MARINER SECURITIES
BUILDING FINANCIAL SECURITY

Mariner American Property Income Trust
ARSN 114 494 503, ABN 87 002 163 180

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Dear Unitholder

MARINER AMERICAN PROPERTY INCOME TRUST – ANNUAL REPORT 2007

On behalf of Mariner Securities Limited, I am pleased to inform you that the Mariner American Property Income Trust (ASX: MRA) declared a net profit of A$18.1 million for its first full financial year. This represents earnings per unit of 12.22 cents and a distribution per unit (DPU) of 9.32 cents, 100% tax deferred. The Trust distribution is in line with the PDS forecasts. With adjustment for foreign currency movements NTA at 30 June 2007 was $0.90 per unit. A copy of the full Annual Report is enclosed for your information.

MRA is invested solely in quality US commercial, industrial/logistics and retail property assets. The Trust has no investments in financial instruments other than those associated with hedging the cash flows of the portfolio.

During the financial year ended 30 June 2007, the Trust's gross assets grew by 31% to A$426 million, up from A$326 million in 2006, invested across six properties in five US States. These properties are in diversified locations in the US that offer steady, tax-deferred income with long-term capital growth, including One Centennial Plaza in Middlesex, New Jersey; 1700 Higgins Centre in Des Plaines, Illinois; Derry Meadows Shopping Centre in Derry, New Hampshire; the Intel Campus, Parsippany, New Jersey; the EMC/RSA Security Campus, Bedford, Massachusetts; and the FedEx Freight Terminal, Montgomery, New York State.

MRA's investment grade tenants include FedEx, Intel, EMC Corporation (parent of RSA security), American Standard Companies, Great-West Life, and Johnson & Johnson.

The Manager will continue to seek US property investment opportunities with solid long-term cash flow and strong tenants offering investment grade ratings and/or sector dominance and we look forward to reporting another strong result next year.

I'd like to take this opportunity to thank you for your support and I look forward to reporting on the Trust's continued growth to June 2008. If you would like further information on this, or any other of our products, please contact your Financial Adviser. Alternatively please call our Investor Services Team on 1800 009 963 from 8.30am to 5.30pm Monday to Friday on a NSW business day.

Yours sincerely

Bill Ireland
Executive Chairman
Mariner Securities Limited

MARINER | SECURITIES

Mariner American Property Income Trust

Annual Report 2007

Mariner American Property Income Trust
ARSN 114 494 503

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

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Directors' Report

The directors of Mariner Securities Limited (the Responsible Entity), the responsible entity of Mariner American Property Income Trust (the Trust) and its subsidiaries (the Consolidated Entity), present their report together with the consolidated financial report of the Consolidated Entity for the year ended 30 June 2007 and the audit report thereon.

Mariner American Property Income Trust became a registered scheme under the *Corporations Act 2001* on 26 May 2005.

THE RESPONSIBLE ENTITY

The Responsible Entity of the Mariner American Property Income Trust is Mariner Securities Limited, which has been the responsible entity since registration of the Trust in May 2005.

The registered office and principal place of business of the Responsible Entity and the Trust is Level 40, The Chifley Tower, 2 Chifley Square, Sydney.

The directors of Mariner Securities Limited during or since the end of the financial period 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

PRINCIPAL ACTIVITIES

The Trust is a registered managed investment trust domiciled in Australia.

The principal activities of the Trust and the Consolidated Entity during the financial year were property investment in the United States of America, with any surplus funds being invested in short-term deposits. There were no significant changes in the nature of the Trust's activities during the financial year.

The Trust and the Consolidated Entity did not have any employees during the year.

There have been no significant changes in the nature of the Trust's activities during the year.

REVIEW OF OPERATIONS

Results

The Consolidated Entity's consolidated net income from operations for the current year was $18.089 million (2006: profit of $0.809 million (restated)).

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

	2007		2006	
	$'000	Cents per unit	$'000	Cents per unit
Interim distribution paid	8,898	7.00	2,527	4.52
Final distribution payable	4,759	2.32	3,195	2.52
	13,657	9.32	5,722	7.04

Performance

Property transactions

During the financial year, the Trust acquired One Centennial Plaza in New Jersey and Higgins Centre in Illinois for US$67.1 million. The expansion of the FedEx terminal in New York State was also completed at a cost of US$6.7 million.

INTERESTS OF THE RESPONSIBLE ENTITY

The fees paid to the Responsible Entity and its associates out of the Trust during the financial year were $12,020,182.07 (2006: $11,062,661).

Except as disclosed in this report or in the notes to the financial statements, since the date of commencement, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a director, or with a firm of which a director is a member, or with an entity in which a director of the Responsible Entity has a substantial interest.

Mariner Securities Limited's associate Mariner Credit Corporation Limited held units in Mariner American Property Income Trust during the financial year and still held units at the year end.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Directors' Report

LIKELY DEVELOPMENTS

The Trust will continue its current activities in accordance with the Responsible Entity's guidelines and the objectives of the Trust and its subsidiaries.

At the time of preparing this report, the Responsible Entity is not aware of any likely developments that would materially impact on the future operations of the Trust and its subsidiaries.

ENVIRONMENTAL REGULATIONS

The Responsible Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

EVENTS SUBSEQUENT TO BALANCE DATE

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Trust.

Insurance premiums

As part of its insurance arrangements, the Responsible Entity pays insurance premiums in respect of Directors' and Officers' Liability insurance contracts covering directors and officers of Mariner Financial Limited, the ultimate holding company of the Responsible Entity. It is not possible to separately identify the proportion of the premiums that are paid by Mariner Financial Limited on behalf of current and former directors and officers of the Responsible Entity.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2007.

ROUNDING OFF

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

Dated at Sydney this 21st day of August 2007.

Signed in accordance with a resolution of the Directors:

W E B Ireland
Director of Mariner Securities Limited

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

To: the Directors of Mariner Securities Limited, the responsible entity of Mariner American Property Income Trust (the Trust)

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

KPMG

Andrew Dickinson
Partner

Sydney
21 August 2007

Corporate Governance Statement

The responsible entity of the Mariner American Property Income Trust (the Trust) (ASX: MRA) is Mariner Securities Limited (the Company) ABN 87 002 163 180, AFSL 237 091, which is a wholly owned subsidiary of Mariner Financial Limited (ASX: MFI).

This Statement reflects the Company's main corporate governance policies and procedures as at 30 June 2007 in relation to the Trust and outlines the Company's main corporate governance practices in relation to the Trust in place during the financial year.

1 Compliance with ASX best practice recommendations

An explanation for any departure from the recommendations is provided in this Corporate Governance Statement. A checklist summarising this is set out in section 8 of this Corporate Governance Statement.

2 The Board of Directors

2(a) Membership

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of the directors' backgrounds, is set out below.

ASX Recommendation 2.5

The Board had a majority of independent directors from 1 July 2006 until 30 October 2006. After the resignations of Irene Lee and Mark Phillips and the appointment of George Lucas on 10 November 2006 the Company did not have a majority of independent directors and so did not comply with ASX recommendation 2.1, as it had the same number of executive and non-executive directors. Of the four directors, two, Anthony Lee and David Heaney, are external directors for the purpose of the Corporations Act and independent directors for the purpose of the ASX Corporate Governance Council's recommendations.

The roles of Chairman and Managing Director are exercised by the same individual (see 2(c) below for further details).

ASX Recommendations 2.1, 2.3

The Company's constitution requires a minimum of three and a maximum of ten directors. As at 30 June 2006, there are two non-executive directors and two executive directors on the Board. The terms and conditions of appointment and retirement of directors are set out in the Company's Constitution, which is available at Mariner's website, at <www.marinerfunds.com.au>. The Board believes that its membership should comprise directors with a balance of skills, experience and personal attributes.

Corporate Governance Statement

2 The Board of Directors (continued)

2(a) Membership (continued)

Bill Ireland – Chairman and Managing 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 the Mariner Financial group.

Date of appointment: 7 May 2003

Interest in units: 1,660,000 units

Mark Phillips – former 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 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

Interest in units – Nil

Irene Lee – former 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 Allco Finance 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 (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 member of the Advisory Council of JP Morgan Chase.

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

Interest in units – Nil

Anthony Lee – Non-executive Director

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

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

Anthony 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

Board Committee Memberships – Member of the Audit Committee

Interest in units – Nil

Corporate Governance Statement

2 The Board of Directors (continued)

2(a) Membership (continued)

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 Colorpak Limited (since 2004, ASX: CKL), Cyclopharm Limited (since February 2007, ASX: CYC), 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

Board Committee Memberships – Chairman of the Audit Committee

Interest in units – Nil

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

Robert Molinari – Company Secretary

B.A., LLB., Sydney University

B.CL, Oxford University

Robert Molinari has extensive experience in advising listed public companies, investment banks, fund managers and life companies and in structuring property transactions both in Australia and overseas.

Prior to joining the Mariner Financial group in September 2003 he was the General Counsel of Challenger International Limited, where he provided advice on the legal aspects of the entire range of Challenger products, including property trusts, share funds, superannuation funds, annuities and derivatives. Prior to Challenger, Robert practised as a solicitor with leading law firms and as a barrister at the New South Wales Bar.

Date of appointment: 1 December 2006

Stephen J Gilsenan – previous Company Secretary

B.Comm. (Accounting), University of New South Wales

ACA

Stephen Gilsenan has over 30 years' financial and corporate administration experience in banking. His qualifications and memberships include Bachelor of Commerce (Accounting) from the University of New South Wales and an ACA.

Date of appointment: 28 June 2006

Date of resignation: 1 December 2006

2(b) Board role and responsibilities

The Board of Directors of Mariner Securities Limited is responsible for the overall management of the Trust, including the determination of its strategic direction, with the aim of increasing Unitholder wealth through the performance of the Trust. In accordance with the Corporations Act, the duties of directors to Unitholders take priority over the duties which the directors owe to Mariner Securities Limited.

The role of the Board includes:

- providing strategic direction and deciding upon the Trust's business strategies and objectives;
- adopting annual budgets and monitoring management and financial position and performance;
- taking steps to ensure that the Trust's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- identifying significant business risks and ensuring that systems exist to manage those risks;
- taking steps to ensure that Unitholders and the market are informed of all material developments;
- monitoring the performance of key executives, including the US management team, and the adequacy of the reports prepared by them; and
- monitoring the compliance plan.

ASX Recommendation 1.1

Corporate Governance Statement

2 The Board of Directors (continued)

2(c) Chairman

The Board notes the ASX Corporate Governance Council's best practice recommendation that the chairperson be an independent director. The Board believes that Bill Ireland is the most appropriate person to be Chairman and believes that other measures adopted by the Company provide an appropriate check on the power of management. Bill has been Managing Director of the Company since 7 May 2003 and prior to that had extensive experience in international financial services. This wealth of experience provides him with a clear understanding of the diverse, complex and highly specialised activities of the Company, the Trust and its operations.

Bill's experience enables him to provide detailed feedback to management to ensure that adequate information is provided to the Board to facilitate effective decision making.

ASX Recommendations 2.2, 2.3

2(d) Board meetings

The number of times the Board has formally met and the number of meetings attended by directors during the financial year are set out below:

	Board of Directors meetings	
Director	**Number held**	**Number attended**
Bill Ireland	3	3
Anthony Lee	3	3
David Heaney	3	2
George Lucas (appointed 10 November 2006)	3	2
Irene Lee (resigned 30 October 2006)	3	1
Mark Phillips (resigned 10 November 2006)	3	1

2(e) Review of Board performance

The process for conducting the Board's annual performance review agreed on by the Board is that the Chairman conducting individual interviews with each of the non-executive directors.

The Chairman presented to the Board a report discussing the results, issues for discussion and recommendations for initiatives. The Managing Director and Chairman also present, annually, a self-assessment to the non-executive directors, who formally review their performance.

ASX Recommendation 8.1

2(f) Nomination and appointment of new directors

Recommendations for nominations of new directors are considered by the full Board. The Company does not have a Board Nominations Committee, and considers that such a committee is not necessary owing to the involvement of the Board as a whole in this process. Therefore the Company does not comply with ASX Recommendation 2.4.

Board membership is reviewed annually by the Board to ensure that there is an appropriate mix of qualifications, skills and experience.

ASX Recommendation 2.4

2(g) Retirement and re-election of directors

A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can then stand for re-election. The Board evaluates each director's contribution before endorsing them for re-election.

ASX Recommendation 2.4

2(h) Board access to information and advice

All directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. The Board has a policy which enables the Board and each of the directors to seek independent professional advice for matters related to the Trust at the Trust's expense, upon approval by the Chairman, to help them carry out their responsibilities.

ASX Recommendation 2.5

3 Board committee

The only Board committee is the Audit Committee.

The Company does not have a Board Nomination Committee (see 2(f) above) and the Company does not have a Remuneration Committee, as it does not consider that one is necessary, as it does not have any of its own employees, as all services are provided by Mariner Financial Limited under a services agreement. The Company's remuneration is by way of fees and expenses as set out in the Trust's Constitution, any change to which would require Unitholder approval. The Company, therefore, does not comply with ASX Recommendations 9.2 and 9.5.

ASX Recommendations 9.2 and 9.5

Corporate Governance Statement

3 Board Committee (continued)

3(a) Audit Committee

The Audit Committee is governed by its Charter, as approved by the Board. The Charter is available in the Corporate Governance section on Mariner's website, at <www.marinerfunds.com.au>.

The Audit Committee comprises Anthony Lee and David Heaney (whose qualifications are set out in section 2(a)). The current composition of the Audit Committee complies with ASX Recommendations 4.2 to 4.5. The Company Secretary and the external auditors may also attend Audit Committee meetings, by invitation.

The Audit Committee assists the Board in meeting its regulatory responsibilities and ensures that an effective system of financial reporting, internal control and risk management is in place. It provides a direct channel of communication between the external auditor and the Board, and assists the Board in ensuring that the external audit is conducted in a thorough, objective and cost-effective manner. The Audit Committee's terms of reference include an annual review of the external auditor's performance, and the nature and extent of their non-audit services.

As the Audit Committee was only established recently, it has not yet met.

ASX Recommendations 4.2 to 4.5.

4 Recognising and managing risk

A range of factors and risks, some of which are beyond the Company's control, can influence performance. Taking and managing risk are central to the Company's business. The Company has in place a range of procedures to identify, assess and control risks which are reviewed by the Board periodically. This approach enables any risks to be balanced against appropriate rewards.

ASX Recommendation 7

4(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board has adopted Mariner Financial's risk management policy and internal compliance and control system, which is reviewed at least annually, to assess the effectiveness of the implementation of the risk management controls and procedures. A description of the risk management policy and internal compliance and control system is available in the Corporate Governance section on Mariner's website, at <www.marinerfunds.com.au>.

ASX Recommendations 7.1, 7.3

4(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board – approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

ASX Recommendations 7.1, 7.3

4(c) Compliance Committee

Mariner Securities Limited has established a Compliance Committee for the Trust comprising three members, two of whom are external to Mariner Securities Limited. The role of the Compliance Committee is to monitor and report to the Board, and ASIC if necessary, on the compliance plan. The compliance plan addresses the Trust's compliance with its Constitution and the Corporations Act and includes structural, organisational and maintenance elements.

The members of the Compliance Committee are Anthony Lee, Vanessa Hall and Robert Molinari (internal member).

4(d) Managing Director and Chief Financial Officer certification

The Managing Director and Chief Financial Officer provide to the Board written certification that in all material respects:

- the Trust's financial statements present a true and fair view of the Trust's financial condition and operational results and are in accordance with relevant accounting standards;
- the statement given to the Board on the integrity of the Company's and Trust's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

ASX Recommendations 4.1, 7.2

Further, the Chief Financial Officer provides to the Board a signed written declaration that in his opinion:

- the financial records of the Trust for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements, and the accompanying notes, for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view.

Corporate Governance Statement

4 Recognising and managing risk (continued)

4(e) Internal review and risk evaluation

Assurance is provided to the Board by the Compliance Manager and senior management on the adequacy and effectiveness of management controls for risk, and the Trust's compliance plan is audited annually.

4(f) External audit

The Audit Committee is responsible for the appointment and/or removal of the external auditor. Information relating to the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners is available in the Corporate Governance section on Mariner's website, at <www.marinerfunds.com.au>. The Committee reviews the performance of the external auditors and reviews Company policy on maintaining independence of the external auditor. In addition, the Committee assesses whether it is satisfied that the independence of the external auditor has been maintained, having regard to the provision of non-audit services. The Company and Trust will change audit partners every five years.

Under the *Corporations Act* the Trust is not required to hold an annual general meeting and does not do so. As there is no meeting to invite the auditor to attend, we do not comply with ASX Recommendation 6.2.

ASX Recommendation 6.2

5 Remuneration

5(a) Key management personnel

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity; their names are Mr A Lee, Mr D Heaney, Mr WEB Ireland (Chairman), and Mr G Lucas (appointed 10 November, 2006).

The manager is entitled to an ongoing management fee, which is calculated as 3% of the gross income and reimbursement of the Trust's expenses incurred by the Responsible Entity. The manager is also entitled to establishment, due diligence, underwriting, acquisition and debt arrangement fees.

In accordance with the Trust Constitution, acquisition fees paid to the Responsible Entity and its associates relating to property acquisitions were capitalised during the financial year and amounted to $11,242,890 (2006: $10,757,189).

During the year, the Trust expensed an amount of $777,292 (2006: $305,472), and at balance date an amount of $256,387 (2006: $154,000) owing to the Responsible Entity was included in the accounts payable.

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

5(b) Trust Constitution

The remuneration of the Company for acting as the Responsible Entity of the Trust is limited to the maximum fees and expenses contained in the Trust's Constitution.

The Company is entitled to be reimbursed for expenses it incurs in relation to the proper performance of its duties in respect of the Trust out of the assets of the Trust, to the extent that such reimbursement is not prohibited under applicable law. This includes routine ongoing expenses such as the cost of acquiring assets and managing them, as well as capital raising costs, registry, audit, insurance and compliance costs and other expenses.

The Trust Constitution provides that, subject to the Corporations Act, the Responsible Entity is not liable in contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Trust. Subject to the Corporations Act, the liability of the Responsible Entity to any person other than a Unitholder in respect of the Trust (including any contracts entered into as trustee of the Trust) is limited to the Responsible Entity's ability to be indemnified from the assets of the Trust. The Responsible Entity is entitled to be indemnified out of the assets of the Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Trust. To the extent permitted by the Corporations Act, this indemnity includes the liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. To the extent permitted by the Corporations Act, members of the Trust Compliance Committee are entitled to be indemnified out of the assets of the Trust for any liability they incur in good faith whilst acting in that capacity.

ASX Recommendation 9.5

5(c) Equity-based executive remuneration

No employee has been compensated by an equity-based remuneration scheme. All staff are employed by Mariner Financial Limited and are made available to the Company under the terms of a services agreement between the Company and Mariner Financial Limited.

ASX Recommendation 9.4

Corporate Governance Statement

6 Timely and balanced disclosure

As a disclosing entity the Trust will be subject to regular reporting and disclosure obligations under the ASX Listing Rules and the Corporations Act. Mariner Securities Limited applies the systems and procedures established by Mariner Financial Limited to ensure that timely disclosure is made to the ASX to support an informed market. This information includes material information concerning the Trust, its financial position, performance, ownership and governance. The Trust will provide periodic reports to Unitholders, including an annual report and financial statements, and place announcements on Mariner Financial's website, which can be accessed at <www.marinerfunds.com.au>. The announcements will include the annual report, all releases to the ASX, press releases and notices of meetings to encourage shareholder participation.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX. A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements is available in the Corporate Governance section on Mariner's website, at <www.marinerfunds.com.au>.

ASX Recommendations 5.1, 5.2, 6.1

7 Ethical and responsible decision-making

7(a) Codes of ethics and conduct

The Company has adopted Mariner Financial's corporate code of conduct, which applies to all directors, executives, management and employees. The code has been designed to maintain confidence in the Company's integrity and sets out the responsibility and accountability for reporting and investigating reports of unethical practices. The code governs human resource and workplace practices, conflicts of interest, confidentiality and privacy of personal information, risk management and legal compliance. The code of conduct is intended to help directors and staff to understand their responsibilities and uphold the Company's goals and values. Its content and effectiveness are reviewed annually. In addition, the Company requires all of its staff to adhere to Mariner Financial's code of ethics. Copies of the code of conduct or code of ethics are available upon request.

ASX Recommendations 3.1, 3.3, 10.1

7(b) Policy concerning trading in company securities

The Company has compliance standards and procedures which deal with staff dealing in certain financial products, including units in the Trust, if they are in possession of inside information. The Company has put in place Mariner Financial's staff dealing rules, which govern trading in units of the Trust and restrict the periods during which trading can take place and what approvals for trading are required.

Owing to the expanded market-related activities of the Mariner Financial group, employees are made aware of the legal and ethical aspects associated with their private investment activities, especially as they relate to potential insider trading and front running. All staff must keep an up-to-date register of their securities holdings, including in particular the dates of acquisition and disposal. A copy of the trading policy is available in the Corporate Governance section on Mariner's website, at <www.marinerfunds.com.au>.

ASX Recommendation 3.2

Corporate Governance Statement

8 Checklist summarising the best practice recommendations and our compliance

ASX Principle		Reference	Compliance
Principle 1: Lay solid foundations for management and oversight			
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	2b	comply
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors	2a	do not comply
2.2	The Chairperson should be an independent director	2c	do not comply
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	2a, 2c	do not comply
2.4	The Board should establish a Nomination Committee	2f, 2g	do not comply
2.5	Provide the information in the Guide to reporting on Principle 2	2a, 2h	comply
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executive as to:	7a	comply
3.1.1	the practices necessary to maintain confidence in the Company's integrity		
3.1.2	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	7b	comply
3.3	Provide the information indicated in Guide to reporting on Principle 3	7a	comply
Principle 4: Safeguard integrity in financial reporting			
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	4d	comply
4.2	The Board should establish an Audit Committee	3a	comply
4.3	Structure the Audit Committee so that it consists of: ■ only non-executive directors ■ a majority of independent directors ■ an independent chairperson, who is not Chairperson of the Board ■ at least three members	3a	comply
4.4	The Audit Committee should have a formal charter	3a	comply
4.5	Provide the information indicated in Guide to reporting on Principle 4	3a	comply

ASX Principle		Reference	Compliance
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	6a	comply
5.2	Provide the information indicated in Guide to reporting on Principle 5	6a	comply
Principle 6: Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	6a	comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	4f	comply
Principle 7: Recognise and manage risk			
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management	4a,4b	comply
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	4d	comply
7.2.1	the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board		
7.2.2	the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.3	Provide the information indicated in Guide to reporting on Principle 7	4a,4b	comply
Principle 8: Encourage enhanced performance			
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	2e	comply

Corporate Governance Statement

8 Checklist summarising the best practice recommendations and our compliance (continued)

ASX Principle		Reference	Compliance
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	5a	comply
9.2	The Board should establish a remuneration committee	3	do not comply
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	5a	comply
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	5c	comply
9.5	Provide the information indicated in Guide to reporting on Principle 9	3,5a,5b	comply
Principle 10: Recognise the legitimate interests of stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	7a	comply

ASX Principle	Explanation
Principle 2 – Structure the Board to add value	
2.1	The Board had a majority of independent directors from 1 July 2006 until 30 October 2006. After the resignations of Irene Lee and Mark Phillips and the appointment of George Lucas on 30 October 2006, the Company no longer has a majority of independent directors.
2.2 2.3	The roles of the Chairman and Managing Director are exercised by the same individual. Bill Ireland is the founder of the Company in its present form and the Board considers that combining the roles of Chairman and Managing Director will assist in the pursuit of the Company's goals at this stage of the Company's development.
2.4	The Company does not have a Board Nomination Committee. Recommendations for nominations of new directors are considered by the full Board. The Company considers that such a committee is not necessary owing to the involvement of the Board as a whole in this process.
Principle 9 – Remunerate fairly and responsibly	
9.2	The Company does not have a Board Remuneration Committee and does not consider that one is necessary, as it does not have any of its own employees. All services are provided by Mariner Financial Limited under a services agreement. The Company's remuneration is by way of fees and expenses as set out in the Trusts' constitutions, any changes to which would require Unitholder approval.

Income Statements

For the year ended 30 June 2007

	Note	2007 Consolidated $'000	2007 Parent $'000	Restated 2006 Consolidated $'000	Restated 2006 Parent $'000
Revenue					
Rental income from investment properties		24,984	–	13,806	–
Recoverable outgoings		4,184	–	2,267	–
Interest income	4	1,586	2,300	1,046	3,393
Net gain on foreign exchange		2,492	2,473	1,926	1,943
Gain from fair value movements of properties					
– revaluations increment	8	17,739	–	–	–
– straight-lining of rent		(2,418)	–	(1,577)	–
Other income		–	–	579	579
		48,567	4,773	18,047	5,915
Operating expenses					
Rental expenses		5,400	–	2,518	61
Responsible Entity fees		325	325	202	202
Custodian fees		131	131	125	125
Asset management fees		810	–	454	–
Other Trust expenses		1,156	1,156	233	233
Borrowing costs		12,407	412	10,549	3,622
Other operating expenses		728	–	716	–
		20,957	2,024	14,797	4,243
Profit from operating activities		27,610	2,749	3,250	1,672
Income tax expense	15	(9,506)	–	(2,437)	–
Net profit after tax attributable to Unitholders		18,104	2,749	813	1,672
Net profit attributable to minority interests		(15)	–	(4)	–
Net gain attributable to Unitholders of parent		18,089	2,749	809	1,672

	Note	2007 Cents	Restated 2006 Cents
Basic earning per unit	24	12.22	1.07
Diluted earning per unit	24	12.22	1.07

The notes on pages 28 to 50 are an integral part of these consolidated financial statements.

Statements of Changes in Equity

For the year ended 30 June 2007

	Note	Share captial $'000	Translation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Minority interest $'000	Total $'000
The Trust and its consolidated entities							
Balance at 30 June 2006		117,186	(748)	(1,618)	(898)	95	114,017
Correction of errors relating to previous years	22	–	–	3,236	(4,015)	–	(779)
		117,186	(748)	1,618	(4,913)	95	113,238
Total profit for the year		–	–	–	18,089	15	18,104
Cashflow hedging and translation positions		–	(14,207)	(1,516)	–	(15)	(15,738)
Units issued		75,946	–	–	–	–	75,946
Offer-related costs		(4,497)	–	–	–	–	(4,497)
Movement to minority share holders		–	–	–	–	(18)	(18)
Distributions to Unitholders	12	–	–	–	(13,657)	–	(13,657)
Balance at 30 June 2007		188,635	(14,955)	102	(481)	77	173,378
The Trust							
Balance at 30 June 2006		117,186	–	–	(4,050)	–	113,136
Total profit for the year		–	–	–	2,749	–	2,749
Units issued		75,946	–	–	–	–	75,946
Offer-related costs		(4,497)	–	–	–	–	(4,497)
Distributions to Unitholders	12	–	–	–	(13,657)	–	(13,657)
Balance at 30 June 2007		188,635	–	–	(14,959)	–	173,678

The notes on pages 28 to 50 are an integral part of these consolidated financial statements.

For the period from 26 May 2005 to 30 June 2006

	Note	Share captial $'000	Translation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Minority interest $'000	Total $'000
The Trust and its consolidated entities							
Balance at 26 May 2005		–	–	–	–	–	–
Total profit for the year		–	–	–	4,824	4	4,828
Cashflow hedging and translation positions		–	(748)	(1,618)	–	(3)	(2,369)
Units issued		124,500	–	–	–	168	124,668
Offer related costs		(7,314)	–	–	–	–	–
Return to minority shareholders		–	–	(66)	(8)	(7,380)	(8)
Distributions to Unitholders	12	–	–	–	(5,722)	–	(5,722)
Balance at 30 June 2006		117,186	(748)	(1,618)	(898)	95	114,017
The Trust							
Balance at 26 May 2005		–	–	–	–	–	–
Total profit for the year		–	–	–	1,672	–	1,672
Units issued		124,500	–	–	–	–	124,500
Offer-related costs		(7,314)	–	–	–	–	(7,314)
Distributions to Unitholders	12	–	–	–	(5,722)	–	(5,722)
Balance at 30 June 2006		117,186	–	–	(4,050)	–	113,136

The notes on pages 28 to 50 are an integral part of these consolidated financial statements.

Balance Sheets

As at 30 June 2007

	Note	2007 Consolidated $'000	2007 Parent $'000	Restated 2006 Consolidated $'000	Restated 2006 Parent $'000
Current assets					
Cash and cash equivalents	6(a)	31,006	20,104	9,477	4,328
Trade and other receivables	10	3,778	416	980	33
Total current assets		34,784	20,520	10,457	4,361
Non-current assets					
Long-term security deposits	7	21,150	21,150	19,417	18,015
Investment property	8	357,733	–	293,747	–
Derivative assets	9	12,393	12,088	2,487	869
Investment in subsidiaries		–	132,042	–	93,547
Total non-current assets		391,276	165,280	315,651	112,431
Total assets		426,060	185,800	326,108	116,792
Current liabilities					
Payables	11	4,758	1,897	1,792	171
Distribution payable	12	4,759	4,759	3,195	3,195
Total current liabilities		9,517	6,656	4,987	3,366
Non-current liabilities					
Loans & borrowings	13	226,565	–	205,155	–
Derivative liabilities	14	5,669	5,466	290	290
Deferred tax liability	15	10,931	–	2,437	–
Total non-current liabilities		243,165	5,466	207,882	290
Total liabilities		252,682	12,122	212,869	3,656
NET ASSETS		173,378	173,678	113,239	113,136
Equity					
Issued capital		188,635	188,635	117,186	117,186
Reserves		(14,853)	–	871	–
Accumulated losses		(481)	(14,959)	(4,913)	(4,050)
Total equity attributable to equity holders of the parent		173,301	173,678	113,144	113,136
Minority interest		77	–	95	–
Total equity		173,378	173,678	113,239	113,136

The notes on pages 28 to 50 are an integral part of these consolidated financial statements.

Statements of Cash Flows

For the year ended 30 June 2007

	Note	2007 Consolidated $'000	2007 Parent $'000	Restated 2006 Consolidated $'000	Restated 2006 Parent $'000
Cash flows from operating activities					
Rental income received		25,351	–	14,202	–
Property expenses paid		(6,066)	–	(2,457)	–
Responsible Entity fees		553	553	(202)	(202)
Other fees		(241)	(303)	(1,530)	(479)
Realised gain/(loss) on foreign exchange		(582)	(599)	1,504	1,504
Interest received		2,372	2,258	1,012	3,360
Interest and other borrowing costs paid		(14,569)	(888)	(10,526)	(3,599)
Long-term security deposit		(1,733)	(3,135)	(19,417)	(18,015)
Net cash from operating activities	6(b)	5,085	(2,114)	(17,414)	(17,431)
Cash flows from investing activities					
Payment for purchase of investment property		(89,027)	–	(293,747)	–
Payment for investment in subsidiary units		–	(38,494)	–	(93,547)
Net cash from investing activities		(89,027)	(38,494)	(293,747)	(93,547)
Cash flows from financing activities					
Applications received		75,946	75,946	124,500	124,500
Issue costs paid		(4,497)	(4,497)	(7,313)	(7,313)
Distributions paid		(12,095)	(12,095)	(2,492)	(2,492)
Proceeds from borrowings with third parties		45,863	–	205,332	–
Repayment of borrowings to related parties		–	–	173	173
Net cash from financing activities		105,217	59,354	320,200	114,868
Net increase in cash and cash equivalents		21,275	18,746	9,039	3,890
Cash and cash equivalents at the beginning of the year		9,477	4,328	–	–
Effect of exchange rate fluctuations on cash		254	(2,970)	438	438
Cash and cash equivalents at end of the financial year	6(a)	31,006	20,104	9,477	4,328

The notes on pages 28 to 50 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 June 2007

1 REPORTING ENTITY

Mariner American Property Income Trust (the Trust) is a registered managed investment scheme under the *Corporations Act 2001*. The financial report of the Trust is for the year ended 30 June 2007.

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 with the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors of the Responsible Entity on 21 August 2007.

(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.
- Investment property is measured at fair value.

The methods used to measure fair values are discussed further in notes 3(c)(iii) and (v), 3(g) and 16.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Trust's and the Consolidated Entity's functional currency.

The Trust 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 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 8 – valuation of investment properties
- Note 16 – valuation of financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts have been reclassified to confirm with the current year's presentation (see note 23).

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the parent/Trust's financial statements, investments in subsidiaries are carried at cost.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the balance sheet date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and net gain/(loss) on derivatives, respectively. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair-value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rate for the year.

Foreign currency differences are recognised directly in equity as foreign translation reserve.

(c) Financial instruments

(i) Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises forward contracts and interest rate swaps. Financial instruments designated at fair value through profit or loss are not reclassified.

Financial instruments that are classified as loans and receivables include balances due from accounts receivable.

Financial liabilities that are not at fair value through profit or loss include balances due to accounts payable and loans and borrowings.

(ii) Recognition

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

Financial assets 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 designated at fair value through profit or loss and available for sale financial assets 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 Measurement*.

(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.

(iv) Derecognition

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

The Consolidated 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.

(v) 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.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Consolidated Entity would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

(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 and Consolidated Entity use derivative financial instruments to hedge their exposure to foreign exchange and interest rate risks arising from investment activities. In accordance with their investment strategy, the Trust and Consolidated Entity do 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 as the hedged item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

(d) 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.

Interest income on debt instruments at fair value through profit or loss is accrued using the effective interest method and classified to the interest income line item within the income statement. Interest income is recognised on a gross basis, including withholding tax, if any.

(e) Expenses

All expenses, including management fees and custodian fees, are recognised in the income statement on an accrual basis.

Included in other operating expenses are securities lending fees paid by the Trust, legal fees, and advisory fees.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Distribution and taxation

Distributions from the REIT

Distributions made by the US REIT that are in excess of its 'earnings and profits' will be treated as non-taxable returns of capital to the Trust to the extent of the Trust's adjusted tax basis in the shares of the US REIT.

Distributions from MAPIT to Unitholders are made from available cashflows and are not directly related to the accounting profit. Distributions can be a mixture of tax-deferred distributions and taxable income distributions.

Under current legislation the Trust is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the Unitholders. The Trust fully distributes its distributable income, calculated in accordance with the Trust's Constitution and applicable taxation legislation, to the Unitholders, who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to Unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to the Unitholders.

(g) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the balance sheet.

(h) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce 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.

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 statement.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 Consolidated Entity 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, either on a straight-line basis or on a basis which is representative of the pattern of benefits.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents, and CPI-linked rental increases are recognised only when contractually due.

(j) 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.

4 INTEREST INCOME

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Interest income arises from:				
Cash and cash equivalents	853	853	645	645
Interest on swap derivative contracts	553	553	298	298
Interest income	180	–	103	–
Inter-company loans	–	894	–	2,450
	1,586	2,300	1,046	3,393

5 AUDITORS' REMUNERATION

	2007		2006	
	Consolidated $	Parent $	Consolidated $	Parent $
Audit services:				
Auditors of the scheme – KPMG:				
Audit and review of the financial reports	100,544	39,500	54,750	12,750
Other regulatory audit services	5,500	5,500	3,750	3,750
	106,044	45,000	58,500	16,500
Other services:				
Auditors of the scheme – KPMG:				
Other assurance services	–	–	–	–
Taxation services	6,000	6,000	9,500	9,500
	6,000	6,000	9,500	9,500

6(a) CASH AND CASH EQUIVALENTS

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Current deposit with banks	31,006	20,104	9,430	4,328
Other deposits and cash equivalents	–	–	47	–
	31,006	20,104	9,477	4,328

6(b) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2007 Consolidated $'000	2007 Parent $'000	2006 Consolidated $'000	2006 Parent $'000
Profit from operating activities	27,610	2,749	3,250	1,672
Adjustments for:				
Amortisation of transaction costs	1,243	–	–	–
Unrealised foreign exchange loss/(gain)	3,251	2,970	(901)	(439)
Unrealised gain on swaps	(6,042)	(6,042)	(579)	(579)
Unrealised rental income	2,418	–	1,577	–
Interest under effective interest method	(2,051)	–	–	–
Property revaluation	(17,739)	–	–	–
Change in assets and liabilities during the financial year:				
Increase in trade and other receivable	(2,798)	(345)	(980)	(33)
Increase in long-term security deposit	(1,733)	(3,135)	(19,417)	(18,015)
Increase in other assets	(2,040)	–	(2,156)	–
Increase/(decrease) in creditors and payables	2,966	1,689	1,792	(37)
Net cash provided by operating activities	5,085	(2,114)	(17,414)	(17,431)

7 LONG-TERM SECURITY DEPOSIT

	2007 Consolidated $'000	2007 Parent $'000	2006 Consolidated $'000	2006 Parent $'000
Collateral deposits with banks	21,150	21,150	18,015	18,015
Other deposits and cash equivalents	–	–	1,402	–
	21,150	21,150	19,417	18,015

8 INVESTMENT PROPERTIES

	2007 Consolidated $'000	2007 Parent $'000	2006 Consolidated $'000	2006 Parent $'000
Investment properties – at fair value	357,733	–	293,747	–

Directors' valuation of the fair value of the properties as at 30 June 2007 is based on 30 December 2006 external valuation.

Reconciliation

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

Investment properties – fair value

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Carrying amount at the beginning of the year	293,747	–	–	–
Additions – cost	80,093	–	293,747	–
Loss due to foreign currency translation	(33,846)	–	–	–
Fair value increment	17,739	–	–	–
Fair valuation	357,733	–	293,747	–
Comprising:				
Unrealised rental income	3,618	–	1,577	–
Carrying value of properties	354,115	–	292,170	–
	357,733	–	293,747	–

See note 3(h) for the investment property accounting policy details.

Leases as lessor

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

Less than one year	25,713	–	15,759	–
Between one and five years	96,184	–	85,504	–
More than five years	120,007	–	138,964	–
	241,904	–	240,227	–

9 DERIVATIVE ASSETS

Interest rate swap	305	–	1,618	–
Cross currency swap	12,088	12,088	869	869
	12,393	12,088	2,487	869

Notes to the Financial Statements

10 TRADE AND OTHER RECEIVABLES

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Receivables	1,076	416	774	33
Prepaid expenses	320	–	206	–
Deposit with lender	2382	–	–	–
	3,778	416	980	33

11 PAYABLES

Payable to Responsible Entity	3,106	1,876	154	154
Sundry creditors	212	21	871	17
Tenants' security deposits	163	–	112	–
Rent received in advance	1,277	–	655	–
	4,758	1,897	1,792	171

12 DISTRIBUTIONS PAID AND PAYABLE

	2007		2006	
	$'000	Cents per Unit	$'000	Cents per Unit
September distribution paid	2,980	2.35	28	–
December distribution paid	2,987	2.35	1,048	2.15
March distribution paid	2,931	2.3	1451	2.37
June distribution payable	4,759	2.32	3195	2.52
	13,657	9.32	5,722	7.04

13 LOAN & BORROWINGS

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Non-current				
Bank loans – secured	230,541	–	209,252	–
Deferred charges	(3,976)	–	(4,097)	–
	226,565	–	205,155	–

Terms and conditions

The secured bank loans are mortgages with the properties held as security. The terms of the loans vary from five to ten years. The interest rates on the loans are between 5.27% and 6.39% as at 30 June 2007 (2006: between 4.93% and 6.82%). Effective interest rate swaps have been taken to fix the interest rates on the mortgage loans at between 4.95% and 5.60% as at 30 June 2007 (2006: 4.95% and 5.22%).

14 DERIVATIVE LIABILITIES

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Non-current				
Interest rate swap	203	–	–	–
Cross-currency swap	–	–	290	290
Foreign currency options	5,466	5,466	–	–
	5,669	5,466	290	290

15 TAXATION

	2007		2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Deferred tax liability				
Balance brought forward	2,437	–	–	–
US taxation on future property disposals	9,506	–	2,437	–
Impact of foreign currency translation	(1,012)	–	–	–
	10,931	–	2,437	–
Current tax charge				
Based on 35% of difference between the properties at valuation and the tax value	9,506	–	2,437	–
	9,506	–	2,437	–

16 FINANCIAL INSTRUMENTS

The Consolidated Entity's investing 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 Trust is exposed are market risk, credit risk and price risk.

Asset allocation is determined by the Trust'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 Trust's Investment Manager.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Trust are discussed below.

(a) Market risk

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

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

Currency risk

The Trust invests in US-based properties distributing US income back to its Australian investors. The Trust has entered into foreign exchange hedges to provide stability in terms of AUD from the income derived from the US subsidiaries in USD. Cross-currency swaps in AUD/USD have been entered into to achieve this stability. Ninety-three per cent of the forecast distributable income has been hedged.

The Trust is exposed to exchange rate fluctuations on its investment in the US, as it is a USD investment denominated in AUD, and on USD-denominated cash collateral.

The US REIT invests in properties in the US acquired with USD loans which act as a natural hedge. The Trust's total net exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

	Fair value 2007		Fair value 2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Assets				
US dollar	401,947	159,917	320,469	111,192
Liabilities				
US dollar	244,230	–	208,394	–
Net assets	157,717	159,917	112,075	111,192

Interest rate risk

The majority of the Trust's financial assets are non-interest-bearing. Interest-bearing financial assets and financial liabilities mature or reprice in the short-term, no longer than 12 months. As a result, the Trust 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 Trust are invested in short-term deposit with term to maturity of up to three or six months. Investments in debt securities are fixed-rate instruments with term to maturity of up to 12 months. The maturity dates of the fixed-income instruments correspond to their repricing dates.

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table. For interest rates applicable to each class of asset or liability, refer to individual notes to the financial statements.

The US REIT has floating-rate mortgage loans of $102,248,911 that mature in 2010 and 2011. Interest rate swaps of $102,248,911 denominated in USD have been entered into to partially hedge floating interest rate exposure. The swaps mature in 2010 and 2011.

Exposures arise predominantly from assets and liabilities bearing variable interest rates.

16 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Market risk (continued)

Interest rate risk (continued)

The table below summarises weighted average effective interest rates for financial assets and financial liabilities:

2007	Note	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest-bearing $'000	Total $'000
Financial assets								
Current cash and deposits	6(a)	5.21	31,006	–	–	–	–	31,006
Long-term securities deposits	7	4.93	21,150	–	–	–	–	21,150
Receivables	10	–	–	–	–	–	3,778	3,778
Derivative assets	9	–	–	–	–	–	12,393	12,393
			52,156	–	–	–	16,171	68,327
Financial liabilities								
Payables		–	–	–	–	–	4,758	4,758
Loans and borrowings	13	5.96	226,565	–	–	–	–	226,565
Derivative liabilities	14	–	–	–	–	–	5.669	5,669
Distribution payables	12	–	–	–	–	–	4,759	4,759
			226,565	–	–	–	15,186	241,751
Interest rate swaps		5.46	(102,249)	–	–	102,249	–	102,249
2006								
Financial assets								
Cash and deposits	6(a)	5.08	28,894	–	–	–	–	28,894
Receivables	10	–	–	–	–	–	980	980
Derivative assets	9	–	–	–	–	–	2,487	2,487
			28,894	–	–	–	3,467	32,361
Financial liabilities								
Payables		–	–	–	–	–	1,792	1,792
Loans and borrowings	13	5.85	205,155	–	–	–	–	205,155
Derivative liabilities	14	–	–	–	–	–	290	290
Distribution payables	12	–	–	–	–	–	3,195	3,195
			205,155	–	–	–	5,277	210,432
Interest rate swaps		5.44	(118,504)	–	–	118,504	–	118,054

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 all factors affecting all instruments traded in the market.

As the majority of the Consolidated Entity's financial instruments are carried at fair value with fair- value changes recognised in the income statement, all changes in market conditions will directly affect net profit/loss.

Price risk is mitigated by the Consolidated 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.

(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 Consolidated Entity. The Consolidated 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 30 June 2007.

16 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Specific instruments

Derivatives

At 30 June 2007 and 2006, the Consolidated Entity's holdings in derivatives translated into AUD were as specified in the table below.

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding $'000	Fair value (assets) $'000	Fair value (liabilities) $'000
As at 30 June 2007					
Interest rate swap	30 September 2010	Interest rates	80,584	–	203
Interest rate swap	30 March 2011	Interest rates	21,665	305	–
Cross-currency swap	20 December 2009	Exchange rates	28,639	3,171	–
Cross-currency swap	20 September 2010	Exchange rates	37,443	2,767	–
Cross-currency swap	7 December 2010	Exchange rates	56,196	4,183	–
Cross-currency swap	21 December 2009	Exchange rates	2,000	1,967	–
Foreign currency options	3 December 2010	Exchange rates	84,350	–	4,188
Foreign currency options	18 December 2012	Exchange rates	64,438	–	1,278
			375,315	12,393	5,669
As at 30 June 2006					
Interest rate swap	30 September 2010	Interest rates	93,395	978	–
Interest rate swap	30 March 2011	Interest rates	25,109	640	–
Cross-currency swap	20 December 2009	Exchange rates	1,893	–	–
Cross-currency swap	20 September 2010	Exchange rates	37,443	869	–
Cross-currency swap	7 December 2010	Exchange rates	56,196	–	290
			214,036	2,487	290

(d) Estimation of fair value

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in Note 3(c).

At 30 June 2007, the carrying amounts of derivative financial assets and derivative financial liabilities for which fair values were determined using valuation techniques amounted to $12.393 million and $5.669 million respectively (2006 restated: $2.487 million and $0.290 million respectively).

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.

17 RELATED PARTIES

The Responsible Entity

The Responsible Entity of the Mariner American Property Income Trust 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 and remuneration

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage activities; and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and 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

The manager is entitled to a management fee, which is calculated as a proportion of net assets attributable to Unitholders.

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

Responsible Entity fees and other transactions

In accordance with the Trust Constitution, acquisition fees paid to the Responsible Entity and its associates relating to property acquisitions were capitalised during the financial year amounted to $11,242,890 (2006: $10,757,189).

During the year, the Trust expensed an amount of $777,292 (2006: $305,472), and at balance date an amount of $256,387 (2006: $154,000) owing to the Responsible Entity was included in the accounts payable.

Set out below are the upfront and ongoing fees paid or payable by the Trust to the Responsible Entity during the year:

	2007 $	2006 $
Fees incurred directly by the Trust	11,242,890	10,757,189
Fees incurred to the Responsible Entity as at reporting date (included in accounts payable)	777,292	305,472

Notes to the Financial Statements

17 RELATED PARTIES (CONTINUED)

Related-party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the Responsible Entity or its director-related entities may invest in or withdraw from the Trust. These investments or withdrawals are on the same terms and conditions as those entered into by other Trust investors and are trivial and domestic in nature.

Related-party investments held by the Trust

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

As at 30 June 2007 no key management personnel held units in the Trust (2006: nil).

Key management personnel loan disclosures

The Trust 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 Trust

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

18 CONTINGENCIES

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

19 EVENTS SUBSEQUENT TO REPORTING DATE

No events have occurred subsequent to the reporting date which may have a material effect on the Consolidated Entity's financial statements as at 30 June 2007.

20 SEGMENT REPORTING

The main business segment of Mariner American Property Income Trust is investment in property which is leased to third parties for public use. The property investments are located in various sites in the United States of America.

21 INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Class of shares/units	Consolidated 30 June 2007 %	Entity interest 30 June 2006 %
Parent entity			
Mariner American Property Income Trust			
Which invests in the following controlled entities:			
Mariner American Property Income REIT Limited	Ordinary	99.9	99.9
Mariner Parsippany 1515 Limited Liability Company	Ordinary	99.9	99.9
Mariner Derry Meadows Limited Liability Company	Ordinary	99.9	99.9
Mariner Bedford Wood Limited Liability Company	Ordinary	99.9	99.9
Mariner Montgomery Terminal Limited Liability Company	Ordinary	99.9	99.9
Mariner Higgins Centre Limited Liability Company	Ordinary	99.9	99.9
Mariner One Centennial Limited Liability Company	Ordinary	99.9	99.9

The Trust is incorporated in Australia and the controlled entities are incorporated in the United States of America.

Mariner American Property Income REIT Limited also has preferred shares on issue held by external parties. Overall, Mariner American Property Income Trust owns 99.9% of the issued capital of the Mariner American Property Income REIT Limited.

22 CORRECTION OF ERRORS

Corrections to the comparatives have taken place to reflect the correct position at that date.

Deferred tax liabilities are incurred, as the US REIT is required to pay 35% tax on distributions attributable to the sale of US real property. The financial impact of recognising this DTL is an income tax expense of $2.5 million in the previous financial year, which reduced retained earnings by $2.5 million at 30 June 2006.

The cashflow hedges were incorrectly stated as a loss at 30 June 2006 when they were a gain. There is no impact to the Income Statement, and the impact to opening equity and derivative assets (BS) at 1 July 2006 is $3.2 million.

In the comparative year, the carrying amount of property values has been restated by $1.6 million to reflect deferred rent receivable already recognised in other assets. The impact has been to reduce the earnings to 30 June 2006 by $1.6 million, with a corresponding decrease to retained earnings at 30 June 2006.

23 RECLASSIFICATION OF PRIOR BALANCES

	Restated 2007		Previous 2006	
	Consolidated $'000	Parent $'000	Consolidated $'000	Parent $'000
Balance sheets				
Cash and cash equivalents (non-current)	–	–	19,417	18,015
Long-term security deposits (non-current)	19,417	18,015	–	–
Other financial assets	–	–	579	94,126
Derivative assets	2,487	869	–	–
Investment in subsidiaries	–	93,547	–	–
Other financial liabilities	–	–	1,618	–
Derivative liabilities	290	290	–	–

24 EARNINGS PER UNIT

Basic earnings per unit

The calculation of basic earnings per unit at 30 June 2007 was based on the profit attributable to Unitholders of $18,089,000 (2006: $809,000) and a weighted average number of units outstanding of 148,006,722 (2006: 75,626,324), calculated as follows:

	Stapled	
	2007	2006
In dollars		
Net profit for the period	18,104,000	813,000
Less: minority interests	(15,000)	(4,000)
Net profit attributable to Unitholders	18,089,000	809,000
Weighted average number of units (basic)		
In units		
Issued units at 1 July	126,8024,12	50,000,000
Effect of units issued	21,202,598	25,626,324
Weighted average number of units at 30 June	148,006,722	75,626,324

Diluted earnings per unit

As there are no diluting factors in the year and comparative years, the diluted earnings per units are equal to the basic.

Directors' Declaration

1 In the opinion of the Directors of Mariner Securities Limited, the Responsible Entity of Mariner American Property Income Trust (the Trust):

(a) the financial statements and notes, set out on pages 20 to 50, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the ;

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

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Dated at Sydney this 21st day of August 2007.

Signed in accordance with a resolution of the directors of Mariner Securities Limited.

W E B Ireland
Director of Mariner Securities Limited

Independent Auditor's Report to the Unitholders of Mariner American Property Income Trust

Report on the financial report and AASB 124 remuneration disclosures contained in the Corporate Governance Statement

We have audited the financial report of Mariner American Property Income Trust (the Trust), 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 set out on pages 20 to 50 and the Directors' declaration set out on page 51 of the Consolidated Entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Consolidated Entity has disclosed information about the remuneration of directors and executives ('remuneration disclosures'), required by the Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'Remuneration' set out on pages 16 to 17 of the Corporate Governance Statement and not in the financial report. We have audited these remuneration disclosures.

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 controls 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.

The directors of the Responsible Entity are also responsible for the remuneration disclosures contained in the Directors' report.

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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 Trust's and Consolidated Entity's financial position, and of their performance and whether the remuneration disclosures are in accordance with the Australian Accounting Standard AASB 124.

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

Auditor's opinion

In our opinion:

The financial report of Mariner American Property Income Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's and Consolidated Entity'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.

Auditor's opinion on AASB 124 remuneration disclosures

In our opinion, the remuneration disclosures that are contained in sections 5(a) and 5(c) of the Corporate Governance Statement comply with the Australian Accounting Standard AASB 124 Related Party Disclosure.

KPMG

Andrew Dickinson
Partner

Sydney
21 August 2007

Unitholder Information

SUBSTANTIAL UNITHOLDERS

There are no substantial Unitholders in the Mariner American Property Income Trust.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 21 August 2007:

Category (size of holdings)	Investors	Units	% Issued capital
1 – 1,000	34	15,467	0.01
1,001 – 5,000	929	3,382,648	1.65
5,001 – 10,000	1,418	12,480,163	6.08
10,001 – 100,000	4,029	121,789,531	59.37
100,001 and over	241	67,457,953	32.89
Total	6,651	205,125,762	100.00

The number of security investors holding less than a marketable parcel of 544 securities ($0.920 on 29/06/2007) is 21 and they hold 4,512 securities (2006: 530 securities ($0.945 on 22/08/2006) was 4 and they held 1,356 securities).

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

	Units	
	Number held	Percentage of issued units
Australian Executor Trustees	12,282,438	5.99%
Cogent Nominees Pty Limited	4,499,619	2.19%
Sandhurst Trustees Ltd	2,319,588	1.13%
Asset Custodian Nominees	2,205,500	1.08%
Universal Equity Pty Limited	1,075,000	0.52%
Mengan Pty Ltd	999,400	0.49%
ANZ Nominees Limited	842,793	0.41%
Mr Sammy Richard Saliba	836,000	0.41%
Ms Maggie Reid	813,100	0.40%
Mr Pasquale Caruso	799,500	0.39%
Mr Robert Otto Albert	750,000	0.37%
Universal Equity Pty	585,000	0.29%
Gokyo No 2 Pty Ltd	515,000	0.25%
H C Madin Pty Ltd	515,000	0.25%
Mr Yi-tung Wang	515,000	0.25%
Fishgills Pty Ltd	465,000	0.23%
Mr James Carter Sachs	464,000	0.23%
Gibbins Investments	450,000	0.22%
T I S Pty Ltd	450,000	0.22%
Mr David Browne	423,075	0.21%
	31,805,013	15.53%

VOTING RIGHTS

The voting rights, upon a poll, are one vote for each unit held.

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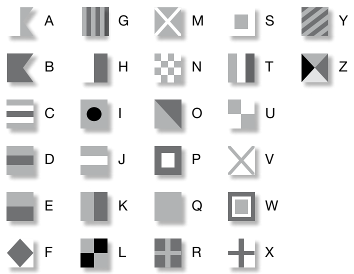

THE INTERNATIONAL CODE OF SIGNALS allows ships of all nations to communicate with each other. The code's simple, powerful design has created a universal language that brings mariners together in a partnership of understanding. Mariner has adopted a similar philosophy - working in partnership to design simple, tailored investment solutions with universal applications.

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