

Excellence through specialisation



Mellon Global Equities Trust

ARSN 106 779 382

Annual report 30 June 2006



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11 September 2006

David Coogan
Partner
PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
SYDNEY NSW 2000

Subject: Management Representation Letter on the Mellon Global Investments Australia Limited Financial Report for the financial period ended 30 June 2006

Dear Sirs

- 1) We confirm to the best of our knowledge and belief, and having made appropriate inquiries of other members of management and fellow board members of the Responsible Entity, the following representations given to you in connection with your audit of the Mellon Global Investment Australia Limited listed in Appendix 1 (referred herein as the "Trusts" financial report for the financial period ended 30 June 2006, and in the light of the requirements of the Corporations Act 2001
- 2) We acknowledge the directors' and management's responsibility for ensuring:
 - (a) the accuracy of the financial records and the financial report prepared from them; and
 - (b) that the financial report is drawn up:
 - (i) to give a true and fair view of the trust's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and cash flows, for the financial period ended on that date;
 - (ii) in accordance with the Corporations Act 2001; and
 - (iii) to comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- 3) We acknowledge that we are responsible for determining and ensuring that our accounting policies comply with the requirements of the AIFRS.

Fraud and Error

- 4) We acknowledge our responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error.
- 5) We have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity; and
- 6) We have disclosed to the auditor the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.

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www.mellonglobalinvestments.com.au
A Mellon Financial CompanySM



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Financial Records and Transactions

- 7) All the financial records have been made available for the purpose of the audit, and all the transactions undertaken have been properly reflected and recorded in the financial records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial report, including minutes of directors' and shareholders' meetings (and of all relevant management meetings), have been made available to you and no such information has been withheld.
- 8) We are not aware of any irregularities involving management or those employees who have significant roles in the control structure.
- 9) We have provided you with documentation supporting all employee and director remuneration and related party transactions, including equity instruments that were issued to employees and directors during the current year

Disclosure of Assets

- 10) The financial report at 30 June 2006 (balance date) includes all cash and bank accounts and all other assets of trust required to be included therein in accordance with generally accepted accounting principles. The trust has satisfactory title to all recorded assets.

Current Assets

- 11) The current assets will be realisable in the ordinary course of business at a value which is at least the amount recorded in the financial records at balance date.
- 12) The directors have taken reasonable steps to ascertain whether any current assets (other than accounts receivable) are likely to be realised in the ordinary course of business at a value less than the amount recorded in the financial records of the trust and if so, have caused:
 - those assets to be written down to an amount which they might be expected to realise; or
 - adequate provision to be made for the difference between the amount in the financial records and the amount that they might be expected to realise.

Investments

- 13) Adequate provision has been made in the financial report for any permanent diminution in the value of investments.

Non-Current Assets

- 14) The directors have taken reasonable steps to ensure that non-current assets are not carried at amounts which are in excess of their recoverable amounts at balance date based on the higher of net selling price and value in use.



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Liabilities

- 15) All known liabilities of the Trust at balance date were included in the financial records and no further liabilities of a material amount have since come to our knowledge.
- 16) All obligations in respect of derivative transactions and all other arrangements, contingent or otherwise, relating to the acquisition or disposal of assets, including investments, have been disclosed to you.
- 17) We are not aware of any pending litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Trusts.

Contingent Liabilities

- 18) There are no material contingent liabilities of the Trusts at balance date, which has not been reported.

Future Cash Resources

- 19) Based on cash flow forecasts, adequate cash resources will be available to cover the scheme's requirements for working capital and capital expenditure for at least the next twelve months.

Related Party Transactions

- 20) Full disclosure has been made in the financial report of information about material related party transactions.

Insurance

- 21) All direct property assets and risks of the Trusts are to the best of our knowledge and belief the subject of appropriate insurance.

Transactions And Agreements

- 22) We are not aware of any material transactions or agreements the effect of which are not properly recorded in the financial records.

Other Matters

- 23) We are not aware of any possible breaches of statute, regulations, contracts, agreements which might result in the trust suffering significant penalties or other loss. No allegations of such breaches have come to our notice.

After Balance Date Events

- 24) No matters or occurrences have come to our attention up to the present time which would materially affect the financial report or disclosures therein.



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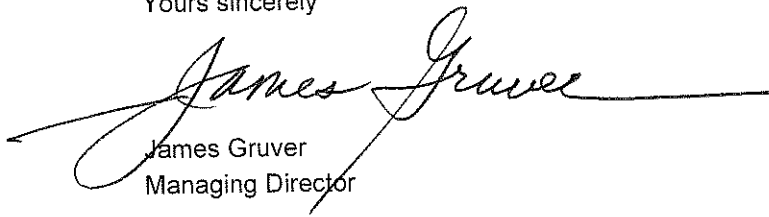
Materiality of unadjusted differences

- 25) The effects of the unadjusted differences brought to our attention by you are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

Electronic Presentation of Financial Information

- 26) The electronic presentation of the financial report is our responsibility.
- 27) The electronic version of the financial report and audit report presented on the web site are the same as the final signed version of the financial report and audit report.
- 28) We have clearly differentiated between audited and unaudited information in the construction of the trust's web site and understand the risk of potential misrepresentation in the absence of appropriate controls.
- 29) We have assessed the security controls over audited financial information and the audit report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- 30) Where the audit report on the financial report is provided on the web site, the full financial report is also presented on the web site.

Yours sincerely



James Gruver
Managing Director

Mellon Global Equities Trust
ARSN 106 779 382
Annual report - 30 June 2006

Contents

	Page
Directors' report	1 - 3
Auditor's independence declaration	4
Income statement	5
Balance sheet	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 - 23
Directors' declaration	24
Independent audit report to the unitholders of Mellon Global Equities Trust	25

Directors' report

The directors of Mellon Global Investments Australia Limited, the responsible entity of Mellon Global Equities Trust (the "Scheme"), present their report for the year ended 30 June 2006.

Principal activities

The Scheme invests in listed equities, unlisted trusts and cash in accordance with the provisions of the Scheme Constitution.

The Scheme did not have any employees during the year. (2005: nil)

There were no significant changes in the nature of the Scheme's activities during the year.

Directors

The following persons held office as directors of Mellon Global Investments Australia Limited during the year or since the end of the year and up to the date of this report:

J Gruver

M Park (Resigned 1 July 2005)

S Ryan (Resigned 29 July 2005)

J Little

G Brisk

S O'Connell (Appointed 1 July 2005)

Review of operations

During the year, the Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

Impact of applying Australian equivalents to International Financial Reporting Standards (AIFRS) for financial reporting

During the year the Scheme applied AIFRS for financial reporting purposes which gave rise to the following adjustments:

Valuation of investments

For the purpose of determining unit prices for applications and redemptions, quoted investment positions are valued on a last sale basis on the relevant trading day (including provision for disposal costs), in accordance with the Scheme Constitution and governing documents of the Scheme.

AIFRS requires that long quoted investment positions be valued at the closing bid prices on the relevant trading day (excluding provision for disposal costs).

Amounts attributable to unitholders

Units issued by the Scheme provide investors with the right to put them back to the Scheme at the prevailing redemption price. As such, AIFRS requires net assets attributable to unitholders to be classified and disclosed as a liability in the balance sheet with changes in net assets attributable to unitholders being reflected in the income statement.

It is the opinion of the directors that adopting AIFRS does not have unit pricing consequences, as the basis of unit price accounting is as outlined in the Scheme Constitution and governing documents of the Scheme. The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under AIFRS have been outlined in the following table:

Directors' report (continued)

	30 June	30 June
	2006	2005
	\$'000	\$'000
Net assets for unit pricing purposes	27,882	100,057
Difference between net market value (for unit pricing) and fair value (for financial reporting) of securities	(9)	(99)
Reclassification of net assets attributable to unitholders to liabilities	<u>(27,873)</u>	<u>(99,958)</u>
Net assets under AIFRS	<u><u>-</u></u>	<u><u>-</u></u>

Results

The performance of the Scheme, as represented by the results of its operations, was as follows:

	30 June	30 June
	2006	2005
	\$'000	\$'000
Net operating profit/(loss)	<u>9,373</u>	<u>3,502</u>
<i>Distributions</i>		
Distribution paid and payable (\$'000)	<u>15,380</u>	<u>2,931</u>
Distribution (cents per unit)	<u>22,3553</u>	<u>3,2447</u>

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Scheme in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the responsible entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Mellon Global Investments Australia Limited or the auditors of the Scheme. So long as the officers of Mellon Global Investments Australia Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid and interests held in the Scheme by the responsible entity or its associates

No fees were paid out of Scheme property to the responsible entity, its associates or directors of the responsible entity during the year.

The responsible entity and its associates have not held any units in the Scheme during the year.

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 4 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under either Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Sydney
11 ~~th~~ September 2006

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Auditors' Independence Declaration

As lead auditor for the audit of the Mellon Global Equities Trust for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Mellon Global Equities Trust.


David Coogan
Partner

Melbourne
11 September 2006

Mellon Global Equities Trust
Income statement
For the year ended 30 June 2006

Income statement

	Notes	30 June 2006 \$'000	30 June 2005 \$'000
<i>Investment income</i>			
Interest income		7	7
Dividends		860	1,884
Net gain/(loss) on financial instruments held at fair value through profit or loss		9,075	2,531
Other investment income		<u>4</u>	<u>1</u>
Total investment income/(loss)		<u>9,946</u>	<u>4,423</u>
<i>Expenses</i>			
Responsible entity fees	14	380	679
Custody fees		63	97
Transaction costs		82	91
Other operating expenses	6	<u>48</u>	<u>54</u>
Total operating expenses		<u>573</u>	<u>921</u>
Net operating profit/(loss)		<u>9,373</u>	<u>3,502</u>
<i>Financing costs attributable to unitholders</i>			
Distributions to unitholders	3	(15,380)	(2,931)
(Increase)/decrease in net assets attributable to unitholders	4	<u>6,007</u>	<u>(571)</u>
Net profit/(loss) for the year		<u>-</u>	<u>-</u>

The above income statement should be read in conjunction with the accompanying notes.

Mellon Global Equities Trust
Balance sheet
As at 30 June 2006

Balance sheet

	Notes	30 June 2006 \$'000	30 June 2005 \$'000
<i>Assets</i>			
Cash and cash equivalents	7	652	771
Due from brokers - receivable for securities sold		452	1,522
Receivables	8	73	231
Financial assets held at fair value through profit or loss	10	<u>29,288</u>	<u>102,014</u>
Total assets		<u>30,465</u>	<u>104,538</u>
<i>Liabilities</i>			
Distribution payable	3	2,019	2,637
Due to brokers - payable for securities purchased		477	1,853
Payables	9	96	89
Financial liabilities held at fair value through profit or loss	11	<u>-</u>	<u>1</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>2,592</u>	<u>4,580</u>
Net assets attributable to unitholders	4	<u>27,873</u>	<u>99,958</u>

Net assets attributable to unitholders is represented by:

Fair value of outstanding units based on redemption value	<u>27,882</u>	<u>100,057</u>
Adjustment arising from different unit pricing and AIFRS valuation principles	<u>(9)</u>	<u>(99)</u>
	<u>27,873</u>	<u>99,958</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Mellon Global Equities Trust
Statement of changes in equity
For the year ended 30 June 2006

Statement of changes in equity

	30 June	30 June
	2006	2005
	\$'000	\$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	<u>-</u>	<u>-</u>
Total recognised income and expense for the year	-	-
Movement in equity during the period	<u>-</u>	<u>-</u>
Total equity at the end of the financial year	<u><u>-</u></u>	<u><u>-</u></u>

Under AIFRS, net assets attributable to unitholders is classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Mellon Global Equities Trust
Cash flow statement
For the year ended 30 June 2006

Cash flow statement

	30 June 2006 \$'000	30 June 2005 \$'000
Notes		
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	122,156	69,604
Purchase of financial instruments held at fair value through profit or loss	(40,686)	(79,797)
Transaction costs on purchase of financial instruments held at fair value through profit or loss	(82)	(91)
Withholding tax paid	-	(17)
Dividends received	934	1,852
Interest received	7	7
GST paid	-	(20)
GST received	84	-
Other income received	4	(32)
Responsible entity fees paid	(368)	(663)
Payment of other expenses	(52)	(48)
Custody fees paid	<u>(63)</u>	<u>(116)</u>
<i>Net cash inflow/(outflow) from operating activities</i>	18(a) <u>81,934</u>	<u>(9,321)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	2,658	87,226
Payments for redemptions by unitholders	<u>(84,734)</u>	<u>(78,182)</u>
<i>Net cash inflow/(outflow) from financing activities</i>	<u>(82,076)</u>	<u>9,044</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	(142)	(277)
Cash and cash equivalents at beginning of the year	771	1,154
Effects of foreign currency exchange rate changes on cash and cash equivalents	<u>23</u>	<u>(106)</u>
<i>Cash and cash equivalents at the end of the year</i>	7 <u>652</u>	<u>771</u>
Non-cash financing activities	18(b) <u>15,998</u>	<u>1,849</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

1 General information

This financial report covers Mellon Global Equities Trust ("the Scheme") as an individual entity.

The responsible entity of Mellon Global Equities Trust is Mellon Global Investments Australia Limited. The responsible entity's registered office is Level 7, 2 Bulletin Place, Sydney NSW 2000.

The financial statements were authorised for issue by the directors on 11 September 2006.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report of the Scheme, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This is the first annual financial report of the Scheme prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing this financial report.

The financial statements of the Scheme until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 30 June 2006 financial statements, the directors have amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of year ended 30 June 2005 were restated to reflect these adjustments.

The Scheme has elected not to adopt the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AASB 1) to not restate comparatives for the effects of AASB 132 Financial Instruments: Disclosure and Presentation (AASB 132) and AASB 139 Financial Instruments: Recognition and Measurement (AASB 139).

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on net assets attributable to unitholders and profit are given in note 2(q).

(b) Financial instruments

(i) Classification

The Scheme's investments are categorised as at fair value through profit or loss which is comprised of:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

(ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

2 Summary of significant accounting policies (continued)

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Investments in other unlisted investment funds are recorded at the redemption value per unit as reported by the managers of such funds.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Scheme. As the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which is treated as a separate component of net assets attributable to unitholders.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as borrowings within liabilities on the balance sheet.

(e) Investment income

Interest income and expenses are recognised in the income statement for all debt instruments using the effective interest method.

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest rate basis.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

(f) Expenses

All expenses, including responsible entity fees and custodian fees, are recognised in the income statement on an accruals basis.

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Scheme is not subject to income tax provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the income statement.

(h) Distributions

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable income to unitholders by cash or reinvestment. The distributions are recognised in the income statement as financing costs attributable to unitholders.

(i) Increase/decrease in net assets attributable to unitholders

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(j) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for capital and is regulated. The Australian dollar is also the Scheme's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transactions at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The Scheme does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the balance sheet date.

(l) Receivables

Receivables may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as RITC and application monies receivable from unitholders.

2 Summary of significant accounting policies (continued)

(m) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the reporting date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income as at 30 June 2006 under the Scheme's Constitution.

(n) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as audit fees, custodial services and investment management fees, have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the income statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

(p) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

2 Summary of significant accounting policies (continued)

(q) Impact of the adoption of AIFRS

In preparing the opening AIFRS compliant balance sheet, adjustments have been made to the figures previously reported in the 30 June 2004 and 30 June 2005 annual reports. The impacts of the adoption of AIFRS on total unitholders' funds brought forward at 1 July 2004, total unitholders' funds at 30 June 2005, and 30 June 2005 profit reported under previous Australian Generally Accepted Accounting Principles (AGAAP) are illustrated below. For the purposes of this note, unitholders' funds has the same meaning as the presentation of net assets attributable to unitholders in the balance sheet.

(i) Reconciliation of total unitholders' funds as presented under previous AGAAP to that under AIFRS:

	30 June 2005 \$'000	1 July 2004 \$'000
Total unitholders' funds brought forward under previous AGAAP	100,057	88,582
Changes in valuation of securities and financial instruments (a)	(99)	(88)
Reclassification of unitholders' funds to debt (b)	<u>(99,958)</u>	<u>(88,494)</u>
Total unitholders' funds brought forward under AIFRS	<u>-</u>	<u>-</u>

(a) In accordance with AASB 139, the valuation of securities has been changed to take into account the following:

- valuation at bid price, rather than at the last sale price, resulting in a decrease to asset carrying values for fixed interest securities and equities; and
- the valuation is no longer net of disposal costs.

(b) In accordance with AASB 132, unitholders' funds are classified as a liability and are no longer reported as equity for financial statement presentation purposes.

(ii) Reconciliation of net profit under previous AGAAP to AIFRS:

	30 June 2005 \$'000
Net profit as previously reported	3,512
Changes in valuation of securities and financial instruments	(10)
Reclassification of distributions to unitholders to financing costs	(2,931)
Increase/decrease in net assets attributable to unitholders	<u>(571)</u>
Net profit under AIFRS	<u>-</u>

(iii) Impact on cash flow statement:

While the adoption of AIFRS has not affected the overall net cash flows, payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity. Under AGAAP, these cash flows were classified as investing activities.

2 Summary of significant accounting policies (continued)

(r) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2006 reporting period. Management's assessment of the impact of these standards (to the extent relevant to the Scheme) and interpretations are set out below:

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB1, AASB 4, AASB 1023 and AASB 1038]

AASB 2005-4 Amendments to Australian Accounting Standards [AASB 1, AASB 139, AASB 132, AASB 1023 and AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 2005-4 is applicable to annual reporting periods beginning on or after 1 January 2006. The Scheme has not adopted these standards early.

Application of these standards will not affect any of the amounts recognised in the financial statements but will impact the type of information disclosed in relation to the Scheme's financial instruments.

3 Distributions to unitholders

	30 June 2006		30 June 2005	
	\$'000	CPU	\$'000	CPU
Distributions paid				
– 30 September	13,361	14.3232	-	-
– 31 December	-	-	294	0.3319
Distribution payable				
– 30 June	<u>2,019</u>	<u>8.0321</u>	<u>2,637</u>	<u>2.9128</u>
	<u>15,380</u>	<u>22.3553</u>	<u>2,931</u>	<u>3.2447</u>

4 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2006 No. '000	30 June 2005 No. '000	30 June 2006 \$'000	30 June 2005 \$'000
Opening balance	90,513	80,454	99,958	88,494
Applications	2,302	78,173	2,658	87,226
Redemptions	(82,835)	(69,797)	(84,734)	(78,182)
Units issued upon reinvestment of distributions	15,154	1,683	15,998	1,849
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>(6,007)</u>	<u>571</u>
Closing balance	<u>25,134</u>	<u>90,513</u>	<u>27,873</u>	<u>99,958</u>

As stipulated within the Scheme Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

5 Auditor's remuneration

	30 June 2006 \$'000	30 June 2005 \$'000
Auditing and review of Financial Report	11	6
Other services	<u>16</u>	<u>10</u>
	<u>27</u>	<u>16</u>

Other services are made up of taxation services and the audit of the Scheme's compliance plan.

These expenses are paid directly out of the trust.

6 Other operating expenses

	30 June 2006 \$'000	30 June 2005 \$'000
Reimbursable expenses paid to the responsible entity by the scheme	20	38
Other expenses	<u>28</u>	<u>16</u>
	<u>48</u>	<u>54</u>

7 Cash and cash equivalents

	30 June 2006 \$'000	30 June 2005 \$'000
Cash at bank	<u>652</u>	<u>771</u>
	<u>652</u>	<u>771</u>

8 Receivables

	30 June 2006 \$'000	30 June 2005 \$'000
Dividends receivable	36	110
RITC receivable	2	72
Other receivable	<u>35</u>	<u>49</u>
	<u>73</u>	<u>231</u>

9 Payables

	30 June 2006 \$'000	30 June 2005 \$'000
Responsible entity fees payable	72	60
Other payable	<u>24</u>	<u>29</u>
	<u>96</u>	<u>89</u>

10 Financial assets held at fair value through profit or loss

	30 June 2006 \$'000	30 June 2005 \$'000
Designated as fair value through profit or loss		
Equity securities	28,646	101,271
Unlisted unit trusts	<u>642</u>	<u>743</u>
Total designated as fair value through profit or loss	<u>29,288</u>	<u>102,014</u>
Total financial assets held at fair value through profit or loss	<u>29,288</u>	<u>102,014</u>
Equity securities		
International equity securities listed on a prescribed stock exchange	<u>28,646</u>	<u>101,271</u>
Total equity securities	<u>28,646</u>	<u>101,271</u>
Unlisted unit trusts		
Units in unlisted international share trusts	<u>642</u>	<u>743</u>
Total unlisted unit trusts	<u>642</u>	<u>743</u>
Total financial assets held at fair value through profit or loss	<u>29,288</u>	<u>102,014</u>

An overview of the currency exposures is included in Note 13(b).

11 Financial liabilities held at fair value through profit or loss

	30 June 2006 \$'000	30 June 2005 \$'000
Held for trading		
Derivatives	<u>-</u>	<u>1</u>
Total held for trading	<u>-</u>	<u>1</u>
Total financial liabilities held at fair value through profit or loss	<u>-</u>	<u>1</u>
Derivatives		
Currency contracts	<u>-</u>	<u>1</u>
Total derivatives	<u>-</u>	<u>1</u>
Total financial liabilities held at fair value through profit or loss	<u>-</u>	<u>1</u>

An overview of the currency exposures is included in Note 13(b).

12 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

As at reporting date, there were no derivative financial instruments held by the Scheme (2005: \$573)

13 Financial risk management

The Scheme is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments held. The risk management policies employed by the Scheme to manage these risks are discussed in this note.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with their respective credit limits, are approved
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This also relates to financial assets carried at amortised cost as they have a short term to maturity.

(b) Foreign exchange risk

The Scheme is exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies. The Scheme also enters into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The Scheme holds units in international unit trusts and is exposed to foreign exchange risk as the offshore securities are valued in foreign currency. These trusts may have entered into derivatives in order to gain exposure to offshore markets.

The foreign exchange risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of foreign exchange risk in the note may not represent the true risk profile of the Scheme where the Scheme has significant investments in feeder trusts which also have exposure to the currency markets.

The following tables summarise the Scheme's exposure to foreign exchange risk.

13 Financial risk management (continued)

30 June 2006	Australian Dollars AS'000	US & Canadian Dollars AS'000	Euros AS'000	Japanese Yen AS'000	British Pounds AS'000	Other AS'000	Total AS'000
Assets							
Cash and cash equivalents	230	210	17	138	20	37	652
Due from brokers - receivable for securities sold	-	310	36	82	5	19	452
Receivables	2	19	19	2	15	16	73
Financial assets held at fair value through profit or loss	-	<u>15,477</u>	<u>5,645</u>	<u>2,941</u>	<u>3,329</u>	<u>1,896</u>	<u>29,288</u>
Total assets	<u>232</u>	<u>16,016</u>	<u>5,717</u>	<u>3,163</u>	<u>3,369</u>	<u>1,968</u>	<u>30,465</u>
Liabilities							
Distributions payable	2,019	-	-	-	-	-	2,019
Due to brokers - payable for securities purchased	-	313	13	151	-	-	477
Payables	96	-	-	-	-	-	96
Financial liabilities held at fair value through profit or loss	(184)	<u>54</u>	<u>26</u>	<u>82</u>	<u>-</u>	<u>22</u>	<u>-</u>
Total liabilities excluding net assets attributable to unitholders	<u>1,931</u>	<u>367</u>	<u>39</u>	<u>233</u>	<u>-</u>	<u>22</u>	<u>2,592</u>
Net assets attributable to unitholders	<u>(1,699)</u>	<u>15,649</u>	<u>5,678</u>	<u>2,930</u>	<u>3,369</u>	<u>1,946</u>	<u>27,873</u>

30 June 2005	Australian Dollars AS'000	US & Canadian Dollars AS'000	Euros AS'000	Japanese Yen AS'000	British Pounds AS'000	Other AS'000	Total AS'000
Assets							
Cash and cash equivalents	57	404	32	200	35	43	771
Due from brokers - receivable for securities sold	-	778	253	51	-	440	1,522
Receivables	72	61	54	9	35	-	231
Financial assets held at fair value through profit or loss	-	<u>58,559</u>	<u>20,638</u>	<u>8,444</u>	<u>10,583</u>	<u>3,790</u>	<u>102,014</u>
Total assets	<u>129</u>	<u>59,802</u>	<u>20,977</u>	<u>8,704</u>	<u>10,653</u>	<u>4,273</u>	<u>104,538</u>
Liabilities							
Distributions payable	2,637	-	-	-	-	-	2,637
Due to brokers - payable for securities purchased	-	1,187	515	151	-	-	1,853
Payables	89	-	-	-	-	-	89
Financial liabilities held at fair value through profit or loss	-	<u>19</u>	<u>(382)</u>	<u>1</u>	<u>(103)</u>	<u>466</u>	<u>1</u>
Total liabilities excluding net assets attributable to unitholders	<u>2,726</u>	<u>1,206</u>	<u>133</u>	<u>152</u>	<u>(103)</u>	<u>466</u>	<u>4,580</u>
Net assets attributable to unitholders	<u>(2,597)</u>	<u>58,596</u>	<u>20,844</u>	<u>8,552</u>	<u>10,756</u>	<u>3,807</u>	<u>99,958</u>

13 Financial risk management (continued)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Scheme invests in unlisted trusts investing in money markets and fixed interest securities. These are subject to interest rate risk where returns are affected by movements in the level and volatility of interest rates.

The interest rate risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of interest rate risk in the note may not represent the true risk profile of the Scheme where the Scheme has significant investments in unit trusts which also have exposure to the interest rate markets.

The following tables summarise the Scheme's exposure to interest rate risk.

30 June 2006	Weighted average interest rate % pa	Floating interest rate \$'000	Fixed interest rate maturing in:				Non interest bearing \$'000	Total \$'000
			3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Assets								
Cash and cash equivalents	1.37	652	-	-	-	-	-	652
Deposits held with brokers for margin	-	-	-	-	-	-	452	452
Receivables	-	-	-	-	-	-	73	73
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	29,288	29,288
Total assets		<u>652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,813</u>	<u>30,465</u>
Liabilities								
Distributions payable	-	-	-	-	-	-	2,019	2,019
Due to brokers - payable for securities purchased	-	-	-	-	-	-	477	477
Payables	-	-	-	-	-	-	96	96
Total liabilities excluding net assets attributable to unitholders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,592</u>	<u>2,592</u>
Net assets attributable to unitholders		<u>652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,221</u>	<u>27,873</u>

30 June 2005	Weighted average interest rate % pa	Floating interest rate \$'000	Fixed interest rate maturing in:				Non interest bearing \$'000	Total \$'000
			3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Assets								
Cash and cash equivalents	0.17	771	-	-	-	-	-	771
Due from brokers - receivable for securities sold	-	-	-	-	-	-	1,522	1,522
Receivables	-	-	-	-	-	-	231	231
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	102,014	102,014
Total assets		<u>771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,767</u>	<u>104,538</u>
Liabilities								
Distributions payable	-	-	-	-	-	-	2,637	2,637
Due to brokers - payable for securities purchased	-	-	-	-	-	-	1,853	1,853
Payables	-	-	-	-	-	-	89	89
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	-	1	1
Total liabilities excluding net assets attributable to unitholders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,580</u>	<u>4,580</u>
Net assets attributable to unitholders		<u>771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,187</u>	<u>99,958</u>

13 Financial risk management (continued)

(d) Market price risk

Market price risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis.

(e) Liquidity and cash flow risk

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows from holding financial instruments will fluctuate. The risk management guidelines adopted by the Scheme are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

(f) Net fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the balance sheet are carried at fair value.

14 Related party transactions

Responsible entity

The responsible entity of the Scheme is Mellon Global Investments Australia Limited. The responsible entity's registered office is Level 7, 2 Bulletin Place, Sydney NSW 2000.

Key management personnel

(a) Directors

The following persons held office as directors of Mellon Global Investments Australia Limited during the year or since the end of the year and up to the date of this report:

J Gruver
M Park (Resigned 1 July 2005)
S Ryan (Resigned 29 July 2005)
J Little
G Brisk
S O'Connell (Appointed 1 July 2005)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the financial year.

Related party transactions

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Scheme and the responsible entity were as follows:

	30 June 2006	30 June 2005
Management fees for the year paid by the Scheme to the responsible entity	\$ 379,619	\$ 678,721
Reimbursable expenses paid to the Responsible Entity by the Scheme	20,115	38,190

14 Related party transactions (continued)

Related party schemes' unit holdings

As at 30 June 2006 no parties related to the Fund held units in the Fund (2005: Nil)

Key management personnel unit holdings

At 30 June 2006 no key management personnel held units in the Scheme (2005: Nil).

Key management personnel remuneration

Key management personnel are paid by the responsible entity. Payments made from the Scheme to the responsible entity do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Investments

The Scheme did not hold any investment in the responsible entity or its affiliates during the year (2005: Nil).

Other transactions within the Scheme

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year or at year end.

15 Segment information

Geographical exposures

While the Scheme operates from Australia only (the geographical segment), the Scheme has investment exposures in different countries. The geographic exposures are outlined below:

Country	30 June 2006		30 June 2005	
	Total assets \$'000	Percentage of total assets %	Total assets \$'000	Percentage of total assets %
Europe	10,428	34	32,113	31
United States & Canada	16,015	53	59,783	57
Japan	3,163	10	8,705	8
Australia	232	-	129	-
Other	627	3	3,808	4
Total assets	30,465	100	104,538	100

The above disclosures have been prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held indirectly through unit trusts.

The above investments are classified on the balance sheet at fair value through profit or loss.

16 Events occurring after the balance sheet date

No significant events have occurred since the balance sheet date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2006 or on the results and cash flows of the Scheme for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2006.

18 Reconciliation of net operating profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2006 \$'000	30 June 2005 \$'000
(a) Reconciliation of net operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Net operating profit/(loss)	9,373	3,502
Net (gain)/loss on financial instruments held at fair value through profit or loss	(9,075)	(2,531)
Proceeds from sale of financial instruments held at fair value through profit or loss	122,156	69,604
Purchases of financial instruments held at fair value through profit or loss	(40,686)	(79,797)
Net change in receivables	159	(83)
Net change in payables	<u>7</u>	<u>(16)</u>
Net cash inflow/(outflow) from operating activities	<u>81,934</u>	<u>(9,321)</u>
(b) Non cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	<u>15,998</u>	<u>1,849</u>

Directors' declaration

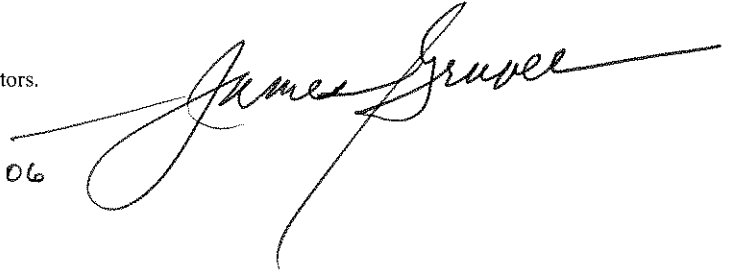
In the opinion of the directors of the responsible entity :

- (a) the financial statements and notes set out on pages 5 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Sydney

Dated this 11th day of September 2006



Independent audit report to the unitholders of Mellon Global Equities Trust

Audit opinion

In our opinion, the financial report of Mellon Global Equities Trust ("the Trust"):

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Trust as at 30 June 2006, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001* and the Trust's Constitution.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Trust for the year ended 30 June 2006.

The directors of the Trust are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence.

Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Independent audit report to the unitholders of Mellon Global Equities Trust (continued)

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.


While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


PricewaterhouseCoopers


David Coogan
Partner

Melbourne
11 September 2006