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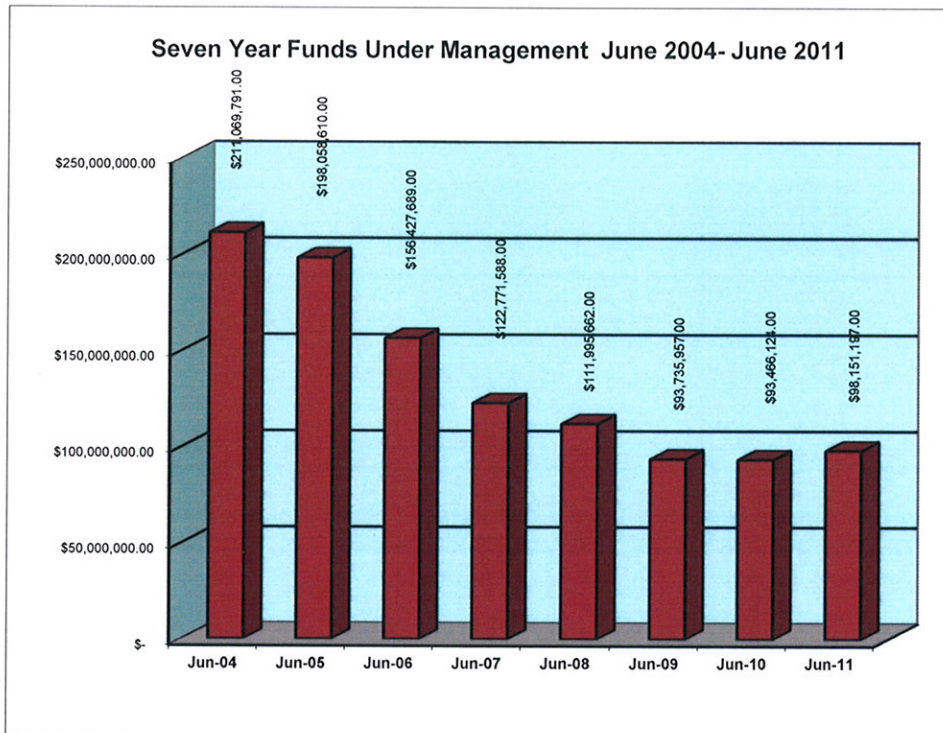
30th September 2011

ECLIPSE PRUDENT MORTGAGE FUND ANNUAL REPORT & SCHEME ACCOUNTS - 2011

THE FUND

It is with pleasure we provide you with the financial accounts for the Scheme for the year ending 30th June 2011.

Over the past year, our Mortgage fund has again maintained a constant level of investments providing a reasonable return based on low risk mortgages. This sure-but-steady approach during the current unsettled times and challenging global financial crisis has enabled Eclipse to slightly increase the level of funds under management as represented in the following graph.



Funds under management at 30th June 2011 were \$98,151,197 divided into two categories:

- | | | |
|----|------------------------------------|--------------|
| a) | Mortgages under management | \$92,669,200 |
| b) | Members Cash held in trust account | \$5,481,997 |

Eclipse will not compromise on the quality of the mortgage security we offer our investors. We still have minimal loans in default and we have successfully managed any default loans to provide maximum returns to our investors.

The following graph shows the spread and diverse range of mortgage investments we manage.

We have continued to maintain a low Loan to Value Ratio (LVR) and on some security types we have reduced the LVR even further in line with market changes. We also have had our panel valuers continue to address current market forces.

The continuing success of the Fund in these difficult times is still due to our efforts to provide reasonable interest rates on sound and prudent mortgages.

Funds under management by security 2011

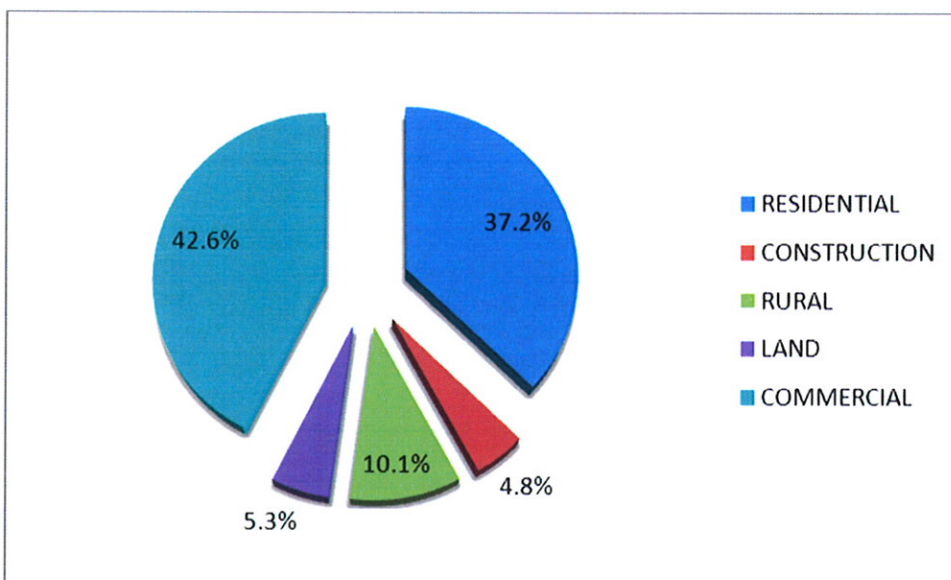


Figure 2

For the year ended 30 June 2011 the weighted average return to the investor was 8.02% (this is the interest rate earned whether your money was invested in mortgages or short term in the cash management account for the year)

The weighted average return for funds under “mortgage investment” was 8.49% (includes early repayment and penalty interest)

Due to changes under the National Consumer Credit Code (the ‘NCCC’) there has been a major shift in the type of borrower we lend to and the security we can now lend on. In the past we have lent money for residential investment loans. The NCCC now precludes this type of loan if the borrower is an individual. The majority of our current mortgages are now over good quality commercial security or company owned residential properties.

We still continue to lend to developers for the construction of small residential units/townhouses provided the borrower is a Corporation.

The NCCC has reduced our loan range going forward.

We are still confident about our future. To ensure Eclipse could continue to lend over residential investment property, we applied to ASIC for a new Licence under the NCCC and this was granted in February 2011.

Eclipse will still not provide funding for Consumer Credit and “normal” home loans. However, under the new licence, Eclipse shall consider loans over residential investment properties provided we are satisfied the loan fits within the responsible lending criteria. The borrower shall need to supply evidence it will not experience undue hardship in servicing the loan. These are practices we have always applied!!

Going forward, we see our biggest problem is dealing with the consumer driven regulations the Federal government has introduced to assist consumers suffering hardship. Normally, this does not apply to us as we have never managed and approved ‘consumer loans’ or home loans. However, the Financial Ombudsmen Service (FOS) is prepared to adjudicate on any borrower’s complaint if there is financial hardship.

In our opinion, FOS has been given too much unsupervised and unregulated power. We shall monitor its continuing role, but may eventually withdraw from all forms of residential lending if their current attitude and approach is intrusive and unreasonable.

If this happens, we may be allocating fewer loans until the current position is sorted out. We also feel the Federal Government has little public support and lacks the confidence of the business community. Presently we perceive few people have any confidence in general investment, and are keeping their hands in their pockets and their powder dry! I believe our mortgage market shall be subdued for a while.

However, notwithstanding these new restrictions on our regular business, we shall continue to operate as a direct Mortgage Fund.

We shall continue to provide detailed disclosure to our investors on each of their investments. Each mortgage stands and falls on its own merits. We shall operate under our existing compliance plan overseen by our external compliance committee and all loans shall be unanimously approved by our lending committee.

You should continue to benefit by having your mortgage investment managed by Eclipse as:

- Eclipse places members’ funds on sound mortgage investments;
- Eclipse does not lend on personal home loans or sub-prime home loans or other large but questionable related party loans which have achieved significant notoriety in the press lately and brought about the collapse of many funds;
- The investment term is matched with the loan term;
- Funds can be redeemed on maturity and are only "frozen" if the individual loan is in default or if FOS now determines to adjudicate on the refinance;
- Direct interest payments are made to your bank account with confirmatory monthly/quarterly reports and we report to you when a loan may go into default;

- Investors in default loans are kept up to date on default management as Eclipse strives to achieve the best possible outcome;
- Your mortgage is managed by a professional and experienced Manager;
- You are paid competitive interest rates on mortgages attracting a better “quality” borrower and type of security with no fees payable by members unless otherwise disclosed in the mortgage Syndicate PDS; and
- The investor approves the terms and type of property securing the investment as outlined in the Syndicate PDS.

THE TEAM – still basically unchanged – a nice sign of a happy little team!!

◆	Managing Director	-- Brett Scott
◆	Lending Committee for loans:	-- Rowan Wall
		-- Brett Scott
◆	Compliance Officer	-- Allan Gordon
◆	General Manager: Accounts, Procedures	-- Val MacRae
◆	Human Resources & Staff Manager	-- Nellie Scott
◆	Legal Department - Lawyer	-- Brett Scott
◆	Legal Secretary	-- Kylie Booth
◆	Legal Secretary	-- Lyndel Rose
◆	Borrower Administration & Settlements and Office Manager	-- Sheri Foreman
◆	Borrower Services co-ordinator	-- Kellie Hastie
◆	Investor Services co-ordinator	-- Belinda Ram
◆	Accounts/Bookkeeping	-- Theresa Moore
◆	Administration Assistant	-- Karen Mannino
◆	Reception	-- Harriet Lienhart

We thank you for your support during the year and trust you have found our investment and management services both satisfactory and rewarding.

We are still receiving some suitable loan applications in this very tight property and financial market, and we hope we shall place everyone’s funds in the not too distant future. We also hope we shall require further investment funds soon.

If you have any query concerning your current investment or you wish to discuss or add to your existing investment funds please do not hesitate to contact Val MacRae or Belinda Ramm so we may provide you with the current PDS and Application Form.

Also please do not hesitate to refer a friend, family member or an associate to us for investment in our Fund. We always believe our long-term good record is our best form of advertisement!

Yours faithfully



Brett Scott