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INTEREST RATES AND THE ECONOMY

THE AUSTRALIAN MARKET

The Official Cash Rate will remain at 5.50% p.a. for the month of January. Money market rates and bond yields have declined in the past month after a sustained period where they were trending upwards. This is partly due to the American economy which has shown signs of finally stabilising due to a decline in consumer lending.

Our unemployment levels are at the 5.1% and, while our trade deficit has widened, resource prices have

QUOTE OF THE MONTH

"What is a weed? A plant whose virtues have not been discovered yet."

- Ralph Waldo Emerson

Market Data and Important Statistics

As at 9:00 am 23 January 2006

Official Cash Rate: 5.50%
U.S. Fed. Funds Rate: 4.25%

90 Bank Bill Rate: 5.63%
10 Year Bonds Rate: 5.12%

All Ordinaries: 4806.1
Aust. Dollar (US Cents): 74.86

- The Westpac-Melbourne Institute Confidence Index rose by 2.6 percent to 107.4 points in January.
- The unemployment rate remains steady at 5.1% which is the lowest level in 21 years.

remained strong which is evidence of a healthy domestic economy moving forward. The strength of our resources sector may be evidenced by the cumulative rises in the ASX Materials Index (see below). Furthermore, banking stocks continue to soar indicating a healthy level of consumer and business lending.

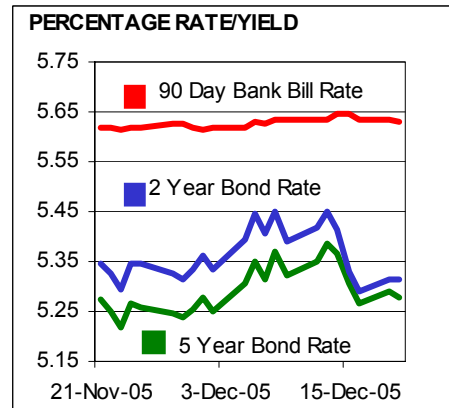
Moreover, there is evidence that consumers are becoming more confident about economic conditions. The highly regarded Westpac-Melbourne Institute Index rose by 2.6% to 107.4 points in January. While this index is still below the 2005 average level, it's still evidence that consumers are increasingly optimistic about economic conditions. This is particularly important, especially after petrol prices dampened consumer sentiment in 2005.



Our 21 year low unemployment rate is evidence that our domestic economy is performing very well.

The Official Cash Rate seems to be, at this point in time, representative of our "healthy economy". The economic and banking fraternity is adamant that there's no need for an increase in the Cash Rate at this point in time.

Money Market Trends



Money market rates have descended after news that the U.S. economy is starting to stabilise.

Materials Stock Index



The recent rises in the ASX Materials indicates that our resources sector is extremely strong.

MCP GROUP NEWS

MCP GROUP VACANT POSITION – LEGAL SECRETARY

MCP Group would like to invite applicants for our soon to be vacant legal secretary role. The position is an excellent opportunity for an experienced commercial legal secretary to be a key member of our legal team.

Reporting to our director/principal lawyer you will provide assistance support to two lawyers. Some of the tasks include assisting with small business, leasing, wills, probate and court files, establishing and maintaining client records and support secretarial duties when required.

The part time role is to be for a minimum of 15 hours per week over three days or more. MCP operates in an open plan environment, has a friendly culture and strives to provide quality services to our customers.

Applicants should have a basic understanding of litigation, wills, probates, have excellent attention to detail, be extremely organised and have the ability to work independently.

Our policy is to select candidates on the basis of your alignment to our core values: Integrity, innovation, commitment and passion, which should be demonstrated by your previous working experience.

A competitive remuneration package is available for the right candidate. The role is scheduled to commence in the middle of February.

Please contact our office if you would like any further information in regards to the vacant position.

MCP GROUP FOOTY TIPPING COMPETITION

MCP Group will be hosting our A.F.L. registered football tipping competition in 2006. The 'silly season' is rapidly approaching and we would like to invite readers to register their interest in the coming weeks.

Proving to be very successful in 2005, the footy tipping competition raised several hundred dollars for the Learning for Life program which is overseen by the Smith Family.

The cost of entry is \$25 dollars, with \$5 of the entry fee donated to charity, which will also be matched by MCP Group.

The Footy Tipping Competition is run through our website. Links will be provided on our homepage closer to the commencement of the home and away season.

To register your entry please contact Sharon Nixon on (03) 9620 2001.

MCP GROUP COMMERCIAL FINANCE PACKAGE

Finding the optimal business funding product and offering the correct level of financial security can be a time-consuming and confusing process. At MCP Group we understand the difficulties faced by business owners and have developed a financial package to suit needs accordingly.

The package includes a free review of your existing lending circumstances by our experienced legal and financial team, both in terms of asset protection and the overall financial suitability of your existing lending arrangements, including all "cash-flow lending" components.



MCP Group recommends the periodic review of business lending arrangements.

Upon the initial review of your business arrangements we are able to make recommendations and prepare detailed lending proposals for your review. Under the package we manage all financial applications from start to finish, thereby increasing the chances of their success.

Irrespective of whether a business requires additional funds for expansion or is about to purchase a property, our Group highly recommends the periodic review of all

business lending structures. There are circumstances where business owners may find that they're offering too much security to their financiers, especially if business debt has been paid down. For example, a personal guarantee may be in place even if business debt has been paid down to a low loan to value ratio ('LVR').

Our reviews are designed to ascertain the correct business banking structure in terms of rate, fees and security.

Please contact our office if you require any further information or if you would like to hear about further ways to improve your business lending structure.

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).

LEGAL

I'm about to sell my villa unit. It is one of two lots on the property. There is a section of the property which is common to both parties. I've been told that there is no body corporate. However, I have my own public liability insurance over the common property. Is there likely to be a problem with the sale?

There certainly is. You may not sell the property unless the body corporate has public liability insurance cover. Even though the common property is extremely small, it must be insured by the body corporate. If there's no body corporate public liability insurance cover at the day of sale, the purchaser may cancel the contract, even if the cover is arranged thereafter.

FINANCE

What is a mortgage? What do they mean when they say it will secure my loan?

A mortgage is a type of security for a loan. Loans are generally secured by either tangible or intangible assets which may include property, business assets or even a director's guarantee.

The most common form of security for residential lending is a mortgage, which is simply a charge over a property. Lenders will loan up to 95% of the property's value, with some products allowing the mortgagor to borrow at a value ratio of 97%.

A mortgage gives the financial institution the right to claim the security property as their own if the borrower fails to meet their repayment obligations, hence the term 'security'.



THE TRADE PRACTICES ACT - TEN BUSINESS TIPS

The Trade Practices Act 1974 (Cth) is legislation which is implemented at a national level to protect consumers against the unfair dealings of a service provider or merchant of goods. The legislation was introduced to protect consumers, and is not designed to protect large corporations and businesses undertaking the acquisition of goods.

All warranties must be adhered to under the Trade Practices Act (1974). Under s53(g) it's illegal to exclude any of the legislation included within the Act to the consumer at the point of sale. For example, the common exclusion clause endeared by retailers that states 'we offer no refunds under any circumstances' is illegal under the Act.

All goods sold must be of a level conducive to the price paid by the consumer as defined in s66(2) of the Act. This is referred to as 'merchantable quality' and is basically what a reasonable person expects in regards to their price.

The components of the Act seek to protect consumers in many ways. These include the following:

- By prohibiting misleading, unconscionable and deceptive conduct by an organisation towards a consumer.
- It allows consumers to regain any economic loss or remuneration leading from the defectiveness of a good or service.



The Trade Practices Act 1974 (Cth) protects consumers, providing them with the right to expect merchantable quality for all goods purchased with respect to their price.

Many State Acts, such as the Goods Act 1958 (Vic), mirror the components of the Trade Practices Act 1974 (Cth). Furthermore, there is also other government legislation which aims to protect the consumer with specific protection throughout the telecommunication, pharmaceuticals and food industries etc.



MCP BUSINESS STRUCTURES - SERVICES AVAILABLE

MCP Business Structures caters for individuals or accounting firms who seek to incorporate companies or establish trusts.

A sample of the services available includes:

- Company and Business name searches with ASIC to determine

Ten Trade Practices Tips	
Do	Be careful at meetings with competitors, such as trade association meetings and even social gatherings. Discussions on prices, boycotting and other matters which may relate to competition should be avoided.
Do	Be careful with conditions attached to the supply of products.
Do	Watch out for discussions, arrangements or understandings with competitors which have the purpose or effect of lessening competition.
Do	Be careful when discriminating between the purchasers of your products in relation to prices or discounts. Price discrimination will be a breach of the Trade Practices Act (the 'Act') if it has the purpose or effect of substantially lessening competition.
Do	Watch what you say and write, which may be used in evidence against you and/or your company.
Do	Check with senior management where there's a decision to refuse supply. Termination or refusal to supply may be a breach of the Act if it's associated with the supplier taking unfair advantage or a substantial degree of market power for an anti-competitive purposes.
Do Not	Discuss prices, discounts, allowances, rebates or credits with competitors or discuss excluding or limiting dealings with a supplier or customer.
Do Not	Distribute price lists to competitors (unless they are customers for the products concerned) and do not otherwise signal in advance price changes to competitors.
Do Not	Attempt to control the minimum price at which a customer resells or advertises your products. However, you may set a maximum price and may recommend a resale price provided it's clear that the customer is able to resell below that price.
Do Not	Engage in any misleading or deceptive conduct and do not make any false or misleading statements in relation to your products or those of competitors. This is particularly important for anyone involved in advertising but is also paramount in negotiations

Compliance with the Trade Practices Act is vital for a business that provides services or produces goods to the buying public. Please call MPC Commercial Lawyers (a division of MCP Group) for further information.

availability of Company and Business names.

- Formation of Companies and like entities.
- Formation of Discretionary and Unit Trusts.
- Formation of Superannuation Funds.
- Any changes to existing entities lodged with ASIC.
- General ASIC & Corporations Law Advice.



FINANCIAL TERMINOLOGY

The finance industry is filled with its own terminology and acronyms. This section of our newsletter seeks to assist first home buyers and existing mortgagors alike. The following terms are ones that are most often misunderstood by credit consumers:

Conveyancing: A legal process that ensures that the property ownership is transferred correctly to the purchasing party.

Disbursements: A solicitor's costs incurred by the consumer for the transfer of the property into their own name. These may include council fees, certificates, searches, couriers etc.

Draw Down: The transferral of funds from the lending institution to the borrower after the loan has settled. Funds are generally available one business day after the loan has settled for line of credit loans.

Guarantor: The person who has agreed to pay for the borrower's debt in the event that the borrower is unable to meet their financial commitments.

Loan to value ratio: A percentage that determines the level of funds borrowed when compared to the value of the security property.

Mortgage: Security for a loan. This is generally in the form of property.

Mortgagor: The party promising their property to the financial institution.

Mortgagee: The lender accepting the promise of the mortgagor's

property as security for the underlying loan.

Portability: When a new property is to be used as security without the need to reapply for a new loan.

Redraw: Ability to withdraw additional loan repayments made to the loan.

Refinancing: The act of replacing borrowings or extending funds from the same or another financier.

Security: An asset that is held or controlled by the lender until all repayments have been made.

Settlement: The day where all payments are finalised by the buyer for the purchase of a property.

Additionally, please note that there is a First Home Buyers section on our website devoted to helping home buyers with their first purchase. If you require any further information regarding the purchase of a first home please contact Jade Webster or Adam Maciejewski on (03) 9620 2001.

DEBT CONSOLIDATION – MONEY SAVING STRATEGIES IN REVIEW

Debt consolidation revolves around the idea of combining debt, generally to a lower interest rate under a timeframe that suits you as borrower. Interest rates for mortgage loans are normally lower than their personal, car and credit card counterparts. This is because property, a tangible asset, may be readily sold to recoup the funds borrowed, which ensures that there's less risk faced by the lending organisation.

By combining all of your debts into your home loan you may find that you pay the same interest rate for previous personal debt as you would your mortgage, which ultimately saves you money. All excess funds (savings) should be transferred into your mortgage so that your primary loan can be reduced as quickly as possible.

However, debt consolidation doesn't give a consumer the "licence to shop". Even if debt is consolidated into your home loan it still has to be repaid. Consolidation is a good idea for those who are able to budget and adhere to tight spending guidelines.

It's not recommended to people who may find it difficult to budget as it (the consolidation) may cost them more over time.



Consolidating your personal debt into your home loan is only advised for consumers who find it easy to budget.

For example, credit card debt of \$10,000 at an interest rate of 16% per annum paid over 2 years would lead to a total cost of \$11,751 (obviously including \$1,751 in interest charges). The same debt consolidated into your home loan at an interest rate of 7.32% p.a. would cost you \$10,780.27 if the component is paid within two years. This represents a saving of approximately \$970 in interest charges.

But what happens if the credit card debt is paid over thirty years at the lower interest rate? If we take the above example of \$10,000 in credit card debt and use a term of 30 years total costs will amount to \$24,729 at an interest rate of 7.32% (including \$14,729 in interest charges).

Some mistakes people make when consolidating debt include not having a plan to pay for debt after the consolidation process, waiting to repay debt thereby increasing interest costs, not preparing a budget or spending at existing or even higher levels than before the consolidation. The best post consolidation tip our office can offer is prepare a strict but realistic budget that incorporates their new debt while leaving a little for entertainment.

FINANCIER NEWS

ANZ BANK (RESIDENTIAL)

After a review of their banking fees for the first time in four years the ANZ Bank have made some minor adjustments to their fee schedule.

Effective as at the 23 January the loan approval fee will be reduced from \$600 to \$500 and an administration fee of \$100 will apply for each valuation required (Break Free applicant's are allowed three valuations at no cost).

Another interesting fee change is the introduction of deferred establishment fees ('DEF') for loans that are refinanced to another institution or repaid within the first four years of establishment. The Break Free Package will also be increased from \$295 to \$340 p.a.

BANKWEST (RESIDENTIAL)

BankWest have also introduced an increase in the discounts offered with their Gold Home Loan for all borrowings that are between \$500,000 and \$750,000. The nominal interest rate will now be reduced to 6.62% p.a. from 6.67% p.a.

BankWest have set to introduce two new fees in a contracting lending market where profit margins are extremely low due to immense competition amongst financiers. An additional \$300 fee will be charged on all new Housing Loans and Equity Facilities where the company is trustee for a trust. A \$100 rework fee will also apply if the borrower seeks to vary their loan after mortgage documentation has been issued.

ING BANK (RESIDENTIAL)

The ING Bank has abolished the application fee for all Mortgage Simplifier Loans effective immediately. The application fee of \$499 is to be permanently removed after an ING Bank internal review and liaison with brokers who market their products. All ING Bank residential products have no account keeping fees and are priced competitively.

COMMONWEALTH BANK

The Commonwealth Bank has fixed rate products that cater for borrowers who seek long-term interest rate security. They currently have ten (10) and fifteen (15) year fixed rate products, which may be subject to a 0.15% discount if taken under the Commonwealth Bank's Wealth Package.

MACQUARIE BANK

The Macquarie Bank allow self-

employed applicants to add back certain expenses as specified in their profit/loss statement (also known as a statement of financial performance). These include interest or lease payments if associated with the refinancing of that particular debt, director, partner fees or bonuses, superannuation in excess of minimum requirements and depreciation for assets that don't require constant replacement.

SUBURBAN MANAGEMENT

Suburban Management is a customer driven financier which has been involved in the residential lending market since the 1980's. They're focused towards residential mortgages and have a proven track record in providing quality services for low to middle income earners. Their Premier Variable product is particularly attractive. Priced at 6.74% p.a. the loan also comes complete with options such as redraw.

THE PROPERTY MARKET

There is substantial evidence that rental yields will increase throughout 2006 as vacancies decline. Over the past two years vacancy rates have been relatively high due to a number of factors, one including the completion of apartment building projects.

A recent article in the Australian Financial Review ('Low Vacancies Push up Rent') states that Sydney vacancy rates have fallen from 4% in December 2003 to 2.8% in September 2005. Respectively, Melbourne vacancy rates have dipped from 3.8% to 2.2% over the same timeframe. A vacancy rate of 3% is considered to be par.

Another important statistic to note is the level of auction clearances. Melbourne clearance rates are currently at 60% which is considered to be the average according to property experts and realtors. From 2003 onwards, for the most part, the percentage of auction clearances has been below 60% and at one stage even languished at the 40% mark.

Accordingly, rental yields have increased in Metropolitan areas such as Melbourne and Sydney as clearance rates have increased and, adversely, as vacancy rates have

decreased. While investors shouldn't expect yields that were prevalent in the mid 1990's there is a rosier future for rent driven property investors.

Additionally, housing affordability has been relatively low, forcing some potential purchasers to rent for the immediate future while they save for a deposit. However, this is now on the improve. A recent report by the Housing Industry Association (HIA) has stated that housing affordability rose by 5.4% in December, its highest level in approximately one year.

On average, housing repayments for first home buyers represent 27.7 percent of the average household's income. A mark of 30 percent has been recommended as the upper limit by industry experts.

Conclusively, our property market is on the mend as demand is catching up with supply.

BANKING SHARES SOAR

Shares in the Commonwealth Bank are approximately \$44 after reaching all time highs in the middle of this month. Other banks are sharing in the spoils as elated shareholders have seen the Westpac Bank, ANZ Bank and the Macquarie Bank reach high levels over the past month.



Australian financial stocks are on the rise.

The Commonwealth Bank is now capitalized at \$56.75 billion and is, by market capitalisation, Australia's biggest bank. In terms of market capitalisation they are larger than the National Australia Bank who were once Australia's biggest bank by a market capitalisation of approximately \$16 billion only a couple of years ago.



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Phone: (03) 9620 2001
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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%	6.72%	7.32%	6.85%	6.79%	6.62%	6.79%	0.60%	n/a	
	Westpac	6.72%	6.77%	6.74%	6.72%	6.89%	6.79%	6.75%	6.89%	0.60%	0.25%	
	AMP Bank	6.82%	7.02%	6.76%	7.06%	6.69%	6.69%	6.59%	6.69%	0.50%	0.25%	
	Adelaide Bank	7.32%	7.42%	6.79%	7.32%	6.75%	6.75%	6.69%	6.79%	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%	6.69%	6.85%	0.65%	0.25%		
	GE Money	N/A	N/A	7.40%	7.50%	Not Available					1.00%	0.50%
	HSBC Bank	7.03%	7.03%	6.69%	6.87%	6.85%	6.85%	6.75%	6.85%	0.60%	0.25%	
	ING Bank	7.40%	7.30%	6.70%	7.24%	6.59%	6.59%	6.59%	6.69%	0.60%	0.25%	
	Macquarie	6.80%	N/A	6.80%	7.55%	6.89%	6.89%	6.74%	6.79%	0.60%	0.25%	
	St George	6.72%	6.72%	6.74%	6.72%	6.89%	6.79%	6.79%	6.69%	0.60%	0.25%	
	Suburban Management	N/A	N/A	6.74%	7.24%	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).

	Variable Base Rates			Fixed Rates				
	Standard	Overdraft/L.O.C.	8.60%	1 Year	2 Year	3 Years	5 Years	
LENDER	ANZ Bank*	7.67%	8.60%	7.25%	7.19%	7.18%	7.30%	
	ING Bank	7.60%	8.70%	7.25%	7.25%	7.30%	7.45%	
	Citibank	7.70%	8.45%	7.45%	7.69%	7.69%	7.79%	
	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	7.55%	7.95%	7.25%	7.28%	7.30%	7.40%		

* 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.