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MARKET HIGHLIGHTS

Rate / Index / Com	1-Sep-08	24-Aug-08	Change	1-Aug-08	% Change
Official Cash Rate	7.00%	7.25%	▼ -0.25%	7.25%	▼ -0.25%
Federal Funds Rate	2.00%	2.00%	● 0.00%	2.00%	● 0.00%
5 Year Bond Rate	5.72%	5.81%	▼ -0.09%	6.05%	▼ -0.33%
90 Day Bank Bill Rate	7.23%	7.32%	▼ -0.09%	7.60%	▼ -0.37%
\$AUD (US cents)	85.37	86.42	▼ -1.05	92.90	▼ -7.53

Sources: www.rba.gov.au, au.finance.yahoo.com Note: Some figures have been rounded.

INTEREST RATES - NEWS & VIEWS

The Reserve Bank of Australia ("RBA") reduced the Official Cash Rate by 25 basis points to 7.00% following their September 2008 board meeting.

This is the first rate reduction in over six years.

Still an interesting time in the economy both locally and in international markets, with negative consumer and business sentiment flowing through to many industries including retail and construction.

The story of the month has been the dramatic fall in short and long term money and bond rates as highlighted in the graphs attached. If we extend the trend out another month or so, the 5 Year Rate has fallen by over 100 basis points (1.00%) and the 90 Day by 60 basis points. This effectively prices in around three to four rate cuts.

These are dramatic movements and are obviously driven by the changing economic outlook for short and long term rates, supported by the strong communications by the RBA around their previous tightening bias.

The worldwide economy is also very weak, including in the UK where the Chancellor of the Exchequer, Alistair Darling, saying that they are facing arguably the worst economic

downturn in 60 years. Other economies, including Asia, are slowing dramatically as well.

Where to with Interest Rates?

Financiers broke their "link" with the official cash rate late last year. This means that they have made rate increases outside of the RBA cycle due to funding pressures. Interestingly, falling short term rate costs have not been passed back! We will see how financiers respond now to the official cash rate reduction, and we expect that this will be passed on to borrowers. This is good news for variable rate business and mortgage customers.

Borrowers looking for fixed rates have seen market rates passed on, with reduction in all fixed rates by over 100 basis points in some instances.

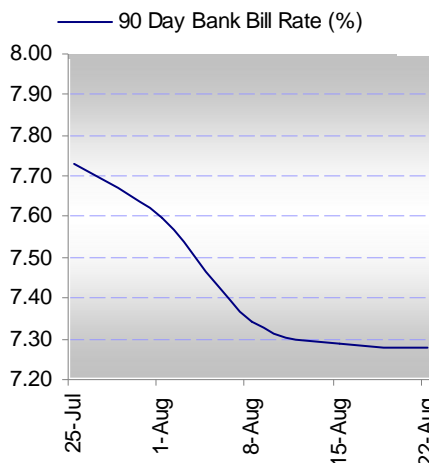
This means a 5 year residential property mortgage is available at around 8.40%. However, our view is that those looking for longer term rates should hold for a little longer yet.

As we stated last month, if the local economy fails to recover quickly, and inflation remains stagnant for a reasonable period of time, rates will follow market expectations and ease over the next year.

A reminder that Market Cash Rates are an indicator to monitor market sentiment around interest rates going forward. We will continue to monitor the 90 Day Bank Bill Rate each month.

It will be interesting to see how banks respond to falling bill rates, especially if these are accelerated by a fall in the official cash rate. So keep a watch on the 90 Day Bill trend line below.

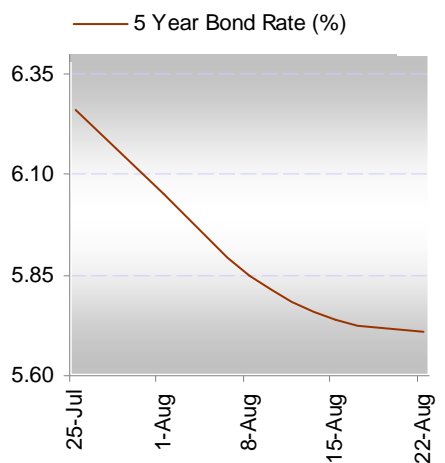
90 Day Bank Bill Trend



90 Day Rates

The downward trend continues.

5 Year Bond Trend



5 Year Rates

5 year rate falls have flowed through to borrowers.

PROPERTY WATCH

The property market across most part of Australia continues to be volatile in both residential and commercial.

The median house price statistics show only a modest fall overall but it is clear that many areas have seen sales well below their peaks during 2007.

Auctioneer and Real Estate Consultant Damien Davis from Jellis Craig, with a network of agencies across Melbourne's east, commented; "It is a fickle market at the moment. Properties that are not well presented, or are not realistically priced by vendors are not generating significant buyer interest".

"There are some results that are about 10% down on last year, some exactly the same as the 2007 market and then a number popping up that are setting new benchmarks".

These comments are supported by several real estate monitors that does confirm a small fall in property prices.

Many buyers seem also to be waiting for the outcome of interest rate movements before making any commitments.

Again, MCP have certainly noticed falling valuations results on both residential and commercial property for our clients.

This seems to be based on current and future sentiment, as opposed to comparative sales results.



We are currently in a "fickle" property market. Many speculators are looking for further falls before making any commitments.

ESTATE PLANNING



It has been a good time for many of our clients to update their Wills and associated Estate Planning documentation, and we have been endeavouring to get these completed for you as quickly as possible.

Addressing a recent question regarding Wills:

Q: Assuming my wife and I appoint each other as our respective Executors and Trustees, should we appoint just one or all of our children as the backup Executor(s) and Trustee(s)?

A: Our recommendation is to appoint all children to this backup role. This is important particularly where you have a Family Trust, as this entity is separately and apart from the Will maker individuals. Therefore, the provisions of your Wills do not allow you to deal with how that entity is controlled and operated, other than nominating the replacement Appointor, which position determines the Trustee of the Family Trust.

If you have not separately specified the replacement Appointor for that Family Trust, then the default replacement is your legal personal representative, being in the case of a properly created Will your Executor(s) and Trustee(s).

Accordingly, if you have nominated only one child as your Executor and Trustee, this child can control the Family Trust at their discretion, to the exclusion of the provisions of the Will.

We therefore recommend all children be appointed backup Executors and Trustees. For efficiency it may be decided between them that only one apply for Grant of Probate, however the others automatically have leave reserved to join in at any time if they choose to.

This thereby ensures equitable decision making by siblings with respect to any Family Trust.

COMMERCIAL LEGAL

Small business vendor disclosure requirements have changed, whereby the Vendor Statement has been simplified and the threshold has changed.

The statement is required for the sale of a business in which the goodwill, plant, equipment and fittings being sold have a total price of \$350,000 or less (previously \$200,000 or less).

ACCOUNTING PARTNERS NEWS

MCP GROUP
ACCOUNTING PARTNERS

Accounting Practice for Sale

Small sole practitioner practice based in Melbourne's Northern Suburbs seeks sale of business due to principal's impending retirement.

Please contact David McCleery for further information:
d.mccleery@mcpgroup.com.au

Superannuation Trust Deed Update Service

In our view, your clients' trust deeds will probably need updating to reflect the latest legislation and remain up to date.

We would be pleased to perform this function for your clients. Being an Accounting Partner, we offer a 20% discount of our normal charges for providing this service.

Please contact Mike Poynter for further information.
m.poynter@mcpgroup.com.au

MCP NEWS

Congratulations to "Deejay", "The Accountant", "Jodes" and "Juddanaught" for winning prizes 1, 2, 3 & last in the MCP Footy Tipping for 2008. Thank you to all those involved and a reminder that proceeds will also go to our Smith Family Learning for Life program.

QUOTE OF THE MONTH

"Don't Die with the Music Still in You"

Wayne Bennett