



MURDOCH CLARKE MORTGAGE FUND

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Responsible Entity:
Murdoch Clarke Mortgage Management Limited
ABN 84 115 958 560
AFSL No. 296758

Business
Reporting Season Begins

2008 FINANCIAL REPORT

The following statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, have been prepared by Murdoch Clarke Mortgage Management Limited and have been audited by Wise Lord & Ferguson.

FINANCIAL REPORT FOR MURDOCH CLARKE MORTGAGE FUND for the year ended 30 June 2008

DIRECTORS REPORT

The Directors of Murdoch Clarke Mortgage Management Ltd, ABN 84 115 958 560, AFSL 296758, the Responsible Entity of the Murdoch Clarke Mortgage Fund, submit their report for the Fund for the year ended 30 June 2008.

DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

Damian Francis Egan, BEc, LLB, MAICD, FTIA,
Chairman of the Board

Robert John Badenach, LLB

Paul Kuzis, BCom, LLB

Rebecca Sandra Reid, BA LLB

David Milne Whitehouse, LLB

The Directors were in office from the beginning of the year until the date of this report, unless otherwise stated.

All the Directors of the Responsible Entity are non-executive Directors.

No emoluments are received by the directors of the Responsible Entity other than declared dividends on any shares in the Responsible Entity that they may hold.

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund's Product Disclosure Statement and Constitution.

The general investment policy of the Fund is to invest primarily in loans secured by first mortgages over real estate predominantly in Tasmania.

There has been no significant change in the nature of this activity during the year.

SCHEME INFORMATION

Murdoch Clarke Mortgage Fund is an Australian registered scheme. Murdoch Clarke Mortgage Management Ltd, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 10 Victoria Street, Hobart, Tasmania, 7000.

REVIEW & RESULTS OF OPERATIONS

The net operating income of Murdoch Clarke Mortgage Fund for the year ended 30 June 2008 was \$4,234,331 (2007: \$4,095,758). There were no material changes in the operation of the Fund during the financial year ended 30 June 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes to the state of affairs of the Fund during the year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect the Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

LIKELY DEVELOPMENTS & EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives.

The investment strategy of the Fund was consistent with the prior financial year.

INDEMNIFICATION & INSURANCE OF DIRECTORS & OFFICERS

During the financial year, the Responsible Entity paid a premium insuring the Directors and Officers of the Responsible Entity against liabilities incurred as a Director or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Fund or Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Fund or Responsible Entity or of any related body corporate against a liability incurred as such an Officer or Auditor.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the following declaration from the Auditor of the Murdoch Clarke Mortgage Fund.

Auditors Independence Declaration to the Directors of Murdoch Clarke Mortgage Management Ltd as Responsible Entity of the Murdoch Clarke Mortgage Fund

In relation to our audit of the financial report of Murdoch Clarke Mortgage Fund for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



D J MCCARTHY
PARTNER
WISE LORD & FERGUSON

Dated: 29 September 2008

Signed in accordance with a resolution of the Directors



Mr Damian Egan,
Director
Hobart, 29 September 2008



Mr Paul Kuzis,
Director
Hobart, 29 September 2008

INCOME AND DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
REVENUE			
Interest Revenue	2	4,979,237	4,737,156
Fair Value Adjustment	14	(50,466)	50,466
Total Revenue		4,928,771	4,787,622
EXPENSES			
Responsible Entity Fees	3	613,797	638,300
Auditors Remuneration	10	12,920	9,115
Other Expenses		67,723	44,449
Total Expenses		694,440	691,864
Net Operating Income From Ordinary Activities		4,234,331	4,095,758
Less Distributions paid and payable	4	4,284,797	4,045,292
Undistributed Income at the beginning of the financial year		50,466	-
Undistributed Income at the end of the financial year		-	50,466

The above statement should be read in conjunction with the accompanying notes to accounts.

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 \$	2007 \$
ASSETS			
Cash Deposits	9(b)	25,911,827	26,524,206
Receivables	5	673,737	851,726
Loans & Advances	6	35,306,504	34,167,172
Derivatives	14	-	50,466
Total Assets		61,892,068	61,593,570
LIABILITIES			
Payables	7	179,474	173,111
Distribution Payable		1,140,862	966,214
Total Liabilities (excluding liabilities to Investors)		1,320,336	1,139,325
Net Assets Attributable To Investors – Liability		60,571,732	60,403,779
Net Assets		-	50,466

The above statement should be read in conjunction with the accompanying notes to accounts.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Received		5,156,850	4,291,103
GST Paid		(16,760)	(12,979)
Responsible Entity Fees Paid		(605,676)	(487,209)
Other Receipts/(Payments)		(65,265)	(31,716)
Net Cash Flows from Operating Activities	9 (a)	4,469,149	3,759,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from/(payments for) Loans & Advances		(1,133,262)	235,426
Net Cash Flows from Investing Activities		(1,133,262)	235,426
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from Investors		10,699,944	9,431,904
Payments to Investors		(11,843,517)	(18,469,951)
Income Distributions to Investors		(2,804,693)	(2,189,233)
Net Cash Flows from Financing Activities		(3,948,266)	(11,227,280)
Net Increase/(Decrease) in Cash		(612,379)	(7,232,655)
Cash at Beginning of Year		26,524,206	33,756,861
Cash at End of Year	9 (b)	25,911,827	26,524,206

The above statement should be read in conjunction with the accompanying notes to accounts.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
OPENING BALANCE	-	-
Transactions with Investors:	-	-
Closing Balance	-	-

The above statement should be read in conjunction with the accompanying notes to accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1 (a) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical cost, except for the valuation of investments in financial assets, which are valued at fair value or amortised cost. Cost is based on the fair values of consideration given in exchange for assets.

New standards and interpretations not yet adopted.

The following Australian Accounting Standards that have recently been issued or amended have not been early adopted in preparing this financial report.

AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting AASB 114. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is only concerned with disclosures.

Revised AASB 101 *Presentation of Financial Statements* introduces a Statement of Comprehensive Income. It is not otherwise expected to impact the recognition, measurement or disclosure of transactions.

AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* makes amendments to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 138. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) Portfolio Valuation

Financial Assets

Loans and Advances have been classified as loans and receivables and are valued at fair value. Deposits at call are classified as fair value through profit and loss and are valued at fair value.

Financial Liabilities

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Fund.

(d) Investment Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Specific revenues are recognised as follows:

Interest Revenue

Interest on deposits on call is recognised in accordance with the terms and conditions that apply to the deposit on an accruals basis.

Interest on mortgages is recognised on an accruals basis throughout the term of the loan.

(e) Cash Assets

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes deposits held at call with a bank or financial institution.

(f) Receivables

Receivables include amounts where settlement has not yet occurred. Interest is accrued at the reporting date from the time of the last payment. Amounts are generally received within 30 days of being recorded as receivables.

(g) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

(h) Taxation

Under current legislation, the Fund is not subject to income tax provided the investors are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

Expenses incurred by the Fund are recognised at their GST exclusive amount. Amounts recognised as receivables and payables are recognised at their GST inclusive amount. Reduced input tax credits recoverable by the Fund from the ATO are recognised as receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

(i) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to investors. Distributions are payable at the end of each quarter. Such distributions are determined by reference to the operating income of the Fund.

(j) Terms and conditions on investors

Each interest issued confers upon the investors an equal interest in the Fund. An investor does not have any interest in any particular asset or investment of the Fund. Investors have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their interests redeemed,
- receive income distributions,
- attend and vote at meetings of investors, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each investor are identical in all respects.

(k) Derivative financial instruments

Where the fund has entered into derivatives, not designated as a hedging relationship, the gains or losses from their value during the period are recognised in the income statement. Refer also to Note 14.

	2008 \$	2007 \$
2 Interest Revenue		
Cash Deposits	2,002,007	2,136,281
Loans and Advances	2,977,230	2,600,875
Total Interest Revenue	4,979,237	4,737,156
3 Responsible Entity Fees		
Management Fees	602,797	638,300
Expenses incurred on behalf of the Fund by the Responsible Entity and reimbursed by the Fund	11,000	-
Total Management Fees	613,797	638,300
4 Distributions paid or provided for		
- For the quarter ended 30 September	1,004,652	1,015,415
- For the quarter ended 31 December	1,053,546	1,040,374
- For the quarter ended 31 March	1,080,888	999,667
- For the quarter ended 30 June	1,145,711	989,836
Total Distributions	4,284,797	4,045,292
5 Receivables		
Interest Receivable – Loans and Advances	407,114	368,909
Interest Receivable – Cash Deposits	248,627	470,241
Other Receivables	17,996	12,576
Total Other Assets	673,737	851,726

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
6 Loans and Advances		
Maturity analysis		
Due within 3 months	35,306,504	34,167,172
Due between 4 and 12 months	-	-
Due between 13 and 60 months	-	-
Total Loans and advances	35,306,504	34,167,172
Average balances in year	33,317,631	30,769,563
Average interest rate	8.94%	8.45%
Total interest earned	2,977,230	2,600,875
7 Payables		
- Amounts due to Responsible Entity	148,213	151,091
- Other	31,261	22,020
Total Payables	179,474	173,111
8 Investors Transactions		
Opening value	60,403,779	68,551,980
Deposits made during the year	15,095,704	12,510,983
Withdrawals during the year	(14,927,751)	(20,659,184)
Closing value	60,571,732	60,403,779
9 Statements of cash flows		
(a) Reconciliation of net operating income from ordinary activities to the net cash flows from operations		
Net operating income from ordinary activities	4,284,797	4,045,292
(Increase)/decrease in receivables	177,989	(445,922)
Increase/(decrease) in expenses payable	6,363	159,828
Net cash flow provided / (used) by operating activities	4,469,149	3,759,198
(b) Reconciliation of cash:		
Cash balance comprises:		
Cash Deposits	25,911,827	26,524,206
(c) Non-cash financing and investing activities		
Non-cash financing and investing activities carried out during the year on normal commercial terms and conditions included:		
- Reinvestment of Investor distributions	1,256,213	889,846
10 Auditors Remuneration		
Amounts received or due and receivable by Wise Lord and Ferguson as auditors of the fund:		
Audit and review of financial reports:	6,485	3,330
Audit and review of compliance plan:	6,335	1,385
Other Services:	100	4,400
Total	12,920	9,115

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

11 Related party information

The names of persons who were Directors of the Responsible Entity (RE) at any time during the financial year are as follows:

Mr Damian Francis Egan

Mr Robert John Badenach

Mr Paul Kuzis

Ms Rebecca Sandra Reid

Mr David Milne Whitehouse

(a) Responsible Entity

Murdoch Clarke Mortgage Management Ltd was appointed to act as Responsible Entity from 1 July 2006.

	2008 \$	2007 \$
Responsible Entity Fees:		
Management Fees	602,797	638,300
Expenses incurred on behalf of the Fund by the Responsible Entity and reimbursed by the Fund	11,000	-
Total	613,797	638,300

The responsible entity, Murdoch Clarke Mortgage Management Ltd, is entitled to receive a fee of up to 2.20% GST inclusive of the total value of assets of the fund as stated in the product disclosure statement. The rate paid to the responsible entity was 1.1% (2007: 1.1%) GST inclusive. The management fees are deducted from the income of the Fund. There are no other fees, commissions, benefits or advantages derived by the Responsible Entity in connection with the management of the Fund.

The Responsible Entity holds no interests in the Fund.

(b) Key Management Personnel

The Directors of the Responsible Entity, as listed above, are the key management personnel of that entity. The Responsible Entity and its directors are considered the key management personnel of the scheme. No emoluments of any kind are received by the directors of the RE other than declared dividends on any shares in the RE that they may hold. The RE receives no remuneration except for the fees listed above. The Scheme does not employ personnel in its own right however the Responsible Entity does have one employee (2007: 1).

(c) Transactions with Related Parties

Mr D Egan is Chairman of the Retirement Benefits Fund. The transaction referred to in note 14 below relates to a mortgage that involved the Retirement Benefits Fund.

The principal balance of the loans attributable to the Murdoch Clarke Mortgage Fund and outstanding as at 30th June 2008 was nil (2007: \$4,578,943.)

The Murdoch Clarke Mortgage Fund received gross interest income of \$133,644.

The transaction was fully secured under normal lending rules and was conducted on normal commercial terms and conditions

(d) Directors' Interests in the Fund

Movement in Investments of Directors and Director Related Entities

	2008 \$	2007 \$
Opening Interest	230,323	325,260
Deposits	481,940	448,463
Withdrawals	(516,955)	(543,400)
Total Investments held at year end	195,308	230,323

(e) Loans to Directors

There were no loans to Directors or Director Related Entities from the Murdoch Clarke Mortgage Fund as at 30th June 2008 or during the year then ended.

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

12 Financial reporting by segments

The Fund operates in one business segment, being investment activities. The Fund also operates from one geographical location, being Tasmania, from where its investing activities are managed.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

13 Subsequent Events

Since 30 June 2008 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

14 Derivative Financial Instrument

Until 30 June 2006 the responsible entity for the Tasmanian Perpetual Long Term Fund and the Murdoch Clarke Mortgage Fund was Tasmanian Perpetual Trustees Limited. In that role certain mortgage loans were funded by both funds under common mortgage documents registered in the name of the responsible entity. From 1 July 2006 Tasmanian Perpetual Trustees Limited was replaced by Murdoch Clarke Mortgage Management Ltd as the responsible entity for the Murdoch Clarke Mortgage Fund. It was agreed between the responsible entities to enter into deed to leave the common mortgages with the Tasmanian Perpetual Long Term Fund and for that fund to compensate the Murdoch Clarke Mortgage Fund for any lost income. The form of this deed was a derivative financial instrument under which the Murdoch Clarke Mortgage Fund received the difference between the interest rate on the common mortgages and the rate being paid by a cash management fund, for which Tasmanian Perpetual Trustees Limited is the responsible entity, quarterly in arrears as long as the common mortgages remained in place.

The agreement was terminated by the parties in December 2007 by mutual consent.

15 Financial Instruments

Overview

The Fund's assets principally consist of financial instruments which comprise non quoted fixed interest investments and loans secured by first mortgage. It holds these assets at the discretion of the Responsible Entity in accordance with its investment strategy. The objective of these investments is to provide relatively secure investments together with a competitive return of income.

The allocation of assets as between the various types of financial instruments is determined by the Responsible Entity which manages the Fund's portfolio of assets to achieve the Fund's investment objectives. The composition of the portfolio is monitored by the Responsible Entity on a daily basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Board has established a Management Committee which is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities.

The Management Committee meets regularly, usually weekly, to monitor the Fund's asset allocation and performance as well as review loan applications and attend to the management of the Fund generally.

(a) Market Risk

Market risk represents the risk that a financial instrument's value will fluctuate as a result of changes in market prices such as foreign exchange rates (currency risk), interest rates (interest rate risk), and property values (property market price risk). The Fund is not exposed to currency risk as all financial instruments are held in Australian Dollars.

(i) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The majority of the Fund's financial assets are held in interest bearing assets that are expected to mature within twelve months or in financial assets that reset to the prevalent market interest rate on a monthly or quarterly basis. As a result the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Fund's interest rate risk is managed continuously in accordance with policies and procedures in place by:

- ensuring the Fund has an asset allocation that provides for the effective management of interest rate and associated liquidity risk,
- the approach to managing investment of funds to ensure that there is adequate matching of the duration of assets with the likely duration of investors' funds, and
- monitoring the effect upon yield and liquidity of probable movements in interest rates.

The Fund's exposure to interest rate risk is depicted in the table on page 11.

Interest Rate Sensitivity

An increase of 25 basis points in interest rates for the distribution period ending on the reporting date would have increased the amount available for distribution by \$37,754 (2007: \$37,649). A decrease of 25 basis points would have had an equal but opposite effect.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

15 Financial Instruments continued

	Non- interest bearing	Floating Interest Rate	Fixed interest Rate Maturing in 1 Year or less	Fixed interest Rate Maturing in 1 to 3 Years	Carrying amount per balance sheet	Aggregate net fair value	Weighted average effective interest rate
2008							
Financial Assets							
Cash Deposits	-	-	25,911,827	-	25,911,827	25,911,827	7.89%
Receivables	673,737	-	-	-	673,737	673,737	Non- interest bearing
Derivatives	-	-	-	-	-	-	Non- interest bearing
Loans & Advances	-	32,741,504	-	2,565,000	35,306,504	35,306,504	9.46%
Total Financial Assets	673,737	32,741,504	25,911,827	2,565,000	61,892,068	61,892,068	
Financial Liabilities							
Accounts Payable	179,474	-	-	-	179,474	179,474	Non- interest bearing
Net Assets Attributable to Investors	-	60,571,732	-	-	60,571,732	60,571,732	7.10%
Total Financial Liabilities	179,474	60,571,732	-	-	60,751,206	60,751,206	
2007							
Financial Assets							
Cash Deposits	-	3,118,099	18,827,164	4,578,943	26,524,206	26,524,206	6.60%
Receivables	851,726	-	-	-	851,726	851,726	Non- interest bearing
Derivatives	50,466	-	-	-	50,466	50,466	Non- interest bearing
Loans & Advances	44,746	31,557,426	-	2,565,000	34,167,172	34,167,172	8.56%
Total Financial Assets	946,938	34,675,525	18,827,164	7,143,943	61,593,570	61,593,570	
Financial Liabilities							
Accounts Payable	173,111	-	-	-	173,111	173,111	Non- interest bearing
Net Assets Attributable to Investors	-	60,403,779	-	-	60,403,779	60,403,779	6.33%
Total Financial Liabilities	173,111	60,403,779	-	-	60,576,890	60,576,890	

The Fund's financial assets and liabilities included in the Balance Sheet are carried at fair value or amortised cost. Refer to note 15(d) for the methods and assumptions adopted in determining net fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

15 Financial Instruments continued

(i) Property Market Price Risk

Property market price risk is the risk that adverse movements in the market value of a property could result in financial loss to the Fund.

The objective of property market price risk management is to ensure that movements in the market value of individual properties mortgaged to the Fund do not result in financial loss to the Fund in the event of default by the borrower.

The Responsible Entity manages property market price risk by strict application of the Mortgage Lending Policy, which forms part of its investment policies. The maximum thresholds for loan to valuation ratios stipulated in the Mortgage Lending Policy are the principal mode of property market price risk management.

The Responsible Entity continually monitors general property market price trends and activity as well as local issues affecting specific geographical areas.

The measurement of the Fund's exposure to property market price risk is based upon the analysis of loans, at the time of review, being reported as being in excess of the investment policy's stipulated loan to valuation ratios.

(b) Credit Risk

Credit risk represents the risk that a counter-party will fail to perform contractual obligations under a contract.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk exposure for receivables reflects the underlying credit risk inherent in the Fund.

These risks are managed through the credit policies implemented by the fund. There is no concentration of credit risk in any particular industry or market segment; however all but a few mortgaged properties are within the State of Tasmania.

The Fund's cash assets are invested with Australian Authorised Deposit-taking Institutions approved by the Responsible Entity in accordance with the Fund's investment strategy.

(c) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as and when they fall due. The Fund's liquidity risk is managed on a daily basis in accordance with the Investment Policy.

The following are the contractual maturities of the Fund's financial instruments:

	On Call	Less than 1 month	1 - 3 Months	3 months to 1 Year
2008				
Financial Assets				
Cash Deposits	4,911,827	13,000,000	8,000,000	-
Receivables	-	673,737	-	-
Loans & Advances	35,306,504	-	-	-
Financial Liabilities				
Trade & Other Payables	-	(179,474)	-	-
Net Assets Attributable to Investors	-	-	(60,571,732)	-
Net Financial Exposure	40,218,331	13,494,263	(52,571,732)	-
2007				
Financial Assets				
Cash Deposits	6,457,199	3,261,270	14,805,737	2,000,000
Receivables	-	851,726	-	-
Loans & Advances	34,167,172	-	-	-
Financial Liabilities				
Trade & Other Payables	-	(173,111)	-	-
Net Assets Attributable to Investors	-	-	(60,403,779)	-
Net Financial Exposure	40,624,371	3,939,885	(45,598,042)	2,000,000

(d) Net fair values

The carrying amounts of assets and liabilities of the Fund generally approximated fair value because of the short term to maturity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Murdoch Clarke Mortgage Management Ltd as Responsible Entity for the Fund, we state that:

In the opinion of the Directors :

- (a) the financial statements and notes of the Fund are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the Fund's financial position as at 30th June 2008 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the provisions of the Fund's Constitution.

On behalf of the Board

Murdoch Clarke Mortgage Management Ltd



Mr Damian Egan,
Director
Hobart



Mr Paul Kuzis,
Director
Hobart

Dated: 29 September 2008

INDEPENDENT AUDIT REPORT TO INVESTORS OF MURDOCH CLARKE MORTGAGE FUND

We have audited the accompanying financial report of the Murdoch Clarke Mortgage Fund (the Fund) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of 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 designing, implementation and maintenance of 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.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Auditor's Opinion

In our opinion, the financial report of the Murdoch Clarke Mortgage Fund is in accordance with:

- (a) the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) other mandatory professional reporting requirements in Australia.



Wise Lord & Ferguson
Chartered Accountants



D J McCarthy
Partner
Hobart

Dated: 29 September 2008.

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