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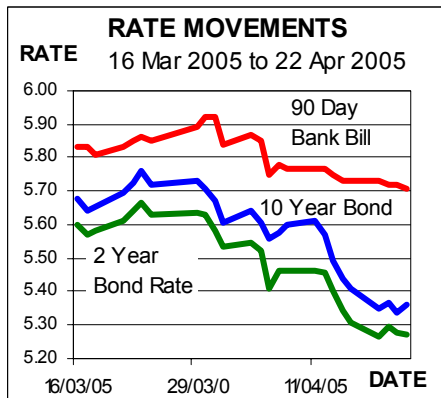
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INTEREST RATE ANALYSIS

After a much anticipated board meeting the Reserve Bank of Australia decided to keep the official cash rate at 5.50% p.a.

Naturally, many economists and industry experts are divided in support relating to this announcement.

Advocates for rate rises view Australia's existing expenditure and employment growth rates as too high, feeling that they may be unsustainable and lead to excessive domestic production and inflationary pressure.



Short and long term rates have receded considerably in the past month.

"If the going is real easy, beware, you may be headed downhill."

- **Unknown**

Current Market Information
As at the 26 April 2005

Official Cash Rate: 5.50%
U.S. Federal Funds Rate: 2.75%

90 Bank Bill Dealers Rate: 5.73%
10 Year Bonds (Indicator): 5.415%

All Ordinaries: 4009.6
Aust. Dollar (US Cents): 78.13

Source: Australian Financial Review (26 April 2005)

A reduction of our current output would result in the sustainable growth of production in the long run without the need to dramatically cut production and heavily reduce future employment.

Opponents of further interest rate increases consider our domestic economy to be in the process of self correction. This may be reflected in business and consumer confidence levels, which have slowly declined from relatively high levels in the past few months.

According to Bill Evans, Global Head of Economics for the Westpac Bank, the decision on whether or not to move interest rates will be due to 'data rather than tactics'. As the rate rise will not have its full effect on economic information for another month or so, any rate movements proceeding the RBA's May meeting, although not impossible, seem unlikely at this stage.

At MCP Group we have the resources to provide legal, finance and corporate structuring services, all key requirements for purchasing or selling a franchise.

Over three broad service areas our firm is able to offer contract reviews (franchise agreements, disclosure statements, leases, licenses, and all other documentation) and provide the best financial recommendations in terms of rate and pricing from our panel of commercial and residential lenders.



The franchise package is an integrated approach for all franchise sales, purchases or renewals for businesses such as Gloria Jeans (right). Please view the package on our website for further information.

MCP Group also have a corporate department that is able to establish the correct business structure after consultation with your accountant.

This will ultimately deliver the optimal level of asset protection for your franchise while operating in the most tax effective environment available.

MCP Group offers a coordinated communication and delivery of all services and updates to you. With qualified lawyers, bankers and accountants overlooking your franchising based transaction at all times you can always be assured that your matter is in capable hands.



MCP GROUP MAJOR UPDATES
LAUNCH OF THE MCP GROUP FRANCHISING PACKAGE

Buying, selling or renewing a franchise can be a complicated and exhausting process.

Our finance recommendations will also deliver cost savings through the appropriate pricing and loan structure.

Please contact our franchising specialists if you have any further queries in regard to our Franchising Package.

QUESTIONS AND ANSWERS

The MCP team will answer a selection of our clients' questions from our legal, corporate and finance divisions in each issue of our monthly newsletter. Should you wish to ask our team any questions please contact our office on (03) 9620 2001 or by email (enquiries@mcpgroup.com.au).

Finance

I've been told of a basic rule of thumb for purchasing property. The loan to value ratio is to remain at/or below 80% of the property price to avoid paying lenders mortgage insurance and acquisition costs such as government stamp duties, application and legal fees add up to 5% of the value of the property. Is this correct?

Acquisition expenses can add up to 5 to 6 per cent of the cost of your home if you are borrowing less than or equal to 80 per cent of the value of a property.

Above 80 percent and you will have to pay for lenders mortgage insurance, which may be an additional purchase expense (i.e. from 5% - 6% to 7% - 8%)

Corporate

What will happen if our company fails to pay our annual review fee?

The ASIC has commenced deregistration of over 5,300 companies that have not paid for their annual review fee. This action is under s601AB(1A) of the ASIC Act. ASIC may deregister a company if its annual review fee has not been paid in full by at least 12 months after the due date for the payment of that fee.

To avoid this type of deregistration, ensure that your company pays its annual review fee in full by the predetermined review date.

Legal

Our settlement has been delayed due to the fault of the vendor. As

the purchaser, are we entitled to claim penalty interest on the balance of the purchase monies?

Penalty interest is only due to a vendor for the all monies overdue after the settlement date. Since the above circumstance is one in which no monies are owed by the vendor, then no penalty interest may be payable.

However, the vendor is liable to pay for "reasonable expenses", including the rebooking of a removalist, additional settlement fees from their existing financier and other associated costs.



LEGAL ASPECTS OF BUYING, RENEWING, EXTENDING AND SELLING ANY FRANCHISE

Introduction - Buying, extending, renewing, or selling any franchise will affect your life for future years. Parties must be aware of legal issues involved in such a transaction and recognise that both Franchisees and Franchisors have justifiable business interests to protect. Franchisors must know what they are selling and a potential Franchisee must know what they are buying. A Franchisor must also determine the most advantageous structure of ownership to operate the business.

Disclosure - A minimum level of disclosure is required by the *Trade Practices Act* aimed to provide information to the Franchisee in order to allow them to make an informed decision based on accurate information on whether to become involved in a Franchise. A Disclosure Statement must be provided by the Franchisor to the prospective Franchisee at least fourteen (14) days before entering into the agreement. It must contain details and experience of the Franchisor, litigation that the Franchisor is a party to, fees and costs, intellectual property, and goods and services you must acquire or provide.

A Franchisor must not make misleading or deceptive statements. The law provides remedies against such behaviour including a claim for damages and other remedies including some under the Federal Trade Practices Act.

Documentation - Any sale, renewal, extension and/or purchase should be detailed in writing in a Franchise Agreement identifying what is expected from each party, including what they must

do, how much and when they must pay and what is being transferred.

What is being transferred? - Components of a Franchise usually include names, goodwill, premises (lease or ownership), equipment, machinery and fixed assets, stock, current orders, supply agreements, intellectual property, and licenses. The Franchisor must be able to guarantee the transfer of the ownership of all components to the Franchisee.



It must be determined prior to the commencement of the franchise whether the franchisee is granted exclusive territory.

Fees - A Franchise may consist of various fees. These fees may include a royalty, sign on/establishment, marketing, advertising, training, management and software license fee.

Franchise Territory - It must be determined prior to commencement of the Franchise whether the Franchisee is granted an exclusive or non-exclusive territory, be limited to a particular site, or may operate a business which is substantially the same in a certain defined area.

Term and Termination of a Franchise Agreement - The term of a Franchise Agreement will vary from one Franchise to another. There may also be an option to renew the arrangement for a further term. This will generally be addressed in the Franchise Agreement. Termination may be by either agreement or assignment (subject to Franchisor consent). The arrangement may also be terminated if the Franchisee no longer holds relevant licences or permits on expiration of the term of the Agreement.

Remedies - The Code provides a mediation process between the parties if there is a dispute. Due to the time and cost involved, litigation should be seen as a last resort. Apart from contractual remedies available to both the Franchisor and Franchisee, various provisions

of the Code and Trade Practices Act prescribe various remedies such as injunction or making orders varying or refusing to enforce the agreement and list several expenses.

Conclusion – Buying, extending, renewing or selling a Franchise is exciting yet inherently involves risk. What may appear simple can often end in financial and legal hardship. Whether as a buyer or seller, it is strongly recommended that advisers including accountants and lawyers are involved in the process, to ensure rights and obligations are respectively protected and honoured.

MAGISTRATES' COURT LIMIT RISES

In the 2005 calendar year the Magistrates' Court has increased its civil jurisdiction by a substantial amount. It will now be able to hear and adjudicate on disputes relating to damages, debt or other monetary demands up to the value of \$100,000. This includes personal injury cases. Previously it was limited to matters up to a value of \$40,000 (with some exceptions depending on the case).

Money Claims and Other Disputes

This area describes the Civil Jurisdiction of the Magistrates' Court of Victoria.

The Civil jurisdiction of the Magistrates' Court hears and determines disputes arising from claims for damages, debt, other monetary demands and for equitable relief.

Cases in the Civil Jurisdiction fall into three broad categories: General, Workcover and Industrial.

General Civil Jurisdiction

The General category includes claims for debts, damages for breach of contract or damage to property or for injury (e.g. motor car collisions), some neighbourhood matters (e.g. fences disputes) and most other matters, this category is very broad.

Workcover and Industrial

The Workcover category includes claims for compensation for workplace injuries either under the Workers Compensation Act (1958) or the Accident Compensation Act (1985).

The Industrial category includes claims under the Long Service Leave Act (1992) and is known as the Industrial Division of the Magistrates' Court.

The Court has unlimited and exclusive jurisdiction under the Act. The Industrial Division also has jurisdiction where an employee is owed money under any Acts. Some matters can be brought in the Industrial Division arising under the Occupational Health and Safety Act (1985).

RECORD KEEPING REQUIREMENTS FOR A SELF MANAGED SUPER FUND

SELF MANAGED SUPERANNUATION FUNDS TEN YEAR RECORD KEEPING REQUIREMENTS
• Records of the Minutes of all Meetings
• Record of the Changes of all Trustees
• Record of the Changes in Directors (if Corporate Trustees)
• Written Consents by all Trustees to be a Director of the Self Managed Superannuation Fund
• A Hard (Paper) Copy of any Returns Lodged Electronically with the Australian Taxation Office

PENALTY INTEREST RATE

The penalty interest rate fixed by the Attorney-General under the Penalty Interest Rate Act 1983 is 11.5 per cent per annum with effect on and from 1 April 2005. The new rate was published in the Government Gazette on Thursday, 31 March 2005. The previous rate was fixed at 12 per cent from October 2004.



THE MAIN DRIVERS FOR SMALL BUSINESS BANK SWITCHING

The reasons why small to medium enterprises switch lenders are wide and varied. A recent study by Anthony Stranger, CPA and lecturer at The Flinders University of South Australia has found that:

1. Lender competence and their inability to manage relationships.
2. Efficient service and quick turnaround times for any queries.
3. Availability of business lending.
4. Lower charges and/or fees.

5. Product ranges, interest rate charges and the reduction of a business' overdraft facility.

Traditionally, a primary reason for small business switching was due to the lack of a physical presence of a branch within the business' operational area.

However, with the implementation and growth of many supply side mechanisms including GiroPost and internet and phone banking, the physical presence of a banking branch is seen as a minor reason for SME bank switching in this modern era. This may suggest why there was almost one bank branch closure per day from 1997 to 2001 (Australia wide).

The survey also allowed an insight into the general dissatisfaction of SME business owners regarding their existing financiers. It seems that the consumers were most unsatisfied with bank fees, ancillary banking charges and the general level of interest rates.

Despite the economic impact that interest rates and fees may have on a business, many small to medium enterprises considered efficient service, lender competence and a good relationship with their bank manager to be the most important factors in their decision to switch lenders.

This basically evidences that SME business owners may switch lenders due to poor service levels (qualitative factors) as opposed to the level of fees and charges (quantitative factors). Please contact our commercial finance team with any queries.

BRIDGING FINANCE EXPLAINED

What is bridging finance?

Bridging Finance is generally a temporary facility used to secure a new property whilst you have equity locked up in a property you have sold or intend to sell. Its target market is homebuyers intending to upgrade their existing home.

The Advantage of Bridging Finance?

Bridging finance has many advantages, the most obvious being that it assists with cash flow to enable you to settle on a new property and relieve the immediate need to sell an

existing property. This puts the borrower in a better position with a key ingredient of negotiating a more favourable sale price – time.

Common Bridging terms are 3 - 6 months, however longer terms are available. A lender will offer the Bridging term on an interest only or interest capitalising basis (depending on how much equity the borrower has) to relieve the pressure on repayments during the transition stage.

They may also make exceptions to traditional loan servicing models, on the basis that the Bridging Term is only temporary.

Lenders may charge a higher interest rate and / or fees, for Bridging Finance to reflect the short term of the advance and overall cost incurred by them to advance this component.

What happens if I do not sell my property by the expiration of the Bridging Term?

At the termination of the Bridging Term, the lender may charge a default rate, which could be 3% above the applicable rate in addition to other penalties. You may be able to negotiate to renew the Bridging Term with your lender (they may charge fees for this).

Do I need Bridging Finance?

The problem with Bridging Finance is that many people obtain it without understanding that they may be in a position to obtain a more cost effective and flexible alternative. In some instances, borrowers may be in a position to simply set up a standard interest only loan against their properties to reflect the Bridging Component.

The advantage of this is the ability to sell the property without any deadline, or keep the property if they change their mind.

Bridging Finance is most suitable where one does not have the capacity to make repayments for the higher commitment during the Bridging Term.

Please call an MCP Account Manager on (03) 9620 2001 to determine whether Bridging Finance would be the most appropriate solution for your particular scenario.

FIRST HOME BONUS UPDATE

A reminder that the \$5,000 Victorian State Government First Home Bonus applies to contracts signed between 1 June 2004 and 30 June 2005. MCP has contacted the State Revenue Office and at this stage there has been no decision on whether or not the Bonus will be abolished, extended or replaced.



FINANCIER NEWS

ANZ BANK

From now until the end of the financial year the ANZ Bank will partially reimburse a customer's switching costs up to a maximum of \$200 per loan (e.g. if 3 facilities are refinanced then 3 x \$200 = \$600).

The reimbursement will be made after the drawdown of the applicant's existing loan facilities to a nominated banking account.

Finance must be applied for by the 31st May and must be drawn before the end of the financial year.

AMP BANK

The AMP Bank has recently initiated loan discounts for selected loan products. These include an interest rate of 5.98% p.a. for the first one (1) year of their introductory home loan (please note that deferred establishment fees may apply).

Their low documentation variable rate has also been reduced by 0.26% p.a. which is extremely competitive.

Their line of credit loan has also been discounted and is now 6.82% p.a.

BANKWEST NEWS

BankWest's base variable loan product is now one of the cheapest in the mortgage market. At the low rate of 6.65% per annum, BankWest's Lite Home Loan is a basic variable loan facility that allows for options such as redraw and flexible repayment options.

A \$500 establishment fee applies which will be refunded after three (3) years (legal and valuation fees will be included in the application fee).

BANKING VERSUS NON-BANK FUNDING

NON BANK FUNDING	BANK FUNDING
<ul style="list-style-type: none"> No annual review fee 	<ul style="list-style-type: none"> Annual or half yearly reviews make it difficult for a borrower to plan ahead
<ul style="list-style-type: none"> No ongoing requirement to provide business financials 	<ul style="list-style-type: none"> Ongoing requirement to provide not only annual but in many cases half yearly or quarterly financials
<ul style="list-style-type: none"> No ongoing fees - except redraw fees 	<ul style="list-style-type: none"> Mostly and often hidden fees
<ul style="list-style-type: none"> Variety of lenders - with the ability to diversify a borrower's lending 	<ul style="list-style-type: none"> Non diversification of borrowers funds
<ul style="list-style-type: none"> Capacity to gear property assets - up to 75%. 	<ul style="list-style-type: none"> Limited gearing capacity
<ul style="list-style-type: none"> Evergreen interest only capacity 	<ul style="list-style-type: none"> Limited interest only period. The bank would seek amortisation of your loan unless there is a low prevailing loan to value ratio
<ul style="list-style-type: none"> Generally fast credit turnaround times 	<ul style="list-style-type: none"> Longer credit assessment turnaround times
<ul style="list-style-type: none"> Will accept non property security 	<ul style="list-style-type: none"> High demand for commercial property loans (property focused)

The above table contrasts the advantages and the disadvantages of non bank lending as opposed to bank-based lending. However, higher interest rates, establishment and legal fees may apply with non banking funding institutions despite a general relaxation of credit assessment policy.

Stephen Bartholomeusz, financial commentator with The Age, suggests that the rebate of the application fee after a three year period was not only designed to reduce customer churn but also to allow BankWest to build relationships with their customers and cross sell bank products.

COMMONWEALTH BANK

For a 'limited time only' the Commonwealth Bank will waive the loan service fee for their Rate Saver Home Loan products for the life of the loan (valid up to the 30th June 2005). The initial loan facility must be \$150,000 to qualify for this loan offer.

The loan service fee for this products is \$8 per month, which represents a savings in banking fees of \$2,400 over a 25 year loan term.

ING BANK

The ING Bank has initiated a new process to expedite their turnaround times for all refinancing applications. They will now accept all discharge authority document upfront from the broker channel, lodging this document upon full approval of underlying financial application.

This process is estimated to save up to five business days on all refinances, which may be beneficial in time critical circumstances (e.g. funds are required to complete the purchase of a family member's property).

ST GEORGE BANK

The St George Bank has relaxed many aspects of their credit policy in the 2005 calendar year. Gifts and the sale of financial assets (held for over 6 months) are now allowed as genuine savings.

Additional income from secondary and casual jobs is allowed to be partially included in serviceability (50%) if the applicant has worked in the position for 6 months (this was formerly 12 months).

Bonus payments are allowed to be included for serviceability purposes. One hundred percent (100%) of bonus income is allowed when it's paid as a condition of salary, with fifty percent (50%) of bonus income allowed to be included in servicing when it's paid as a pure bonus.



Congratulations to MCP Group sponsored Eastern Willows Cricket Club on winning the ECA B Grade Premiership. After its undefeated season, they have also achieved promotion to A Grade. Any aspiring cricketers for the 2005/06 season should contact tmurphy@mitchells.com.au for details or visit www.easternwillows.com.

WESTPAC BANK

It has been a busy month for the Westpac Bank in terms of policy changes.

The Premier Advantage Package annual fee has increased to \$395 per year. However, borrowers will now receive a 0.7% p.a. discount on all loan splits for borrowings in excess of \$250,000. This new discount now makes Westpac's Premier Advantage Product one of the best in the market, delivering a host of other ancillary benefits such as the waiving of fees etc.

Other initiatives include the reduction of their investment property loans by 10 basis points to emulate their owner occupied lending rates.

The Westpac Bank has also abolished their establishment fees for all standard investment loans from the 21 March 2005. This special offer is only available for a limited time.

They will also allow all fringe benefit and salary sacrifice allowances as acceptable sources of income for serviceability purposes.

MCP GROUP 2005 FOOTY TIPPING COMPETITION

The 2005 Footy Tipping Competition us up and running for this season's home and away competition.

Congratulations to tipper **Gooooooopies** who selected 8 correct tippers this week.

Other tippers to select 7 correct winners included **Alexpan**, **Russell Coight**, **Macca**, **George**, **Big Bad Boy** and **William**.

Alexpan is leading the tips with 28 winners followed by **Stewie** and **Gooooooopies** on 27 tips.

There are five tippers in the lead with 22 correct tips.

Your selections may be submitted through our website by clicking on the Sherrin football on our 'Most Requested Links' section on the right hand side of our homepage.

The prize pool is now several thousand dollars, with a donation to charity to be made in excess of \$1,500.

We thank you for your involvement in our competition and wish you every success with your tipping for the remainder of the year.



Essendon's Brett Stanton leaps over Collingwood's Shane O'Bree



INTEREST RATE SCHEDULE

A selection of our financiers' most competitive Interest Rates. Rates displayed are generally discounted - and may not apply to your situation. This is a guide only. Comparison Rates are available upon request.

Retail Lending		Variable Rates (Inclusive of Discounts)				Fixed Rates				Commission Rates (%)	
		Featured	L.O.C.	Basic	Lo Doc	1 Year	2 Year	3 Years	5 Years	Upfront	Trail
MAJORS	ANZ Bank	6.72%	6.72%	6.72%	6.72%	6.85%	6.90%	6.99%	7.15%	0.60%	0.20%
	CBA	6.72%	6.99%	6.81%	6.72%	6.89%	6.89%	6.99%	7.15%	0.70%	0.25%
	NAB	6.72%	7.32%	6.72%	N/A	6.75%	6.85%	6.85%	6.99%	0.60%	n/a
	Westpac	6.62%	6.77%	6.62%	6.62%	6.95%	6.79%	6.89%	7.15%	0.50%	0.25%
OTHER LENDERS	AMP Bank	6.82%	6.82%	6.76%	7.06%	6.89%	6.89%	6.89%	6.99%	0.50%	0.25%
	Adelaide Bank	6.79%	7.42%	6.79%	7.32%	6.75%	6.75%	6.80%	6.99%	0.60%	0.25%
	BankWest	6.65%	7.35%	6.65%	7.52%	6.99%	6.99%	6.99%	6.99%	0.50%	0.25%
	Citibank	6.75%	6.95%	6.75%	7.25%	7.05%	7.10%	7.10%	7.15%	0.65%	0.25%
	GE Money	N/A	N/A	8.10%	8.40%	Not Available				1.00%	0.50%
	HSBC Bank	6.87%	7.03%	6.69%	6.87%	6.95%	6.95%	6.89%	7.09%	0.60%	0.25%
	ING Bank	6.70%	7.30%	6.70%	7.24%	7.80%	6.89%	6.89%	6.99%	0.60%	0.25%
	Macquarie	6.80%	N/A	6.80%	7.55%	7.15%	7.15%	7.09%	7.09%	0.60%	0.25%
	St George	6.62%	6.72%	6.74%	6.62%	6.94%	6.94%	6.89%	6.99%	0.60%	0.25%
	Suburban Management	6.74%	N/A	6.74%	7.40%	Available Upon Request				0.60%	0.25%

Must be fully secured by Residential Property - Rates are Indicative Only. More lenders available upon Request (Selection provided only).

Commercial Lending		Variable Base Rates		Fixed Rates			
		Standard	Overdraft	1 Year	2 Year	3 Years	5 Years
	ANZ Bank	7.67%	7.67%	7.70%	7.75%	7.80%	7.90%
	ING Bank	7.60%	8.70%	7.65%	7.65%	7.65%	7.75%
	Citibank	8.35%	8.45%	7.94%	7.99%	7.99%	8.09%
	BankWest	7.40%	7.49%	Available Upon Request			
	Members Equity	7.49%	N/A	Not Available			
	St George	8.30%	8.67%	7.89%	7.92%	7.96%	8.04%
	Westpac	7.55%	7.95%	7.10%	7.15%	7.20%	7.30%

Must be fully secured by Commercial Property - Rates are Indicative Only. More lenders available upon Request (Selection provided only).

As Comparison Rates may be misleading in some instances (the rates we quote are subject to specific criteria being satisfied). Comparison Rates are provided upon request, tailored to your specific scenario for any number of products. A comparison rate schedule (based on Standard Variable & Fixed Rates only) is provided on our website.