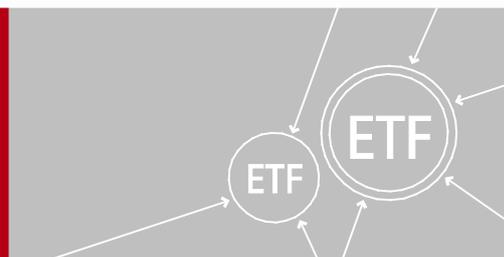


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**Annual Report**  
for the Vanguard® Exchange Traded Funds

**6 September 2017**



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard Australian Shares Index ETF	VAS	Annual Report
Vanguard Australian Property Securities Index ETF	VAP	Annual Report
Vanguard Australian Fixed Interest Index ETF	VAF	Annual Report
Vanguard Australian Government Bond Index ETF	VGB	Annual Report
Vanguard Australian Shares High Yield ETF	VHY	Annual Report
Vanguard Australian Corporate Fixed Interest Index ETF	VACF	Annual Report

Vanguard has prepared an Annual Report for the Vanguard® Wholesale Funds, for the financial year ending 30 June 2017. The ETFs above are classes of units in the relevant funds. Units in the ETF class are those that are traded on the Australian Securities Exchange (ASX).

The Annual Report provides financial information for each fund and where indicated, provides specific information for the ETF class.

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## Further Information

If you have any queries on Vanguard ETFs, please visit [vanguard.com.au/etf](http://vanguard.com.au/etf)

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**Vanguard**<sup>®</sup>

**Annual Report** | 30 June 2017

## Vanguard<sup>®</sup> Wholesale Funds

Domestic Funds

(ASX Codes: VAS, VAP, VHY, VGB, VACF, VAF)

2016  
2017

## Vanguard funds covered in this annual report

Vanguard Cash Reserve Fund	ARSN 127 015 301	ABN 62 738 136 510
Vanguard Cash Plus Fund	ARSN 090 940 060	ABN 19 638 293 529
Vanguard Australian Government Bond Index Fund	ARSN 134 177 807	ABN 23 499 844 319
Vanguard Australian Fixed Interest Index Fund	ARSN 090 939 941	ABN 52 931 145 473
Vanguard Australian Corporate Fixed Interest Index Fund	ARSN 147 938 001	ABN 51 978 865 366
Vanguard Australian Inflation-Linked Bond Index Fund	ARSN 147 936 249	ABN 69 769 407 563
Vanguard Australian Property Securities Index Fund	ARSN 090 939 549	ABN 27 186 332 271
Vanguard Australian Shares Index Fund	ARSN 090 939 718	ABN 65 759 271 740
Vanguard Australian Shares High Yield Fund	ARSN 091 751 807	ABN 61 324 061 551

## Responsible Entity

Vanguard Investments Australia Ltd  
ABN 72 072 881 086  
AFSL 227263

Level 34  
Freshwater Place  
2 Southbank Boulevard  
Southbank Vic 3006

Telephone: (03) 8888 3888  
Facsimile: 1300 765 712

[vanguard.com.au](http://vanguard.com.au)

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# About Vanguard

Since our establishment in 1975, Vanguard has strived to be the world's highest-value provider of investment products and services. We have an unwavering focus on our clients with a commitment to champion what's best for investors by offering outstanding service, while keeping costs low.

Over the years Vanguard has built a reputation as a global leader in client advocacy and earned the trust of millions of investors along the way. Our sole purpose has been to align our interest with those of our investors to ensure they have the best chance for investment success.

With more than AUD \$5.7 trillion in assets under management as of 30 June 2017, including more than AUD \$1 trillion in exchange traded funds, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard has been helping investors meet their long-term financial goals with low-cost investment solutions for over 20 years.

## Our unique structure – putting investors' interests first

What sets Vanguard apart – and lets Vanguard put investors first around the world – is the ownership structure of The Vanguard Group, Inc., in the United States.

Rather than being publicly traded or owned by a small group of individuals, The Vanguard Group is owned by Vanguard's US-domiciled funds and ETFs. Those funds, in turn, are owned by their investors.

This mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, Australian investors benefit from Vanguard's stability and experience, low costs and client focus.

## Our investment expertise

When you invest with Vanguard, you have more than 40 years of investing experience behind you. So no matter which investment products suit your needs, you can feel confident that Vanguard investments are built on a rigorous investment philosophy that stands the test of time.

## Low-cost investing

We know we can't control the markets, but we can control the costs of investing. To that end, providing low-cost investments isn't a pricing strategy for us. It's how we do business.

We can keep costs low because of our unique ownership structure in the United States, which allows us to return profits to investors through lower costs.

# Directors' Report

The Responsible Entity of Vanguard Wholesale Funds (the "Funds") for the year ended 30 June 2017 was Vanguard Investments Australia Ltd (the "Responsible Entity").

The directors of Vanguard Investments Australia Ltd present their report together with the financial statements for the year ended 30 June 2017.

## Principal activities

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Fund Constitutions. The Funds seek to track the returns of the Funds' respective indices, before taking into account Fund fees, expenses and tax.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the activities of the Funds during the year.

## Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

- J M Norris
- G W Reed (Resigned 31 July 2017)
- C R Comegys (Resigned 31 August 2017)
- C Kelton
- M Lovett (Resigned 6 December 2016)
- L Carr (Appointed 6 December 2016)
- C Lui (Appointed 31 August 2017)

## Review and results of operations

The Funds invest in listed equity securities, listed unit trusts, listed property trusts, fixed interest securities, money market securities, derivatives and cash and cash equivalents. The investment policy of the Funds continues to be in accordance with the provisions of the Fund Constitutions.

# Directors' Report (continued)

## Review and results of operations (continued)

### Results

The results of the operations of the Funds were as follows:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>30,937</b>	37,756	<b>19,409</b>	18,717	<b>(2,327)</b>	22,460	<b>11,305</b>	295,106	<b>2,255</b>	3,392
<b>Distributions - Wholesale Class</b>										
Distribution paid and payable (\$'000)	<b>30,754</b>	37,751	<b>19,157</b>	18,757	<b>8,400</b>	5,919	<b>134,116</b>	199,048	<b>2,145</b>	2,330
Distribution (cents per unit)	<b>1.8188</b>	2.1085	<b>2.1394</b>	2.3439	<b>2.6506</b>	2.4663	<b>3.3972</b>	5.3755	<b>3.1709</b>	3.2552
<b>Distributions - ETF Class</b>										
Distribution paid and payable (\$'000)	–	–	–	–	<b>3,389</b>	1,923	<b>18,005</b>	16,845	<b>879</b>	42
Distribution (cents per unit)	–	–	–	–	<b>129.4113</b>	124.2566	<b>149.5660</b>	239.7307	<b>158.3145</b>	52.6305
<hr/>										
	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund			
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>1,958</b>	4,471	<b>(286,828)</b>	979,622	<b>1,211,016</b>	68,878	<b>248,994</b>	(96,817)		
<b>Distributions - Wholesale Class</b>										
Distribution paid and payable (\$'000)	<b>2,250</b>	2,526	<b>174,251</b>	195,385	<b>418,606</b>	437,497	<b>65,538</b>	46,666		
Distribution (cents per unit)	<b>1.3234</b>	2.3198	<b>4.3291</b>	4.6509	<b>10.6734</b>	9.7082	<b>11.2694</b>	7.8888		
<b>Distributions - ETF Class</b>										
Distribution paid and payable (\$'000)	–	–	<b>33,681</b>	27,984	<b>73,919</b>	59,301	<b>56,493</b>	33,809		
Distribution (cents per unit)	–	–	<b>328.7385</b>	382.9864	<b>294.1084</b>	292.3889	<b>448.0797</b>	319.9186		

# Directors' Report (continued)

## Review and results of operations (continued)

### Performance

The table below details the performance of the Funds as represented by the total return, net of fees, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2017 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns. The directors assess the performance of the Funds by comparing each Fund's total return with the corresponding Index (the Benchmark) gross of fees.

	2017	2016	2015	2014	2013
	%	%	%	%	%
<b>Vanguard Cash Reserve Fund</b>					
Capital growth	<b>(0.03)</b>	0.01	–	–	<b>(0.01)</b>
Distribution of income	<b>1.83</b>	2.12	2.47	2.54	3.08
Total return	<b>1.80</b>	2.13	2.47	2.54	3.07
Benchmark return					
<i>Bloomberg AusBond Bank Bill Index</i>	<b>1.82</b>	2.24	2.60	2.70	3.27
<b>Vanguard Cash Plus Fund</b>					
Capital growth	<b>0.05</b>	0.01	0.08	–	<b>(0.29)</b>
Distribution of income	<b>2.12</b>	2.32	2.56	2.67	3.36
Total return	<b>2.17</b>	2.33	2.64	2.67	3.07
Benchmark return					
<i>Bloomberg AusBond Bank Bill Index</i>	<b>1.82</b>	2.24	2.60	27.00	3.27
<b>Vanguard Australian Government Bond Index Fund</b>					
Capital growth	<b>(3.15)</b>	4.84	2.58	0.03	<b>(7.11)</b>
Distribution of income	<b>2.49</b>	2.50	3.02	5.60	8.58
Total return	<b>(0.66)</b>	7.34	5.60	5.63	1.47
Benchmark return					
<i>Bloomberg AusBond Govt 0+ Yr Index</i>	<b>(0.41)</b>	7.60	5.77	5.92	1.71
<b>Vanguard Australian Fixed Interest Index Fund</b>					
Capital growth	<b>(2.88)</b>	1.91	1.34	0.61	<b>(3.19)</b>
Distribution of income	<b>2.96</b>	4.87	4.09	5.28	5.75
Total return	<b>0.08</b>	6.78	5.43	5.89	2.56
Benchmark return					
<i>Bloomberg AusBond Composite 0+ Yr Index</i>	<b>0.25</b>	7.02	5.63	6.11	2.77

Investors should be aware that past performance is not necessarily an indicator of future performance.

# Directors' Report (continued)

## Review and results of operations (continued)

### Performance (continued)

	2017	2016	2015	2014	2013
	%	%	%	%	%
<b>Vanguard Australian Corporate Fixed Interest Index Fund</b>					
Capital growth	(0.42)	1.77	(0.40)	–	–
Distribution of income	3.11	3.28	1.80	–	–
Total return	2.69	5.05	1.40	–	–
Benchmark return					
<i>Bloomberg AusBond Credit 0+ Yr Index</i>	2.83	5.34	1.50	–	–
<b>Vanguard Australian Inflation-Linked Bond Index Fund</b>					
Capital growth	(1.10)	1.77	3.32	5.82	(3.95)
Distribution of income	1.19	2.15	2.58	1.54	1.16
Total return	0.09	3.92	5.90	7.36	(2.79)
Benchmark return					
<i>Bloomberg AusBond Inflation Treasury 1+ Yr Index</i>	0.28	4.24	6.22	7.38	(2.52)
<b>Vanguard Australian Property Securities Index Fund</b>					
Capital growth	(9.67)	18.48	15.09	4.41	18.50
Distribution of income	4.12	5.90	4.99	6.52	5.27
Total return	(5.55)	24.38	20.08	10.93	23.77
Benchmark return					
<i>S&amp;P/ASX 300 A-REIT Index</i>	(5.64)	24.59	20.20	11.08	23.98
<b>Vanguard Australian Shares Index Fund</b>					
Capital growth	7.92	(4.38)	1.10	12.07	16.36
Distribution of income	5.74	5.03	4.34	5.00	5.32
Total return	13.66	0.65	5.44	17.07	21.68
Benchmark return					
<i>S&amp;P/ASX 300 Index</i>	13.82	0.87	5.61	17.25	21.90
<b>Vanguard Australian Shares High Yield Fund</b>					
Capital growth	8.59	(11.60)	(6.03)	11.40	22.98
Distribution of income	8.21	4.96	9.20	6.41	6.21
Total return	16.80	(6.64)	3.17	17.81	29.19
Benchmark return					
<i>FTSE ASFA Australia High Dividend Yield Index</i>	17.61	(6.59)	3.50	17.98	29.45

Investors should be aware that past performance is not necessarily an indicator of future performance.

# Directors' Report (continued)

## Review and results of operations (continued)

### Unit redemption prices

Unit redemption prices (quoted including distribution) are shown as follows:

	At 30 June		Period high		Period low	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Vanguard Cash Reserve Fund	<b>1.0057</b>	1.0063	<b>1.0063</b>	1.0065	<b>1.0044</b>	1.0046
Vanguard Cash Plus Fund	<b>1.0214</b>	1.0221	<b>1.0226</b>	1.0221	<b>1.0191</b>	1.0179
Vanguard Australian Government Bond Index Fund (Wholesale Class)	<b>1.0444</b>	1.0773	<b>1.0829</b>	1.0773	<b>1.0253</b>	1.0173
Vanguard Australian Government Bond Index Fund (ETF Class)	<b>49.2892</b>	50.8460	<b>51.0989</b>	50.8460	<b>48.3842</b>	48.0536
Vanguard Australian Fixed Interest Index Fund (Wholesale Class)	<b>1.1272</b>	1.1739	<b>1.1657</b>	1.1739	<b>1.1087</b>	1.1271
Vanguard Australian Fixed Interest Index Fund (ETF Class)	<b>48.9360</b>	50.9696	<b>50.6087</b>	50.9696	<b>48.1306</b>	48.9720
Vanguard Australian Corporate Fixed Interest Index Fund (Wholesale Class)	<b>1.0332</b>	1.0391	<b>1.0432</b>	1.0391	<b>1.0146</b>	1.0084
Vanguard Australian Corporate Fixed Interest Index Fund (ETF Class)	<b>50.0432</b>	50.3801	<b>50.5521</b>	50.3801	<b>49.1496</b>	49.9974
Vanguard Australian Inflation-Linked Bond Index Fund	<b>1.1022</b>	1.1154	<b>1.1396</b>	1.1244	<b>1.0745</b>	1.0855
Vanguard Australian Property Securities Index Fund (Wholesale Class)	<b>0.9376</b>	1.0430	<b>1.0883</b>	1.0430	<b>0.8787</b>	0.8484
Vanguard Australian Property Securities Index Fund (ETF Class)	<b>77.2076</b>	85.9191	<b>89.6173</b>	85.9191	<b>72.3594</b>	69.8692
Vanguard Australian Shares Index Fund (Wholesale Class)	<b>2.0978</b>	1.9288	<b>2.1643</b>	2.0869	<b>1.8833</b>	1.7402
Vanguard Australian Shares Index Fund (ETF Class)	<b>73.2331</b>	66.8560	<b>75.5469</b>	72.3387	<b>65.7395</b>	60.3554
Vanguard Australian Shares High Yield Fund (Wholesale Class)	<b>1.5900</b>	1.4458	<b>1.6203</b>	1.6531	<b>1.4011</b>	1.3052
Vanguard Australian Shares High Yield Fund (ETF Class)	<b>62.2148</b>	56.5211	<b>63.3988</b>	64.6400	<b>54.8246</b>	51.0894

### Significant changes in state of affairs

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

### Matters subsequent to the end of the financial year

Glenn Reed resigned as a Director of Vanguard Investments Australia Ltd on 31 July 2017.

Rodney Comegys resigned as a Director of Vanguard Investments Australia Ltd on 31 August 2017.

Cynthia Lui was appointed as a Director of Vanguard Investments Australia Ltd on 31 August 2017.

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

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

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. 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.

# Directors' Report (continued)

## Review and results of operations (continued)

### Indemnification and Insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of Vanguard Investments Australia Ltd or the auditors of the Funds. So long as the officers of Vanguard Investments Australia Ltd act in accordance with the Fund Constitutions and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditors of the Funds are in no way indemnified out of the assets of the Funds.

### Fees paid to and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Funds' property during the year are disclosed in note 14 of the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 14 of the financial statements.

### Interests in the Fund

The movement in units on issue in the Funds during the year is disclosed in note 9 of the financial statements.

The value of the Funds' assets and liabilities are 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 Funds 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

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, unless otherwise indicated.

### 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 11.

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



C Kelton  
Managing Director  
Melbourne  
31 August 2017



## Auditor's Independence Declaration for the Vanguard Wholesale Funds (Domestic Funds):

- Vanguard Cash Reserve Fund
- Vanguard Cash Plus Fund
- Vanguard Australian Government Bond Index Fund
- Vanguard Australian Fixed Interest Index Fund
- Vanguard Australian Corporate Fixed Interest Index Fund
- Vanguard Australian Inflation-Linked Bond Index Fund
- Vanguard Australian Property Securities Index Fund
- Vanguard Australian Shares Index Fund
- Vanguard Australian Shares High Yield Fund

As lead auditor for the audits of the Vanguard Wholesale Funds (Domestic Funds) for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audits; and
2. no contraventions of any applicable code of professional conduct in relation to the audits.

A handwritten signature in black ink, appearing to read 'Britt Hawkins', with a long horizontal line extending to the right.

Britt Hawkins  
Partner  
PricewaterhouseCoopers

Melbourne  
31 August 2017

# Statement of comprehensive income

For the year ended 30 June 2017

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>											
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	33,527	40,466	22,047	21,095	(1,158)	23,247	22,624	305,929	2,477	3,603
Other operating income		2	–	15	30	27	40	247	218	57	2
<b>Total net investment income/(loss)</b>		<b>33,529</b>	<b>40,466</b>	<b>22,062</b>	<b>21,125</b>	<b>(1,131)</b>	<b>23,287</b>	<b>22,871</b>	<b>306,147</b>	<b>2,534</b>	<b>3,605</b>
<b>Expenses</b>											
Responsible Entity's fees	14	2,584	2,702	2,636	2,389	1,191	822	11,556	11,027	271	208
Custody fees		8	7	17	18	5	5	10	11	8	5
Other operating expenses		–	1	–	1	–	–	–	3	–	–
<b>Total operating expenses</b>		<b>2,592</b>	<b>2,710</b>	<b>2,653</b>	<b>2,408</b>	<b>1,196</b>	<b>827</b>	<b>11,566</b>	<b>11,041</b>	<b>279</b>	<b>213</b>
<b>Operating profit/(loss)</b>		<b>30,937</b>	<b>37,756</b>	<b>19,409</b>	<b>18,717</b>	<b>(2,327)</b>	<b>22,460</b>	<b>11,305</b>	<b>295,106</b>	<b>2,255</b>	<b>3,392</b>
<b>Finance costs attributable to unitholders</b>											
Distributions to unitholders	10	(30,754)	(37,751)	(19,157)	(18,757)	(11,789)	(7,842)	(152,121)	(215,893)	(3,024)	(2,372)
(Increase)/decrease in net assets attributable to unitholders	9	(183)	(5)	(252)	40	14,116	(14,618)	140,816	(79,213)	769	(1,020)
<b>Profit/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Other comprehensive income		–	–	–	–	–	–	–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of comprehensive income (continued)

For the year ended 30 June 2017

		Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	Notes	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>Investment income</b>									
Interest income		–	–	–	–	835	1,380	77	135
Dividend income		–	–	17,185	1,321	360,690	404,790	76,128	78,698
Distribution income		–	–	226,855	217,338	58,027	57,558	11,822	6,701
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	2,424	4,825	(519,225)	772,243	808,042	(377,283)	166,346	(177,135)
Other operating income		6	–	18	15	628	202	120	34
<b>Total net investment income/(loss)</b>		<b>2,430</b>	<b>4,825</b>	<b>(275,167)</b>	<b>990,917</b>	<b>1,228,222</b>	<b>86,647</b>	<b>254,493</b>	<b>(91,567)</b>
<b>Expenses</b>									
Responsible Entity's fees	14	471	347	11,105	10,722	16,829	17,346	5,207	4,961
Custody fees		1	2	20	16	77	122	14	26
Transaction costs		–	–	124	118	300	282	278	262
Other operating expenses		–	5	412	439	–	19	–	1
<b>Total operating expenses</b>		<b>472</b>	<b>354</b>	<b>11,661</b>	<b>11,295</b>	<b>17,206</b>	<b>17,769</b>	<b>5,499</b>	<b>5,250</b>
<b>Operating profit/(loss)</b>		<b>1,958</b>	<b>4,471</b>	<b>(286,828)</b>	<b>979,622</b>	<b>1,211,016</b>	<b>68,878</b>	<b>248,994</b>	<b>(96,817)</b>
<b>Finance costs attributable to unitholders</b>									
Distributions to unitholders	10	(2,250)	(2,526)	(207,932)	(223,369)	(492,525)	(496,798)	(122,031)	(80,475)
(Increase)/decrease in net assets attributable to unitholders	9	292	(1,945)	494,760	(756,253)	(718,491)	427,920	(126,963)	177,292
<b>Profit/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Other comprehensive income		–	–	–	–	–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Balance sheet

As at 30 June 2017

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>Assets</b>											
Cash and cash equivalents	11	556,440	911,668	1,674	135	544	4,628	53,787	15,089	2,562	976
Margin accounts		89	75	103	104	107	58	278	245	55	33
Receivables		234	62	194	2,336	313	18	7,494	4,172	541	12
Accrued income		259	1	63	2	1	2	224	206	15	14
Due from brokers - receivable for securities sold		-	-	-	-	5,230	1,575	64,851	22,704	-	463
Financial assets held at fair value through profit or loss	6	872,288	945,321	1,212,231	746,124	491,401	408,106	5,555,238	4,459,307	100,089	78,565
<b>Total assets</b>		<b>1,429,310</b>	<b>1,857,127</b>	<b>1,214,265</b>	<b>748,701</b>	<b>497,596</b>	<b>414,387</b>	<b>5,681,872</b>	<b>4,501,723</b>	<b>103,262</b>	<b>80,063</b>
<b>Liabilities</b>											
Distribution payable	10	1,998	3,086	1,954	1,763	3,412	2,475	40,278	82,279	887	786
Payables		238	782	721	689	212	94	3,099	1,868	22	18
Due to brokers - payables for securities purchased		-	42,163	-	4,599	5,683	5,618	122,335	38,030	1,678	1,066
Financial liabilities held at fair value through profit or loss	7	2	-	14	52	-	-	131	9	5	2
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>2,238</b>	<b>46,031</b>	<b>2,689</b>	<b>7,103</b>	<b>9,307</b>	<b>8,187</b>	<b>165,843</b>	<b>122,186</b>	<b>2,592</b>	<b>1,872</b>
<b>Net assets attributable to unitholders (liability)</b>	9	<b>1,427,072</b>	<b>1,811,096</b>	<b>1,211,576</b>	<b>741,598</b>	<b>488,289</b>	<b>406,200</b>	<b>5,516,029</b>	<b>4,379,537</b>	<b>100,670</b>	<b>78,191</b>

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

# Balance sheet (continued)

As at 30 June 2017

	Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
		<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Assets</b>									
Cash and cash equivalents	11	<b>86</b>	21	<b>32,058</b>	15,560	<b>85,627</b>	66,293	<b>28,695</b>	29,930
Margin accounts		–	–	<b>1,636</b>	3,589	<b>5,986</b>	12,482	<b>1,625</b>	5,264
Receivables		<b>12</b>	1	<b>2,940</b>	5,454	<b>21,483</b>	8,378	<b>1,138</b>	982
Accrued income		–	–	<b>79,098</b>	68,860	<b>84,560</b>	79,546	<b>16,677</b>	16,911
Due from brokers - receivable for securities sold		<b>1,212</b>	563	<b>34,727</b>	22,330	<b>167</b>	–	<b>11,452</b>	14,393
Financial assets held at fair value through profit or loss	6	<b>273,582</b>	118,928	<b>4,643,312</b>	4,817,315	<b>10,276,000</b>	8,855,241	<b>1,727,426</b>	1,422,410
<b>Total assets</b>		<b>274,892</b>	119,513	<b>4,793,771</b>	4,933,108	<b>10,473,823</b>	9,021,940	<b>1,787,013</b>	1,489,890
<b>Liabilities</b>									
Distribution payable	10	<b>1,002</b>	518	<b>54,291</b>	109,327	<b>158,498</b>	76,094	<b>48,097</b>	20,320
Payables		<b>140</b>	28	<b>54,592</b>	983	<b>3,692</b>	2,089	<b>627</b>	1,144
Due to brokers - payables for securities purchased		–	390	<b>9,534</b>	11,395	<b>20,496</b>	4,633	<b>8,495</b>	18,387
Financial liabilities held at fair value through profit or loss	7	–	–	<b>1,133</b>	–	<b>795</b>	–	–	194
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,142</b>	936	<b>119,550</b>	121,705	<b>183,481</b>	82,816	<b>57,219</b>	40,045
<b>Net assets attributable to unitholders (liability)</b>	9	<b>273,750</b>	118,577	<b>4,674,221</b>	4,811,403	<b>10,290,342</b>	8,939,124	<b>1,729,794</b>	1,449,845

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

# Statement of changes in equity

For the year ended 30 June 2017

Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	–	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–
<b>Total comprehensive income</b>	–	–	–	–	–	–	–	–	–	–
Transactions with owners in their capacity as owners	–	–	–	–	–	–	–	–	–	–
<b>Total equity at the end of the financial year</b>	–	–	–	–	–	–	–	–	–	–

Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	–	–	–	–	–	–	–	–
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–	–	–
<b>Total comprehensive income</b>	–	–	–	–	–	–	–	–
Transactions with owners in their capacity as owners	–	–	–	–	–	–	–	–
<b>Total equity at the end of the financial year</b>	–	–	–	–	–	–	–	–

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year. The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of cash flows

For the year ended 30 June 2017

		Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	Notes	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>											
Proceeds from sale of financial instruments held at fair value through profit or loss		4,908,604	6,885,547	1,448,881	1,355,397	94,407	72,612	880,019	1,762,597	50,920	35,081
Purchases of financial instruments held at fair value through profit or loss		(4,844,219)	(6,756,230)	(1,897,577)	(1,269,002)	(182,499)	(211,183)	(1,911,079)	(1,443,567)	(68,910)	(54,726)
Other income received		2	5	15	31	28	41	248	290	57	25
Responsible Entity's fees paid		(2,631)	(2,705)	(2,538)	(2,414)	(1,169)	(792)	(11,336)	(11,056)	(267)	(208)
Operating expenses paid		(385)	(2)	(86)	(11)	(10)	(5)	(55)	(9)	(10)	(1)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>61,371</b>	126,615	<b>(451,305)</b>	84,001	<b>(89,243)</b>	(139,327)	<b>(1,042,203)</b>	308,255	<b>(18,210)</b>	(19,829)
<b>Cash flows from financing activities</b>											
Proceeds from applications by unitholders		94,633	106,485	697,487	169,616	159,680	188,468	1,841,867	1,312,069	59,118	43,978
Payments for redemptions by unitholders		(509,017)	(104,958)	(237,848)	(261,006)	(64,842)	(39,611)	(656,594)	(1,549,196)	(36,604)	(21,580)
Distributions paid from operating activities		(2,215)	(1,913)	(6,795)	(4,192)	(9,679)	(6,493)	(104,372)	(76,725)	(2,718)	(2,044)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(416,599)</b>	(386)	<b>452,844</b>	(95,582)	<b>85,159</b>	142,364	<b>1,080,901</b>	(313,852)	<b>19,796</b>	20,354
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(355,228)</b>	126,229	<b>1,539</b>	(11,581)	<b>(4,084)</b>	3,037	<b>38,698</b>	(5,597)	<b>1,586</b>	525
Cash and cash equivalents at the beginning of the year		911,668	785,439	135	11,716	4,628	1,591	15,089	20,686	976	451
Cash and cash equivalents at the end of the year	11	556,440	911,668	1,674	135	544	4,628	53,787	15,089	2,562	976
<b>Non cash financing activities</b>	12(b)	<b>29,627</b>	35,767	<b>12,171</b>	14,478	<b>1,173</b>	694	<b>88,750</b>	99,993	<b>206</b>	118

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

# Statement of cash flows (continued)

For the year ended 30 June 2017

		Vanguard Australian Inflation-Linked Bond Index Fund	Vanguard Australian Property Securities Index Fund	Vanguard Australian Shares Index Fund	Vanguard Australian Shares High Yield Fund				
	Notes	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>									
Proceeds from sale of financial instruments held at fair value through profit or loss		16,088	20,569	640,374	632,790	1,188,680	2,497,761	915,606	975,196
Purchases of financial instruments held at fair value through profit or loss		(169,357)	(26,326)	(996,767)	(629,305)	(1,778,410)	(2,005,757)	(1,057,782)	(1,092,806)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	(124)	(118)	(300)	(282)	(278)	(262)
Interest received		–	–	–	–	842	1,429	71	161
Dividends received		–	–	17,616	–	357,239	406,068	75,895	77,088
Distributions received		–	–	216,185	216,419	56,457	56,877	12,295	5,976
Other income received		6	6	18	15	628	227	120	46
Responsible Entity's fees paid		(433)	(346)	(11,109)	(10,614)	(16,647)	(17,639)	(5,155)	(5,019)
Operating expenses paid		(12)	(7)	(547)	(454)	(97)	(19)	(20)	(1)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>(153,708)</b>	<b>(6,104)</b>	<b>(134,354)</b>	<b>208,733</b>	<b>(191,608)</b>	<b>938,665</b>	<b>(59,248)</b>	<b>(39,621)</b>
<b>Cash flows from financing activities</b>									
Proceeds from applications by unitholders		158,814	16,230	1,452,321	1,020,895	2,390,119	2,468,934	272,687	379,888
Payments for redemptions by unitholders		(4,706)	(11,900)	(1,155,246)	(1,099,676)	(1,991,583)	(3,236,641)	(145,332)	(227,866)
Distributions paid from operating activities		(335)	(489)	(146,223)	(120,033)	(187,594)	(193,669)	(69,342)	(93,887)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>153,773</b>	<b>3,841</b>	<b>150,852</b>	<b>(198,814)</b>	<b>210,942</b>	<b>(961,376)</b>	<b>58,013</b>	<b>58,135</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>65</b>	<b>(2,263)</b>	<b>16,498</b>	<b>9,919</b>	<b>19,334</b>	<b>(22,711)</b>	<b>(1,235)</b>	<b>18,514</b>
Cash and cash equivalents at the beginning of the year		21	2,284	15,560	5,158	66,293	89,004	29,930	11,416
Cash and cash equivalents at the end of the year	11	86	21	32,058	15,560	85,627	66,293	28,695	29,930
<b>Non cash financing activities</b>	12(b)	<b>1,431</b>	<b>2,401</b>	<b>92,005</b>	<b>92,908</b>	<b>222,527</b>	<b>312,629</b>	<b>24,912</b>	<b>38,096</b>

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

# Notes to the financial statements

For the year ended 30 June 2017

## 1. General information

These financial statements cover the Vanguard Wholesale Funds (the "Funds") as registered managed investment schemes. The respective constitution dates are as follows:

- Vanguard Cash Reserve Fund 9 August 2007
- Vanguard Cash Plus Fund 21 July 1998
- Vanguard Australian Government Bond Index Fund 14 November 2008
- Vanguard Australian Fixed Interest Index Fund 6 December 1996
- Vanguard Australian Corporate Fixed Interest Index Fund 17 May 2016
- Vanguard Australian Inflation-Linked Bond Index Fund 17 December 2010
- Vanguard Australian Property Securities Index Fund 10 December 1997
- Vanguard Australian Shares Index Fund 6 December 1996
- Vanguard Australian Shares High Yield Fund 21 February 2000

The Responsible Entity of the Vanguard Wholesale Funds is Vanguard Investments Australia Ltd (the 'Responsible Entity'). The Responsible Entity's registered office is Level 34, Freshwater Place, 2 Southbank Boulevard, Southbank Vic 3006.

The Funds invest in accordance with the investment policy of the Funds as set out in their respective Product Disclosure Statements (PDSs) and in accordance with the Fund Constitutions. The Funds seek to track the returns of the Funds' respective indices, before taking into account Fund fees, expenses and tax.

The financial statements were authorised for issue by the directors on 31 August 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 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 periods presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the *Accounting Standards Board and the Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All material balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 2. Summary of significant accounting policies (continued)

### (i) Compliance with International Financial Reporting Standards

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Funds.

## (b) Financial instruments

### (i) Classification

The Funds' investments are classified as at fair value through profit or loss. They comprise:

- **Financial instruments held for trading**  
Derivative financial instruments such as futures, forward foreign exchange contracts, options and swaps are included under this classification. The Funds do not designate any derivatives as hedges in a hedging relationship.
- **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 listed equity securities, listed unit trusts, listed property trusts, fixed interest securities and money market securities.

Financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

### (ii) Recognition/derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Funds have transferred substantially all risks and rewards of ownership.

### (iii) Measurement

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

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair value of the financial instruments is determined are disclosed in note 4.

### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 2. Summary of significant accounting policies (continued)

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Funds are required to distribute their distributable income, in accordance with the Fund Constitutions.

The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Funds.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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 Funds' main income generating activity.

### (e) Margin accounts

Deposits held with brokers for margin, represent restricted margin deposits for derivative financial instruments.

The reported balance for collateral margins represents the level of restricted cash required to be settled as at close of business at balance date.

### (f) Investment income

Interest income is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income.

Trust distributions are recognised on an entitlements basis

### (g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 2. Summary of significant accounting policies (continued)

### (h) Income tax

Under current legislation, the Funds are not subject to income tax as unitholders are presently entitled to the income of the Funds.

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

### (i) Distributions

In accordance with the Fund Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### (k) Functional and presentation currency

#### (i) Functional and presentation currency

Items included in the Funds' 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 Funds compete for funds and is regulated. The Australian dollar is also the Funds' 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 translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/ (losses) on financial instruments held at fair value through profit or loss.

### (l) 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 end of the year. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

### (m) Receivables and accrued income

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 2. Summary of significant accounting policies (continued)

### (n) Payables

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting period.

As the Funds have a contractual obligation to distribute their distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### (o) Applications and redemptions

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

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credit recovery rate of between 55% and 100%, hence Responsible Entity's fees, custodial fees and other expenses have been recognised in the statement of comprehensive income 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 statement of cash flows on a gross basis.

### (q) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### (r) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 2. Summary of significant accounting policies (continued)

### (s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

#### (i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Funds' financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Funds do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the funds' investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Funds.

The Funds have not yet decided when to adopt AASB 9.

#### (ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Funds' main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements.

### (t) Rounding of amounts

The Funds are registered schemes of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars unless otherwise indicated.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the responsible entity (the "Board").

The Funds use different methods to measure different types of risks to which they are exposed. These methods are explained below.

### (a) Market risk

#### (i) Price risk

The Funds are exposed to price risk whereby the future prices of the Funds' securities are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

In any asset sector the returns of individual securities are a combination of the market returns and returns specific to each security. By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities. Vanguard employs an indexing investment strategy in all asset classes in which the Funds invest.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative assets held for trading	–	195	–	896	9	–
Equity securities designated at fair value through profit or loss	52,666	108,876	9,062,948	7,636,982	1,579,371	1,279,741
Listed unit trusts designated at fair value through profit or loss	4,590,646	4,708,244	1,213,052	1,217,363	148,046	142,669
Derivative liabilities held for trading	(1,133)	–	(795)	–	–	(194)
<b>Net total</b>	<b>4,642,179</b>	<b>4,817,315</b>	<b>10,275,205</b>	<b>8,855,241</b>	<b>1,727,426</b>	<b>1,422,216</b>

The table presented in note 3(b) summarises the impact on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably based on the risk that the Funds were exposed to at reporting date.

#### (ii) Foreign exchange risk

The Funds' assets are denominated in Australian dollars. There is no foreign exchange risk to any of the Funds presented in this financial report.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Funds to fair value interest rate risk.

The Funds' interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

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

The tables below summarise those Funds whose exposure to interest rate risk is significant:

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
<b>30 June 2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>								
Cash and cash equivalents	556,440	–	–	556,440	1,674	–	–	1,674
Margin accounts	89	–	–	89	103	–	–	103
Receivables	–	–	234	234	–	–	194	194
Accrued income	–	–	259	259	–	–	63	63
Due from brokers - receivable for securities sold	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	601,139	271,149	–	872,288	652,166	560,065	–	1,212,231
<b>Total assets</b>	<b>1,157,668</b>	<b>271,149</b>	<b>493</b>	<b>1,429,310</b>	<b>653,943</b>	<b>560,065</b>	<b>257</b>	<b>1,214,265</b>
<b>Liabilities</b>								
Distribution payable	–	–	1,998	1,998	–	–	1,954	1,954
Payables	–	–	238	238	–	–	721	721
Financial liabilities held at fair value through profit or loss	–	–	2	2	–	–	14	14
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>–</b>	<b>–</b>	<b>2,238</b>	<b>2,238</b>	<b>–</b>	<b>–</b>	<b>2,689</b>	<b>2,689</b>
<b>Net assets attributable to unitholders - liability</b>	<b>1,157,668</b>	<b>271,149</b>	<b>(1,745)</b>	<b>1,427,072</b>	<b>653,943</b>	<b>560,065</b>	<b>(2,432)</b>	<b>1,211,576</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	–	–	–	–	–	(980)	–	(980)
Net increase/(decrease) in exposure from Australian money market futures	29,478	–	–	29,478	91,382	–	–	91,382
<b>Net exposure</b>	<b>1,187,146</b>	<b>271,149</b>	<b>(1,745)</b>	<b>1,456,550</b>	<b>745,325</b>	<b>559,085</b>	<b>(2,432)</b>	<b>1,301,978</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and cash equivalents	911,668	–	–	911,668	135	–	–	135
Margin accounts	75	–	–	75	104	–	–	104
Receivables	–	–	62	62	–	–	2,336	2,336
Accrued income	–	–	1	1	–	–	2	2
Due from brokers - receivable for securities sold	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	862,612	82,709	–	945,321	355,444	390,680	–	746,124
<b>Total assets</b>	<b>1,774,355</b>	<b>82,709</b>	<b>63</b>	<b>1,857,127</b>	<b>355,683</b>	<b>390,680</b>	<b>2,338</b>	<b>748,701</b>
<b>Liabilities</b>								
Distribution payable	–	–	–	–	–	–	–	–
Payables	–	–	46,031	46,031	–	–	7,051	7,051
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	52	–	–	52
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>–</b>	<b>–</b>	<b>46,031</b>	<b>46,031</b>	<b>52</b>	<b>–</b>	<b>7,051</b>	<b>7,103</b>
<b>Net assets attributable to unitholders - liability</b>	<b>1,774,355</b>	<b>82,709</b>	<b>(45,968)</b>	<b>1,811,096</b>	<b>355,631</b>	<b>390,680</b>	<b>(4,713)</b>	<b>741,598</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	34,342	–	–	34,342	–	(4,039)	–	(4,039)
Net increase/(decrease) in exposure from international money market futures	–	–	–	–	73,539	–	–	73,539
<b>Net exposure</b>	<b>1,808,697</b>	<b>82,709</b>	<b>(45,968)</b>	<b>1,845,438</b>	<b>429,170</b>	<b>386,641</b>	<b>(4,713)</b>	<b>811,098</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

	Vanguard Australian Government Bond Index Fund				Vanguard Australian Fixed Interest Index Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
<b>30 June 2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>								
Cash and cash equivalents	544	–	–	544	53,787	–	–	53,787
Margin accounts	107	–	–	107	278	–	–	278
Receivables	–	–	313	313	–	–	7,494	7,494
Accrued income	–	–	1	1	–	–	224	224
Due from brokers - receivable for securities sold	–	–	5,230	5,230	–	–	64,851	64,851
Financial assets held at fair value through profit or loss	–	491,401	–	491,401	1,153	5,554,085	–	5,555,238
<b>Total assets</b>	<b>651</b>	<b>491,401</b>	<b>5,544</b>	<b>497,596</b>	<b>55,218</b>	<b>5,554,085</b>	<b>72,569</b>	<b>5,681,872</b>
<b>Liabilities</b>								
Distribution payable	–	–	3,412	3,412	–	–	40,278	40,278
Payables	–	–	212	212	–	–	3,099	3,099
Due to brokers - payables for securities purchased	–	–	5,683	5,683	–	–	122,335	122,335
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	131	–	131
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>–</b>	<b>–</b>	<b>9,307</b>	<b>9,307</b>	<b>–</b>	<b>131</b>	<b>165,712</b>	<b>165,843</b>
<b>Net assets attributable to unitholders - liability</b>	<b>651</b>	<b>491,401</b>	<b>(3,763)</b>	<b>488,289</b>	<b>55,218</b>	<b>5,553,954</b>	<b>(93,143)</b>	<b>5,516,029</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	–	(97)	–	(97)	–	4,081	–	4,081
<b>Net exposure</b>	<b>651</b>	<b>491,304</b>	<b>(3,763)</b>	<b>488,192</b>	<b>55,218</b>	<b>5,558,035</b>	<b>(93,143)</b>	<b>5,520,110</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

	Vanguard Australian Government Bond Index Fund				Vanguard Australian Fixed Interest Index Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and cash equivalents	4,628	–	–	4,628	15,089	–	–	15,089
Margin accounts	58	–	–	58	245	–	–	245
Receivables	–	–	18	18	–	–	4,172	4,172
Accrued income	–	–	2	2	–	–	206	206
Due from brokers - receivable for securities sold	–	–	1,575	1,575	–	–	22,704	22,704
Financial assets held at fair value through profit or loss	–	408,106	–	408,106	847	4,458,460	–	4,459,307
<b>Total assets</b>	<b>4,686</b>	<b>408,106</b>	<b>1,595</b>	<b>414,387</b>	<b>16,181</b>	<b>4,458,460</b>	<b>27,082</b>	<b>4,501,723</b>
<b>Liabilities</b>								
Distribution payable	–	–	–	–	–	–	–	–
Payables	–	–	8,187	8,187	–	–	122,177	122,177
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	9	–	–	9
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>–</b>	<b>–</b>	<b>8,187</b>	<b>8,187</b>	<b>9</b>	<b>–</b>	<b>122,177</b>	<b>122,186</b>
<b>Net assets attributable to unitholders - liability</b>	<b>4,686</b>	<b>408,106</b>	<b>(6,592)</b>	<b>406,200</b>	<b>16,172</b>	<b>4,458,460</b>	<b>(95,095)</b>	<b>4,379,537</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	–	98	–	98	–	9,249	–	9,249
<b>Net exposure</b>	<b>4,686</b>	<b>408,204</b>	<b>(6,592)</b>	<b>406,298</b>	<b>16,172</b>	<b>4,467,709</b>	<b>(95,095)</b>	<b>4,388,786</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

	Vanguard Australian Corporate Fixed Interest Index Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
<b>30 June 2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>								
Cash and cash equivalents	2,562	–	–	2,562	86	–	–	86
Margin accounts	55	–	–	55	–	–	–	–
Receivables	–	–	541	541	–	–	12	12
Accrued income	–	–	15	15	–	–	–	–
Due from brokers - receivable for securities sold	–	–	–	–	–	–	1,212	1,212
Financial assets held at fair value through profit or loss	314	99,775	–	100,089	–	273,582	–	273,582
<b>Total assets</b>	<b>2,931</b>	<b>99,775</b>	<b>556</b>	<b>103,262</b>	<b>86</b>	<b>273,582</b>	<b>1,224</b>	<b>274,892</b>
<b>Liabilities</b>								
Distribution payable	–	–	887	887	–	–	1,002	1,002
Payables	–	–	22	22	–	–	140	140
Due to brokers - payables for securities purchased	–	–	1,678	1,678	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	5	–	5	–	–	–	–
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>–</b>	<b>5</b>	<b>2,587</b>	<b>2,592</b>	<b>–</b>	<b>–</b>	<b>1,142</b>	<b>1,142</b>
<b>Net assets attributable to unitholders - liability</b>	<b>2,931</b>	<b>99,770</b>	<b>(2,031)</b>	<b>100,670</b>	<b>86</b>	<b>273,582</b>	<b>82</b>	<b>273,750</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	–	(1,179)	–	(1,179)	–	–	–	–
Net increase/(decrease) in exposure from international money market futures	–	–	–	–	–	–	–	–
<b>Net exposure</b>	<b>2,931</b>	<b>98,591</b>	<b>(2,031)</b>	<b>99,491</b>	<b>86</b>	<b>273,582</b>	<b>82</b>	<b>273,750</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

	Vanguard Australian Corporate Fixed Interest Index Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and cash equivalents	976	–	–	976	21	–	–	21
Margin accounts	33	–	–	33	–	–	–	–
Receivables	–	–	12	12	–	–	1	1
Accrued income	–	–	14	14	–	–	–	–
Due from brokers - receivable for securities sold	–	–	463	463	–	–	563	563
Financial assets held at fair value through profit or loss	106	78,459	–	78,565	–	118,928	–	118,928
<b>Total assets</b>	<b>1,115</b>	<b>78,459</b>	<b>489</b>	<b>80,063</b>	<b>21</b>	<b>118,928</b>	<b>564</b>	<b>119,513</b>
<b>Liabilities</b>								
Distribution payable	–	–	–	–	–	–	–	–
Payables	–	–	1,870	1,870	–	–	936	936
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	2	–	–	2	–	–	–	–
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>2</b>	<b>–</b>	<b>1,870</b>	<b>1,872</b>	<b>–</b>	<b>–</b>	<b>936</b>	<b>936</b>
<b>Net assets attributable to unitholders - liability</b>	<b>1,113</b>	<b>78,459</b>	<b>(1,381)</b>	<b>78,191</b>	<b>21</b>	<b>118,928</b>	<b>(372)</b>	<b>118,577</b>
Net increase/(decrease) in exposure from Australian fixed interest futures	(790)	–	–	(790)	–	–	–	–
<b>Net exposure</b>	<b>323</b>	<b>78,459</b>	<b>(1,381)</b>	<b>77,401</b>	<b>21</b>	<b>118,928</b>	<b>(372)</b>	<b>118,577</b>

The table presented in note 3(b) summarises the impact of an increase/decrease of interest rates on the Funds' operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Funds' operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates as well as the indices that the individual Funds are designed to track. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables are no a definitive indicator of future variations in the risk variables.

Price risk movement represents the range of historical index returns from the average return minus one standard deviation to the average return plus one standard deviation. For a normal distribution approximately two-thirds of the outcomes are expected to fall within plus or minus one standard deviation of the mean. Outcomes are expected to occur outside these ranges, approximately one-third of the time.

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund		Vanguard Australian Inflation-Linked Bond Index Fund	
	Interest risk		Interest risk		Interest risk		Interest risk		Interest risk		Interest risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps
<b>30 June 2017</b>	<b>(2,216)</b>	<b>2,216</b>	<b>(235)</b>	<b>235</b>	<b>1,227</b>	<b>(1,227)</b>	<b>13,747</b>	<b>(13,747)</b>	<b>242</b>	<b>(242)</b>	<b>684</b>	<b>(684)</b>
	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps	-25bps	+25bps
30 June 2016	(4,229)	4,229	87	(87)	1,009	(1,009)	11,106	(11,106)	193	(193)	297	(297)

Impact on operating profit/(loss) and net assets attributable to unitholders												
	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares Index Fund				Vanguard Australian Shares High Yield Fund			
	Price risk		Interest rate risk		Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-4%	+5%	-25bps	+25bps	-3%	+4%	-25bps	+25bps	-3%	+5%	-25bps	+25bps
<b>30 June 2017</b>	<b>(185,687)</b>	<b>232,109</b>	<b>(84)</b>	<b>84</b>	<b>(308,256)</b>	<b>411,008</b>	<b>(229)</b>	<b>229</b>	<b>(51,823)</b>	<b>86,371</b>	<b>(76)</b>	<b>76</b>
	-4%	+5%	-25bps	+25bps	-3%	+4%	-25bps	+25bps	-3%	+5%	-25bps	+25bps
30 June 2016	(192,693)	240,866	(48)	48	(265,657)	354,210	(197)	197	(42,666)	71,111	(88)	88

### (c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The main concentration of credit risk, to which the Funds are exposed, arises from the Funds' investments in debt securities. The Funds are also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

Credit risk is managed by ensuring that:

- counterparties with respective credit limits are approved by the Responsible Entity; and
- transactions are undertaken with a number of counterparties.

The Funds invest in fixed interest securities and money market securities which have credit ratings as rated by well-known rating agencies. For unrated fixed interest securities a rating is assigned by the investment manager using an approach that is consistent with the approach used by rating agencies.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (c) Credit risk (continued)

#### (i) Debt securities

There is credit risk associated with debt securities. Vanguard seeks to reduce this risk by selecting only debt securities with a sufficiently high credit rating and by diversifying the Funds' holding across issuers.

Vanguard will try to minimise the credit risk associated with holding bonds by primarily holding domestic government and supranational (issued by government-owned or government-guaranteed entities) bonds or other investment-grade entities. Investment-grade issuers are defined as those rated BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. An analysis of debt by rating is set out in the table below.

An analysis of directly held fixed interest securities by rating is set out in the table below:

Rating	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund		Vanguard Australian Inflation-Linked Bond Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AAA	204,096	117,938	257,204	164,059	393,697	324,870	4,122,941	3,282,824	17,914	16,152	273,582	118,928
Aa3	–	73,407	–	40,226	–	–	7,487	5,497	406	757	–	–
Aa2	–	–	–	–	2,936	–	36,071	12,091	1,331	858	–	–
Aa1	–	–	–	2,552	–	1,050	13,445	26,053	1,233	887	–	–
AA+	60,064	132,650	63,088	71,482	85,445	75,555	774,096	647,561	3,565	3,612	–	–
AA	–	–	–	10,215	9,320	6,631	90,949	59,387	1,789	106	–	–
AA	136,002	140,895	167,631	111,908	–	–	166,735	118,533	20,909	16,021	–	–
A3	–	–	–	–	–	–	15,769	10,964	3,301	1,491	–	–
A3e	–	–	–	–	–	–	1,091	2,869	198	156	–	–
A2	–	–	–	–	–	–	973	2,869	488	156	–	–
A1	17,052	–	18,032	–	–	–	3,182	3,243	359	364	–	–
A 1+	159,765	414,169	352,636	184,379	–	–	–	–	–	–	–	–
A 1	99,742	–	69,243	–	–	–	–	–	–	–	–	–
A+	78,511	29,187	45,239	36,096	–	–	35,281	37,906	5,021	3,831	–	–
A	–	2,406	180,145	113,447	–	–	90,865	84,391	14,610	10,929	–	–
A	–	–	44,888	206	–	–	70,135	65,255	10,649	8,604	–	–
BBB+	–	–	–	–	–	–	49,040	43,635	6,382	6,587	–	–
BBB	–	–	–	–	–	–	37,070	30,095	6,592	4,345	–	–
BBB	–	–	–	–	–	–	14,401	15,102	1,792	2,269	–	–
Baa1	–	–	–	–	–	–	4,661	2,123	1,112	475	–	–
Baa2	–	–	–	–	–	–	14,727	11,079	1,626	1,151	–	–
Baa3	–	–	–	–	–	–	4,326	11,079	504	1,151	–	–
Not Rated	117,054	34,669	14,111	11,534	3	–	1,862	600	303	–	–	–
<b>Total</b>	<b>872,286</b>	<b>945,321</b>	<b>1,212,217</b>	<b>746,104</b>	<b>491,401</b>	<b>408,106</b>	<b>5,555,107</b>	<b>4,473,156</b>	<b>100,084</b>	<b>79,902</b>	<b>273,582</b>	<b>118,928</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (c) Credit risk (continued)

#### (ii) Derivative financial instruments

The Responsible Entity has established counterparty limits such that, at any time, exposure to derivative financial instruments equivalent to less than 5% of the value of a Fund are with any individual counterparty, and all contracts are with counterparties included in the Board's Approved Counterparties list.

The Vanguard Cash Reserve Fund, Vanguard Cash Plus Fund and Vanguard Australian Fixed Interest Index Fund also restrict their exposure to credit losses on derivative instruments they hold by entering into master netting arrangements with counterparties with whom they undertake a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Funds' overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangements. As at 30 June 2017, the Funds had no master netting arrangements outstanding (2016: \$nil).

Vanguard Cash Reserve Fund entered into collateral arrangements for repurchase arrangements to assist in enhancing return in a risk-controlled environment for the cashflow management of the Fund.

#### (iii) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligations.

#### (iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A1+ short-term Standard & Poor's credit ratings (or Moody's equivalent).

In accordance with the Responsible Entity's derivatives policy, the Responsible Entity monitors the Funds' exposures on a daily basis, which the Board of Directors reviews quarterly. The derivatives policy is subject to annual review.

#### (v) Other

The Funds are not materially exposed to credit risk on other financial assets. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Funds are exposed to daily cash redemptions of redeemable units. The Funds primarily hold investments that are traded in active markets and can be readily disposed. The Funds' financial instruments include investments in equity investments, fixed interest securities and derivative contracts traded over-the-counter and on an exchange. The Funds' listed securities are considered to be readily realisable as they are all listed on major stock exchanges. The Funds may use futures to gain market exposure without investing directly in the securities. This allows the Funds to maintain liquidity without being under-invested in their respective investment policies. The derivatives are not used to leverage the Funds' portfolios.

The table below analyses the Funds' financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

Vanguard Cash Reserve Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	2	–	–	2	–	–	–	–	–
Distribution payable	1,998	–	–	–	1,998	3,086	–	–	–	3,086
Payables	238	–	–	–	238	782	–	–	–	782
Due to brokers - payables for securities purchased	–	–	–	–	–	42,163	–	–	–	42,163
Net assets attributable to unitholders	1,427,072	–	–	–	1,427,072	1,811,096	–	–	–	1,811,096
<b>Total liabilities</b>	<b>1,429,308</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>1,429,310</b>	<b>1,857,127</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,857,127</b>

Vanguard Cash Plus Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	14	–	–	14	–	8	42	2	52
Distribution payable	1,954	–	–	–	1,954	1,763	–	–	–	1,763
Payables	721	–	–	–	721	689	–	–	–	689
Due to brokers - payables for securities purchased	–	–	–	–	–	4,599	–	–	–	4,599
Net assets attributable to unitholders	1,211,576	–	–	–	1,211,576	741,598	–	–	–	741,598
<b>Total liabilities</b>	<b>1,214,251</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>1,214,265</b>	<b>748,649</b>	<b>8</b>	<b>42</b>	<b>2</b>	<b>748,701</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

Vanguard Australian Government Bond Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	3,412	–	–	–	3,412	2,475	–	–	–	2,475
Payables	212	–	–	–	212	94	–	–	–	94
Due to brokers - payables for securities purchased	5,683	–	–	–	5,683	5,618	–	–	–	5,618
Net assets attributable to unitholders	488,289	–	–	–	488,289	406,200	–	–	–	406,200
<b>Total liabilities</b>	<b>497,596</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>497,596</b>	<b>414,387</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>414,387</b>

Vanguard Australian Fixed Interest Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	131	–	–	131	–	9	–	–	9
Distribution payable	40,278	–	–	–	40,278	82,279	–	–	–	82,279
Payables	3,099	–	–	–	3,099	1,868	–	–	–	1,868
Due to brokers - payables for securities purchased	122,335	–	–	–	122,335	38,030	–	–	–	38,030
Net assets attributable to unitholders	5,516,029	–	–	–	5,516,029	4,379,537	–	–	–	4,379,537
<b>Total liabilities</b>	<b>5,681,741</b>	<b>131</b>	<b>–</b>	<b>–</b>	<b>5,681,872</b>	<b>4,501,714</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>4,501,723</b>

Vanguard Australian Corporate Fixed Interest Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	5	–	–	5	–	2	–	–	2
Distribution payable	887	–	–	–	887	786	–	–	–	786
Payables	22	–	–	–	22	18	–	–	–	18
Due to brokers - payables for securities purchased	1,678	–	–	–	1,678	1,066	–	–	–	1,066
Net assets attributable to unitholders	100,670	–	–	–	100,670	78,191	–	–	–	78,191
<b>Total liabilities</b>	<b>103,257</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>103,262</b>	<b>80,061</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>80,063</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

Vanguard Australian Inflation-Linked Bond Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	1,002	–	–	–	1,002	518	–	–	–	518
Payables	140	–	–	–	140	28	–	–	–	28
Due to brokers - payables for securities purchased	–	–	–	–	–	390	–	–	–	390
Net assets attributable to unitholders	273,750	–	–	–	273,750	118,577	–	–	–	118,577
<b>Total liabilities</b>	<b>274,892</b>	–	–	–	<b>274,892</b>	119,513	–	–	–	119,513

Vanguard Australian Property Securities Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	1,133	–	–	1,133	–	–	–	–	–
Distribution payable	54,291	–	–	–	54,291	84,586	–	–	–	84,586
Payables	54,592	–	–	–	54,592	25,724	–	–	–	25,724
Due to brokers - payables for securities purchased	9,534	–	–	–	9,534	11,395	–	–	–	11,395
Net assets attributable to unitholders	4,674,221	–	–	–	4,674,221	4,811,403	–	–	–	4,811,403
<b>Total liabilities</b>	<b>4,792,638</b>	<b>1,133</b>	–	–	<b>4,793,771</b>	4,933,108	–	–	–	4,933,108

Vanguard Australian Shares Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	795	–	–	795	–	–	–	–	–
Distribution payable	158,498	–	–	–	158,498	76,094	–	–	–	76,094
Payables	3,692	–	–	–	3,692	2,089	–	–	–	2,089
Due to brokers - payables for securities purchased	20,496	–	–	–	20,496	4,633	–	–	–	4,633
Net assets attributable to unitholders	10,290,342	–	–	–	10,290,342	8,939,124	–	–	–	8,939,124
<b>Total liabilities</b>	<b>10,473,028</b>	<b>795</b>	–	–	<b>10,473,823</b>	9,021,940	–	–	–	9,021,940

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

Vanguard Australian Shares High Yield Fund										
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	–	–	–	–	–	–	194	–	–	194
Distribution payable	48,097	–	–	–	48,097	20,320	–	–	–	20,320
Payables	627	–	–	–	627	1,144	–	–	–	1,144
Due to brokers - payables for securities purchased	8,495	–	–	–	8,495	18,387	–	–	–	18,387
Net assets attributable to unitholders	1,729,794	–	–	–	1,729,794	1,449,845	–	–	–	1,449,845
<b>Total liabilities</b>	<b>1,787,013</b>	–	–	–	<b>1,787,013</b>	1,489,696	194	–	–	1,489,890

## 4. Fair value measurement

### (a) Fair value estimation

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL) (see note 6 and 7)
- Financial assets / liabilities held for trading (see note 6 and 7)
- Derivative financial instruments (see note 8)

The Funds have no assets or liabilities at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2(b) to the financial statements. For the majority of investments, the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (a) Fair value estimation (continued)

#### (i) Fair value in an active market (level 1) (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Fair value in an inactive or unquoted market (level 2 and level 3)

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 other 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.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the reporting period 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 unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (b) Recognised fair value measurements

The following tables present the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2017 and 30 June 2016.

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2017</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	612,780	–	612,780	7	790,344	–	790,351
Money market securities	259,508	–	–	259,508	–	421,880	–	421,880
<b>Total</b>	<b>259,508</b>	<b>612,780</b>	<b>–</b>	<b>872,288</b>	<b>7</b>	<b>1,212,224</b>	<b>–</b>	<b>1,212,231</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	2	–	–	2	14	–	–	14
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>14</b>
<b>30 June 2016</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	–	–	–	–	20	–	–	20
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	506,274	–	506,274	–	561,725	–	561,725
Money market securities	439,047	–	–	439,047	–	184,379	–	184,379
<b>Total</b>	<b>439,047</b>	<b>506,274</b>	<b>–</b>	<b>945,321</b>	<b>20</b>	<b>746,104</b>	<b>–</b>	<b>746,124</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	–	–	–	–	52	–	–	52
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>52</b>	<b>–</b>	<b>–</b>	<b>52</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (b) Recognised fair value measurements (continued)

	Vanguard Australian Government Bond Index Fund				Vanguard Australian Fixed Interest Index Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2017</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	3	–	–	3	9	–	–	9
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	491,398	–	491,398	–	5,555,229	–	5,555,229
Money market securities	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3</b>	<b>491,398</b>	<b>–</b>	<b>491,401</b>	<b>9</b>	<b>5,555,229</b>	<b>–</b>	<b>5,555,238</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	–	–	–	–	131	–	–	131
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>131</b>	<b>–</b>	<b>–</b>	<b>131</b>
<b>30 June 2016</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	–	–	–	–	99	–	–	99
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	408,106	–	408,106	–	4,459,208	–	4,459,208
Money market securities	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>408,106</b>	<b>–</b>	<b>408,106</b>	<b>99</b>	<b>4,459,208</b>	<b>–</b>	<b>4,459,307</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	–	–	–	–	9	–	–	9
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>9</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (b) Recognised fair value measurements (continued)

	Vanguard Australian Corporate Fixed Interest Index Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2017</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	11	–	–	11	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	100,078	–	100,078	–	273,582	–	273,582
Equity securities	–	–	–	–	–	–	–	–
Listed unit trusts	–	–	–	–	–	–	–	–
<b>Total</b>	<b>11</b>	<b>100,078</b>	<b>–</b>	<b>100,089</b>	<b>–</b>	<b>273,582</b>	<b>–</b>	<b>273,582</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	5	–	–	5	–	–	–	–
<b>Total</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>30 June 2016</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Fixed interest securities	–	78,565	–	78,565	–	118,928	–	118,928
Equity securities	–	–	–	–	–	–	–	–
Listed unit trusts	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>78,565</b>	<b>–</b>	<b>78,565</b>	<b>–</b>	<b>118,928</b>	<b>–</b>	<b>118,928</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Derivatives	2	–	–	2	–	–	–	–
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (b) Recognised fair value measurements (continued)

	Vanguard Australian Property Securities Index Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2017</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	–	–	–	–
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	–	–	–	–
Equity securities	52,666	–	–	52,666
Listed unit trusts	4,590,646	–	–	4,590,646
<b>Total</b>	<b>4,643,312</b>	<b>–</b>	<b>–</b>	<b>4,643,312</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	1,133	–	–	1,133
<b>Total</b>	<b>1,133</b>	<b>–</b>	<b>–</b>	<b>1,133</b>
<b>30 June 2016</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	195	–	–	195
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	–	–	–	–
Equity securities	108,876	–	–	108,876
Listed unit trusts	4,708,244	–	–	4,708,244
<b>Total</b>	<b>4,817,315</b>	<b>–</b>	<b>–</b>	<b>4,817,315</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 4. Fair value measurement (continued)

### (b) Recognised fair value measurements (continued)

	Vanguard Australian Shares Index Fund				Vanguard Australian Shares High Yield Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2017</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	–	–	–	–	9	–	–	9
Financial assets designated at fair value through profit or loss:								
Equity securities	9,062,110	838	–	9,062,948	1,579,371	–	–	1,579,371
Listed unit trusts	1,213,052	–	–	1,213,052	148,046	–	–	148,046
<b>Total</b>	<b>10,275,162</b>	<b>838</b>	<b>–</b>	<b>10,276,000</b>	<b>1,727,426</b>	<b>–</b>	<b>–</b>	<b>1,727,426</b>

### Financial liabilities

Financial liabilities held for trading:

Derivatives	795	–	–	795	–	–	–	–
<b>Total</b>	<b>795</b>	<b>–</b>	<b>–</b>	<b>795</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Vanguard Australian Shares Index Fund				Vanguard Australian Shares High Yield Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial assets</b>								
Financial assets held for trading:								
Derivatives	896	–	–	896	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Equity securities	7,630,235	6,747	–	7,636,982	1,279,741	–	–	1,279,741
Listed unit trusts	1,217,363	–	–	1,217,363	142,669	–	–	142,669
<b>Total</b>	<b>8,848,494</b>	<b>6,747</b>	<b>–</b>	<b>8,855,241</b>	<b>1,422,410</b>	<b>–</b>	<b>–</b>	<b>1,422,410</b>

### Financial liabilities

Financial liabilities held for trading:

Derivatives	–	–	–	–	194	–	–	194
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>194</b>	<b>–</b>	<b>–</b>	<b>194</b>

The Funds' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### (c) Transfers between levels

The following tables present the transfers between levels during the year ended 30 June 2017:

	Vanguard Australian Shares Index Fund		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>30 June 2017</b>			
<b>Transfers between level 1 and 2:</b>			
Equity securities	(216)	216	–

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 5. Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments held for trading	(2)	1	25	(59)	3	–	(212)	91	7	1
Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss	(1,410)	(1,068)	27	4,151	(16,970)	11,066	(163,525)	79,691	(934)	711
Net realised gain/(loss) on financial instruments held for trading	(34)	(68)	–	(419)	35	17	(1,317)	691	(71)	(13)
Net realised gain/(loss) on financial instruments designated at fair value through profit or loss	34,973	41,601	21,995	17,422	15,774	12,164	187,678	225,456	3,475	2,904
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>33,527</b>	<b>40,466</b>	<b>22,047</b>	<b>21,095</b>	<b>(1,158)</b>	<b>23,247</b>	<b>22,624</b>	<b>305,929</b>	<b>2,477</b>	<b>3,603</b>

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments held for trading	–	–	(1,329)	552	(1,691)	3,644	203	(238)
Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss	(1,240)	1,372	(632,963)	632,769	675,644	(518,625)	43,421	(60,262)
Net realised gain/(loss) on financial instruments held for trading	–	–	(2,220)	1,515	12,219	(311)	1,562	(134)
Net realised gain/(loss) on financial instruments designated at fair value through profit or loss	3,664	3,453	117,287	137,407	121,870	138,009	121,160	(116,501)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>2,424</b>	<b>4,825</b>	<b>(519,225)</b>	<b>772,243</b>	<b>808,042</b>	<b>(377,283)</b>	<b>166,346</b>	<b>(177,135)</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 6. Financial assets held at fair value through profit or loss

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Held for trading</b>										
Derivatives	–	–	7	20	3	–	9	99	11	–
Total held for trading	–	–	7	20	3	–	9	99	11	–
<b>Designated at fair value through profit or loss</b>										
Fixed interest securities	612,780	506,274	790,344	561,725	491,398	408,106	5,555,229	4,459,208	100,078	78,565
Money market securities	259,508	439,047	421,880	184,379	–	–	–	–	–	–
Total designated at fair value through profit or loss	872,288	945,321	1,212,224	746,104	491,398	408,106	5,555,229	4,459,208	100,078	78,565
<b>Total financial assets held at fair value through profit or loss</b>	<b>872,288</b>	<b>945,321</b>	<b>1,212,231</b>	<b>746,124</b>	<b>491,401</b>	<b>408,106</b>	<b>5,555,238</b>	<b>4,459,307</b>	<b>100,089</b>	<b>78,565</b>
<b>Comprising:</b>										
<b>Derivatives</b>										
Australian interest rate futures	–	–	7	20	3	–	9	99	11	–
Total derivatives	–	–	7	20	3	–	9	99	11	–
<b>Fixed interest securities</b>										
Australian fixed interest securities	612,780	506,274	790,344	561,725	491,398	408,106	5,555,229	4,459,208	100,078	78,565
Total fixed interest securities	612,780	506,274	790,344	561,725	491,398	408,106	5,555,229	4,459,208	100,078	78,565
<b>Money market securities</b>										
Australian money market securities	259,508	439,047	421,880	184,379	–	–	–	–	–	–
Total money market securities	259,508	439,047	421,880	184,379	–	–	–	–	–	–
<b>Total financial assets held at fair value through profit or loss</b>	<b>872,288</b>	<b>945,321</b>	<b>1,212,231</b>	<b>746,124</b>	<b>491,401</b>	<b>408,106</b>	<b>5,555,238</b>	<b>4,459,307</b>	<b>100,089</b>	<b>78,565</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 6. Financial assets held at fair value through profit or loss (continued)

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	<b>Fair value</b>	Fair value	<b>Fair value</b>	Fair value	<b>Fair value</b>	Fair value	<b>Fair value</b>	Fair value
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Held for trading</b>								
Derivatives	–	–	–	195	–	896	<b>9</b>	–
Total held for trading	–	–	–	195	–	896	<b>9</b>	–
<b>Designated at fair value through profit or loss</b>								
Fixed interest securities	<b>273,582</b>	118,928	–	–	–	–	–	–
Equity securities	–	–	<b>52,666</b>	108,876	<b>9,062,948</b>	7,636,982	<b>1,579,371</b>	1,279,741
Listed unit trusts	–	–	<b>4,590,646</b>	4,708,244	<b>1,213,052</b>	1,217,363	<b>148,046</b>	142,669
Total designated at fair value through profit or loss	<b>273,582</b>	118,928	<b>4,643,312</b>	4,817,120	<b>10,276,000</b>	8,854,345	<b>1,727,417</b>	1,422,410
<b>Total financial assets held at fair value through profit or loss</b>	<b>273,582</b>	118,928	<b>4,643,312</b>	4,817,315	<b>10,276,000</b>	8,855,241	<b>1,727,426</b>	1,422,410
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian share price futures	–	–	–	195	–	896	<b>9</b>	–
Total derivatives	–	–	–	195	–	896	<b>9</b>	–
<b>Fixed interest securities</b>								
Australian fixed interest securities	<b>273,582</b>	118,928	–	–	–	–	–	–
Total fixed interest securities	<b>273,582</b>	118,928	–	–	–	–	–	–
<b>Equity securities</b>								
Australian equity securities	–	–	<b>52,666</b>	108,876	<b>9,062,948</b>	7,636,982	<b>1,579,371</b>	1,279,741
Total equity securities	–	–	<b>52,666</b>	108,876	<b>9,062,948</b>	7,636,982	<b>1,579,371</b>	1,279,741
<b>Listed unit trusts</b>								
Australian listed trusts	–	–	<b>4,590,646</b>	4,708,244	<b>1,213,052</b>	1,217,363	<b>148,046</b>	142,669
Total listed unit trusts	–	–	<b>4,590,646</b>	4,708,244	<b>1,213,052</b>	1,217,363	<b>148,046</b>	142,669
<b>Total financial assets held at fair value through profit or loss</b>	<b>273,582</b>	118,928	<b>4,643,312</b>	4,817,315	<b>10,276,000</b>	8,855,241	<b>1,727,426</b>	1,422,410

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 7. Financial liabilities held at fair value through profit or loss

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Held for trading</b>								
Derivatives	2	–	14	52	131	9	5	2
Total held for trading	2	–	14	52	131	9	5	2
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>2</b>	<b>–</b>	<b>14</b>	<b>52</b>	<b>131</b>	<b>9</b>	<b>5</b>	<b>2</b>
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian interest rate futures	2	–	14	52	131	9	5	2
Total derivatives	2	–	14	52	131	9	5	2
<b>Total financial assets held at fair value through profit or loss</b>	<b>2</b>	<b>–</b>	<b>14</b>	<b>52</b>	<b>131</b>	<b>9</b>	<b>5</b>	<b>2</b>

	Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Held for trading</b>						
Derivatives	1,133	-	795	-	-	194
Total held for trading	1,133	-	795	-	-	194
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>1,133</b>	<b>-</b>	<b>795</b>	<b>-</b>	<b>-</b>	<b>194</b>
<b>Comprising:</b>						
<b>Derivatives</b>						
Australian interest rate futures	1,133	-	795	-	-	194
Total derivatives	1,133	-	795	-	-	194
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,133</b>	<b>-</b>	<b>795</b>	<b>-</b>	<b>-</b>	<b>194</b>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 8. Derivative financial instruments

In the normal course of business the Funds enter 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 Funds' 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 a Fund 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 Funds.

The Funds hold the following derivative instruments:

### Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The Funds' derivative financial instruments at year end are detailed below:

	Vanguard Cash Reserve Fund						Vanguard Cash Plus Fund					
	2017			2016			2017			2016		
	Contract / Notional \$'000	Fair value Assets \$'000	Liabilities \$'000									
Australian fixed interest futures	29,478	–	2	34,342	–	–	(980)	7	–	69,500	20	52
Futures in respect of money market securities	–	–	–	–	–	–	91,382	–	14	–	–	–
<b>Total</b>	<b>29,478</b>	<b>–</b>	<b>2</b>	<b>34,342</b>	<b>–</b>	<b>–</b>	<b>90,402</b>	<b>7</b>	<b>14</b>	<b>69,500</b>	<b>20</b>	<b>52</b>

	Vanguard Australian Government Bond Index Fund						Vanguard Australian Fixed Interest Index Fund					
	2017			2016			2017			2016		
	Contract / Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract / Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract / Notional \$'000	Fair value Assets \$'000	Liabilities \$'000	Contract / Notional \$'000	Fair value Assets \$'000	Liabilities \$'000
Australian fixed interest futures	(97)	3	–	98	–	–	4,081	9	131	9,429	99	9
<b>Total</b>	<b>(97)</b>	<b>3</b>	<b>–</b>	<b>98</b>	<b>–</b>	<b>–</b>	<b>4,081</b>	<b>9</b>	<b>131</b>	<b>9,429</b>	<b>99</b>	<b>9</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 8. Derivative financial instrument (continued)

	Vanguard Australian Corporate Fixed Interest Index Fund						Vanguard Australian Property Securities Index Fund					
	2017			2016			2017			2016		
	Contract / Notional	Fair value		Contract / Notional	Fair value		Contract / Notional	Fair value		Contract / Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Australian fixed interest futures	(1,179)	11	5	(790)	–	2	–	–	–	–	–	–
Futures in respect of money market securities	–	–	–	–	–	–	33,147	–	1,133	19,847	195	–
<b>Total</b>	<b>(1,179)</b>	<b>11</b>	<b>5</b>	<b>(790)</b>	<b>–</b>	<b>2</b>	<b>33,147</b>	<b>–</b>	<b>1,133</b>	<b>19,847</b>	<b>195</b>	<b>–</b>

	Vanguard Australian Shares Index Fund						Vanguard Australian Shares High Yield Fund					
	2017			2016			2017			2016		
	Contract / Notional	Fair value		Contract / Notional	Fair value		Contract / Notional	Fair value		Contract / Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Australian share price index futures	88,124	–	795	123,189	896	–	10,733	9	–	30,668	–	194
<b>Total</b>	<b>88,124</b>	<b>–</b>	<b>795</b>	<b>123,189</b>	<b>896</b>	<b>–</b>	<b>10,733</b>	<b>9</b>	<b>–</b>	<b>30,668</b>	<b>–</b>	<b>194</b>

### Risk exposures and fair value measurements

Information about the Funds' exposure to credit risk, foreign exchange risk, and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 9. Net assets attributable to unitholders

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

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000
Opening balance	<b>1,803,050</b>	1,766,470	<b>1,811,096</b>	1,774,333	<b>727,574</b>	800,224	<b>741,598</b>	815,659	<b>106,749</b>	100,691	<b>118,577</b>	109,901
Applications	<b>94,181</b>	105,941	<b>94,670</b>	106,504	<b>681,521</b>	168,203	<b>695,330</b>	171,542	<b>145,488</b>	14,647	<b>158,814</b>	16,231
Redemptions	<b>(505,731)</b>	(104,965)	<b>(508,504)</b>	(105,513)	<b>(232,953)</b>	(255,063)	<b>(237,775)</b>	(260,041)	<b>(4,338)</b>	(10,771)	<b>(4,780)</b>	(11,901)
Units issued upon reinvestment of distributions	<b>29,494</b>	35,604	<b>29,627</b>	35,767	<b>11,934</b>	14,210	<b>12,171</b>	14,478	<b>1,297</b>	2,182	<b>1,431</b>	2,401
Increase/(decrease) in net assets attributable to unitholders	–	–	<b>183</b>	5	–	–	<b>252</b>	(40)	–	–	<b>(292)</b>	1,945
<b>Closing balance</b>	<b>1,420,994</b>	1,803,050	<b>1,427,072</b>	1,811,096	<b>1,188,076</b>	727,574	<b>1,211,576</b>	741,598	<b>249,196</b>	106,749	<b>273,750</b>	118,577

	Vanguard Australian Government Bond Index Fund											
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF	
	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units
	<b>30 June 2017</b>	<b>30 June 2017</b>	30 June 2016	30 June 2016	<b>30 June 2017</b>	<b>30 June 2017</b>	Total	Total	30 June 2016	30 June 2016	Total	Total
No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	<b>283,730</b>	<b>2,025</b>	188,731	1,012			<b>406,200</b>					241,593
Applications	<b>116,746</b>	<b>750</b>	128,961	1,070	<b>122,335</b>	<b>37,635</b>	<b>159,970</b>	135,270	53,039	188,309	188,309	
Redemptions	<b>(57,071)</b>	<b>(100)</b>	(34,494)	(60)	<b>(60,034)</b>	<b>(4,904)</b>	<b>(64,938)</b>	(36,051)	(2,963)	(39,014)	(39,014)	
Units issued upon reinvestment of distributions	<b>883</b>	<b>5</b>	532	3	<b>928</b>	<b>245</b>	<b>1,173</b>	552	142	694	694	
Increase/(decrease) in net assets attributable to unitholders							<b>(14,116)</b>					14,618
<b>Closing balance</b>	<b>344,288</b>	<b>2,680</b>	283,730	2,025	–	–	<b>488,289</b>	–	–	406,200	406,200	

	Vanguard Australian Fixed Interest Index Fund											
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF	
	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units
	<b>30 June 2017</b>	<b>30 June 2017</b>	30 June 2016	30 June 2016	<b>30 June 2017</b>	<b>30 June 2017</b>	Total	Total	30 June 2016	30 June 2016	Total	Total
No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	<b>3,439,691</b>	<b>8,370</b>	3,742,068	4,246			<b>4,379,537</b>					4,436,577
Applications	<b>1,420,565</b>	<b>4,800</b>	966,374	4,110	<b>1,606,722</b>	<b>238,441</b>	<b>1,845,163</b>	1,107,824	204,507	1,312,331	1,312,331	
Redemptions	<b>(578,674)</b>	–	(1,356,182)	–	<b>(657,605)</b>	–	<b>(657,605)</b>	(1,548,577)	–	(1,548,577)	(1,548,577)	
Units issued upon reinvestment of distributions	<b>77,965</b>	<b>22</b>	87,431	14	<b>88,659</b>	<b>1,091</b>	<b>89,750</b>	99,308	685	99,993	99,993	
Increase/(decrease) in net assets attributable to unitholders							<b>(140,816)</b>					79,213
<b>Closing balance</b>	<b>4,359,547</b>	<b>13,192</b>	3,439,691	8,370	–	–	<b>5,516,029</b>	–	–	4,379,537	4,379,537	

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 9. Net assets attributable to unitholders (continued)

	Vanguard Australian Corporate Fixed Interest Index Fund											
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF	
	Class units		Class units		Class units		Class units		Class units		Class units	
	30 June 2017		30 June 2016		30 June 2017		Total		30 June 2016		Total	
	No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	72,082	80	54,188	–	–	–	78,191	–	–	–	54,819	
Applications	25,250	670	38,853	80	26,128	33,518	59,646	39,808	4,007	–	43,815	
Redemptions	(35,564)	–	(21,075)	–	(36,604)	–	(36,604)	(21,581)	–	–	(21,581)	
Units issued upon reinvestment of distributions	182	–	116	–	188	18	206	118	–	–	118	
Increase/(decrease) in net assets attributable to unitholders	–	–	–	–	–	–	(769)	–	–	–	1,020	
<b>Closing balance</b>	<b>61,950</b>	<b>750</b>	<b>72,082</b>	<b>80</b>	<b>–</b>	<b>–</b>	<b>100,670</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>78,191</b>	

	Vanguard Australian Property Securities Index Fund											
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF	
	Class units		Class units		Class units		Class units		Class units		Class units	
	30 June 2017		30 June 2016		30 June 2017		Total		30 June 2016		Total	
	No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	4,035,369	8,026	4,219,181	5,762	–	–	4,811,403	–	–	–	4,060,562	
Applications	1,173,960	3,580	895,253	2,500	1,164,390	285,303	1,449,693	831,160	191,971	–	1,023,131	
Redemptions	(1,204,458)	(80)	(1,181,225)	(260)	(1,177,251)	(6,869)	(1,184,120)	(1,099,112)	(22,339)	–	(1,121,451)	
Units issued upon reinvestment of distributions	88,209	52	102,160	24	87,787	4,218	92,005	91,172	1,736	–	92,908	
Increase/(decrease) in net assets attributable to unitholders	–	–	–	–	–	–	(494,760)	–	–	–	756,253	
<b>Closing balance</b>	<b>4,093,080</b>	<b>11,578</b>	<b>4,035,369</b>	<b>8,026</b>	<b>–</b>	<b>–</b>	<b>4,674,221</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,811,403</b>	

	Vanguard Australian Shares Index Fund											
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF	
	Class units		Class units		Class units		Class units		Class units		Class units	
	30 June 2017		30 June 2016		30 June 2017		Total		30 June 2016		Total	
	No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	3,876,164	23,108	4,389,506	15,659	–	–	8,939,124	–	–	–	9,846,180	
Applications	877,014	8,520	868,846	12,060	1,800,356	602,848	2,403,204	1,655,737	788,954	–	2,444,691	
Redemptions	(810,961)	(4,980)	(1,542,720)	(4,740)	–	(349,095)	–	(2,922,021)	(314,435)	–	(3,236,456)	
Units issued upon reinvestment of distributions	106,360	125	160,532	129	213,655	8,872	222,527	304,177	8,452	–	312,629	
Increase/(decrease) in net assets attributable to unitholders	–	–	–	–	–	–	718,491	–	–	–	(427,920)	
<b>Closing balance</b>	<b>4,048,577</b>	<b>26,773</b>	<b>3,876,164</b>	<b>23,108</b>	<b>–</b>	<b>–</b>	<b>10,290,342</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,939,124</b>	

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 9. Net assets attributable to unitholders (continued)

	Vanguard Australian Shares High Yield Fund										
	Wholesale		ETF		Wholesale		ETF		Wholesale		ETF
	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	Class units	
	30 June 2017		30 June 2016		30 June 2017		Total	30 June 2016		Total	
No. '000	No. '000	No. '000	No. '000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance	582,203	11,155	568,622	8,438	–	–	1,449,845	–	–	1,448,314	
Applications	82,557	2,440	139,766	2,800	125,970	146,867	272,837	206,426	162,271	368,697	
Redemptions	(95,202)	–	(148,069)	(160)	(144,763)	–	(144,763)	(218,720)	(9,250)	(227,970)	
Units issued upon reinvestment of distributions	13,674	76	21,884	77	20,473	4,439	24,912	33,590	4,506	38,096	
Increase/(decrease) in net assets attributable to unitholders	–	–	–	–	–	–	126,963	–	–	(177,292)	
<b>Closing balance</b>	<b>583,232</b>	<b>13,671</b>	<b>582,203</b>	<b>11,155</b>	<b>–</b>	<b>–</b>	<b>1,729,794</b>	<b>–</b>	<b>–</b>	<b>1,449,845</b>	

Each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. The Vanguard Cash Reserve Fund, Vanguard Cash Plus Fund and Vanguard Australian Inflation-Linked Bond Index Fund have no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

### Capital Risk Management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

The Funds monitor the level of daily applications and redemptions relative to the liquid assets in the Funds. As of 30 June 2017 the capital of the Funds is represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Fund Constitutions allow the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitution allows payment to be delayed beyond the maximum number of days.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 10. Distributions to unitholders paid and payable

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
<b>Distributions paid</b>								
31 July	3,112	0.1715	2,975	0.1679	1,334	0.1784	1,509	0.1844
31 August	2,942	0.1620	3,041	0.1708	1,562	0.2093	1,616	0.1961
30 September	2,698	0.1473	2,969	0.1664	1,506	0.1966	1,477	0.1779
31 October	2,705	0.1472	3,076	0.1726	1,365	0.1767	1,562	0.1885
30 November	2,553	0.1397	3,016	0.1690	1,279	0.1683	1,579	0.1897
31 December	2,627	0.1440	3,133	0.1732	1,261	0.1640	1,461	0.1711
31 January	2,674	0.1480	3,432	0.1898	1,505	0.1942	1,810	0.2120
28 February	2,380	0.1311	3,081	0.1737	1,609	0.1535	1,475	0.1827
31 March	2,664	0.1815	3,374	0.1899	1,829	0.1719	1,512	0.1870
30 April	2,212	0.1517	3,214	0.1783	1,994	0.1835	1,606	0.2215
31 May	2,189	0.1542	3,354	0.1858	1,959	0.1785	1,387	0.1907
<b>Distributions payable</b>								
30 June	1,998	0.1406	3,086	0.1711	1,954	0.1645	1,763	0.2423
	<b>30,754</b>	<b>1.8188</b>	37,751	2.1085	<b>19,157</b>	<b>2.1394</b>	18,757	2.3439

	Vanguard Australian Government Bond Index Fund							
	Wholesale Class units				ETF Class units			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
<b>Distributions paid</b>								
30 September	1,767	0.5898	1,202	0.5933	715	29.1949	334	29.0749
31 December	2,150	0.7347	1,381	0.6176	919	35.7155	430	31.3491
31 March	2,018	0.6102	1,509	0.6114	808	29.5319	511	32.1368
<b>Distributions payable</b>								
30 June	2,465	0.7159	1,827	0.6440	947	34.9690	648	31.6958
	<b>8,400</b>	<b>2.6506</b>	5,919	2.4663	<b>3,389</b>	<b>129.4113</b>	1,923	124.2566

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 10. Distributions to unitholders paid and payable (continued)

	Vanguard Australian Fixed Interest Index Fund										
	Wholesale Class units				ETF Class units						
	30 June 2017		30 June 2016		30 June 2017		30 June 2016				
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU			
<b>Distributions paid</b>											
30 September	<b>33,968</b>	<b>0.9501</b>	45,825	1.1985	<b>4,566</b>	<b>42.0836</b>	2,684	52.8466			
31 December	<b>32,842</b>	<b>0.8772</b>	42,813	1.0990	<b>4,539</b>	<b>38.4976</b>	3,155	49.6065			
31 March	<b>31,794</b>	<b>0.7553</b>	36,070	0.9168	<b>4,134</b>	<b>33.0657</b>	3,067	42.7023			
<b>Distributions payable:</b>											
30 June	<b>35,512</b>	<b>0.8146</b>	74,340	2.1612	<b>4,766</b>	<b>35.9191</b>	7,939	94.5753			
	<b>134,116</b>	<b>3.3972</b>	199,048	5.3755	<b>18,005</b>	<b>149.5660</b>	16,845	239.7307			

	Vanguard Australian Corporate Fixed Interest Index Fund				Vanguard Australian Inflation-Linked Bond Index Fund							
	Wholesale Class units		ETF Class units		Wholesale Class units		ETF Class units					
	30 June 2017		30 June 2016		30 June 2017		30 June 2016					
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU				
<b>Distributions paid</b>												
30 September	<b>519</b>	<b>0.6888</b>	497	0.7363	<b>120</b>	<b>35.3233</b>	–	–	<b>419</b>	<b>0.3919</b>	–	–
31 December	<b>492</b>	<b>0.6584</b>	539	0.7607	<b>163</b>	<b>32.5834</b>	–	–	<b>367</b>	<b>0.3388</b>	2,008	1.8343
31 March	<b>581</b>	<b>0.9304</b>	550	0.7264	<b>262</b>	<b>46.0940</b>	–	–	<b>462</b>	<b>0.1905</b>	–	–
<b>Distributions payable</b>												
30 June	<b>553</b>	<b>0.8933</b>	744	1.0318	<b>334</b>	<b>44.3138</b>	42	52.6305	<b>1,002</b>	<b>0.4022</b>	518	0.4855
	<b>2,145</b>	<b>3.1709</b>	2,330	3.2552	<b>879</b>	<b>158.3145</b>	42	52.6305	<b>2,250</b>	<b>1.3234</b>	2,526	2.3198

	Vanguard Australian Property Securities Index Fund										
	Wholesale Class units				ETF Class units						
	30 June 2017		30 June 2016		30 June 2017		30 June 2016				
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU			
<b>Distributions paid</b>											
30 September	<b>28,502</b>	<b>0.6980</b>	30,289	0.6915	<b>4,914</b>	<b>57.6054</b>	3,564	56.9144			
31 December	<b>55,271</b>	<b>1.4072</b>	62,319	1.4467	<b>11,511</b>	<b>116.1108</b>	8,164	119.2247			
31 March	<b>43,872</b>	<b>1.0852</b>	30,144	0.7128	<b>9,571</b>	<b>89.5042</b>	4,303	58.7312			
<b>Distributions payable</b>											
30 June	<b>46,606</b>	<b>1.1387</b>	72,633	1.7999	<b>7,685</b>	<b>65.5181</b>	11,953	148.1161			
	<b>174,251</b>	<b>4.3291</b>	195,385	4.6509	<b>33,681</b>	<b>328.7385</b>	27,984	382.9864			

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 10. Distributions to unitholders paid and payable (continued)

	Vanguard Australian Shares Index Fund							
	Wholesale Class units				ETF Class units			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
<b>Distributions paid</b>								
30 September	113,224	2.8985	125,798	2.7016	24,798	102.0137	17,175	94.3797
31 December	100,634	2.6366	126,113	2.7301	23,716	92.7798	18,912	95.2639
31 March	58,568	1.5276	113,791	2.4243	13,087	54.0283	18,915	84.6678
<b>Distributions payable</b>								
30 June	146,180	3.6107	71,795	1.8522	12,318	45.2866	4,299	18.0775
	<b>418,606</b>	<b>10.6734</b>	437,497	9.7082	<b>73,919</b>	<b>294.1084</b>	59,301	292.3889

	Vanguard Australian Shares High Yield Fund							
	Wholesale Class units				ETF Class units			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
<b>Distributions paid</b>								
30 September	16,339	2.8107	17,067	2.9151	13,114	112.1813	11,348	116.6084
31 December	16,361	2.8205	12,059	2.0075	13,469	112.1223	8,705	80.7386
31 March	7,870	1.3573	6,098	1.0010	6,781	54.9961	4,878	43.3805
<b>Distributions payable</b>								
30 June	24,968	4.2809	11,442	1.9652	23,129	168.7800	8,878	79.1911
	<b>65,538</b>	<b>11.2694</b>	46,666	7.8888	<b>56,493</b>	<b>448.0797</b>	33,809	319.9186

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 11. Cash and cash equivalents

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Domestic cash at bank	<b>556,440</b>	911,668	<b>1,674</b>	135	<b>544</b>	4,628	<b>53,787</b>	15,089	<b>2,562</b>	976
	<b>556,440</b>	911,668	<b>1,674</b>	135	<b>544</b>	4,628	<b>53,787</b>	15,089	<b>2,562</b>	976

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Domestic cash at bank	<b>86</b>	21	<b>32,058</b>	15,560	<b>85,627</b>	66,293	<b>28,695</b>	29,930
	<b>86</b>	21	<b>32,058</b>	15,560	<b>85,627</b>	66,293	<b>28,695</b>	29,930

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 12. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>										
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	183	5	252	(40)	(14,116)	14,618	(140,816)	79,213	(769)	1,020
Distributions to unitholders	30,754	37,751	19,157	18,757	11,789	7,842	152,121	215,893	3,024	2,372
Proceeds from sale of financial instruments held at fair value through profit or loss	4,908,604	6,885,547	1,448,881	1,355,397	94,407	72,612	880,019	1,762,597	50,920	35,081
Purchases of financial instruments held at fair value through profit or loss	(4,844,219)	(6,756,230)	(1,897,577)	(1,269,002)	(182,499)	(211,183)	(1,911,079)	(1,443,567)	(68,910)	(54,726)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(33,527)	(40,466)	(22,047)	(21,095)	1,158	(23,247)	(22,624)	(305,929)	(2,477)	(3,603)
Net change in receivables	(393)	4	(75)	1	(4)	(4)	(44)	65	(2)	22
Net change in payables	(31)	4	104	(17)	22	35	220	(17)	4	5
Non-cash items	–	–	–	–	–	–	–	–	–	–
<b>Net cash inflow/(outflow) from operating activities</b>	<b>61,371</b>	<b>126,615</b>	<b>(451,305)</b>	<b>84,001</b>	<b>(89,243)</b>	<b>(139,327)</b>	<b>(1,042,203)</b>	<b>308,255</b>	<b>(18,210)</b>	<b>(19,829)</b>
<b>(b) Non-cash financing activities</b>										
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	29,627	35,767	12,171	14,478	1,173	694	88,750	99,993	206	118

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 12. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>								
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	(292)	1,945	(494,760)	756,253	718,491	(427,920)	126,963	(177,292)
Distributions to unitholders	2,250	2,526	207,932	223,369	492,525	496,798	122,031	80,475
Proceeds from sale of financial instruments held at fair value through profit or loss	16,088	20,569	640,374	632,790	1,188,680	2,497,761	915,606	975,196
Purchases of financial instruments held at fair value through profit or loss	(169,357)	(26,326)	(996,767)	(629,305)	(1,778,410)	(2,005,757)	(1,057,782)	(1,092,806)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(2,424)	(4,825)	519,225	(772,243)	(808,042)	377,283	(166,346)	177,135
Net change in receivables	(11)	5	(10,352)	(2,255)	(5,034)	678	228	(2,296)
Net change in payables	38	2	(6)	124	182	(171)	52	(33)
Non-cash items	–	–	–	–	–	(7)	–	–
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(153,708)</b>	<b>(6,104)</b>	<b>(134,354)</b>	<b>208,733</b>	<b>(191,608)</b>	<b>938,665</b>	<b>(59,248)</b>	<b>(39,621)</b>
<b>(b) Non-cash financing activities</b>								
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	1,431	2,401	92,005	92,908	222,527	312,629	24,912	38,096

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 13. Remuneration of auditors

The auditor's remuneration is borne by the Responsible Entity. During the year, the following fees were paid or payable for services provided by the auditor of the Funds.

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PricewaterhouseCoopers</b>										
Audit and other assurance services										
Audit and review of financial statements	15,500	15,500	18,000	20,000	21,000	21,000	21,000	21,000	20,500	12,500
Audit of compliance plan	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933
Audit of specified assertions and internal controls report	6,046	5,963	6,046	5,963	6,046	5,963	6,046	5,963	6,046	5,963
Total remuneration for audit and other assurance services	23,479	23,396	25,979	27,896	28,979	28,896	28,979	28,896	28,479	20,396
Taxation services										
Tax compliance services	9,950	7,360	9,950	7,360	9,950	7,360	9,950	7,360	9,950	7,360
Total remuneration for taxation services	9,950	7,360	9,950	7,360	9,950	7,360	9,950	7,360	9,950	7,360
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>33,429</b>	<b>30,756</b>	<b>35,929</b>	<b>35,256</b>	<b>38,929</b>	<b>36,256</b>	<b>38,929</b>	<b>36,256</b>	<b>38,429</b>	<b>27,756</b>

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PricewaterhouseCoopers</b>								
Audit and other assurance services								
Audit and review of financial statements		12,500	19,000	19,000	19,000	19,000	19,000	19,000
Audit of compliance plan		1,933	1,933	1,933	1,933	1,933	1,933	1,933
Audit of specified assertions and internal controls report		6,046	6,046	5,963	6,046	5,963	6,046	5,963
Total remuneration for audit and other assurance services		20,479	26,979	26,896	26,979	26,896	26,979	26,896
Taxation services								
Tax compliance services		9,950	9,950	7,360	9,950	7,360	9,950	7,360
Total remuneration for taxation services		9,950	9,950	7,360	9,950	7,360	9,950	7,360
<b>Total remuneration of PricewaterhouseCoopers</b>		<b>30,429</b>	<b>36,929</b>	<b>34,256</b>	<b>36,929</b>	<b>34,256</b>	<b>36,929</b>	<b>34,256</b>

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions

### Responsible Entity

The Responsible Entity of the Vanguard Wholesale Funds is Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263), which is a wholly owned subsidiary of The Vanguard Group, Inc.

### Key management personnel

Key management personnel includes persons who were directors of Responsible Entity at any time during the financial year as follows:

- J M Norris
- G W Reed (Resigned 31 July 2017)
- C R Comegys (Resigned 31 August 2017)
- C Kelton
- M Lovett (Resigned 6 December 2016)
- L Carr (Appointed 6 December 2016)

No other person had authority and responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial year.

### Transactions with key management personnel

Key management personnel services are provided by Vanguard Investments Australia Ltd and included in the management fees. There is no separate charge for these services. There was no compensation paid directly by the Funds to any of the key management personnel.

### Key management personnel unitholdings

The key management personnel of Vanguard Investments Australia Ltd (VIA) did not hold any units in the Funds during the period.

### Key management personnel remuneration

Key management personnel are paid by the Responsible Entity. Payments made from the Funds do not include any amounts directly attributable to key management personnel remuneration.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Key management personnel loan disclosures

The Funds have 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.

### Responsible Entity's fees and other transactions

During the year ended 30 June 2017, the Responsible Entity received an all inclusive management fee (inclusive of GST, net of RITC available to the Funds) over the Funds' average net assets attributable to unitholders for the year as follows:

	<b>2017</b>	2016
	% per annum	% per annum
<b>Management costs</b>		
Vanguard Cash Reserve Fund	<b>0.15</b>	0.15
Vanguard Cash Plus Fund	<b>0.29</b>	0.29
Vanguard Australian Government Bond Index Fund (Wholesale Class units)	<b>0.29</b>	0.29
Vanguard Australian Government Bond Index Fund (ETF Class units)	<b>0.20</b>	0.20
Vanguard Australian Fixed Interest Index Fund (Wholesale Class units)	<b>0.24</b>	0.24
Vanguard Australian Fixed Interest Index Fund (ETF Class units)	<b>0.20</b>	0.20
Vanguard Australian Corporate Fixed Interest Index Fund (Wholesale Class units)	<b>0.29</b>	0.29
Vanguard Australian Corporate Fixed Interest Index Fund (ETF Class units)	<b>0.26</b>	0.26
Vanguard Australian Inflation-Linked Bond Index Fund	<b>0.29</b>	0.29
Vanguard Australian Property Securities Index Fund (Wholesale Class units)	<b>0.23</b>	0.24
Vanguard Australian Property Securities Index Fund (ETF Class units)	<b>0.23</b>	0.25
Vanguard Australian Shares Index Fund (Wholesale Class units)	<b>0.18</b>	0.18
Vanguard Australian Shares Index Fund (ETF Class units)	<b>0.14</b>	0.15
Vanguard Australian Shares High Yield Fund (Wholesale Class units)	<b>0.38</b>	0.40
Vanguard Australian Shares High Yield Fund (ETF Class units)	<b>0.25</b>	0.25

Effective 1 October 2016, the management cost of Vanguard Australian Property Securities Index Fund (Wholesale) was reduced from 0.24% p.a. to 0.23% p.a.

Effective 1 October 2016, the management cost of Vanguard Australian Shares High Yield Fund (Wholesale) was reduced from 0.40% p.a. to 0.38% p.a.

Effective 1 October 2016, Vanguard Australian Property Securities Index (ETF) was reduced from 0.25% p.a. to 0.23% p.a.

Effective 1 October 2016, Vanguard Australian Shares Index (ETF) was reduced from 0.15% p.a. to 0.14% p.a.

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 Funds and the Responsible Entity are as follows:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund		Vanguard Australian Corporate Fixed Interest Index Fund	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Responsible Entity's fees for the year	<b>2,584</b>	2,702	<b>2,636</b>	2,389	<b>1,191</b>	822	<b>11,556</b>	11,027	<b>271</b>	208
<b>Total fees payable to the Responsible Entity at year end</b>	<b>176</b>	223	<b>281</b>	117	<b>109</b>	87	<b>1,074</b>	854	<b>23</b>	18

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Responsible Entity's fees and other transactions (continued)

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Responsible Entity's fees for the year	<b>471</b>	347	<b>11,105</b>	10,722	<b>16,829</b>	17,346	<b>5,207</b>	4,961
<b>Total fees payable to the Responsible Entity at year end</b>	<b>66</b>	28	<b>941</b>	983	<b>1,465</b>	1,283	<b>454</b>	402

### Related party unitholdings

Parties related to the Funds including the Responsible Entity, its affiliates or other funds managed by the Responsible Entity held units in the Funds as follows:

Vanguard Cash Reserve Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
<b>30 June 2017</b>							
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Investment Australia Ltd	<b>7,658,010</b>	–	–	–	–	<b>7,658,010</b>	<b>48,089</b>

Vanguard Cash Reserve Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
30 June 2016							
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Investment Australia Ltd	14,866,202	7,658,010	7,692,471	0.42	–	7,208,192	234,976

Vanguard Cash Plus Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
<b>30 June 2017</b>							
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Investment Australia Ltd	<b>7,429,417</b>	–	–	–	–	<b>7,429,417</b>	<b>56,530</b>
Vanguard Investor Cash Plus Fund	<b>17,210,394</b>	<b>15,102,700</b>	<b>15,401,733</b>	<b>1.27</b>	<b>7,389,169</b>	<b>9,496,863</b>	<b>359,029</b>
Vanguard LifeStrategy® Conservative Fund	<b>2,801,948</b>	<b>3,826,486</b>	<b>3,902,251</b>	<b>0.32</b>	<b>1,328,336</b>	<b>303,798</b>	<b>68,586</b>
Vanguard Conservative Index Fund	<b>85,782,852</b>	<b>120,067,819</b>	<b>122,445,162</b>	<b>10.11</b>	<b>35,741,211</b>	<b>1,456,244</b>	<b>2,189,038</b>

Vanguard Cash Plus Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
30 June 2016							
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Investment Australia Ltd	14,538,654	7,429,417	7,575,605	1.02	–	7,109,237	252,888
Vanguard Investor Cash Plus Fund	19,477,304	17,210,394	17,549,040	2.37	8,663,814	10,930,724	473,033
Vanguard LifeStrategy® Conservative Fund	2,197,865	2,801,948	2,857,081	0.39	739,171	135,088	59,513
Vanguard Conservative Index Fund	148,767,240	85,782,852	87,470,790	11.79	28,725,478	91,709,866	3,259,909

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Related party unitholdings (continued)

Vanguard Australian Fixed Interest Index Fund							
30 June 2017	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Index Diversified Bond Fund	28,530,681	25,931,130	29,019,527	0.59	3,881,650	6,481,201	932,225
Vanguard LifeStrategy® Conservative Fund	5,899,307	8,343,747	9,337,486	0.19	2,667,700	223,260	243,082
Vanguard LifeStrategy® Balanced Fund	13,825,930	18,184,876	20,350,694	0.42	5,918,728	1,559,782	558,807
Vanguard LifeStrategy® Growth Fund	14,261,728	17,495,950	19,579,717	0.40	4,329,930	1,095,708	550,670
Vanguard LifeStrategy® High Growth Fund	4,524,255	5,745,897	6,430,233	0.13	2,818,607	1,596,966	179,123
Vanguard Conservative Index Fund	180,850,146	261,173,053	292,278,764	5.99	98,586,097	18,263,189	7,752,493
Vanguard Balanced Index Fund	287,402,462	411,538,495	460,552,730	9.44	157,708,547	33,572,515	12,003,415
Vanguard Growth Index Fund	168,220,713	235,360,354	263,391,772	5.40	97,499,147	30,359,506	6,660,091
Vanguard High Growth Index Fund	33,945,130	39,084,498	43,739,462	0.90	19,995,293	14,855,925	1,157,191
Vanguard Diversified Bond Index Fund	37,821,995	55,065,729	61,624,058	1.26	24,533,453	7,289,718	1,665,780
Vanguard Managed Payout Fund	8,750,244	8,422,182	9,425,264	0.19	967,720	1,295,782	279,337

Vanguard Australian Fixed Interest Index Fund							
30 June 2016	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Unitholder	Units	Units	\$	%	Units	Units	\$
Vanguard Index Diversified Bond Fund	27,227,759	28,530,681	32,875,549	0.83	4,426,376	3,123,454	1,514,263
Vanguard LifeStrategy® Conservative Fund	4,578,175	5,899,307	6,797,698	0.17	1,780,913	459,781	302,472
Vanguard LifeStrategy® Balanced Fund	10,937,209	13,825,930	15,931,447	0.40	3,691,176	802,455	697,590
Vanguard LifeStrategy® Growth Fund	13,351,782	14,261,728	16,433,612	0.41	2,935,688	2,025,742	749,213
Vanguard LifeStrategy® High Growth Fund	4,289,450	4,524,255	5,213,243	0.13	1,577,017	1,342,212	237,147
Vanguard Conservative Index Fund	323,876,711	180,850,146	208,391,378	5.26	64,442,398	207,468,963	15,024,195
Vanguard Balanced Index Fund	521,641,005	287,402,462	331,170,290	8.36	105,887,041	340,125,584	24,311,894
Vanguard Growth Index Fund	233,117,555	168,220,713	193,838,640	4.89	46,062,176	110,959,018	11,329,462
Vanguard High Growth Index Fund	38,732,634	33,945,130	39,114,552	0.99	16,992,006	21,779,510	2,023,087
Vanguard Diversified Bond Index Fund	98,612,820	37,821,995	43,581,816	1.10	25,182,273	85,973,098	3,850,630
Vanguard Managed Payout Fund	–	8,750,244	10,082,798	0.25	9,047,147	296,903	467,934

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Related party unitholdings (continued)

Vanguard Australian Corporate Fixed Interest Index Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
<b>30 June 2017</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>%</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>
<b>Unitholder</b>							
Vanguard Managed Payout Fund	5,023,252	4,650,394	4,763,399	7.51	537,124	909,982	143,425
Vanguard Investments Australia Ltd	14,967,072	–	–	–	–	14,967,072	120,739

Vanguard Australian Corporate Fixed Interest Index Fund							
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
<b>30 June 2016</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>%</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>
<b>Unitholder</b>							
Vanguard Managed Payout Fund	–	5,023,252	5,167,832	6.97	5,023,252	–	161,907
Vanguard Investments Australia Ltd	14,967,072	14,967,072	15,397,857	20.75	–	–	487,207

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2017	Vanguard Australian Property Securities Index Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
<b>Vanguard Index Australian Property Securities Fund</b>	<b>114,364,108</b>	<b>115,002,063</b>	<b>106,514,911</b>	<b>2.81</b>	<b>16,330,170</b>	<b>15,692,215</b>	<b>5,038,733</b>
Vanguard LifeStrategy® Conservative Fund	564,534	614,921	569,540	0.02	385,283	334,896	28,897
Vanguard LifeStrategy® Balanced Fund	2,392,225	2,418,507	2,240,021	0.06	762,386	736,104	116,897
Vanguard LifeStrategy® Growth Fund	5,649,856	5,202,991	4,819,010	0.13	1,190,701	1,637,566	253,463
Vanguard LifeStrategy® High Growth Fund	6,771,964	6,468,125	5,990,777	0.16	1,723,211	2,027,050	310,325
Vanguard Conservative Index Fund	17,167,034	19,168,105	17,753,499	0.47	8,316,331	6,315,260	905,426
Vanguard Balanced Index Fund	49,408,510	58,082,200	53,795,733	1.42	32,046,042	23,372,352	2,581,099
Vanguard Growth Index Fund	63,980,785	66,943,181	62,002,774	1.64	37,009,524	34,047,128	3,069,511
Vanguard High Growth Index Fund	49,635,835	44,564,226	41,275,386	1.09	24,705,218	29,776,827	2,008,662
Vanguard Managed Payout Fund	2,757,326	2,357,672	2,183,676	0.06	125,268	524,922	102,064

30 June 2016	Vanguard Australian Property Securities Index Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
Vanguard Index Australian Property Securities Fund	112,626,552	114,364,108	117,223,307	2.83	14,566,309	12,828,753	5,332,830
Vanguard LifeStrategy® Conservative Fund	472,538	564,534	578,648	0.01	144,221	52,225	26,360
Vanguard LifeStrategy® Balanced Fund	2,036,092	2,392,225	2,452,032	0.06	356,133	–	109,482
Vanguard LifeStrategy® Growth Fund	5,493,708	5,649,856	5,791,107	0.14	366,017	209,869	263,432
Vanguard LifeStrategy® High Growth Fund	6,538,042	6,771,964	6,941,269	0.17	644,000	410,078	316,066
Vanguard Conservative Index Fund	34,981,599	17,167,034	17,596,224	0.43	5,547,200	23,361,765	1,383,230
Vanguard Balanced Index Fund	98,772,093	49,408,510	50,643,764	1.22	15,845,644	65,209,227	3,958,375
Vanguard Growth Index Fund	97,768,192	63,980,785	65,580,358	1.59	12,478,193	46,265,600	4,015,648
Vanguard High Growth Index Fund	60,945,970	49,635,835	50,876,773	1.23	4,584,739	15,894,874	2,697,638
Vanguard Managed Payout Fund	–	2,757,326	2,826,262	0.07	2,968,252	210,926	131,018

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2017	Vanguard Australian Shares Index Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
<b>Vanguard Index Australian Shares Fund</b>	<b>242,625,259</b>	<b>240,098,775</b>	<b>495,011,645</b>	<b>5.93</b>	<b>19,619,828</b>	<b>22,146,312</b>	<b>25,602,212</b>
<b>Vanguard LifeStrategy® Conservative Fund</b>	<b>1,910,018</b>	<b>2,543,430</b>	<b>5,243,790</b>	<b>0.06</b>	<b>1,414,027</b>	<b>780,615</b>	<b>234,893</b>
<b>Vanguard LifeStrategy® Balanced Fund</b>	<b>9,178,643</b>	<b>10,758,186</b>	<b>22,180,150</b>	<b>0.27</b>	<b>2,702,546</b>	<b>1,123,003</b>	<b>1,066,653</b>
<b>Vanguard LifeStrategy® Growth Fund</b>	<b>21,843,073</b>	<b>24,443,960</b>	<b>50,396,111</b>	<b>0.60</b>	<b>3,626,820</b>	<b>1,025,933</b>	<b>2,474,679</b>
<b>Vanguard LifeStrategy® High Growth Fund</b>	<b>27,656,119</b>	<b>31,033,553</b>	<b>63,981,876</b>	<b>0.77</b>	<b>4,728,763</b>	<b>1,351,329</b>	<b>3,104,861</b>
<b>Vanguard Conservative Index Fund</b>	<b>59,465,857</b>	<b>76,135,144</b>	<b>156,967,827</b>	<b>1.88</b>	<b>24,797,761</b>	<b>8,128,474</b>	<b>7,343,832</b>
<b>Vanguard Balanced Index Fund</b>	<b>191,249,161</b>	<b>243,689,850</b>	<b>502,415,363</b>	<b>6.02</b>	<b>83,296,743</b>	<b>30,856,054</b>	<b>22,932,193</b>
<b>Vanguard Growth Index Fund</b>	<b>261,764,445</b>	<b>326,630,172</b>	<b>673,413,426</b>	<b>8.07</b>	<b>111,188,056</b>	<b>46,322,329</b>	<b>30,077,214</b>
<b>Vanguard High Growth Index Fund</b>	<b>204,649,385</b>	<b>220,194,336</b>	<b>453,974,663</b>	<b>5.44</b>	<b>78,710,149</b>	<b>63,165,198</b>	<b>20,404,208</b>
<b>Vanguard Managed Payout Fund</b>	<b>8,069,986</b>	<b>8,508,979</b>	<b>17,542,963</b>	<b>0.21</b>	<b>779,494</b>	<b>340,501</b>	<b>875,294</b>

30 June 2016	Vanguard Australian Shares Index Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
Vanguard Index Australian Shares Fund	238,447,193	242,625,259	463,481,668	6.26	21,942,004	17,763,938	23,510,750
Vanguard LifeStrategy® Conservative Fund	1,407,853	1,910,018	3,648,665	0.05	887,934	385,769	178,279
Vanguard LifeStrategy® Balanced Fund	6,572,974	9,178,643	17,533,758	0.24	3,505,983	900,314	824,654
Vanguard LifeStrategy® Growth Fund	18,898,623	21,843,073	41,726,340	0.56	3,681,366	736,916	2,073,528
Vanguard LifeStrategy® High Growth Fund	23,252,378	27,656,119	52,830,873	0.71	4,922,035	518,294	2,567,673
Vanguard Conservative Index Fund	97,853,031	59,465,857	113,596,312	1.53	45,407,378	83,794,552	1,008,266
Vanguard Balanced Index Fund	320,973,599	191,249,161	365,339,043	4.93	94,568,544	224,292,982	33,255,104
Vanguard Growth Index Fund	330,235,988	261,764,445	500,042,832	6.75	93,751,950	162,223,493	33,897,083
Vanguard High Growth Index Fund	212,423,134	204,649,385	390,937,196	5.28	43,858,232	51,631,981	22,606,491
Vanguard Managed Payout Fund	–	8,069,986	15,415,916	0.21	8,070,616	630	766,218

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 14. Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2017	Vanguard Australian Shares High Yield Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
<b>Vanguard High Yield Australian Shares Fund</b>	<b>84,887,453</b>	<b>83,051,783</b>	<b>128,497,718</b>	<b>14.24</b>	<b>10,400,041</b>	<b>12,235,711</b>	<b>9,367,855</b>

30 June 2016	Vanguard Australian Shares High Yield Fund						
	Number of units held opening	Number of units held closing	Fair value of investments	Interest held at year end	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	\$	%	Units	Units	\$
Vanguard High Yield Australian Shares Fund	77,412,460	84,887,453	121,062,043	14.58	16,019,920	8,544,927	6,577,786

### Other transactions within the Funds

Apart from those details disclosed in this note, no directors have entered into a material contract with the Funds during the financial year and there were no material contracts involving directors' interests subsisting at year end.

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 15. Responsible Entity's fees

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund (Wholesale Class units)		Vanguard Australian Government Bond Index Fund (ETF Class units)	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>2,584</b>	2,702	<b>2,636</b>	2,389	<b>940</b>	686	<b>251</b>	136
Management costs per annum	<b>0.15%</b>	0.15%	<b>0.29%</b>	0.29%	<b>0.29%</b>	0.29%	<b>0.20%</b>	0.20%

	Vanguard Australian Fixed Interest Index Fund (Wholesale Class units)		Vanguard Australian Fixed Interest Index Fund (ETF Class units)		Vanguard Australian Corporate Fixed Interest Index Fund (Wholesale Class units)		Vanguard Australian Corporate Fixed Interest Index Fund (ETF Class units)	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>10,423</b>	10,405	<b>1,133</b>	622	<b>213</b>	207	<b>58</b>	1
Management costs per annum	<b>0.24%</b>	0.24%	<b>0.20%</b>	0.20%	<b>0.29%</b>	0.29%	<b>0.26%</b>	0.26%

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund (Wholesale Class units)		Vanguard Australian Property Securities Index Fund (ETF Class units)		Vanguard Australian Shares Index Fund (Wholesale Class units)	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>471</b>	347	<b>9,263</b>	9,408	<b>1,842</b>	1,314	<b>14,370</b>	15,397
Management costs per annum	<b>0.29%</b>	0.29%	<b>0.23%</b>	0.24%	<b>0.23%</b>	0.25%	<b>0.18%</b>	0.18%

	Vanguard Australian Shares Index Fund (ETF Class units)		Vanguard Australian Shares High Yield Fund (Wholesale Class units)		Vanguard Australian Shares High Yield Fund (ETF Class units)	
	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016	<b>30 June 2017</b>	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>2,459</b>	1,949	<b>3,407</b>	3,489	<b>1,800</b>	1,472
Management costs per annum	<b>0.14%</b>	0.15%	<b>0.38%</b>	0.40%	<b>0.25%</b>	0.25%

# Notes to the financial statements (continued)

For the year ended 30 June 2017

## 16. Interest income

The following table details the interest income earned by the Funds during the year:

	2017			2016		
	Average Balance \$'000	Interest \$'000	Average Rate %	Average Balance \$'000	Interest \$'000	Average Rate %
<b>Vanguard Cash Plus Fund</b>						
Fixed interest securities domestic	919,805	23,817	2.58%	822,553	29,099	3.54%
<b>Vanguard Australian Government Bond Index Fund</b>						
Fixed interest securities domestic	453,267	17,701	3.90%	328,758	12,739	3.87%
<b>Vanguard Australian Fixed Interest Index Fund</b>						
Fixed interest securities domestic	4,967,722	198,313	3.99%	4,703,219	201,686	4.29%
<b>Vanguard Australian Corporate Fixed Interest Index Fund</b>						
Fixed interest securities domestic	96,282	4,070	4.23%	74,739	3,340	4.47%
<b>Vanguard Australian Inflation-Linked Bond Index Fund</b>						
Fixed interest securities domestic	170,444	3,448	2.02%	121,751	2,580	2.12%

Interest revenue is recognised on an entitlements basis, and is shown in the income statement as part of net gains/losses on financial instruments designated at fair value. This is due to the discount securities and fixed interest securities being classified as financial instruments designated at fair value through profit or loss upon initial recognition, as detailed in note 2(b).

## 17. Events occurring after the reporting period

There are no significant events that have occurred since balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 30 June 2017 or on the results and cash flows of the Funds for the year ended on that date.

## 18. Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2017 (2016: Nil).

## Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 18 to 70 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 each Funds' financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



C Kelton  
*Managing Director*  
Melbourne

31 August 2017



## Independent auditor's report

To the unitholders of:

- Vanguard Cash Reserve Fund
- Vanguard Cash Plus Fund
- Vanguard Australian Government Bond Index Fund\*
- Vanguard Australian Fixed Interest Index Fund\*
- Vanguard Australian Corporate Fixed Interest Index Fund\*
- Vanguard Australian Inflation-Linked Bond Index Fund
- Vanguard Australian Property Securities Index Fund\*
- Vanguard Australian Shares Index Fund\*
- Vanguard Australian Shares High Yield Fund\*

referred to collectively as the 'Vanguard Wholesale Domestic Funds'.

\*denotes listed Funds

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of the Vanguard Wholesale Domestic Funds (the Funds) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial position as at 30 June 2017 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The Funds' financial report comprises:

- the balance sheets as at 30 June 2017
- the statements of comprehensive income for the year then ended
- the statements of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.



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### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Funds, their accounting processes and controls and the industry in which they operate.



### *Materiality*

- For the purpose of our audit we used 2.5% of net assets to set overall materiality for the Funds listed below:
  - Vanguard Cash Reserve Fund
  - Vanguard Australian Inflation-Linked Bond Index Fund



- For all other Funds we used 1% of net assets to set our overall materiality.
- We applied these thresholds, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets because, in our view, it is the metric against which the performance of the Funds are most commonly measured and is a generally accepted benchmark in the asset management industry. We selected 1% and 2.5% respectively based on our professional judgement noting that it is also within the range of commonly acceptable net asset related thresholds in the industry.

### **Audit Scope**

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit approach reflects the nature of the investments held by the Funds and the consideration of the work undertaken by third party service providers. The key service provider relevant to our audit is JPMorgan, who maintains the accounting records of the Funds and provides custodian services for the investments.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

#### **Key audit matter**

##### **Investments in financial assets and financial liabilities**

*Refer to note 2 (Summary of significant accounting policies) and note 4 (Fair value measurement)*

Investments in financial assets and financial liabilities has been identified as a key audit matter because investments represent the principal element of the balance sheet. A discrepancy in the valuation or existence of investments could cause the net asset value to be materially misstated which would also impact the Funds' reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.

#### **How our audit addressed the key audit matter**

*Assurance reports over the design and operating effectiveness of the service provider's relevant controls over the valuation and existence of listed equities, listed fixed interest, and unlisted unit trust investments*

To assess the design and operating effectiveness of the service providers' relevant controls, we:

- inspected the assurance reports provided to Vanguard Investments Australia Ltd (the "Responsible Entity") by the third party service providers' independent auditors;
- considered the Responsible Entity's analysis of the potential impact of reported exceptions identified in the third party



**Key audit matter**

**How our audit addressed the key audit matter**

service providers' assurance reports. We have placed reliance on the procedures performed by the service providers' auditors.

*Assurance report over the valuation and existence of the Funds' listed equities, listed fixed interest, and unlisted unit trust investments*

We obtained an independent assurance report from the third party service provider's independent external auditors over the valuation and existence of the Funds' investments as at balance date. We agreed the number and value of the investments at 30 June 2017 as recorded in the Funds' financial report and underlying accounting records to the assurance reports provided to the Responsible Entity by the independent auditors of the third party service provider. We have placed reliance on the procedures performed by the service providers' auditors.

For investments not held in custody at the custodian we performed the following procedures:

- We obtained independent confirmation at year end from the counterparties for collateral held and confirmation from the unlisted unit trusts unit registry for investments in unlisted unit trusts, and agreed the confirmed balance to the accounting records;
- We obtained the trade ticket and the account statement for repurchase agreements and agreed the amounts to the accounting records.

**Other information**

The directors of the Responsible Entity are responsible for the other information. The other information comprises the Directors' Report included in the Funds' annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors of the financial report*

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf) with respect to the listed Funds, and [www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf) with respect to the non-listed Funds. This description forms part of our auditor's report.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Britt Hawkins  
Partner

Melbourne  
31 August 2017

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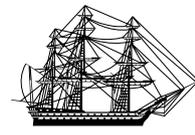
## Responsible Entity

Vanguard Investments Australia Ltd  
ABN 72 072 881 086  
AFSL 227263

Level 34  
Freshwater Place  
2 Southbank Boulevard  
Southbank Vic 3006

Telephone: (03) 8888 3888  
Facsimile: 1300 765 712

[vanguard.com.au](http://vanguard.com.au)



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