors' Report

## ROUNDING OFF

The Stapled Entity 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.

Dated at Sydney this 18th day of September 2007.

This report is made with a resolution of the Directors of the Responsible Entity:

A handwritten signature in black ink, appearing to read "George Lucas". The signature is written in a cursive, flowing style with a large initial "G".

**George Lucas**

Director of Mariner Securities Limited



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

To: the Directors of MSS Moore Park Group and its controlled entities

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

A handwritten signature in black ink, appearing to read 'Andrew Dickinson', written over a horizontal line.

**Andrew Dickinson**

Partner

Sydney

18 September 2007



KPMG, an Australian partnership, is a member of KPMG International, a Swiss non-operating association.

# Income Statement

For the year ended 30 June 2007

	Note	Stapled		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Revenue</b>					
Rental income from investment properties		1,995	1,952	–	–
Management fee income		–	–	61	48
Interest income		21	52	1	4
Licence fees		978	327	–	–
Inventory sale		151	91	–	–
Changes in fair value of investment property	5	2,066	–	–	–
Other		40	94	–	–
		5,251	2,516	62	52
<b>Expenses</b>					
Cost of goods sold		76	46	–	–
Property expenses		932	544	–	–
Responsible Entity fees		165	63	–	–
Amortisation expense		220	195	220	195
Management fees		92	73	61	48
Custody fees		43	62	–	–
Borrowing costs		1,247	1,368	348	11
Other expenses		98	104	–	–
		2,873	2,455	629	254
<b>Operating profit/(loss) before income tax</b>		2,378	61	(567)	(202)
Income tax benefit	10	20	45	104	2
<b>Operating profit/(loss) after income tax</b>		2,398	106	(463)	(200)
Profit attributable to minority interest		2,666	407	–	–
Loss attributable to members of the parent entity		(268)	(301)	(463)	(200)
		2,398	106	(463)	(200)

The notes on pages 12 to 33 are an integral part of these financial statements.

# Statement of Changes in Equity

For the year ended 30 June 2007

Stapled	Note	Share capital \$'000	Retained earnings \$'000	Minority interest \$'000	Total \$'000
<b>2007</b>					
Balance at 30 June 2006		944	(301)	9,079	9,722
Operating profit/(loss) for the year		–	(268)	2,666	2,398
Distribution	12	–	–	(1,094)	(1,094)
Cash flow hedge		–	–	206	206
Closing balance at 30 June 2007		944	(569)	10,857	11,232

## 2006

– Applications		1,215	–	10,935	12,150
– Issue costs		(271)	–	(1,832)	(2,103)
Operating profit/(loss) for the year		–	(301)	407	106
Distribution	12	–	–	(738)	(738)
Cash flow hedge	9	–	–	307	307
Closing balance at 30 June 2006		944	(301)	9,079	9,722

The Company	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
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## 2007

Balance at 30 June 2006		944	(200)	744
Operating profit/(loss) for the year		–	(463)	(463)
Closing balance at 30 June 2007		944	(663)	281

## 2006

– Applications		1,215	–	1,215
– Issue costs		(271)	–	(271)
Operating profit/(loss) for the year		–	(200)	(200)
Closing balance at 30 June 2006		944	(200)	744

The notes on pages 12 to 33 are an integral part of these financial statements.

# Balance Sheet

As at 30 June 2007

	Note	Stapled		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current assets</b>					
Cash and cash equivalents	8(a)	301	665	44	42
Receivables		57	120	1	10
<b>Total current assets</b>		<b>358</b>	<b>785</b>	<b>45</b>	<b>52</b>
<b>Non-current assets</b>					
Investment properties	5	23,757	21,691	–	–
Intangible assets	6	3,843	4,072	3,843	4,064
Property, plant and equipment	4	103	108	–	–
Derivative financial instruments	9	513	307	–	–
Deferred tax asset	10	65	45	106	2
<b>Total non-current assets</b>		<b>28,281</b>	<b>26,223</b>	<b>3,949</b>	<b>4,066</b>
<b>Total assets</b>		<b>28,639</b>	<b>27,008</b>	<b>3,994</b>	<b>4,118</b>
<b>Current liabilities</b>					
Payables		526	580	408	69
Provision for distribution	12	272	273	–	–
<b>Total current liabilities</b>		<b>798</b>	<b>853</b>	<b>408</b>	<b>69</b>
<b>Non-current liabilities</b>					
Loans & borrowings	11	16,609	16,433	3,305	3,305
<b>Total non-current liabilities</b>		<b>16,609</b>	<b>16,433</b>	<b>3,305</b>	<b>3,305</b>
<b>Total liabilities</b>		<b>17,407</b>	<b>17,286</b>	<b>3,713</b>	<b>3,374</b>
<b>Net assets</b>		<b>11,232</b>	<b>9,722</b>	<b>281</b>	<b>744</b>
<b>Equity</b>					
Contributed equity		944	944	944	944
(Accumulated losses)		(569)	(301)	(663)	(200)
<b>Total equity attributable to equity holders of the Company</b>		<b>375</b>	<b>643</b>	<b>281</b>	<b>744</b>
<b>Minority interest</b>		<b>10,857</b>	<b>9,079</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>11,232</b>	<b>9,722</b>	<b>281</b>	<b>744</b>

The notes on pages 12 to 33 are an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 30 June 2007

	Note	Stapled		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Net cash flow from operating activities</b>					
Management fee income received		–	–	61	40
Property income received		2,046	1,845	4	–
Licence fee income received		978	1,159	–	–
Other cash receipts received		256	35	349	48
Property expense paid		(1,016)	(1,103)	–	–
Interest received		131	62	1	4
Interest and other borrowing costs paid		(1,067)	(1,508)	(349)	–
Operating expenses paid		(602)	(40)	(64)	(40)
Income tax paid		–	(16)	–	–
Net cash from operating activities	8(b)	726	434	2	52
<b>Net cash flow from investing activities</b>					
Payment for purchase of investment property		–	(21,662)	–	–
Payment for intangible asset		–	(4,259)	–	(4,259)
Payment for property, plant and equipment		5	(108)	–	–
Net cash from investing activities		5	(26,029)	–	(4,259)
<b>Net cash flow from financing activities</b>					
Proceeds from issue of shares/units		–	12,150	–	1,215
Issue costs paid		–	(2,103)	–	(271)
Proceeds from borrowings		–	15,350	–	3,305
Proceeds from vendor finance		–	1,324	–	–
Dividends/distributions paid		(1,095)	(461)	–	–
Net cash from financing activities		(1,095)	26,260	–	4,249
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		(364)	665	2	42
<b>Cash and cash equivalents at 1 July</b>					
		665	–	42	–
<b>Cash and cash equivalents at 30 June</b>					
	8(a)	301	665	44	42

The notes on pages 12 to 33 are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2007

## 1 REPORTING ENTITY

MSS Moore Park Limited (the Company) is a company domiciled in Australia. The stapled financial report of the Company as at and for the year ended 30 June 2007 covers the Company and its subsidiaries and Mariner Property Trust No. 2 (the Trust), together registered as the Stapled Entity or MSS Moore Park Group (the Group). The securities are traded together as one security. The Units in the Stapled Entity were issued at \$1 each where Company and Trust received 10% and 90% respectively. The Trust is reflected as a minority interest in the accounts.

The purpose of the Group is primarily to invest in the operator HML Storage Pty Limited. The operator carries on a self-storage business and has entered into a management agreement with Millers Self Storage.

## 2 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) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors of the Responsible Entity on 18 September 2007.

### (b) Basis of measurement

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

- Derivative financial instruments are measured at fair value.
- Investment property is measured at fair value.

The methods used to measure fair values are discussed further in notes 3(f) and 3(h)(iv).

### (c) Functional and presentation currency

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

The Stapled Entity 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, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

#### **(d) Use of estimates and judgements**

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5 – valuation of investment property
- Note 13 – valuation of financial instruments

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(a) Principles of consolidation**

The stapled financial statements incorporate the assets and liabilities of all entities in the MSS Moore Park Group as at 30 June 2007 and the results of all entities during the period then ended. The effects of all transactions between entities in the Stapled Entity are eliminated in full. Outside equity interests in the results and equity of entities are shown separately in the stapled income statement and balance sheet respectively.

Where an entity is obtained during a financial period, its results are included in the stapled income statement from the date at which the entity is stapled or controlled. Where an entity ceases to be a part of the Stapled Entity during a financial period, its results are included for that part of the period during which it was stapled or controlled.

# Notes to the Financial Statements

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Taxation

Income tax on the profit and loss for the period comprises current and deferred tax. Income tax is recognised in the profit and loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

#### Tax consolidation

The Company is the head entity of the tax-consolidated group comprising all the Australian wholly owned subsidiaries of the head entity, MSS Moore Park Limited. The implementation date for the tax-consolidated group is 16 June 2005.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'hybrid' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

### **Nature of tax funding arrangements and tax sharing arrangements**

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

### **(c) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

### **Rental income**

Rental income from investment properties is recognised on a straight-line basis over the lease term. Rental income not received at reporting date is reflected in the balance sheet as a receivable or, if paid in advance, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

Lease incentives provided by the Trust to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property), are excluded from the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, using either a straight-line basis or a basis which is representative of the pattern of benefits.

### **Recoverable outgoings**

Recovery of outgoings as specified in lease agreements is accrued on an estimated basis and adjusted when the actual amounts are invoiced to the respective tenants.

### **Interest income and expense**

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

# Notes to the Financial Statements

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Expenses

Expenses are recognised in the income statements on an accrual basis.

#### Property expenses

Property expenses consist of rates, taxes and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust.

#### Responsible Entity's fees

Fees payable to the Responsible Entity are recognised as expenses as the services are received. Fees relating to specific events or transactions are expensed upon completion or occurrence of the relevant service or event.

### (e) Goods and services tax

Revenues, expenses, Responsible Entity fees and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the balance sheet.

GST is included in the statements of cash flows on a gross basis.

### (f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Buildings and plant integral to the property are classified as investment properties and accordingly are not depreciated. Items of furniture, fixtures and fittings are considered as integral to the property and accordingly are not depreciated.

## Valuations

Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations are done internally by knowledgeable property professionals, and the Group will obtain external valuations when the Directors are of the opinion that the market has moved materially.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter-notices, have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statements.

### **(g) Deferred leasing and tenancy costs**

Expenditure on direct leasing and tenancy costs is capitalised and written off over the lease term in proportion to the rental revenue recognised in each financial year.

# Notes to the Financial Statements

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial instruments

#### (i) Classification

Financial instruments comprise:

- financial instruments at fair value through profit and loss, including interest rate swaps;
- financial assets that are classified as loans and receivables; and
- financial liabilities that are not at fair value through profit or loss.

#### (ii) Recognition

The Stapled Entity recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139 – *Financial Instruments: Recognition and Measurements*.

#### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Trust are carried at the redemption amount representing the investors' right to a residual interest in the Trust's assets, effectively fair value at reporting date.

**(iv) Fair-value measurement principles**

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates, and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

**(v) Derecognition**

The Stapled Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Stapled Entity uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(vi) Impairment**

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, impairment testing is carried out and an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

# Notes to the Financial Statements

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial instruments (continued)

#### (vii) Specific instruments

##### Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### Derivative financial instruments

The Trust uses derivative financial instruments to hedge its exposure to interest rate risks arising from investment activities. In accordance with its investment strategy, the Trust does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

##### Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

### (i) Unit prices

The unit price is based on unit price accounting outlined in the Trust's Constitution and Product Disclosure Statement.

**(j) Property, plant and equipment**

Property, plant and equipment, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise, they are expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Stapled Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Stapled Entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets.

Expenditure, including that on internally generated assets other than research and development costs, is recognised as an asset only when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

**Subsequent additional costs**

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Stapled Entity in future years; otherwise, the costs are expensed as incurred.

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item over its expected useful life to the Stapled Entity. Estimates of remaining useful lives are made on a regular basis for all assets.

# Notes to the Financial Statements

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Intangibles

An intangible asset, representing management rights, is capitalised and brought to the account in the balance sheet.

The intangible is reviewed if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, the intangible is allocated to cash-generating units or groups of units. A cash-generating unit is the smallest identifiable group of assets that generate independent cash flows. The intangible asset is allocated by the Company to cash-generating units or groups of units based on how the asset is monitored by management.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The recoverable amount of the cash-generating units is calculated as the fair value less costs to sell. Fair value less costs to sell has been measured using readily available market data and assumptions. Impairment losses on intangible assets are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of the intangible relating to the entity sold.

As the management contract expires in 20 years, the rights are amortised over 20 years.

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At cost	218	212	–	–
Less: accumulated depreciation	(115)	(104)	–	–
Total property plant and equipment net book value	103	108	–	–

#### 5 INVESTMENT PROPERTIES

Investment properties – independent valuation	23,757	21,691	–	–
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Details of the individual properties comprising 'Investment properties' are set out below:

Property	813-851 South Dowling Street, Waterloo New South Wales
Description	Freehold
Ownership	100%
Acquisition date	17 August 2005
Acquisition cost	\$21,691,186
Latest valuation date	30 June 2007

#### Reconciliation

Reconciliation of the carrying amount of investment properties is set out below:

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment properties – fair value				
Fair value at the beginning of the year	21,691	–	–	–
Additions	–	21,691	–	–
Fair valuation increment	2,066	–	–	–
	23,757	21,691	–	–

## Notes to the Financial Statements

### 5 INVESTMENT PROPERTIES (CONTINUED)

#### Leases as lessor

The Group leases out investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Less than one year	1,459	1,459	–	–
Between one and five years	5,835	7,294	–	–
More than five years	–	–	–	–
	7,294	8,753	–	–

### 6 INTANGIBLE ASSETS

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Intangibles – management rights at cost	4,259	4,267	4,259	4,259
Less: accumulated amortisation	(416)	(195)	(416)	(195)
	3,843	4,072	3,843	4,064

### 7 AUDITORS' REMUNERATION

Audit services	Stapled		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Auditors of the Trust – KPMG:				
Audit and review of the financial reports	27,000	29,000	14,000	15,000
Other regulatory audit services	5,500	5,000	–	–
Taxation services	–	4,000	–	–
	32,500	38,000	14,000	15,000

Auditors' remuneration is paid by the Responsible Entity and is recoverable from the Trust.

## 8(a) CASH AND CASH EQUIVALENTS

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash	301	344	44	42
Short-term deposits	–	321	–	–
	301	665	44	42

## 8(b) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit from ordinary activities	2,398	106	(463)	(200)
Adjustment for:				
Amortisation of interest prepayment & prepayment & transaction costs	176	(79)	–	–
Amortisation	221	195	221	195
Depreciation	11	104	–	–
Changes in fair value of investment properties	(2,066)	–	–	–
Income tax benefit	(20)	(45)	(104)	(2)
Change in assets and liabilities during the financial year:				
(Increase)/decrease in receivables	61	(120)	9	(10)
(Increase)/decrease in financial instruments	–	(307)	–	–
Increase/(decrease) in payables	(55)	580	339	69
Net cash provided by operating activities	726	434	2	52

## 9 DERIVATIVE FINANCIAL INSTRUMENTS

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest rate swap contracts – fair value	513	307	–	–
	513	307	–	–

## Notes to the Financial Statements

### 10 INCOME TAX

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit/(loss) from ordinary activities before tax	2,378	61	(567)	(202)
Prima facie tax calculated at 30%	714	18	(170)	(61)
Add permanent differences:				
– Profit from Mariner Property Trust No. 2	(800)	(122)	–	–
– Amortisation of intangible assets	66	59	66	59
– Income tax benefit	(20)	(45)	(104)	(2)
Deferred tax				
Opening balance	(45)	–	(2)	–
Closing balance	(65)	(45)	(106)	(2)

### 11 LOAN & BORROWINGS

Bank loans – secured	15,349	15,349	–	–
Unsecured loan – related party	–	–	3,305	3,305
Transaction costs	(180)	(241)	–	–
Letter of credit – vendor finance	1,440	1,325	–	–
	16,609	16,433	3,305	3,305

The bank loan is secured by a registered first mortgage over 813-851 South Dowling Street, Waterloo, to the extent of \$15,349,000. The bank loan is payable on 30 June 2010. The weighted average interest rate at 30 June 2007 is 7.765% (2006: 6.89%).

Vendor finance has been secured by a letter of credit with Bank of Scotland International. The letter of credit bears interest at a rate of 8% per annum and interest is capitalised. Repayment of the principal and interest is scheduled to take place on 10 June 2010. The letter of credit will equal \$1.8 million when repayment is made on 10 June 2010.

The unsecured loan with a related party (Mariner Property Trust No. 2) has a term of 58 months and bears interest at a rate of 7.35% p.a. (2006: 7.35%)

## 12 DISTRIBUTIONS PAID AND PAYABLE

	2007 \$'000	2006 cents/unit	2007 \$'000	2006 cents/unit
The distributions were paid/payable as follows:				
Quarter ended 30 September distribution paid	276	2.27	5	0.04
Quarter ended 31 December distribution paid	276	2.27	189	1.56
Quarter ended 30 March distribution paid	270	2.23	271	2.22
Final distribution payable	272	2.24	273	2.25
	1,094	9.01	738	6.07

## 13 FINANCIAL INSTRUMENTS

The Stapled Entity's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Stapled Entity is exposed are market risk, credit risk and price risk.

Asset allocation is determined by the Stapled Entity's Investment Manager, who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Stapled Entity's Investment Manager.

The nature and extent of the financial instruments outstanding at the balance sheet date expose the Stapled Entity to the following risks.

### (a) Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and price risk.

The Stapled Entity's strategy on the management of investment risk is driven by the Stapled Entity's investment objective. The Stapled Entity's market risk is managed on a daily basis by the Investment Manager in accordance with the investment guidelines as outlined in the Stapled Entity's Product Disclosure Statement.

# Notes to the Financial Statements

## 13 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Market risk (continued)

#### Interest rate risk

The majority of the Stapled Entity's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than 12 months. As a result, the Stapled Entity is subject to limited exposure to fair-value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Stapled Entity's are invested in short-term cash deposits. Investments in debt securities are fixed-rate instruments with the term to maturity of up to 12 months. The maturity dates of the fixed-income instruments correspond to their repricing dates.

The table below summarises weighted average effective interest rates as at 30 June for the interest-bearing financial instruments of the Stapled Entity:

	Note	Effective interest rate %	Total \$'000	Floating \$'000	1-5 years \$'000	Greater than 5 years \$'000	Non-interest-bearing \$'000
<b>2007</b>							
<b>Assets</b>							
Cash and cash equivalents	8(a)	5.78	301	301	–	–	–
Receivables		–	57	–	–	–	57
Derivative financial instruments	9	–	513	–	–	–	513
			871	301	–	–	570
<b>Liabilities</b>							
Payables		–	526	–	–	–	526
Loans and borrowings	11	7.765	15,349	15,349	–	–	–
Transaction costs	11	–	(180)	–	–	–	(180)
Letter of credit – vendor finance	11	8.00	1,440	–	1,440	–	–
Distributions payable	12	–	272	–	–	–	272
			17,407	15,349	1,440	–	618
Interest rate swaps		6.89		(15,349)	–	15,349	–

	Note	Effective interest rate %	Total \$'000	Floating \$'000	1-5 years \$'000	Greater than 5 years \$'000	Non-interest-bearing \$'000
<b>2006</b>							
<b>Assets</b>							
Cash and cash equivalents	8(a)	5.19	665	665	–	–	–
Receivables		–	201	–	–	–	201
Derivative financial instruments	9	–	307	–	–	–	307
			<u>1,173</u>	<u>665</u>	<u>–</u>	<u>–</u>	<u>508</u>
<b>Liabilities</b>							
Payables		–	580	–	–	–	580
Loans and borrowings	11	6.89	15,349	15,349	–	–	–
Transaction costs	11	–	(241)	–	–	–	(241)
Letter of credit – vendor finance	11	8.00	1,325	–	1,325	–	–
Distributions payable	12	–	273	–	–	–	273
			<u>17,286</u>	<u>15,349</u>	<u>1,325</u>	<u>–</u>	<u>612</u>
Interest rate swaps		6.89		(15,349)	–	15,349	–

### Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting instruments traded in the market.

As the majority of the Group's financial instruments are carried at fair value and are designated as cash flow hedging instruments. Changes to fair value are recognised in net assets attributable to Unitholders such as swaps.

Price risk is mitigated by the Stapled Entity's Investment Manager by constructing a diversified portfolio of instruments traded on various markets. In addition, price risk may be hedged using derivative financial instruments such as options or futures.

# Notes to the Financial Statements

## 13 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Stapled Entity. The Stapled Entity's Investment Manager has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

There were no significant concentrations of credit risk to counterparties at 30 June 2007. No individual investment exceeded five per cent of the net assets attributable to Unitholders at either 30 June 2007 or 30 June 2006.

### (c) Specific instruments

#### Derivatives

At 30 June 2007 and 2006, the Group's holdings in derivatives were as specified in the table below:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding \$'000	Fair-value (assets) \$'000
<b>As at 30 June 2007</b>				
Interest rate swap	10 June 2010	Interest rates	15,349	513
<b>As at 30 June 2006</b>				
Interest rate swap	10 June 2010	Interest rates	15,349	307

### (d) Estimation of fair value

The major methods and assumptions used in estimating the fair values of financial instruments are disclosed in Note 3(h)(iv) of the Significant accounting policies section.

At 30 June 2007, the carrying amounts of derivative financial assets for which fair values were determined using valuation techniques amounted to \$513,307 (2006: \$306,735).

#### Fair value of financial instruments

Other than derivatives, which are carried at fair value, all the financial assets and liabilities are carried at cost net of any impairment losses. The carrying value of these financial assets and liabilities as at the end of the financial year approximate their fair value.

## 14 RELATED PARTIES

### The Responsible Entity

The Responsible Entity of MSS Moore Park Group is Mariner Securities Limited (ABN 87 002 163 180) (the Responsible Entity), whose immediate and ultimate holding company is Mariner Financial Limited (ABN 54 002 989 782).

### Key management personnel

The Stapled Entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Stapled Entity. The Directors of the Responsible Entity are key management personnel of that entity; their names are:

Name	Appointed	Resigned
Bill Ireland (Chairman and Managing Director)	7 May 2003	
David Heaney (Non-executive)	20 June 2006	
Anthony Lee (Non-executive)	7 March 2002	
George Lucas (Executive)	10 November 2006	
Irene Lee (Non-executive)	3 June 1985	30 October 2006
Mark Phillips (Non-executive)	20 June 2006	10 November 2006

No compensation is paid to Directors or directly by the Stapled Entity to any of the key management personnel of the Responsible Entity.

### Responsible Entity fees and other transactions

Set out below are the fees paid or payable by the Stapled Entity to the Responsible Entity during the year:

	Stapled		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Responsible Entity fees paid directly by the Trust (net of rebates)	164,929	63,099	–	–
Expenses incurred by the Responsible Entity and reimbursed by the Trust in accordance with the provisions of the Constitution	74,500	1,915,625	–	271,000
Fees payable to the Responsible Entity as at reporting date (included in accounts payable)	69,879	87,777	–	–

# Notes to the Financial Statements

## 14 RELATED PARTIES (CONTINUED)

### Related-party transactions

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis.

### Related-party investments held by the Stapled Entity

The Stapled Entity has no investment in Mariner Securities Limited or its associates.

As at 30 June 2007 no key management personnel held units in the Stapled Entity.

### Key management personnel loan disclosures

The Stapled Entity has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other transactions within the Stapled Entity

Apart from those details disclosed in this note, no director has entered into a material contract with the Stapled Entity during the period, and there were no material contracts involving directors' interests subsisting at year end.

## 15 GROUP ENTITIES

Name of entity	Country of incorporation	Interest 2007 %
MSS Moore Park Group – the Stapled Entity consists of:		
Mariner Property Trust No. 2 (the Trust)		
MSS Moore Park Limited (the Company)		
and its controlled entity:		
HML Storage Pty Ltd	Australia	100

## **16 SEGMENT REPORTING**

The main business segment of MSS Moore Park Group is investment in warehouse property which is leased to third parties for public use. The property investment is located in Sydney, NSW, Australia.

## **17 CONTINGENCIES**

There are no contingent liabilities or contingent assets at 30 June 2007 and 30 June 2006.

## **18 EVENTS SUBSEQUENT TO REPORTING DATE**

There have been no events subsequent to the reporting date which would have a material effect on the Stapled Entity's financial statements as at 30 June 2007.

# Directors' Declaration

In the opinion of the Directors of Mariner Securities Limited, the Responsible Entity of MSS Moore Park Limited (the Company):

- (a) the financial statements and notes, set out on pages 8 to 33, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2007 and its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2007; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 18th day of September 2007.

This report is made with a resolution of the Directors of the Responsible Entity:



**George Lucas**

Director of Mariner Securities Limited



# Independent Auditor's Report to the Members of MSS Moore Park Group

## **Report on the financial report**

We have audited the financial report of MSS Moore Park Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, significant accounting policies and other explanatory notes 1 to 18 and the Directors' declaration set out on pages 8 to 34 of MSS Moore Park Group (the Group or Stapled Entity) comprising the Company and the entities it controlled at the years' end or from time to time during the financial year and Mariner Property Trust No. 2.

### *Directors' responsibility for the financial report*

The Directors of Mariner Securities Limited ('the Responsible Entity') are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.



## **Independent Auditor's Report to the Members of MSS Moore Park Group**

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's and Group's financial position, and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion:

The financial report of MSS Moore Park Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

A handwritten signature in black ink, appearing to read 'A. Dickinson', written over a horizontal line.

**Andrew Dickinson**

Partner

Sydney

18 September 2007

## MARINER SECURITIES LIMITED

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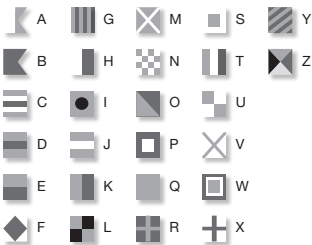
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