



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

2007 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.

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 2007.

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 2007 was \$4,095,758 (2006: \$4,096,071). There were no material changes in the operation of the Fund during the financial year ended 30 June 2007.

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 2007, 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: 28 September 2007

Signed in accordance with a resolution of the Directors



Mr Damian Egan,
Director
Hobart, 28 September 2007



Mr Paul Kuzis,
Director
Hobart, 28 September 2007

INCOME AND DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
INTEREST			
Interest Revenue	2	4,737,156	4,894,372
Fair Value Adjustment	14	50,466	-
Total Revenue		4,787,622	4,894,372
EXPENSES			
Responsible Entity Fees	3	638,300	788,647
Auditors remuneration	10	9,115	9,654
Other Expenses		44,449	-
Total Expenses		691,864	798,301
Net Operating Income From Ordinary Activities		4,095,758	4,096,071
Less Distributions paid and payable	4	4,045,292	4,096,071
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 2007

	Notes	2007 \$	2006 \$
ASSETS			
Cash Deposits	9(b)	26,524,206	33,756,861
Receivables	5	851,726	405,804
Loans & advances	6	34,167,172	34,402,598
Derivatives	14	50,466	-
Total Assets		61,593,570	68,565,263
LIABILITIES			
Payables	7	173,111	13,283
Distribution Payable		966,214	-
Total Liabilities (excluding liabilities to Investors)		1,139,325	13,283
Net Assets Attributable To Investors – Liability		60,403,779	68,551,980
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 2007

	Notes	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Received		4,291,103	4,863,468
GST Paid		(12,979)	(18,329)
Responsible Entity fees paid		(487,209)	(771,048)
Other Receipts/(Payments)		(31,716)	(9,654)
Net Cash Flows from Operating Activities	9 (a)	3,759,199	4,064,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from/payments for Loans & Advances		235,426	4,494,189
Other Receipts		-	18,110
Net Cash Flows from Investing Activities		235,426	4,512,299
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from investors		9,431,904	11,097,183
Payments to investors		(18,469,951)	(17,962,811)
Income distributions to investors		(2,189,233)	(2,858,357)
Net Cash Flows from Financing Activities		(11,227,280)	(9,723,985)
Net Increase/(Decrease) in Cash		(7,232,655)	(1,147,249)
Cash at Beginning of Year		33,756,861	34,904,110
Cash at End of Year	9 (b)	26,524,206	33,756,861

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 2007

	2007 \$	2006 \$
OPENING BALANCE	-	74,179,894
Transition to AIFRS under AASB139 and AASB 132	-	(74,179,894)
Restated Balance	-	-
Undistributed Income for the financial year	-	-
Transactions with Investors:	-	-
Deposits -	-	-
Withdrawals	-	-
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 2007

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 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require altered and/or additional disclosures with respect to financial instruments.

AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038 arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the 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.

AASB 101 *Presentation of Financial Statements* is only concerned with disclosures.

AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments makes amendments* to AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & AASB 1038. This standard is only expected to impact disclosures contained within the financial report.

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.

AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11* and AASB 2007-2 *Amendments to Australian Accounting Standards arising from AASB Interpretation 12* are not applicable to the scheme and therefore have no impact.

(b) Statement of Compliance

The financial statements comply with AIFRS. Compliance with AIFRS ensures that the financial statements and notes to the financial statements complies with 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.

(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.

	2007 \$	2006 \$
2 Interest Revenue		
Cash Deposits	2,136,281	1,989,472
Loans and advances	2,600,875	2,904,900
Total Interest Revenue	<u>4,737,156</u>	<u>4,894,372</u>
3 Responsible Entity Fees		
Management Fees	638,300	751,502
Expenses incurred on behalf on the Fund by the Responsible Entity and reimbursed by the Fund	-	37,145
Total Management Fees	<u>638,300</u>	<u>788,647</u>
Tasmanian Perpetual Trustees Limited ceased to act as the Responsibility Entity of the Fund effective 30 June 2006. Murdoch Clarke Mortgage Management Ltd was appointed to act as Responsible Entity from 1 July 2006.		
4 Distributions paid or provided for		
- For the quarter ended 30 September	1,015,415	1,066,016
- For the quarter ended 31 December	1,040,374	1,053,514
- For the quarter ended 31 March	999,667	1,006,844
- For the quarter ended 30 June	989,836	969,697
Total Distributions	<u>4,045,292</u>	<u>4,096,071</u>
5 Receivables		
Interest Receivable – Loans and Advances	368,909	392,521
Interest Receivable – Cash Deposits	470,241	-
Other Receivables	12,576	13,283
Total Other Assets	<u>851,726</u>	<u>405,804</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
6 Loans and advances		
Maturity analysis		
Due within 3 months	34,167,172	33,187,788
Due between 4 and 12 months	-	130,000
Due between 13 and 60 months	-	1,084,810
Total Loans and advances	<u>34,167,172</u>	<u>34,402,598</u>
Average balances in year	30,769,563	37,063,798
Average interest rate	8.45%	7.84%
Total interest earned	2,600,875	2,904,901
There is one loan of \$44,746 where no interest is being brought to account in the fund (2006: one loan of \$44,746).		
7 Payables		
- Amounts due to Responsible Entity	151,091	13,283
- Other	22,020	-
Total Payables	<u>173,111</u>	<u>13,283</u>
8 Investors Transactions		
Opening value	68,551,980	74,179,894
Deposits made during the year	12,510,983	12,334,897
Withdrawals during the year	(20,659,184)	(17,962,811)
Closing value	<u>60,403,779</u>	<u>68,551,980</u>
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	4,045,292	4,096,071
(Increase)/decrease in receivables	(445,922)	(30,904)
Increase/(decrease) in expenses payable	159,828	(730)
Net cash flow provided / (used) by operating activities	<u>3,759,198</u>	<u>4,064,437</u>
(b) Reconciliation of cash:		
Cash balance comprises:		
Cash Deposits	26,524,206	33,756,861
(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	889,846	1,237,714
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:	3,330	3,568
Audit and review of compliance plan:	1,385	968
Internal Audit:	4,400	5,118
Total	<u>9,115</u>	<u>9,654</u>

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
 Mr Rebecca Sandra Reid
 Mr David Milne Whitehouse

(a) Responsible Entity

Tasmanian Perpetual Trustees Limited ceased to act as the Responsibility Entity of the Fund effective 30 June 2006. Murdoch Clarke Mortgage Management Ltd was appointed to act as Responsible Entity from 1 July 2006.

	2007 \$	2006 \$
Responsible Entity Fees:		
Management Fees	638,300	751,502
Expenses incurred on behalf on the Fund by the Responsible Entity and reimbursed by the Fund	-	37,145
Total	638,300	788,647

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% (2006: 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 (2006: Nil).

(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 involving the Retirement Benefits Fund.

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

The Murdoch Clarke Mortgage Fund received gross interest income of \$262,731.

The transaction is 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

	2007 \$	2006 \$
Opening Interest	325,260	-
Deposits	448,463	-
Withdrawals	(543,400)	-
Total Investments held at year end	230,323	-

No comparative balances are disclosed for the year ended 30 June 2006 as Murdoch Clarke Mortgage Management Ltd was appointed to act as Responsible Entity from 1 July 2006.

(c) Loans to Directors

There were no loans to Directors or Director Related Entities from the Murdoch Clarke Mortgage Fund as at 30th June 2007 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.

13 Subsequent Events

Since 30 June 2007 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 to 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 is a derivative financial instrument under which the Murdoch Clarke Mortgage Fund receives 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 remains in place.

The fair value of the derivative financial instrument is \$50,466.

15 Financial Instruments

(a) 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 mortgages are within the State of Tasmania.

(b) Liquidity and cash flow risk

Liquidity risk is the risk that the Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount.

(c) 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.

(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.

	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
	\$	\$	\$	\$	\$	\$	
Financial Assets - 2007							
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 - 2007							Non-interest bearing
Accounts payable	173,111	-	-	-	173,111	173,111	
Financial Assets - 2006							
Cash Deposits	-	33,756,861	-	-	33,756,861	33,756,861	5.59%
Receivables	405,804	-	-	-	405,804	405,804	Non-interest bearing
Loans & advances	44,746	32,357,852	1,265,000	735,000	34,402,598	34,382,023	7.84%
Total financial assets	-	66,114,713	1,265,000	735,000	68,565,263	68,544,688	
Financial Liabilities -2006							Non-interest bearing
Accounts payable	13,283	-	-	-	13,283	13,283	

The Fund's financial assets and liabilities included in the Balance Sheet are carried at fair value or amortised cost. Refer to note 16(d) for the methods and assumptions adopted in determining net fair values.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Murdoch Clarke Mortgage Management Ltd as Responsible Entity for the Fund, I 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 2007 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 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: 28 September 2007

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 2007, 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 2007 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: 28 September 2007.