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INTEREST RATES AND THE ECONOMY

THE AUSTRALIAN MARKET

The Official Cash Rate will remain at 5.50% for the month of February. The Reserve Bank of Australia has decided that our economy is growing at a sustainable rate. Therefore, they see no immediate need to implement any form of monetary policy for the time being.

Generally speaking, there has been a consensus amongst industry experts regarding the future of the Cash Rate. Out of nineteen experts surveyed in the February edition of *Your Mortgage Magazine*, thirteen believed there

QUOTE OF THE MONTH

When one door of happiness closes, another opens; but often we look so long at the closed door that we don't see the one which has been opened for us."

- Helen Keller

Market Data and Important Statistics

As at 20th February 2006

Official Cash Rate: 5.50%
U.S. Fed. Funds Rate: 4.50%

90 Day Bank Bill Rate: 5.61%
5 Year Bonds Rate: 5.23%

All Ordinaries: 4748.5
Aust. Dollar (US Cents): 73.81

- December 2005 retail sales increased by approximately 4% from December 2004 figures.
- The trade deficit was reduced from \$2.5b to \$1.2b in the December quarter.

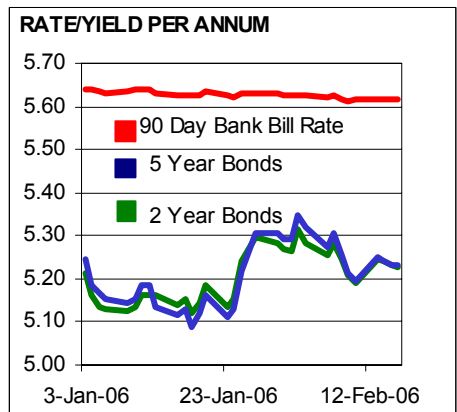
would be no changes in the Official Cash Rate to June 2006. Alternatively, four said there would be a 0.25% increase while two respondents thought a 0.25% decrease in the Cash Rate was likely by the middle of this year. Out of the experts surveyed, all nineteen believed the Official Cash Rate would remain at 5.50% per annum through to April of this year.

The Australian economy, according to a recent economic release by one of Australia's leading financial institutions, is set to be "tepid" throughout the 2006 calendar year. The institution has forecasted GDP growth to oscillate and break the 3% mark which, if correct, may force the RBA to consider lifting rates later in the year to curb domestic output. Even though a GDP growth rate of 3.5% is considered to be the long run threshold, it's still cause for the RBA to cautious.

Our firm sees short term stability with the Official Cash Rate over the next 6

months. However, monetary policy adaptation may be influenced by a diverse range of factors. These include inflationary figures, unemployment rates, productivity efficiencies, geopolitical progress in oil driven economies and the strength of our key trading partners (most importantly China).

Money Market Movements



Two and Five Year Bonds have increased since the beginning of February 2006, which have been fuelled by expert opinion and professional forecasts regarding GDP growth which is set to be at the upper limit of the RBA's target range.

Conclusively, the interest rate may change at any time with limited warning. Our group will keep you updated with interest rate news as it occurs.

MCP GROUP NEWS

MCP GROUP VACANT POSITION - RECEPTIONIST

MCP Group employs 14 full time staff in our Collins Street address. We provide a range of services across our legal (property, commercial and personal legal services), business structures (company and trust

formations), finance broking (commercial and residential) and financial planning advisory services. Our vacant receptionist position is a fantastic opportunity for an energetic, passionate and committed person who wishes to learn, achieve and be part of a close knit team.

MCP operates in a friendly open plan environment. Our employees strive to focus on detail and are happy to operate in a team environment. MCP's policy is to select personnel on the basis of your alignment to our core values: Integrity, Innovation, Commitment and Passion, which should be demonstrated through previous working experience.

The roles within the position are diverse and include:

- Performing receptionist duties for the business including answering telephone calls, fielding customer/referrer queries, greeting customers and diverting telephone calls;
- Attending to the office's mail;
- Banking duties;
- Ordering couriers;
- Maintaining the boardroom and additional meeting room;
- Maintaining our archive database;
- Ordering stationery and supplies; and
- Data entry to establish new client files on our internal network system.

The successful applicant is expected to have excellent communication skills (written and verbal) and will also have a high attention to detail. They will also be outgoing and personable, present well and have sound computer skills. A competitive package is available for the right candidate. Please contact Sharon Nixon on (03) 9620 2001 or download a position description from our website for further information.

QUESTIONS AND ANSWERS

The MCP Group team will answer a selection of our clients' queries in each edition of our monthly newsletter. To submit your query to our office please contact our Group by phone on (03) 9620 2001 or via email: enquiries@mcpgroup.com.au.

FINANCE

We're in the market for a home loan and were wondering whether

we should choose a fixed or a variable rate product? Could you please advise?

The decision to opt for a fixed or a variable rate loan product is a difficult one to answer. The loan to best suit your needs depends on a number of factors. These include your income stream (are you prone to receiving large bonus payments or commissions), your risk profile and also debt to income levels.

While fixed rate loans are great for the calculation of budgets etc., most don't allow you to contribute additional monies without paying an additional fee.

The benefits of a fixed rate loan include protection against rising interest rates. However, they're disadvantageous in circumstances where interest rates are decreasing or if you need to discharge early. It's often advised that you speak to a certified mortgage consultant who should conduct a 'needs analysis' of your financial situation. The recommendation of a fixed or a variable loan is situation specific, and requires an intimate knowledge of your financial circumstances.

LEGAL

I'm fairly uneducated about the property purchasing process. I was just wondering if you could explain what conveyancing is in simple terms?

Conveyancing is the legal process to transfer a property from one party to another. Most purchasers appoint a solicitor or representative to handle conveyancing on their behalf – a very small percentage may engage in a "self-conveyance" however, unless you have conveyancing experience, be aware that the process is more difficult than it may appear. Knowledge of all legal aspects is a must to ensure a timely and cost effective settlement.

As conveyancing involves many legal aspects you may wish to use a qualified lawyer rather than a conveyancer to provide peace of mind when things do not happen to plan. MCP Group offers a conveyancing service where all work is overseen by lawyers.

To assist First Home Buyers MCP offers a special discount on our conveyancing service of \$200. This

cost includes a free contract and Section 32 review prior to purchase (normally valued at \$250) and the free preparation of the First Home Owners Grant application form.



CONTRACT LAW EXPLAINED

CONTRACTS

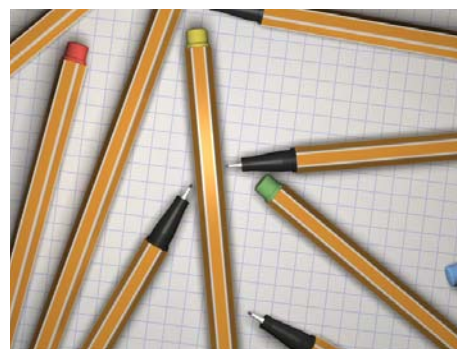
Contract Law primarily deals with the formation of Contracts and the enforcement of Contracts. One definition of a Contract is a set of promises for the breach of which the law gives a remedy.

AGREEMENT (OFFER AND ACCEPTANCE)

An agreement is the transformation of negotiations into a deal. The negotiation process is not a Contract but may form part of a Contract. Essential ingredients of a Contract are an offer and acceptance. An offer may be revoked prior to it being accepted.

CONSIDERATION

Consideration involves a notion of exchange. There are rules about what constitutes an exchange and what might be exchanged to amount to good consideration. While consideration is usually in the form of money, it can also be the doing of an act or the omission of an act. The exception is a Deed, which is a formal document made under seal. If a promise happens under Deed, no consideration is necessary.



Privity - Generally, only parties to a Contract can have rights and liabilities under it and are bound by, and entitled to the terms of that Contract. The parties to a Contract refer to those that have provided consideration.

CONDITIONS

A Contract may be conditional on various occurrences either before or after entering into the Contract. A condition precedent may be defined as an external event which must occur before a Contract comes into existence or before performance under an existing Contract is required. A condition subsequent has the opposite effect in that it is an external event which, if it does or does not take place, allows the Contract to continue or brings the Contract to an end.

CERTAINTY

In order to be binding, a Contract must be sufficiently complete and certain. Generally, certainty must surround the essential terms which include the identity of the parties, the principle undertakings/obligations, subject matter and price.

INTENTION TO CREATE LEGAL REALTIONS

In ordinary commercial contracts, there is a strong presumption that there is an intention to create a legal relationship. Though possible to rebut the presumption, it is difficult to do so. In domestic and family arrangements there is a weaker presumption of such an intention, and this presumption is easier to displace.

MISLEADING OR DECEPTIVE CONDUCT

A party to a Contract must not be misleading or deceptive in their conduct and statements. The law provides remedies against such behaviour including a claim for damages. Parties or their agents must only make truthful statements or representations during the negotiation stage inducing a party to sign a Contract. Failing to disclose information or disclosing inaccurate information may result in a Purchaser seeking a range of remedies, including some under the Federal Trade Practices Act or the relevant State or Territory's Fair Trading Act. Penalties can be severe.

VOIDABLE CONTRACTS

Contracts may be voidable (meaning allowed to be set aside by a party) if one party has taken advantage of a position of ascendancy over the other. Duress involves either physical threats or unacceptable commercial

pressure so as to procure agreement. Undue influence involves the use of a position of power or influence over another. Unconscionable bargaining involves one party taking advantage of the other party's particular vulnerability or lack of understanding such that it would be unconscionable to take the benefit of the Contract.

DAMAGES

Damages is a legal remedy and the other two are equitable remedies. Equitable remedies are discretionary which is one limitation attached to specific performance and injunction. The starting position in relation to Contract Damages is that they are Compensatory-Damages. That is, they are supposed to place the innocent party in the same position that s/he would have been had the Contract been properly performed.



The principal remedy for breach of contract is damages. In the above photo there was an obvious breach in the leasing agreement.

Parties to a Contract may limit this right or agree in advance on an amount recoverable. There are many limitations on this basic principle which include issues of causation and remoteness.

CONCLUSION

Entering into a Contract involves risk. It is strongly recommended business advisers including accountants and lawyers are involved in the process, to ensure rights and obligations are respectively protected and honoured.

PROPOSED CHANGES TO THE REGULATION OF THE CONVEYANCING INDUSTRY

The Allen Consulting Report regarding the regulation of non-legal conveyancing providers in Victoria has prompted The Minister for

Consumer Affairs, Ms. Marsha Thompson, to release a widely anticipated proposal of future industry changes to increase consumer protection.

The industry changes will hopefully lead to a level playing field between industry participants. Some of the recommendations outlined include the following:

- The creation of a licensing program which includes mandatory education modules to be completed by non-legal conveyancers with the Building Licensing Authority;
- A requirement to maintain professional indemnity insurance;
- Regulation with the handling of other peoples monies;
- Mandatory disclosure of actual of potential conflicts of interest;
- The abolition of legal and non-legal work in conveyancing, replaced by a limit of work completed by a conveyancer to mortgage related residential matters; and
- Transitional provisions for conveyancers who can provide evidence that they've been in the industry for at least 12 months.

If you have any further queries regarding the above proposal please visit the Consumer Affairs website from which the above summary was derived, or alternatively contact our legal department on (03) 9620 2001.



BROKING REGULATORY PROPOSALS

Historically speaking, there has been limited regulation regarding the provision of lending related financial advice in Victoria.

However, this is about to change. Ever since the Ministerial Council for Consumer Affairs recommended a national adoption of a uniformed regulatory regime there has been much debate. The recommendation for standardised national licensing occurred late in 2004. Since then, there has been over 60 submissions made to the cause by industry participants.

State Consumer Ministers want to weed out unscrupulous brokers by ensuring that they outline their reasons for recommendation including the level of commission received from banks and other lenders. Dispute resolution mechanisms will also be introduced to help aggrieved mortgage broking consumers with the retrieval of lost monies.

Despite the good intentions of these ministers, many question the underlying costs compared to the benefits of implementing such regulation, particularly after the Financial Broking Contract was introduced some time ago.

Western Australia and NSW are the only states to have legislation in place to protect mortgage consumers, with all states and territories set to review draft legislation some time in March.

In NSW alone there were more than 300 complaints taken in relation to the finance broking industry in 2004. This is paramount evidence that further regulation of the industry is required if the industry is to grow and develop.

Conclusively, there must be protection for the consumers of any product or service. As financial brokers fall outside recently implemented Financial Service Reform Act regulation there must be other significant legal guidelines to reduce the number of unconscionable mortgage brokers.

Our office will keep you abreast of any updates as they occur.

MONEY SAVING STRATEGIES IN REVIEW - MAKING EXTRA LOAN REPAYMENTS

In the January edition of the MCP Group Newsletter our finance team discussed the potential benefits and pitfalls of consolidating all personal debt into your home loan.

This week we plan to discuss how you can save thousands by making additional repayments to your home loan. The idea is that the additional repayments reduces the principal component of your loan. This decreases the level of your interest bearing debt, thereby saving you interest charges.

Let's take an example of a \$300,000 home loan at the current standard variable rate of 7.32% for a principal and interest repayment term of 30 years. The calculated repayments would be equal to approximately \$950 per fortnight. Total repayments would be close to \$741,000, which would obviously include \$441,000 in interest costs over the life of the loan.

Now consider a situation where the borrower makes an additional repayment of \$75 per week (or \$150 per fortnight). Total fortnightly loan repayments would now be equal to \$1,100.

By making the above repayments the loan will be paid in approximately 20 years (19.94 years to be exact) with total repayments totaling \$570,000. In the above example the consumer would save \$171,000 in interest costs and 10 years off the life of their mortgage. (Imagine how many holidays that could buy!)



Making extra repayments to your home loan may save you thousands in the long run. Basically, the extra repayments reduces your principal quickly, thereby decreasing your resultant interest charges.

Perhaps the biggest tip is to get an expert to structure or review your budget. There are always smaller items that are barely missed on a week-to-week basis. Our office always recommends a healthy balance between reducing your non-deductible debt and a sustainable quality of life.

To obtain advice regarding savings that may be made on your mortgage please contact one of our Accredited Mortgage Consultants or visit our website for further information. The site contains two reputable calculators that determine loan repayments and acquisition costs for property purchases.

FINANCIER NEWS

AMP (Residential)

The AMP Bank has reduced their 3 year fixed rate up until the start of April. The product is priced at 6.59% p.a., which is a significant discount to the standard variable rate. The establishment fee will also be waived for their professionals package and low documentation loans until April.

ANZ Bank (Residential)

The ANZ Bank has recently made a number of exciting policy and product changes for the start of the 2006 calendar year. These include simplifying their Income Verification Requirements including the introduction of a new income verification option (two most recent payslips). They have also simplified their 'small increases' process for additional lending which is below \$100,000.

BankWest

BankWest have recently launched a competitively priced credit card. They offer a 55 day interest free period, reverting to 8.99% p.a. thereafter. There is also a fee of 2.99% for balance transfers (6 months). The card represents good value and is priced at the equivalent rate of a credit impaired mortgage loan. However, all cash advances are set at 19.99% p.a.

Citibank

Citibank have introduced an intensely competitive basic variable product that has a nominal interest rate of 6.62% p.a. for all loans that exceed a value of \$250,000. Loans under this threshold will incur an annual interest rate of 6.75% p.a. There are no ongoing account keeping or application fees for all loans, irrespective of their size. Free redraw is also available. Their professionals package also represents great value. Allowing 50 free standard transactions per month the applicable rate starts at a low 6.61% per annum.

St George (Commercial)

The St George Bank has just launched a new policy for business lending. Basically, they will now lend up to 60% against the assessed value of a business. The policy can be used for a suite of products, including bank bills, overdrafts and

term loans. Interest coverage needs to be at least two times using the EBITDA method (Earnings before Interest, Taxation, Depreciation and Amortisation divided by interest charges).

LOAN COMPARISON TABLE

Perhaps the largest cause of confusion amongst our residential clientele is the difference between standard variable, basic variable and honeymoon (introductory) loan products.

Each product has its own purpose in the lending market. However, each of these products is not recommended for all lending situations. A basic variable loan may be suited to borrowers who prefer a simple banking structure. They're also advisable for borrowers who generally like to keep limited funds in their bank account as they would derive limited benefit from an offset account.

Conversely, standard variable loans may be better suited to borrowers who plan to move houses, or switch their security property/ies in a few years (due to portability).

Furthermore, standard variable loans with offset accounts are able to be utilised with greater effectiveness by borrowers who have a large amount of funds in their bank account relative to their mortgage.

Introductory rate loans are advised to be used by borrowers who require additional disposable income in the first 12 months of the loan's establishment.

Two other loan products, the fixed rate and the line of credit loan, will be reviewed in the next edition of the Newsletter.

MCP SUPPORTS THE SMITH FAMILY'S LEARNING FOR LIFE PROGRAM

We have a 12 year old girl from NSW by the name of Taela entering high school and a 16 year old boy from QLD named Cameron who is entering senior secondary. Taela lives with her mother and 2 sisters. She would like to do Animal Care when she finishes school. If she could have a wish it would be that the "Tsunami didn't happen".

Cameron lives with his extended family, and would like to study Health

and Physical Education. He admires his mother as she is "looking after all of us".

The sponsorship of these 2 children was enabled through a combination of a percentage of the MCP Footy Tipping Competition Entrance Fee (matched dollar for dollar by MCP) and the money usually spent on the printing and mailing of Christmas cards to Referrers and clients.

The money donated by Learning for Life sponsors has enabled 22,000 students to reach their potential through better access to education.

MCP will receive updates on the progress of the sponsored children and these will be passed on through the newsletter.

MCP CONGRATULATES EMMA VAN LEEST AND NAVY YORN

Our legal secretary, Emma Van Leest, is leaving MCP to pursue further her career in the visual arts, starting with a trip to China to research the Chinese art of paper cutting.

Receptionist Navy Yorn has taken up an exciting new position involving the management of the Australia On Collins Centre. Navy has been a valued member of our team for several years. We will miss her and wish her well in her new endeavours.



MCP Group wish Navy well for her new position and hope that Emma has a great experience in China.

Emma received a grant from the Australia Council and is very excited about her new adventure. Starting in Shanghai, she is planning on traveling up through the mainland to Beijing, learning as much as possible about Chinese culture and art along the way.

	Introductory Rate	Standard Variable	Basic Variable
Adv.	A low introductory rate is applicable	Your repayments will be reduced if interest rates move downwards	Lower price than their standard variable rate product counterparts
Adv.	Lower repayments at the start of the loan allows consumers to purchase items such as furniture etc.	You may be allowed to make extra repayments without incurring an additional fee	The minimum repayments are generally lower than standard variable loans
Adv.	Extra repayments can reduce the principal component quickly, thereby reducing interest charges	Flexible type of loan which generally allows redraw and portability	Basic loans allow some features such as redraw
Adv.	Allows some features such as portability and redraw	May allow the attachment of an offset account	A product which is easily understood and simple to operate
Disadv.	Deferred establishment fees including economic break costs are incurred if the loan is quickly refinanced/paid	There are cheaper loans available that you may be better suited to	Inability to attach an offset account
Disadv.	Locked rate in the first year means that you may lose if standard variable rates decrease	The benefits of an offset account are generally overestimated	If interest rates rise you have to make extra repayments
Disadv.	After the introductory period the loan reverts to the standard variable rate, not a basic variable rate	If interest rates rise you will have to make higher repayments	Doesn't allow for some features such as portability

The above table is to be considered as a guide only, as it doesn't incorporate all of the advantages and the disadvantages associated with the above three loan products. Please contact our office if you require any further information.



Level 7, 520 Collins Street
Melbourne VIC 3000
Phone: (03) 9620 2001
Facsimile: (03) 9620 2002

INDICATIVE 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 an indicative guide only. Comparison rates are available upon request. Please speak to MCP Group for further information.

	Variable Rates (Inclusive of Discounts)				Fixed Rates					Commission Rates (%)	
	Offset	L.O.C.	Basic	Low Doc	1 Year	2 Year	3 Years	5 Years	Upfront	Trail	
MAJORS	ANZ Bank	6.72%	6.72%	6.72%	6.85%	6.79%	6.65%	6.79%	0.60%	0.20%	
	CBA	6.72%	6.72%	6.81%	6.72%	6.70%	6.50%	6.64%	0.70%	0.25%	
	NAB	6.82%	6.97%	6.62%	7.32%	6.85%	6.79%	6.62%	0.60%	n/a	
	Westpac	6.72%	6.87%	6.74%	6.72%	6.89%	6.79%	6.75%	0.60%	0.25%	
	AMP Bank	6.82%	7.02%	6.76%	7.06%	6.69%	6.69%	6.59%	0.50%	0.25%	
	Adelaide Bank	7.32%	7.42%	6.79%	7.32%	6.75%	6.75%	6.69%	0.60%	0.25%	
OTHER LENDERS	BankWest	6.65%	7.02%	6.65%	7.24%	6.75%	6.75%	6.85%	0.50%	0.25%	
	Citibank	6.81%	6.91%	6.62%	7.25%	6.85%	6.55%	6.79%	0.65%	0.25%	
	GE Money	N/A	N/A	7.40%	7.50%	Not Available					
	HSBC Bank	7.03%	7.03%	6.69%	6.87%	6.85%	6.85%	6.75%	0.60%	0.25%	
	ING Bank	7.24%	7.24%	6.70%	7.24%	6.65%	6.65%	6.75%	0.60%	0.25%	
	Macquarie	6.80%	N/A	6.80%	7.55%	6.89%	6.89%	6.74%	0.60%	0.25%	
	St George	6.72%	6.72%	6.74%	6.72%	6.89%	6.79%	6.69%	0.60%	0.25%	
	Suburban Management	N/A	N/A	6.74%	7.24%	Available Upon Request					

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

	Variable Base Rates			Fixed Rates				
	Standard	Overdraft/L.O.C.	1 Year	2 Year	3 Years	5 Years		
LENDER	ANZ Bank*	7.67%	8.60%	7.29%	7.31%	7.33%	7.46%	
	ING Bank	7.60%	8.70%	7.40%	7.40%	7.45%	7.55%	
	Citibank	7.70%	8.45%	7.45%	7.69%	7.39%	7.69%	
	BankWest*	7.40%	8.50%	Available Upon Request				
	Members Equity	7.49%	N/A	Available Upon Request				
	St George	8.30%	8.67%	Available Upon Request				
Westpac	7.65%	7.95%	7.35%	7.35%	7.40%	7.55%		

* ANZ Bank Commercial Loan Rates (Standard) must be secured by residential property. All commercial loan rates are a starting guide only. A buffer may be added to the above rates depending on the underlying strength of the commercial loan application. All rates are based on borrowings of \$500,000. The displayed Citibank commercial rate applies only to new business.

Nominal interest 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. Please contact our office for further information regarding comparison rates.