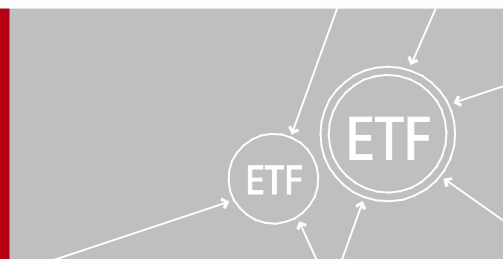


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**Annual Report**  
for the Vanguard® Exchange Traded Funds

**11 September 2014**



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 has prepared an Annual Report for the Vanguard® Index Funds, for the financial year ending 30 June 2014. 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).

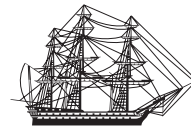
The Annual Report provides financial information for each fund and where indicated, provides specific information for the ETF class.

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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 2014

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

Domestic Funds

Domestic ETFs (ASX Codes: VAS, VAP, VHY, VGB, VAF)

## Vanguard funds covered in this annual report

Vanguard Cash Reserve Fund	ARSN 127 015 301	ABN 62 738 136 510
Vanguard Cash Plus Fund (formerly known as Cash Plus Index 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 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  
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# Contents

About Vanguard	4
Directors' Report	5
Auditor's Independence Declaration	11
Statement of comprehensive income	12
Balance sheet	14
Statement of changes in equity	16
Statement of cash flows	17
Notes to the Financial Statements	19
Directors' Declaration	67
Independent Auditor's Report	68

# About Vanguard

Vanguard was founded in the United States in 1975 on a simple but revolutionary idea—that an investment company should manage the funds it offers in the sole interest of its clients. In 1976, Vanguard pioneered the concept of indexing, introducing the first index fund for individual investors in the United States. Over the decades, Vanguard has grown to become one of the world's largest investment management companies—with a presence in Australia, Europe, Asia, and the Americas.

## What makes us different?

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 unique 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.

### Stability and experience

In Australia, Vanguard leverages the scale, experience and resources of our established global business. Vanguard's ownership structure means that our clients don't have to worry that we'll be acquired. The company they invest with today will continue to serve them in the future.

The Vanguard Group established the world's first index mutual fund for individual investors in 1976 and has been a leader in low-cost index investing ever since. The Vanguard Group also launched the first funds based on bond and international indices, and over the last decade has extended its index management expertise to exchange-traded funds.

### Low costs

Investors can't control the markets, but they can control the costs of investing. 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.

Vanguard's scale also helps to keep costs low. As our assets under management increase globally, we can reduce expense ratios for the investors in our funds.

### Client focus

The ownership structure of The Vanguard Group aligns our interests with those of our clients. Because Vanguard is not publicly traded, we can extend the benefits of that structure to our clients in Australia.

From rigorous risk management to transparent pricing to plain talk communications, we put our clients' interests first.

Everything we do at Vanguard is designed to give our clients the best chance for investment success.

# Directors' Report

The directors of Vanguard Investments Australia Ltd, the Responsible Entity of the Vanguard Wholesale Funds, present their report together with the financial report of the following Vanguard Wholesale Funds (the Funds) for the year ended 30 June 2014:

- Vanguard Cash Reserve Fund
- Vanguard Cash Plus Fund
- Vanguard Australian Government Bond Index Fund
- Vanguard Australian 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

## Principal activities

The Funds invest in accordance with the investment policy of the Funds as set out in the current Product Disclosure Statement (PDS) and in accordance with the Constitutions of the Funds. The Funds seek to track the returns of the Funds' respective indexes, before taking into account Fund fees and expenses.

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 Vanguard Investments Australia Ltd during the year or since the end of the year and up to the date of this report:

- J M Norris
- G W Reed
- K A Watt (resigned 28 February 2014)
- J M James
- G Davis (resigned 28 February 2014)
- C R Comegys (appointed 28 February 2014)
- C Lui (appointed 28 February 2014)

# Directors' Report (continued)

## Review and results of operations

During the year, the investment policy of the Funds continued to be that detailed in the current PDS and in accordance with the provisions of the Constitutions of the Funds. There have been no changes to the operations of the Funds since last year.

### 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	
For the year ended 30 June	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before financing costs attributable to unitholders	47,623	58,907	19,220	23,284	2,809	2,605	214,582	99,469
<b>Distributions</b>								
Distribution paid and payable	47,780	59,119	19,942	25,683	2,887	6,166	192,760	223,479
Distribution (cents per unit)	2.5218	3.0485	2.6854	3.3794	*(1)	*(1)	*(2)	*(2)

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
For the year ended 30 June	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before financing costs attributable to unitholders	9,193	(10,070)	320,724	577,355	1,275,320	1,132,260	159,831	121,674
<b>Distributions</b>								
Distribution paid and payable	3,176	3,774	188,099	120,258	354,148	289,912	63,242	28,719
Distribution (cents per unit)	1.4808	1.2439	*(3)	*(3)	*(4)	*(4)	*(5)	*(5)

\* (1) The distribution for Vanguard Australian Government Bond Index Fund was 5.4275 (2013: 9.1954) cents per unit for the Ordinary Class and 255.7277 (2013: 440.2457) cents per unit for the ETF Class.

\* (2) The distribution for Vanguard Australian Fixed Interest Index Fund was 5.6797 (2013: 6.5578 ) cents per unit for the Ordinary Class and 250.7444 (2013: 225.5531) cents per unit for the ETF Class.

\* (3) The distribution for Vanguard Australian Property Securities Index Fund was 4.3915 (2013: 2.9629 ) cents per unit for the Ordinary Class and 362.5361 (2013: 246.1168) cents per unit for the ETF Class.

\* (4) The distribution for Vanguard Australian Shares Index Fund was 8.5503 (2013: 7.6531) cents per unit for the Ordinary Class and 299.0928 (2013: 268.1533 ) cents per unit for the ETF Class.

\* (5) The distribution for Vanguard Australian Shares High Yield Fund was 9.6244 (2013: 7.1170) cents per unit for the Ordinary Class and 376.2688 (2013: 281.1184) cents per unit for the ETF Class.

# 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 2014 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.

	2014	2013	2012	2011	2010
	%	%	%	%	%
<b>Vanguard Cash Reserve Fund</b>					
Capital growth	–	(0.01)	–	(0.51)	0.33
Distribution of income	2.54	3.08	4.50	5.31	3.39
Total return	2.54	3.07	4.50	4.80	3.72
Benchmark return					
<i>UBS Australian Bank Bill Index</i>	2.70	3.27	4.69	4.98	3.89
<b>Vanguard Cash Plus Fund</b>					
Capital growth	–	(0.29)	0.56	(0.53)	(0.90)
Distribution of income	2.67	3.36	4.49	5.58	4.74
Total return	2.67	3.07	5.05	3.84	6.96
Benchmark return					
<i>UBS Australian Bank Bill Index</i>	2.70	3.27	5.52	4.91	3.89
<b>Vanguard Australian Government Bond Index Fund</b>					
Capital growth	0.03	(7.11)	7.42	0.58	2.80
Distribution of income	5.60	8.58	5.82	4.20	4.49
Total return	5.63	1.47	13.24	4.78	7.29
Benchmark return					
<i>UBS Government Bond Index</i>	5.92	1.71	13.43	5.02	7.58
<b>Vanguard Australian Fixed Interest Index Fund</b>					
Capital growth	0.61	(3.19)	6.09	(0.35)	1.70
Distribution of income	5.28	5.75	6.04	5.65	6.02
Total return	5.89	2.56	12.13	5.30	7.72
Benchmark return					
<i>UBS Composite Bond Index™</i>	6.11	2.77	12.40	5.55	7.86
<b>Vanguard Australian Inflation-Linked Bond Index Fund</b>					
Capital growth	5.82	(3.95)	4.01	n/a	n/a
Distribution of income	1.54	1.16	0.22	n/a	n/a
Total return	7.36	(2.79)	4.23	n/a	n/a
Benchmark return					
<i>UBS (B) Treasury Inflation Index 1+</i>	7.38	(2.52)	4.29	n/a	n/a



# Directors' Report (continued)

## Review and results of operations (continued)

### Performance (continued)

	2014	2013	2012	2011	2010
	%	%	%	%	%
<b>Vanguard Australian Property Securities Index Fund</b>					
Capital growth	4.41	18.50	3.90	0.10	12.81
Distribution of income	6.52	5.27	6.77	5.38	7.28
Total return	10.93	23.77	10.67	5.48	20.09
Benchmark return					
<i>S&amp;P/ASX 300 A-REIT Index</i>	11.08	23.98	10.98	5.86	20.34
<b>Vanguard Australian Shares Index Fund</b>					
Capital growth	12.07	16.36	(11.40)	7.36	8.70
Distribution of income	5.00	5.32	4.13	4.23	4.08
Total return	17.07	21.68	(7.27)	11.59	12.78
Benchmark return					
<i>S&amp;P/ASX 300 Index</i>	17.25	21.90	(7.01)	11.90	13.05
<b>Vanguard Australian Shares High Yield Fund</b>					
Capital growth	11.40	22.98	(4.17)	8.57	8.64
Distribution of income	6.41	6.21	6.06	5.04	4.36
Total return	17.81	29.19	1.89	13.61	13.00
Benchmark return					
<i>FTSE ASFA Australia High Dividend Yield Index</i>	17.98	29.45	2.33	13.66	12.67

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

### Unit redemption prices

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

	At 30 June		Period high Period to 30 June		Period low Period to 30 June	
	2014	2013	2014	2013	2014	2013
Vanguard Cash Reserve Fund	1.0066	1.0067	1.0070	1.0075	1.0043	1.0046
Vanguard Cash Plus Fund	1.0215	1.0217	1.0222	1.0244	1.0187	1.0189
Vanguard Australian Government Bond Index Fund	1.0121	1.0279	1.0121	1.0892	0.9774	1.0160
Vanguard Australian Government Bond Index Fund (ETF class)	47.6785	48.4248	47.6785	51.3380	46.0293	47.8603
Vanguard Australian Fixed Interest Index Fund	1.1294	1.1247	1.1294	1.1674	1.0875	1.1121
Vanguard Australian Fixed Interest Index Fund (ETF class)	49.0383	48.8442	49.0383	50.2536	47.2401	48.3218
Vanguard Australian Inflation-Linked Bond Index Fund	1.0621	1.0014	1.0623	1.0703	0.9729	0.9770
Vanguard Australian Property Securities Index Fund	0.7683	0.7232	0.7787	0.7843	0.6736	0.6059
Vanguard Australian Property Securities Index Fund (ETF class)	63.2950	59.5927	64.1501	64.6312	55.5020	49.9466
Vanguard Australian Shares Index Fund	1.9936	1.7768	2.0353	1.9260	1.7294	1.5057
Vanguard Australian Shares Index Fund (ETF class)	69.1159	61.6038	70.5611	66.7720	59.9817	52.2059
Vanguard Australian Shares High Yield Fund	1.7476	1.5513	1.7870	1.6824	1.5083	1.2567
Vanguard Australian Shares High Yield Fund (ETF class)	66.5893	59.1182	68.0469	64.0998	57.4519	47.8821

## Directors' Report (continued)

### 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 under review.

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

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2014 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 Constitutions of the Funds.

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

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

### Indemnity and insurance of officers

No insurance premiums are 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 Constitutions of the Funds and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

### Indemnity of auditors

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 Funds' property during the year are disclosed in note 14 to the financial statements.

No fees were paid out of 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 to the financial statements.

## Directors' Report (continued)

### Interests in the Funds

The movement in units on issue in the Funds during the year is set out in Note 9 to the financial statements.

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

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

The Funds are registered schemes of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, 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.



J M James  
Managing Director  
Melbourne  
29 August 2014



## Auditor's Independence Declaration

As lead auditor for the audit of the Vanguard Wholesale Funds (Domestic Funds) for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of the following Vanguard Wholesale Funds (Domestic Funds) during the year:

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

A handwritten signature in black ink, appearing to read 'JF Power', is written above the printed name.

JF Power  
Partner  
PricewaterhouseCoopers

Melbourne  
29 August 2014

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# Statement of comprehensive income

For the year ended 30 June 2014

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Investment income</b>									
Interest income from financial instruments not held at fair value through profit or loss		252	310	–	–	–	–	–	–
Dividend income		–	–	–	–	–	–	–	–
Distribution income		–	–	–	–	–	–	–	–
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	50,244	61,516	21,367	25,529	2,956	2,846	223,520	108,886
Other operating income		–	–	23	–	–	2	45	19
<b>Total net investment income/(loss)</b>		<b>50,496</b>	61,826	<b>21,390</b>	25,529	<b>2,956</b>	2,848	<b>223,565</b>	108,905
<b>Expenses</b>									
Responsible Entity's fees	7	2,873	2,919	2,170	2,239	147	242	8,982	9,433
Transaction costs		–	–	–	–	–	–	–	–
Other operating expenses		–	–	–	6	–	1	1	3
<b>Total operating expenses</b>		<b>2,873</b>	2,919	<b>2,170</b>	2,245	<b>147</b>	243	<b>8,983</b>	9,436
<b>Operating profit/(loss)</b>		<b>47,623</b>	58,907	<b>19,220</b>	23,284	<b>2,809</b>	2,605	<b>214,582</b>	99,469
<b>Financing costs attributable to unitholders</b>									
Distributions to unitholders	8	(47,780)	(59,119)	(19,942)	(25,683)	(2,887)	(6,166)	(192,760)	(223,479)
(Increase)/decrease in net assets attributable to unitholders	9(b)	157	212	722	2,399	78	3,561	(21,822)	124,010
<b>Profit/(loss) for the period</b>		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>		–	–	–	–	–	–	–	–

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

# Statement of comprehensive income (continued)

For the year ended 30 June 2014

	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>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Investment income</b>									
Interest income from financial instruments not held at fair value through profit or loss		–	–	<b>32</b>	28	<b>1,160</b>	1,588	<b>54</b>	117
Dividend income		–	–	–	–	<b>314,205</b>	266,792	<b>50,810</b>	28,184
Distribution income		–	–	<b>205,958</b>	155,187	<b>47,094</b>	44,906	<b>9,047</b>	4,093
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<b>9,882</b>	(9,168)	<b>121,959</b>	424,663	<b>926,825</b>	830,309	<b>103,785</b>	91,479
Other operating income		–	–	<b>394</b>	4,499	<b>643</b>	1,416	<b>131</b>	124
<b>Total net investment income/(loss)</b>		<b>9,882</b>	(9,168)	<b>328,343</b>	584,377	<b>1,289,927</b>	1,145,011	<b>163,827</b>	123,997
<b>Expenses</b>									
Responsible Entity's fees	7	<b>689</b>	902	<b>7,457</b>	6,898	<b>14,334</b>	12,416	<b>3,822</b>	2,165
Transaction costs		–	–	<b>161</b>	116	<b>270</b>	307	<b>174</b>	155
Other operating expenses		–	–	<b>1</b>	8	<b>3</b>	28	–	3
<b>Total operating expenses</b>		<b>689</b>	902	<b>7,619</b>	7,022	<b>14,607</b>	12,751	<b>3,996</b>	2,323
<b>Operating profit/(loss)</b>		<b>9,193</b>	(10,070)	<b>320,724</b>	577,355	<b>1,275,320</b>	1,132,260	<b>159,831</b>	121,674
<b>Financing costs attributable to unitholders</b>									
Distributions to unitholders	8	<b>(3,176)</b>	(3,774)	<b>(188,099)</b>	(120,258)	<b>(354,148)</b>	(289,912)	<b>(63,242)</b>	(28,719)
(Increase)/decrease in net assets attributable to unitholders	9(b)	<b>(6,017)</b>	13,844	<b>(132,625)</b>	(457,097)	<b>(921,172)</b>	(842,348)	<b>(96,589)</b>	(92,955)
<b>Profit/(loss) for the period</b>		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>		–	–	–	–	–	–	–	–

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

# Balance sheet

As at 30 June 2014

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Assets</b>									
Cash & cash equivalents	10	865	2,519	19,939	5,612	95	73	7,540	1,578
Futures margin deposit		71	141	83	141	–	14	84	147
Receivables		44	56	39	57	3	3	537	523
Due from brokers – receivable for securities sold		–	–	4,023	–	558	1,919	32,920	28,757
Financial assets held at fair value through profit or loss	11	1,762,180	2,045,082	713,569	876,574	55,548	59,152	3,804,829	3,859,193
Other assets		57	–	258	1,248	1,907	13	3,824	17,452
<b>Total assets</b>		<b>1,763,217</b>	<b>2,047,798</b>	<b>737,911</b>	<b>883,632</b>	<b>58,111</b>	<b>61,174</b>	<b>3,849,734</b>	<b>3,907,650</b>
<b>Liabilities</b>									
Payables	14(b)	217	253	174	209	12	14	747	769
Distribution payable	8	3,719	4,552	1,929	2,591	932	1,959	46,164	54,179
Due to brokers – payables for securities purchased		–	–	5,106	4,341	654	89	28,942	19,305
Financial liabilities held at fair value through profit or loss		4	–	22	1	–	1	–	11
Other liabilities	12	892	20,015	51	33	955	158	2,564	3,497
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>4,832</b>	<b>24,820</b>	<b>7,282</b>	<b>7,175</b>	<b>2,553</b>	<b>2,221</b>	<b>78,417</b>	<b>77,761</b>
<b>Net assets attributable to unitholders (liability)</b>	9(b)	<b>1,758,385</b>	<b>2,022,978</b>	<b>730,629</b>	<b>876,457</b>	<b>55,558</b>	<b>58,953</b>	<b>3,771,317</b>	<b>3,829,889</b>

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

# Balance sheet (continued)

As at 30 June 2014

	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>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Assets</b>									
Cash & cash equivalents	10	<b>77</b>	102	<b>32,287</b>	14,003	<b>59,703</b>	62,637	<b>3,871</b>	153
Futures margin deposit		–	–	<b>4,242</b>	1,954	<b>4,681</b>	3,367	<b>590</b>	366
Receivables		<b>5</b>	15	<b>89,128</b>	48,250	<b>71,844</b>	63,439	<b>13,713</b>	7,368
Due from brokers – receivable for securities sold		<b>755</b>	2,247	–	–	–	791	<b>1,487</b>	–
Financial assets held at fair value through profit or loss	11	<b>101,667</b>	332,350	<b>3,235,706</b>	2,950,310	<b>8,266,272</b>	7,513,078	<b>1,252,810</b>	802,604
Other assets		–	–	<b>1,565</b>	13,973	<b>12,752</b>	19,088	<b>3,012</b>	3,545
<b>Total assets</b>		<b>102,504</b>	334,714	<b>3,362,928</b>	3,028,490	<b>8,415,252</b>	7,662,400	<b>1,275,483</b>	814,036
<b>Liabilities</b>									
Payables	14(b)	<b>24</b>	81	<b>695</b>	575	<b>1,223</b>	1,098	<b>367</b>	233
Distribution payable	8	<b>574</b>	1,150	<b>70,954</b>	12,172	<b>73,285</b>	57,753	<b>23,939</b>	6,285
Due to brokers – payables for securities purchased		<b>782</b>	2,354	<b>11,713</b>	15,334	<b>4,143</b>	47,706	<b>2,662</b>	2,363
Financial liabilities held at fair value through profit or loss	12	–	–	<b>342</b>	–	<b>639</b>	–	–	–
Other liabilities		–	–	<b>1,329</b>	1,460	<b>1,572</b>	1,904	<b>373</b>	419
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,380</b>	3,585	<b>85,033</b>	29,541	<b>80,862</b>	108,461	<b>27,341</b>	9,300
<b>Net assets attributable to unitholders (liability)</b>	9(b)	<b>101,124</b>	331,129	<b>3,277,895</b>	2,998,949	<b>8,334,390</b>	7,553,939	<b>1,248,142</b>	804,736

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



# Statement of changes in equity

For the year ended 30 June 2014

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2014	2013	2014	2013	2014	2013	2014	2013
		\$'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		-	-	-	-	-	-	-	-
<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	
		2014	2013	2014	2013	2014	2013	2014	2013
		\$'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		-	-	-	-	-	-	-	-
<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 2014

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>									
Proceeds from sale of financial instruments held at fair value through profit or loss		8,524,246	7,957,924	2,098,397	1,601,531	26,136	355,461	1,683,599	1,315,672
Purchases of financial instruments held at fair value through profit or loss		(8,191,024)	(8,404,596)	(1,917,205)	(1,892,804)	(17,637)	(42,276)	(1,400,189)	(1,374,877)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–
Interest received		258	326	–	–	–	–	–	–
Distributions received		–	–	–	–	–	–	–	–
Other income received		6	–	41	–	–	14	51	60
Responsible Entity's fees paid		(2,909)	(2,863)	(2,205)	(2,189)	(149)	(318)	(9,004)	(9,546)
Payment of other expenses		–	–	–	(6)	–	(1)	(21)	(3)
<b>Net cash inflow/(outflow) from operating activities</b>	15(a)	<b>330,577</b>	<b>(449,209)</b>	<b>179,028</b>	<b>(293,468)</b>	<b>8,350</b>	<b>312,880</b>	<b>274,436</b>	<b>(68,694)</b>
<b>Cash flows from financing activities</b>									
Proceeds from applications by unitholders		75,767	622,179	683,781	309,078	10,790	23,840	1,308,595	1,152,466
Payments for redemptions by unitholders		(406,076)	(177,464)	(844,961)	(93,922)	(15,435)	(332,074)	(1,489,751)	(996,050)
Distributions paid from financing activities		(1,922)	(2,432)	(3,521)	(4,349)	(3,683)	(5,501)	(87,318)	(107,624)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(332,231)</b>	<b>442,283</b>	<b>(164,701)</b>	<b>210,807</b>	<b>(8,328)</b>	<b>(313,735)</b>	<b>(268,474)</b>	<b>48,792</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,654)</b>	<b>(6,926)</b>	<b>14,327</b>	<b>(82,661)</b>	<b>22</b>	<b>(855)</b>	<b>5,962</b>	<b>(19,902)</b>
Cash and cash equivalents at the beginning of the year		2,519	9,445	5,612	88,273	73	928	1,578	21,480
<b>Cash and cash equivalents at the end of the year</b>	10	<b>865</b>	<b>2,519</b>	<b>19,939</b>	<b>5,612</b>	<b>95</b>	<b>73</b>	<b>7,540</b>	<b>1,578</b>
Non-cash financing activities	15(b)								

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 2014

	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>2014</b> \$'000	2013 \$'000	<b>2014</b> \$'000	2013 \$'000	<b>2014</b> \$'000	2013 \$'000	<b>2014</b> \$'000	2013 \$'000
<b>Cash flows from operating activities</b>									
Proceeds from sale of financial instruments held at fair value through profit or loss		<b>308,958</b>	35,659	<b>596,404</b>	384,110	<b>1,621,209</b>	61,702	<b>450,037</b>	291,378
Purchases of financial instruments held at fair value through profit or loss		<b>(68,471)</b>	(77,693)	<b>(765,409)</b>	(457,200)	<b>(1,491,025)</b>	(1,524,548)	<b>(797,871)</b>	(642,273)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	<b>(161)</b>	(116)	<b>(270)</b>	(307)	<b>(174)</b>	(155)
Dividends received		–	–	–	–	<b>313,366</b>	254,824	<b>47,479</b>	25,645
Interest received		–	–	<b>(4)</b>	28	<b>1,219</b>	1,575	<b>59</b>	113
Distributions received		–	–	<b>163,970</b>	147,873	<b>39,586</b>	41,475	<b>6,066</b>	3,266
Other income received		<b>10</b>	–	<b>1,541</b>	2,534	<b>526</b>	1,422	<b>92</b>	111
Responsible Entity's fees paid		<b>(746)</b>	(899)	<b>(7,381)</b>	(6,998)	<b>(14,209)</b>	(12,731)	<b>(3,688)</b>	(2,044)
Payment of other expenses		–	–	<b>44</b>	(8)	<b>(3)</b>	(28)	–	(3)
<b>Net cash inflow/(outflow) from operating activities</b>	15(a)	<b>239,751</b>	(42,933)	<b>(10,996)</b>	70,223	<b>470,399</b>	(1,176,616)	<b>(298,000)</b>	(323,962)
<b>Cash flows from financing activities</b>									
Proceeds from applications by unitholders		<b>11,039</b>	43,379	<b>715,864</b>	670,553	<b>1,750,155</b>	1,911,807	<b>427,315</b>	415,069
Payments for redemptions by unitholders		<b>(250,808)</b>	(469)	<b>(617,967)</b>	(658,169)	<b>(2,111,666)</b>	(623,296)	<b>(88,980)</b>	(73,553)
Distributions paid from financing activities		<b>(7)</b>	(3)	<b>(68,617)</b>	(69,534)	<b>(111,822)</b>	(89,757)	<b>(36,617)</b>	(19,404)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(239,776)</b>	42,907	<b>29,280</b>	(57,150)	<b>(473,333)</b>	1,198,754	<b>301,718</b>	322,112
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25)</b>	(26)	<b>18,284</b>	13,073	<b>(2,934)</b>	22,138	<b>3,718</b>	(1,850)
Cash and cash equivalents at the beginning of the year		<b>102</b>	128	<b>14,003</b>	930	<b>62,637</b>	40,499	<b>153</b>	2,003
<b>Cash and cash equivalents at the end of the year</b>	10	<b>77</b>	102	<b>32,287</b>	14,003	<b>59,703</b>	62,637	<b>3,871</b>	153
Non-cash financing activities	15(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 2014

## 1. General information

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 were constituted between 16 June 1998 and 17 December 2010 and will terminate between 15 June 2078 and 17 December 2098 unless terminated earlier in accordance with the provisions of the Constitutions of the Funds.

The Funds invest in accordance with the investment policy of the Funds as set out in the current Product Disclosure Statement (PDS) and in accordance with the Constitutions of the Funds. The Funds seek to match the total returns of the Funds' respective indexes, before taking into account Fund fees and expenses.

On the 12 July 2013 Vanguard Cash Plus Index Fund changed its name to Vanguard Cash Plus Fund.

The financial statements were authorised for issue by the directors on 29 August 2014. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

On 9 October 2013, Vanguard Cash Reserve Fund entered into collateral arrangements for repurchase agreements.

The financial report is presented in the Australian currency.

## 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.

This financial report is 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 balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

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.

### Compliance with International Financial Reporting Standards

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (a) Basis of preparation (continued)

#### (i) New and amended standards adopted by the Fund

The Fund had to change some of its accounting policies as the result of new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013. The affected policies are:

- Determining fair value – AASB 13 Fair Value Measurement
- Offsetting arrangements – AASB 2012-2 Amendments to Australian Accounting Standards Disclosures Offsetting Financial Assets and Financial Liabilities

#### (ii) Changes in accounting policy fair value measurement

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities has changed on transition to AASB 13, largely due to incorporating credit risk into the valuation.

As required under AASB 13, the change to the fair value of the derivative liabilities is applied prospectively, in the same way as a change in an accounting estimate. The impact of AASB 13 to fair value of derivative liabilities held by the Funds was not material.

#### (iii) Changes in accounting policy: Offsetting arrangements

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* requires additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Fund's financial position or performance, however, they have resulted in additional disclosure in the notes to the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2013 that would be expected to have a material impact on the Funds.

#### (iv) Standards effective after 1 July 2013 that have been early adopted by the fund

The fund has also elected to adopt the following two standards early:

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* is effective for annual periods beginning on or after 1 January 2014, and has been early adopted by the Fund. These amendments clarify the offsetting criteria in AASB 132 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement arrangements may be considered equivalent to net settlement.

Amendments made to AASB 124 which confirm that the fund must disclose the fees paid for management personnel services received from a third party such as the responsible entity, but not the compensation paid by the responsible entity to its employees or directors.

The amendments did not have a material impact on the Fund's financial position or performance.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (b) Financial instruments

#### (i) Classification

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

- Financial instruments held for trading  
Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. 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 traded debt, unlisted trusts, unlisted equity instruments, commercial paper and exchange traded equity instruments.

Financial assets and financial liabilities designated at fair value through profit and loss at inception 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 have expired or the Funds have transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 quoted market price used for financial assets held by the Funds is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Further details on how the fair value of the financial instruments is determined are disclosed in note 3(b).

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (b) Financial instruments (continued)

#### (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.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Funds are required to distribute their taxable income. The units can be put back to the Funds at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in 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. Bank overdrafts are shown within assets as cash on the balance sheet. Futures margin deposit accounts are restricted cash balances and accordingly are not included in cash and cash equivalents.

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) Investment income

Interest income and expenses are recognised in the statement of comprehensive income for all financial assets that are not held at fair value through profit and loss using the effective interest method. Interest on assets held at fair value through profit and loss is included in the net gains/(losses) on financial assets. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

Dividend income is recognised on the ex-dividend date net of any related foreign withholding tax, but inclusive of reclaims that are yet to be received.

Trust distributions are recognised on an entitlements basis.

### (f) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

### (g) Income tax

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

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

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

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

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statement of comprehensive income.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (h) Distributions

In accordance with the Constitutions of the Funds, the Funds fully distribute their distributable income to unitholders by cash or reinvestment. Distributions payable are the amounts that the unitholders are presently entitled to as at 30 June 2014, but have not yet received. The distributions are payable at the end of September, December, March and June each year for all Funds except for Vanguard Cash Reserve Fund and Vanguard Cash Plus Fund which are payable at the end of each month. Distributions are recognised in the income statement as finance costs attributable to unitholders.

### (i) 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 profit or loss as finance costs.

### (j) 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 are 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.

### (k) Due from/to brokers

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

### (l) Futures margin deposits

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

### (m) Receivables

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 reporting date from the time of last payment using the effective interest rate method. Amounts are generally received within 30 days of being recorded as receivables.

### (n) Payables

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

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income under the Constitutions of the Funds.



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (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. There are currently no entry or exit fees charged for the Funds.

### (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 (RITC) at a rate ranging from 55% to 75%, hence Responsible Entity 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) 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.

### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 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 interpretation is set below:

*(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017).*

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 2017 but is available for early adoption. The directors do not expect this to have 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.

The Funds have not yet decided when to adopt AASB9.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (s) Rounding of amounts

The Funds are registered schemes of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, unless otherwise indicated.

## 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 deliver investment returns which closely match the total returns of selected indexes. The Funds use derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment management department under the policies approved by the Board of Directors of the Responsible Entity.

The Funds use different methods to measure different types of risk to which it is 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.

In any asset sector the returns of individual securities are a combination of the market return and returns specific to each security. By diversifying 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.

Note 3 (e) summarises the impact of an increase/decrease of each Fund's corresponding Index on net assets attributable to unitholders.

#### (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 2014

## 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 value of a financial instrument will fluctuate due to changes in market interest rates.

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 in the above note 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.

Those Funds whose exposure to interest rate risk is significant are set out in the following table:

	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>								
<b>Assets</b>								
Cash and cash equivalents	865	–	–	865	19,939	–	–	19,939
Futures margin deposit	71	–	–	71	83	–	–	83
Financial assets held at fair value through profit or loss	1,621,950	140,230	–	1,762,180	243,930	469,639	–	713,569
Other assets & receivables	–	–	101	101	–	–	4,320	4,320
<b>Total assets</b>	<b>1,622,886</b>	<b>140,230</b>	<b>101</b>	<b>1,763,217</b>	<b>263,952</b>	<b>469,639</b>	<b>4,320</b>	<b>737,911</b>
<b>Liabilities</b>								
Other liabilities	–	–	4,832	4,832	–	–	7,282	7,282
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>4,832</b>	<b>4,832</b>	<b>–</b>	<b>–</b>	<b>7,282</b>	<b>7,282</b>
<b>Net assets attributable to unitholders – liability</b>	<b>1,622,886</b>	<b>140,230</b>	<b>(4,731)</b>	<b>1,758,385</b>	<b>263,952</b>	<b>469,639</b>	<b>(2,962)</b>	<b>730,629</b>
<b>30 June 2013</b>								
<b>Assets</b>								
Cash and cash equivalents	2,519	–	–	2,519	5,612	–	–	5,612
Futures margin deposit	141	–	–	141	141	–	–	141
Financial assets held at fair value through profit or loss	2,045,082	–	–	2,045,082	483,310	393,264	–	876,574
Other assets & receivables	–	–	56	56	–	–	1,305	1,305
<b>Total assets</b>	<b>2,047,742</b>	<b>–</b>	<b>56</b>	<b>2,047,798</b>	<b>489,063</b>	<b>393,264</b>	<b>1,305</b>	<b>883,632</b>
<b>Liabilities</b>								
Other liabilities	–	–	24,820	24,820	–	–	7,175	7,175
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>24,820</b>	<b>24,820</b>	<b>–</b>	<b>–</b>	<b>7,175</b>	<b>7,175</b>
<b>Net assets attributable to unitholders – liability</b>	<b>2,047,742</b>	<b>–</b>	<b>(24,764)</b>	<b>2,022,978</b>	<b>489,063</b>	<b>393,264</b>	<b>(5,870)</b>	<b>876,457</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>								
<b>Assets</b>								
Cash and cash equivalents	95	–	–	95	7,540	–	–	7,540
Futures margin deposit	–	–	–	–	84	–	–	84
Financial assets held at fair value through profit or loss	–	55,548	–	55,548	–	3,804,829	–	3,804,829
Other assets & receivables	–	–	2,468	2,468	–	–	37,281	37,281
<b>Total assets</b>	<b>95</b>	<b>55,548</b>	<b>2,468</b>	<b>58,111</b>	<b>7,624</b>	<b>3,804,829</b>	<b>37,281</b>	<b>3,849,734</b>
<b>Liabilities</b>								
Other liabilities	–	–	2,553	2,553	–	–	78,417	78,417
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>2,553</b>	<b>2,553</b>	<b>–</b>	<b>–</b>	<b>78,417</b>	<b>78,417</b>
<b>Net assets attributable to unitholders – liability</b>	<b>95</b>	<b>55,548</b>	<b>(85)</b>	<b>55,558</b>	<b>7,624</b>	<b>3,804,829</b>	<b>(41,136)</b>	<b>3,771,317</b>
<b>30 June 2013</b>								
<b>Assets</b>								
Cash and cash equivalents	73	–	–	73	1,578	–	–	1,578
Futures margin deposit	14	–	–	14	147	–	–	147
Financial assets held at fair value through profit or loss	–	59,152	–	59,152	–	3,859,193	–	3,859,193
Other assets & receivables	–	–	1,935	1,935	–	–	46,732	46,732
<b>Total assets</b>	<b>87</b>	<b>59,152</b>	<b>1,935</b>	<b>61,174</b>	<b>1,725</b>	<b>3,859,193</b>	<b>46,732</b>	<b>3,907,650</b>
<b>Liabilities</b>								
Other liabilities	–	–	2,221	2,221	11	–	77,750	77,761
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>2,221</b>	<b>2,221</b>	<b>11</b>	<b>–</b>	<b>77,750</b>	<b>77,761</b>
<b>Net assets attributable to unitholders – liability</b>	<b>87</b>	<b>59,152</b>	<b>(286)</b>	<b>58,953</b>	<b>1,714</b>	<b>3,859,193</b>	<b>(31,018)</b>	<b>3,829,889</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (a) Market risk (continued)

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

	Vanguard Australian Inflation-Linked Bond Index Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>				
<b>Assets</b>				
Cash and cash equivalents	77	–	–	77
Futures margin deposit	–	–	–	–
Financial assets held at fair value through profit or loss	–	101,667	–	101,667
Other assets & receivables	–	–	760	760
<b>Total assets</b>	<b>77</b>	<b>101,667</b>	<b>760</b>	<b>102,504</b>
<b>Liabilities</b>				
Other liabilities	–	–	1,380	1,380
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>1,380</b>	<b>1,380</b>
<b>Net assets attributable to unitholders – liability</b>	<b>77</b>	<b>101,667</b>	<b>(620)</b>	<b>101,124</b>
<b>30 June 2013</b>				
<b>Assets</b>				
Cash and cash equivalents	102	–	–	102
Futures margin deposit	–	–	–	–
Financial assets held at fair value through profit or loss	–	332,350	–	332,350
Other assets & receivables	–	–	2,262	2,262
<b>Total assets</b>	<b>102</b>	<b>332,350</b>	<b>2,262</b>	<b>334,714</b>
<b>Liabilities</b>				
Other liabilities	–	–	3,585	3,585
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>–</b>	<b>–</b>	<b>3,585</b>	<b>3,585</b>
<b>Net assets attributable to unitholders – liability</b>	<b>102</b>	<b>332,350</b>	<b>(1,323)</b>	<b>331,129</b>

Note 3 (e) summarises the impact of an increase/decrease of interest rates of each Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows.

### (b) 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)
- Financial assets / liabilities held for trading
- Derivative financial instruments

The Funds had no assets or liabilities at fair value on a non-recurring basis in the reporting period. The carrying amounts of the Funds' assets and liabilities at the balance sheet date approximate their fair values.

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (b) Fair value estimation (continued)

#### Fair value in an active market

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

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

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.

#### Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar 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 balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. 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 balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

### (c) Credit risk

Credit risk is the risk that the Funds' trading counterparties become insolvent or cannot otherwise meet their obligations to the Funds in full when they fall due.

Funds which invest in fixed interest and debt securities are exposed to credit risk. This is the risk that an issuer of a fixed interest or debt security may not meet its payment obligations to the Funds. The Responsible Entity seeks to minimise this risk by diversifying a Fund's holdings across issuers. At 30 June 2014 there are no financial assets that are past due or impaired (2013: \$nil).

Any securities lending in the fixed interest Funds is with a selected group of counterparties, all of which have AA or better long-term and A1+ short-term Standard & Poor's credit ratings (or Moody's equivalent).

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 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 non-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.

#### (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 2014, the Funds had no master netting arrangements outstanding (2013: \$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 2014

## 3. Financial risk management (continued)

### (d) Liquidity risk

The Funds' approach to managing liquidity is to ensure that they will always have sufficient liquidity to meet their liabilities when due. Unitholders are able to withdraw their units at any time, and the Funds are therefore exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Funds' financial instruments include investments in equity investments, fixed interest securities and derivative contracts traded over-the-counter. 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' portfolio.

The following tables summarise the maturity profile of the Funds' financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Funds can be required to pay.

	Vanguard Cash Reserve Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	217	–	–	–	217	253	–	–	–	253
Distribution payable	3,719	–	–	–	3,719	4,552	–	–	–	4,552
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	4	–	–	4	–	–	–	–	–
Other liabilities	892	–	–	–	892	20,015	–	–	–	20,015
Net assets attributable to unitholders	1,758,385	–	–	–	1,758,385	2,022,978	–	–	–	2,022,978
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>1,763,213</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>1,763,217</b>	<b>2,047,798</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,047,798</b>
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

	Vanguard Cash Plus Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	174	–	–	–	174	209	–	–	–	209
Distribution payable	1,929	–	–	–	1,929	2,591	–	–	–	2,591
Due to brokers – payables for securities purchased	5,106	–	–	–	5,106	4,341	–	–	–	4,341
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	9	13	–	22	–	1	–	–	1
Other liabilities	51	–	–	–	51	33	–	–	–	33
Net assets attributable to unitholders	730,629	–	–	–	730,629	876,457	–	–	–	876,457
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>737,889</b>	<b>9</b>	<b>13</b>	<b>–</b>	<b>737,911</b>	<b>883,631</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>883,632</b>
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Vanguard Australian Government Bond Index Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	12	–	–	–	12	14	–	–	–	14
Distribution payable	932	–	–	–	932	1,959	–	–	–	1,959
Due to brokers – payables for securities purchased	654	–	–	–	654	89	–	–	–	89
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	1	–	–	–	1
Other liabilities	955	–	–	–	955	158	–	–	–	158
Net assets attributable to unitholders	55,558	–	–	–	55,558	58,953	–	–	–	58,953
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>58,111</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58,111</b>	<b>61,174</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>61,174</b>
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

	Vanguard Australian Fixed Interest Index Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	747	–	–	–	747	769	–	–	–	769
Distribution payable	46,164	–	–	–	46,164	54,179	–	–	–	54,179
Due to brokers – payables for securities purchased	28,942	–	–	–	28,942	19,305	–	–	–	19,305
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	11	–	–	11
Other liabilities	2,564	–	–	–	2,564	3,497	–	–	–	3,497
Net assets attributable to unitholders	3,771,317	–	–	–	3,771,317	3,829,889	–	–	–	3,829,889
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>3,849,734</b>	–	–	–	<b>3,849,734</b>	3,907,639	11	–	–	3,907,650
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	–	–	–	–	–	–	–	–	–	–

	Vanguard Australian Property Securities Index Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	695	–	–	–	695	575	–	–	–	575
Distribution payable	70,954	–	–	–	70,954	12,172	–	–	–	12,172
Due to brokers – payables for securities purchased	11,713	–	–	–	11,713	15,334	–	–	–	15,334
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	342	–	–	342	–	–	–	–	–
Other liabilities	1,329	–	–	–	1,329	1,460	–	–	–	1,460
Net assets attributable to unitholders	3,277,895	–	–	–	3,277,895	2,998,949	–	–	–	2,998,949
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>3,362,586</b>	<b>342</b>	–	–	<b>3,362,928</b>	3,028,490	–	–	–	3,028,490
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	–	–	–	–	–	–	–	–	–	–

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

	Vanguard Australian Shares Index Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	1,223	–	–	–	1,223	1,098	–	–	–	1,098
Distribution payable	73,285	–	–	–	73,285	57,753	–	–	–	57,753
Due to brokers – payables for securities purchased	4,143	–	–	–	4,143	47,706	–	–	–	47,706
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	639	–	–	639	–	–	–	–	–
Other liabilities	1,572	–	–	–	1,572	1,904	–	–	–	1,904
Net assets attributable to unitholders	8,334,390	–	–	–	8,334,390	7,553,939	–	–	–	7,553,939
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>8,414,613</b>	<b>639</b>	<b>–</b>	<b>–</b>	<b>8,415,252</b>	<b>7,662,400</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,662,400</b>
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Vanguard Australian Shares High Yield Fund									
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	367	–	–	–	367	233	–	–	–	233
Distribution payable	23,939	–	–	–	23,939	6,285	–	–	–	6,285
Due to brokers – payables for securities purchased	2,662	–	–	–	2,662	2,363	–	–	–	2,363
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	373	–	–	–	373	419	–	–	–	419
Net assets attributable to unitholders	1,248,142	–	–	–	1,248,142	804,736	–	–	–	804,736
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>1,275,483</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,275,483</b>	<b>814,036</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>814,036</b>
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (d) Liquidity risk (continued)

Vanguard Australian Inflation-Linked Bond Index Fund										
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	24	–	–	–	24	81	–	–	–	81
Distribution payable	574	–	–	–	574	1,150	–	–	–	1,150
Due to brokers – payables for securities purchased	782	–	–	–	782	2,354	–	–	–	2,354
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	101,124	–	–	–	101,124	331,129	–	–	–	331,129
<b>Total financial liabilities (excluding gross settled derivatives)</b>	<b>102,504</b>	–	–	–	<b>102,504</b>	334,714	–	–	–	334,714
<b>Gross settled derivatives</b>										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
<b>Total gross settled derivatives inflow (outflow)</b>	–	–	–	–	–	–	–	–	–	–

### (e) Summarised sensitivity analysis

The following tables summarise 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 the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables are not 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.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (e) Summarised sensitivity analysis (continued)

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund			
	Impact on operating profit/(loss) and net assets attributable to unitholders				Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>	+0%	+1%	-30 bps	+30 bps	0%	+1%	-30 bps	+30 bps
	-	17,622	(4,448)	4,448	-	7,135	(617)	617
30 June 2013	0%	0%	-70 bps	+70 bps	0%	+1%	-70 bps	+70 bps
	-	-	(14,334)	14,334	-	8,766	(671)	671
	Vanguard Australian Government Bond Index Fund				Vanguard Australian Fixed Interest Index Fund			
	Impact on operating profit/(loss) and net assets attributable to unitholders				Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>	-1%	+1%	-30 bps	+30 bps	0%	+1%	-30 bps	+30 bps
	(555)	555	996	(996)	-	38,048	68,190	(68,190)
30 June 2013	-1%	+2%	-70 bps	+70 bps	0%	+1%	-70 bps	+70 bps
	(592)	1,183	2,353	(2,353)	-	38,592	153,592	(153,592)
	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares Index Fund			
	Impact on operating profit/(loss) and net assets attributable to unitholders				Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>	-4%	+5%	-30 bps	+30 bps	-3%	+5%	-30 bps	+30 bps
	(129,415)	161,768	(110)	110	(247,969)	413,282	(193)	193
30 June 2013*	-4%	+5%	-70 bps	+70 bps	-3%	+5%	-70 bps	+70 bps
	(118,012)	147,516	(112)	112	(225,392)	375,654	(462)	462
	Vanguard Australian Shares High Yield Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	Impact on operating profit/(loss) and net assets attributable to unitholders				Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2014</b>	-2%	+5%	-30 bps	+30 bps	-1%	+2%	-30 bps	+30 bps
	(25,056)	62,641	(13)	13	(1,017)	2,033	1,823	(1,823)
30 June 2013*	-2%	+5%	-70 bps	+70 bps	-1%	+2%	-70 bps	+70 bps
	(16,052)	40,130	(4)	4	(3,324)	6,647	13,224	(13,224)

\*Comparative figures have been reclassified to conform with current year's classification.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The determination of what constitutes ‘observable’ requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Funds’ assets and liabilities measured and recognised at fair value as at 30 June 2014.

	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 2014</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	–	–	–	–	5	–	–	5
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	1,334,896	427,284	–	1,762,180	39,874	673,690	–	713,564
<b>Total</b>	<b>1,334,896</b>	<b>427,284</b>	<b>–</b>	<b>1,762,180</b>	<b>39,879</b>	<b>673,690</b>	<b>–</b>	<b>713,569</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	4	–	–	4	22	–	–	22
<b>Total</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>22</b>
<b>30 June 2013</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	17	–	–	17	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	2,030,729	14,336	–	2,045,065	–	876,574	–	876,574
<b>Total</b>	<b>2,030,746</b>	<b>14,336</b>	<b>–</b>	<b>2,045,082</b>	<b>–</b>	<b>876,574</b>	<b>–</b>	<b>876,574</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	–	–	–	–	1	–	–	1
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (f) Fair value hierarchy (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 2014</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	-	-	-	-	-	-	-	-
Debt securities	-	55,548	-	55,548	-	3,804,829	-	3,804,829
<b>Total</b>	-	55,548	-	55,548	-	3,804,829	-	3,804,829
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
<b>30 June 2013</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	-	-	-	-	-	-	-	-
Debt securities	-	59,152	-	59,152	-	3,859,193	-	3,859,193
<b>Total</b>	-	59,152	-	59,152	-	3,859,193	-	3,859,193
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	1	-	-	1	11	-	-	11
<b>Total</b>	1	-	-	1	11	-	-	11

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (f) Fair value hierarchy (continued)

	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares 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 2014</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Equity securities	<b>3,235,706</b>	–	–	<b>3,235,706</b>	<b>8,266,234</b>	<b>38</b>	–	<b>8,266,272</b>
Debt securities	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3,235,706</b>	–	–	<b>3,235,706</b>	<b>8,266,234</b>	<b>38</b>	–	<b>8,266,272</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	<b>342</b>	–	–	<b>342</b>	<b>639</b>	–	–	<b>639</b>
<b>Total</b>	<b>342</b>	–	–	<b>342</b>	<b>639</b>	–	–	<b>639</b>
<b>30 June 2013</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	1,872	–	–	1,872	815	–	–	815
Financial assets designated at fair value through profit or loss:								
Equity securities	2,948,438	–	–	2,948,438	7,511,161	1,102	–	7,512,263
Debt securities	–	–	–	–	–	–	–	–
<b>Total</b>	<b>2,950,310</b>	–	–	<b>2,950,310</b>	<b>7,511,976</b>	<b>1,102</b>	–	<b>7,513,078</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	–	–	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–	–	–



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (f) Fair value hierarchy (continued)

	Vanguard Australian Shares High Yield 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 2014</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	1,252,810	-	-	1,252,810	-	-	-	-
Debt securities	-	-	-	-	-	101,667	-	101,667
<b>Total</b>	<b>1,252,810</b>	<b>-</b>	<b>-</b>	<b>1,252,810</b>	<b>-</b>	<b>101,667</b>	<b>-</b>	<b>101,667</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2013</b>								
<b>Financial assets</b>								
Financial assets held for trading								
Derivatives	84	-	-	84	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	802,520	-	-	802,520	-	-	-	-
Debt securities	-	-	-	-	-	332,350	-	332,350
<b>Total</b>	<b>802,604</b>	<b>-</b>	<b>-</b>	<b>802,604</b>	<b>-</b>	<b>332,350</b>	<b>-</b>	<b>332,350</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading								
Derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, certain unlisted unit trusts, exchange traded derivatives, US government treasury bills and certain non-US sovereign obligations.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include, investment-grade corporate bonds and certain non-US sovereign obligations, certain listed equities, certain unlisted unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 3. Financial risk management (continued)

### (f) Fair value hierarchy (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the Funds' unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments where available.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between levels during the reporting period.

## 4. Interest income

This table shows the average balance for the major categories of interest-bearing assets, the amount of interest revenue and the average interest rate.

	2014			2013		
	Average balance \$'000	Interest \$'000	Average rate %	Average balance \$'000	Interest \$'000	Average rate %
<b>Vanguard Cash Plus Fund</b>						
Fixed interest securities – domestic	415,534	20,647	4.97%	358,048	18,367	5.13%
<b>Vanguard Australian Government Bond Index Fund</b>						
Fixed interest securities – domestic	52,546	2,598	4.94%	71,839	4,311	6.00%
<b>Vanguard Australian Fixed Interest Index Fund</b>						
Fixed interest securities – domestic	3,777,568	189,322	5.01%	3,877,376	199,882	5.16%
<b>Vanguard Australian Inflation-Linked Bond Index Fund</b>						
Fixed interest securities – domestic	216,455	6,904	3.19%	313,826	8,664	2.76%

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).

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 5. Net gains/(losses) on financial instruments 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial assets</b>								
Net gain/(loss) on financial assets held for trading	(98)	(117)	(23)	5	(5)	(11)	(306)	(491)
Net gain/(loss) on financial assets designated at fair value through profit or loss	50,346	61,633	21,412	25,525	2,961	2,858	223,826	109,388
<b>Net gain/(loss) on financial assets held at fair value through profit or loss</b>	<b>50,248</b>	<b>61,516</b>	<b>21,389</b>	<b>25,530</b>	<b>2,956</b>	<b>2,847</b>	<b>223,520</b>	<b>108,897</b>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	53,211	63,736	23,979	30,990	2,332	17,103	206,681	227,399
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	(2,963)	(2,220)	(2,590)	(5,460)	624	(14,256)	16,839	(118,502)
<b>Net gain/(loss) on financial assets held at fair value through profit or loss</b>	<b>50,248</b>	<b>61,516</b>	<b>21,389</b>	<b>25,530</b>	<b>2,956</b>	<b>2,847</b>	<b>223,520</b>	<b>108,897</b>
<b>Financial liabilities</b>								
Net gain/(loss) on financial liabilities held for trading	(4)	–	(22)	(1)	–	(1)	–	(11)
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Net gain/(loss) on financial liabilities held at fair value through profit or loss</b>	<b>(4)</b>	<b>–</b>	<b>(22)</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(11)</b>
Net realised gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–	–
Net unrealised gain/(loss) on financial liabilities held at fair value through profit or loss	(4)	–	(22)	(1)	–	(1)	–	(11)
<b>Net gain/(loss) on financial liabilities held at fair value through profit or loss</b>	<b>(4)</b>	<b>–</b>	<b>(22)</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(11)</b>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>50,244</b>	<b>61,516</b>	<b>21,367</b>	<b>25,529</b>	<b>2,956</b>	<b>2,846</b>	<b>223,520</b>	<b>108,886</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 5. Net gains/(losses) on financial instruments 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>								
Net gain/(loss) on financial assets held for trading	–	–	1,109	4,293	9,034	8,379	741	383
Net gain/(loss) on financial assets designated at fair value through profit or loss	9,882	(9,168)	121,192	420,370	918,430	821,930	103,044	91,096
<b>Net gain/(loss) on financial assets held at fair value through profit or loss</b>	<b>9,882</b>	<b>(9,168)</b>	<b>122,301</b>	<b>424,663</b>	<b>927,464</b>	<b>830,309</b>	<b>103,785</b>	<b>91,479</b>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	(1,133)	9,467	17,450	(2,880)	229,653	(25,859)	29,965	22,780
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	11,015	(18,635)	104,851	427,543	697,811	856,168	73,820	68,699
<b>Net gain/(loss) on financial assets held at fair value through profit or loss</b>	<b>9,882</b>	<b>(9,168)</b>	<b>122,301</b>	<b>424,663</b>	<b>927,464</b>	<b>830,309</b>	<b>103,785</b>	<b>91,479</b>
<b>Financial liabilities</b>								
Net gain/(loss) on financial liabilities held for trading	–	–	(342)	–	(639)	–	–	–
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Net gain/(loss) on financial liabilities held at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>(342)</b>	<b>–</b>	<b>(639)</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net realised gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–	–
Net unrealised gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	(342)	–	(639)	–	–	–
<b>Net gain/(loss) on financial liabilities held at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>(342)</b>	<b>–</b>	<b>(639)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>9,882</b>	<b>(9,168)</b>	<b>121,959</b>	<b>424,663</b>	<b>926,825</b>	<b>830,309</b>	<b>103,785</b>	<b>91,479</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 6. Auditor's remuneration

The auditor's remuneration is borne by the Responsible Entity. Other services include the audit of the Compliance Plans and Internal Controls Report (GS 007). During the year, the following fees were paid and 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Auditor's remuneration</b>								
– for auditing the financial statements	10,811	10,264	11,301	10,747	21,766	20,663	27,702	26,644
– other services	17,217	22,968	17,217	22,968	17,217	22,968	17,217	23,468

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Auditor's remuneration</b>								
– for auditing the financial statements	12,772	12,196	26,178	25,009	24,990	23,839	22,256	21,146
– other services	17,217	22,968	17,217	23,468	17,217	27,968	17,217	23,468

## 7. Responsible Entity's fees

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Inflation-Linked Bond Index Fund	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	2,873	2,919	2,170	2,239	689	902
Management costs per annum	0.15%	0.15%	0.29%	0.29%	0.29%	0.29%

	Vanguard Australian Government Bond Index Fund (Ordinary Unit Class)		Vanguard Australian Government Bond Index Fund (ETF Unit Class)		Vanguard Australian Property Securities Index Fund (Ordinary Unit Class)		Vanguard Australian Property Securities Index Fund (ETF Unit Class)	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	124	224	23	18	7,103	6,765	354	133
Management costs per annum	0.29%	0.29%	0.20%	0.20%	0.24%	0.24%	0.25%	0.25%

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 7. Responsible Entity's fees (continued)

	Vanguard Australian Shares High Yield Fund (Ordinary Unit Class)		Vanguard Australian Shares High Yield Fund (ETF Unit Class)		Vanguard Australian Shares Index Fund (Ordinary Unit Class)		Vanguard Australian Shares Index Fund (ETF Unit Class)	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>2,998</b>	1,925	<b>824</b>	240	<b>13,539</b>	11,927	<b>795</b>	489
Management costs per annum	<b>0.40%</b>	0.40%	<b>0.25%</b>	0.25%	<b>0.18%</b>	0.18%	<b>0.15%</b>	0.15%

	Vanguard Australian Fixed Interest Index Fund (Ordinary Unit Class)		Vanguard Australian Fixed Interest Index Fund (ETF Unit Class)	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	<b>8,931</b>	9,425	<b>51</b>	8
Management costs per annum	<b>0.24%</b>	0.24%	<b>0.20%</b>	0.20%

## 8. Distributions to unitholders paid and payable

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	2014		2013		2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>44,061</b>	<b>2.3094</b>	54,567	2.8224	<b>18,013</b>	<b>2.4165</b>	23,092	3.0783	<b>2,602</b>	<b>0.8814</b>	2,624	0.8970
Distribution payable – 30 June	<b>3,719</b>	<b>0.2124</b>	4,552	0.2261	<b>1,929</b>	<b>0.2689</b>	2,591	0.3011	<b>574</b>	<b>0.5994</b>	1,150	0.3469
	<b>47,780</b>	<b>2.5218</b>	59,119	3.0485	<b>19,942</b>	<b>2.6854</b>	25,683	3.3794	<b>3,176</b>	<b>1.4808</b>	3,774	1.2439

	Vanguard Australian Government Bond Index Fund (Ordinary Unit Class)				Vanguard Australian Government Bond Index Fund (ETF Unit Class)			
	2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>1,524</b>	<b>3.7447</b>	3,651	5.8929	<b>431</b>	<b>179.4196</b>	556	283.6194
Distribution payable – 30 June	<b>716</b>	<b>1.6828</b>	1,582	3.3025	<b>216</b>	<b>76.3081</b>	377	156.6263
	<b>2,240</b>	<b>5.4275</b>	5,233	9.1954	<b>647</b>	<b>255.7277</b>	933	440.2457

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

	Vanguard Australian Property Securities Index Fund (Ordinary Unit Class)				Vanguard Australian Property Securities Index Fund (ETF Unit Class)			
	2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>111,802</b>	<b>2.7648</b>	106,072	2.6711	<b>5,343</b>	<b>228.4858</b>	2,014	222.0269
Distribution payable – 30 June	<b>66,474</b>	<b>1.6267</b>	11,799	0.2918	<b>4,480</b>	<b>134.0503</b>	373	24.0899
	<b>178,276</b>	<b>4.3915</b>	117,871	2.9629	<b>9,823</b>	<b>362.5361</b>	2,387	246.1168

	Vanguard Australian Shares High Yield Fund (Ordinary Unit Class)				Vanguard Australian Shares High Yield Fund (ETF Unit Class)			
	2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>26,888</b>	<b>6.3583</b>	18,970	5.9370	<b>12,415</b>	<b>249.3252</b>	3,464	233.2290
Distribution payable – 30 June	<b>16,131</b>	<b>3.2661</b>	4,486	1.1800	<b>7,808</b>	<b>126.9436</b>	1,799	47.8894
	<b>43,019</b>	<b>9.6244</b>	23,456	7.1170	<b>20,223</b>	<b>376.2688</b>	5,263	281.1184

	Vanguard Australian Shares Index Fund (Ordinary Unit Class)				Vanguard Australian Shares Index Fund (ETF Unit Class)			
	2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>263,059</b>	<b>6.8163</b>	220,391	6.3076	<b>17,804</b>	<b>238.2865</b>	11,768	220.9712
Distribution payable – 30 June	<b>67,178</b>	<b>1.7340</b>	54,659	1.3455	<b>6,107</b>	<b>60.8063</b>	3,094	47.1821
	<b>330,237</b>	<b>8.5503</b>	275,050	7.6531	<b>23,911</b>	<b>299.0928</b>	14,862	268.1533

	Vanguard Australian Fixed Interest Index Fund (Ordinary Unit Class)				Vanguard Australian Fixed Interest Index Fund (ETF Unit Class)			
	2014		2013		2014		2013	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	<b>145,654</b>	<b>4.3157</b>	169,142	4.9899	<b>942</b>	<b>189.1350</b>	158	156.0862
Distribution payable – 30 June	<b>45,630</b>	<b>1.3640</b>	53,998	1.5679	<b>534</b>	<b>61.6094</b>	181	69.4669
	<b>191,284</b>	<b>5.6797</b>	223,140	6.5578	<b>1,476</b>	<b>250.7444</b>	339	225.5531

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 9. Net assets attributable to unitholders

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Inflation-Linked Bond Index Fund	
	2014 '000	2013 '000	2014 '000	2013 '000	2014 '000	2013 '000
<b>(a) Units on issue</b>						
Opening balance	2,013,679	1,534,695	860,418	629,260	331,656	287,533
Applications	75,398	618,566	669,599	302,570	10,936	41,471
Distributions reinvested	46,480	56,609	16,764	20,401	3,748	3,101
Redemptions	(384,936)	(196,191)	(829,440)	(91,813)	(250,607)	(449)
<b>Closing balance</b>	<b>1,750,621</b>	<b>2,013,679</b>	<b>717,341</b>	<b>860,418</b>	<b>95,733</b>	<b>331,656</b>

	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
	<b>(b) Net assets attributable to unitholders</b>					
Opening balance	2,022,978	1,541,650	876,457	642,777	331,129	298,819
Applications	75,824	622,047	682,790	309,053	11,040	43,378
Distributions reinvested	46,692	56,869	17,083	20,811	3,746	3,245
Redemptions	(386,952)	(197,376)	(844,979)	(93,785)	(250,808)	(469)
Increase/(decrease) in net assets attributable to unitholders	(157)	(212)	(722)	(2,399)	6,017	(13,844)
<b>Closing balance</b>	<b>1,758,385</b>	<b>2,022,978</b>	<b>730,629</b>	<b>876,457</b>	<b>101,124</b>	<b>331,129</b>

	Vanguard Australian Government Bond Index Fund					
	2014			2013		
	Ordinary Units '000	ETF Class Units '000	Total '000	Ordinary Units '000	ETF Class Units '000	Total '000
<b>(a) Units on issue</b>						
Opening balance	47,905	240		335,328	100	
Applications	10,754	40		15,697	139	
Distributions reinvested	233	1		6,094	1	
Redemptions	(16,337)	–		(309,214)	–	
<b>Closing balance</b>	<b>42,555</b>	<b>281</b>		<b>47,905</b>	<b>240</b>	

	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
	<b>(b) Net assets attributable to unitholders</b>					
Opening balance			58,953			364,302
Applications	10,738	1,907	12,645	16,729	7,017	23,746
Distributions reinvested	231	38	269	6,527	9	6,536
Redemptions	(16,231)	–	(16,231)	(332,070)	–	(332,070)
Increase/(decrease) in net assets attributable to unitholders			(78)			(3,561)
<b>Closing balance</b>			<b>55,558</b>			<b>58,953</b>



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

Vanguard Australian Property Securities Index Fund						
	2014			2013		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	'000	'000	'000	'000	'000	'000
<b>(a) Units on issue</b>						
Opening balance	4,042,963	1,524		3,974,618	481	
Applications	830,230	1,800		903,880	1,040	
Distributions reinvested	86,356	7		122,960	3	
Redemptions	(873,031)	–		(958,495)	–	
<b>Closing balance</b>	<b>4,086,518</b>	<b>3,331</b>		<b>4,042,963</b>	<b>1,524</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Net assets attributable to unitholders</b>						
Opening balance			2,998,949			2,436,957
Applications	596,380	106,738	703,118	622,582	60,128	682,710
Distributions reinvested	60,700	339	61,039	80,132	184	80,316
Redemptions	(617,836)	–	(617,836)	(658,131)	–	(658,131)
Increase/(decrease) in net assets attributable to unitholders			132,625			457,097
<b>Closing balance</b>			<b>3,277,895</b>			<b>2,998,949</b>

Vanguard Australian Shares Index Fund						
	2014			2013		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	'000	'000	'000	'000	'000	'000
<b>(a) Units on issue</b>						
Opening balance	4,062,239	6,494		3,291,553	4,555	
Applications	776,381	3,420		1,014,786	2,080	
Distributions reinvested	119,019	50		111,316	39	
Redemptions	(1,083,569)	–		(355,416)	(180)	
<b>Closing balance</b>	<b>3,874,070</b>	<b>9,964</b>		<b>4,062,239</b>	<b>6,494</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Net assets attributable to unitholders</b>						
Opening balance			7,553,939			5,221,631
Applications	1,507,636	232,849	1,740,485	1,800,167	125,668	1,925,835
Distributions reinvested	226,795	3,333	230,128	185,378	2,228	187,606
Redemptions	(2,111,334)	–	(2,111,334)	(612,315)	(11,166)	(623,481)
Increase/(decrease) in net assets attributable to unitholders			921,172			842,348
<b>Closing balance</b>			<b>8,334,390</b>			<b>7,553,939</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

Vanguard Australian Shares High Yield Fund						
	2014			2013		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	'000	'000	'000	'000	'000	'000
<b>(a) Units on issue</b>						
Opening balance	380,152	3,745		260,348	741	
Applications	160,496	2,380		165,426	3,000	
Distributions reinvested	5,346	12		4,329	4	
Redemptions	(52,111)	–		(49,951)	–	
<b>Closing balance</b>	<b>493,883</b>	<b>6,137</b>		<b>380,152</b>	<b>3,745</b>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(b) Net assets attributable to unitholders</b>						
Opening balance			804,736			361,115
Applications	272,907	153,074	425,981	241,921	176,342	418,263
Distributions reinvested	8,971	798	9,769	6,028	223	6,251
Redemptions	(88,933)	–	(88,933)	(73,848)	–	(73,848)
Increase/(decrease) in net assets attributable to unitholders			96,589			92,955
<b>Closing balance</b>			<b>1,248,142</b>			<b>804,736</b>

Vanguard Australian Fixed Interest Index Fund						
	2014			2013		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	'000	'000	'000	'000	'000	'000
<b>(a) Units on issue</b>						
Opening balance	3,444,053	261		3,207,905	–	
Applications	1,142,640	600		1,007,029	260	
Distributions reinvested	103,098	1		102,562	1	
Redemptions	(1,344,545)	–		(873,443)	–	
<b>Closing balance</b>	<b>3,345,246</b>	<b>862</b>		<b>3,444,053</b>	<b>261</b>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(b) Net assets attributable to unitholders</b>						
Opening balance			3,829,889			3,670,958
Applications	1,266,053	28,827	1,294,880	1,151,623	12,838	1,164,461
Distributions reinvested	113,456	58	113,514	116,719	5	116,724
Redemptions	(1,488,788)	–	(1,488,788)	(998,244)	–	(998,244)
Increase/(decrease) in net assets attributable to unitholders			21,822			(124,010)
<b>Closing balance</b>			<b>3,771,317</b>			<b>3,829,889</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 Fund.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

The Vanguard Australian Shares Index Fund ("VASIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced on 8 May 2009 and are traded on the Australian Stock Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

The Vanguard Australian Property Securities Index Fund ("VAPSIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced on 11 October 2010 and are traded on the Australian Stock Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

The Vanguard Australian Shares High Yield Fund ("VASHYF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced on 26 May 2011 and are traded on the Australian Stock Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

The Vanguard Australian Government Bond Index Fund ("VAGBIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced on 24 April 2012 and are traded on the Australian Stock Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

The Vanguard Australian Fixed Interest Index Fund ("VAFIIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced on 31 October 2012 and are traded on the Australian Stock Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

Movements in the number of units and net assets attributable to unitholders are governed by the Constitutions of the Funds.

### Capital risk management

The Funds manage 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 the unitholders.

The Funds monitor the level of daily applications and redemptions relative to the net liquid assets in the Funds. The net liquid assets include cash and cash equivalents, financial assets designated at fair value through profit and loss, receivables and payables with a maturity of less than 30 days.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

The ratio of net liquid assets to net assets attributable to unitholders (NAATU) at end of reporting periods are as follows:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	(1,240)	1,692	(646)	858	(14)	(1,228)	(773)	662
Net Liquid assets of the fund	1,758,385	2,022,978	730,629	876,457	55,558	58,953	3,771,317	3,829,889
Net assets attributable to unitholders (NAATU)	1,758,385	2,022,978	730,629	876,457	55,558	58,953	3,771,317	3,829,889
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	100%

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	(955)	171	340	98	(1,477)	5,189	1,343	1,372
Net Liquid assets of the fund	101,124	331,129	3,277,895	2,998,949	8,334,390	7,553,939	1,248,142	804,736
Net assets attributable to unitholders (NAATU)	101,124	331,129	3,277,895	2,998,949	8,334,390	7,553,939	1,248,142	804,736
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	100%

## 10. Cash and cash equivalents

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank as at 30 June	865	2,519	19,939	5,612	95	73	7,540	1,578

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank as at 30 June	77	102	32,287	14,003	59,703	62,637	3,871	153

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 11. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	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	–	17	5	–	–	–	–	–
Total held for trading	–	17	5	–	–	–	–	–
<b>Designated at fair value through profit or loss</b>								
Equity securities		–		–		–		–
Fixed interest securities	1,762,180	2,045,065	713,564	876,574	55,548	59,152	3,804,829	3,859,193
Total designated at fair value through profit or loss	1,762,180	2,045,065	713,564	876,574	55,548	59,152	3,804,829	3,859,193
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,762,180</b>	<b>2,045,082</b>	<b>713,569</b>	<b>876,574</b>	<b>55,548</b>	<b>59,152</b>	<b>3,804,829</b>	<b>3,859,193</b>
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian share price futures	–	–	–	–	–	–	–	–
Australian interest rate futures	–	17	5	–	–	–	–	–
Total derivatives	–	17	5	–	–	–	–	–
<b>Equity securities</b>								
Australian equity securities	–	–	–	–	–	–	–	–
Total equity securities	–	–	–	–	–	–	–	–
<b>Fixed interest securities</b>								
Australian fixed interest securities	1,762,180	2,045,065	713,564	876,574	55,548	59,152	3,804,829	3,859,193
Total fixed interest securities	1,762,180	2,045,065	713,564	876,574	55,548	59,152	3,804,829	3,859,193
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,762,180</b>	<b>2,045,082</b>	<b>713,569</b>	<b>876,574</b>	<b>55,548</b>	<b>59,152</b>	<b>3,804,829</b>	<b>3,859,193</b>

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 11. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	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	–	–	–	1,872	–	815	–	84
Total held for trading	–	–	–	1,872	–	815	–	84
<b>Designated at fair value through profit or loss</b>								
Equity securities	–	–	3,235,706	2,948,438	8,266,272	7,512,263	1,252,810	802,520
Fixed interest securities	101,667	332,350	–	–	–	–	–	–
Total designated at fair value through profit or loss	101,667	332,350	3,235,706	2,948,438	8,266,272	7,512,263	1,252,810	802,520
<b>Total financial assets held at fair value through profit or loss</b>	<b>101,667</b>	<b>332,350</b>	<b>3,235,706</b>	<b>2,950,310</b>	<b>8,266,272</b>	<b>7,513,078</b>	<b>1,252,810</b>	<b>802,604</b>
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian share price futures	–	–	–	1,872	–	815	–	84
Australian interest rate futures	–	–	–	–	–	–	–	–
Total derivatives	–	–	–	1,872	–	815	–	84
<b>Equity securities</b>								
Australian equity securities	–	–	3,235,706	2,948,438	8,264,445	7,388,168	1,252,810	802,520
International equity securities	–	–	–	–	1,827	124,095	–	–
Total equity securities	–	–	3,235,706	2,948,438	8,266,272	7,512,263	1,252,810	802,520
<b>Fixed interest securities</b>								
Australian fixed interest securities	101,667	332,350	–	–	–	–	–	–
Total fixed interest securities	101,667	332,350	–	–	–	–	–	–
<b>Total financial assets held at fair value through profit or loss</b>	<b>101,667</b>	<b>332,350</b>	<b>3,235,706</b>	<b>2,950,310</b>	<b>8,266,272</b>	<b>7,513,078</b>	<b>1,252,810</b>	<b>802,604</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 2014

## 12. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	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	4	–	22	1	–	1	–	11
Total held for trading	4	–	22	1	–	1	–	11
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>4</b>	<b>–</b>	<b>22</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>11</b>
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian share price futures	–	–	–	–	–	–	–	–
Australian interest rate futures	4	–	22	1	–	1	–	11
Total derivatives	4	–	22	1	–	1	–	11
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>4</b>	<b>–</b>	<b>22</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>11</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	
	2014	2013	2014	2013	2014	2013	2014	2013
	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	–	–	342	–	639	–	–	–
Total held for trading	–	–	342	–	639	–	–	–
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>342</b>	<b>–</b>	<b>639</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Comprising:</b>								
<b>Derivatives</b>								
Australian share price futures	–	–	342	–	639	–	–	–
Australian interest rate futures	–	–	–	–	–	–	–	–
Total derivatives	–	–	342	–	639	–	–	–
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>342</b>	<b>–</b>	<b>639</b>	<b>–</b>	<b>–</b>	<b>–</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 2014

## 13. 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 instrument:

### 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 settled 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.

Futures contracts entered into by the Funds typically mature within 3 months from the date of acquisition.



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 13. Derivative financial instruments (continued)

### Futures (continued)

#### Vanguard Cash Reserve Fund

	Contract/ Notional \$'000	2014 Fair value		Contract/ Notional \$'000	2013 Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
		Australian fixed interest futures	83,721		–	4
<b>Total</b>	<b>83,721</b>	<b>–</b>	<b>4</b>	<b>86,633</b>	<b>17</b>	<b>–</b>

#### Vanguard Cash Plus Fund

	Contract/ Notional \$'000	2014 Fair value		Contract/ Notional \$'000	2013 Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
		Australian fixed interest futures	68,091		5	22
<b>Total</b>	<b>68,091</b>	<b>5</b>	<b>22</b>	<b>73,005</b>	<b>–</b>	<b>1</b>

#### Vanguard Australian Government Bond Index Fund

	Contract/ Notional \$'000	2014 Fair value		Contract/ Notional \$'000	2013 Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
		Australian fixed interest futures	–		–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>97</b>	<b>–</b>	<b>1</b>

#### Vanguard Australian Fixed Interest Index Fund

	Contract/ Notional \$'000	2014 Fair value		Contract/ Notional \$'000	2013 Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
		Australian fixed interest futures	–		–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,133</b>	<b>–</b>	<b>11</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 13. Derivative financial instruments (continued)

### Futures (continued)

	Vanguard Australian Property Securities Index Fund					
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Australian share price index futures	71,016	–	342	49,296	1,872	–
<b>Total</b>	<b>71,016</b>	<b>–</b>	<b>342</b>	<b>49,296</b>	<b>1,872</b>	<b>–</b>

	Vanguard Australian Shares Index Fund					
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Australian share price index futures	105,875	–	639	75,350	815	–
<b>Total</b>	<b>105,875</b>	<b>–</b>	<b>639</b>	<b>75,350</b>	<b>815</b>	<b>–</b>

	Vanguard Australian Shares High Yield Fund					
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Australian share price index futures	–	–	–	5,484	84	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,484</b>	<b>84</b>	<b>–</b>

	Vanguard Australian Inflation-Linked Bond Index Fund					
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Australian share price index futures	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties

### 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. in the United States of America.

### (a) Key management personnel

The Funds do not employ personnel in their own right. However the Funds are required to have an incorporated Responsible Entity to manage the activities of the Funds and this is considered the Key Management Personnel.

#### (i) Directors

The directors of the Responsible Entity are key management personnel of that entity and their names are as follows:

- J M Norris
- G W Reed
- K A Watt (resigned 28 February 2014)
- J M James
- G Davis (resigned 28 February 2014)
- C R Comegys (appointed 28 February 2014)
- C Lui (appointed 28 February 2014)

#### (ii) Key management personnel compensation

The Responsible Entity is entitled to receive a management fee as detailed in note 14(b) below. Payments made from the Funds to the Responsible Entity do not include any amounts directly attributable to the compensation of the directors of the Responsible Entity.

No compensation is paid directly by the Funds to directors or to any of the key management personnel of the Responsible Entity.

#### (iii) 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.

#### (iv) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Vanguard Investments Australia Ltd or its director related entities may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Funds' investors and are trivial and domestic in nature.

### (b) Responsible entity's fees and other transactions

Under the Constitution for each Fund, the Responsible Entity is entitled to receive management fees up to the following limits:

up to 0.2% per annum of the net asset value for the Vanguard Cash Plus Fund and Vanguard Australian Fixed Interest Index Fund.

up to 0.25% per annum of the net asset value for the Vanguard Australian Property Securities Index Fund and Vanguard Australian Shares Index Fund;

up to 0.5% per annum of the net asset value for the Vanguard Australian Shares High Yield Fund;

up to 1.5% per annum of the net asset value for the Vanguard Cash Reserve Fund, Vanguard Australian Government Bond Index Fund and Vanguard Australian Inflation-Linked Bond Index Fund.

The above limits do not take into account Goods and Services Tax (GST).

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties (continued)

### (b) Responsible entity's fees and other transactions (continued)

In the current PDS for the Funds, the Responsible Entity has undertaken to limit the amount of its fees and certain expense recoveries to a 'management cost' specified for each Fund.

The following table sets out the total Responsible Entity fee and recoverable expenses deducted in respect of each Fund. The amounts shown take into account GST and expected input tax credits.

Note that the table does not take into account rebates paid by the Responsible Entity (out of the Responsible Entity's own assets) to particular investors in accordance with the Corporations Act, relevant ASIC class orders and policy and the PDS for the Funds.

	<b>2014</b>	2013
	% 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	<b>0.29</b>	0.29
Vanguard Australian Government Bond Index Fund (ETF Unit class)	<b>0.20</b>	0.20
Vanguard Australian Fixed Interest Index Fund (Ordinary Units)	<b>0.24</b>	0.24
Vanguard Australian Fixed Interest Index Fund (ETF Unit class)	<b>0.20</b>	0.20
Vanguard Australian Inflation-Linked Bond Index Fund	<b>0.29</b>	0.29
Vanguard Australian Property Securities Index Fund (Ordinary Units)	<b>0.24</b>	0.24
Vanguard Australian Property Securities Index Fund (ETF Unit class)	<b>0.25</b>	0.25
Vanguard Australian Shares Index Fund (Ordinary Units)	<b>0.18</b>	0.18
Vanguard Australian Shares Index Fund (ETF Unit class)	<b>0.15</b>	0.15
Vanguard Australian Shares High Yield Fund (Ordinary Units)	<b>0.40</b>	0.40
Vanguard Australian Shares High Yield Fund (ETF Unit class)	<b>0.25</b>	0.25

The transactions during the year and amounts payable at year end between the Funds and the Responsible Entity were as follows:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Fees paid and payable for the year by the Funds to the Responsible Entity	<b>2,873</b>	2,919	<b>2,170</b>	2,239	<b>147</b>	242	<b>8,982</b>	9,433
Aggregate amounts payable to the Responsible Entity at the reporting date	<b>217</b>	253	<b>174</b>	209	<b>12</b>	14	<b>747</b>	769

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties (continued)

### (b) 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fees paid and payable for the year by the Funds to the Responsible Entity	689	902	7,457	6,898	14,334	12,416	3,822	2,165
Aggregate amounts payable to the Responsible Entity at the reporting date	24	81	695	575	1,223	1,098	367	233

### (c) Related party schemes' unitholdings

Vanguard Investments Australia Ltd held units in the Funds as follows:

	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
			%	%					\$	\$
Vanguard Cash Plus Fund	14,538,654	14,538,654	2.03	1.69	–	–	–	–	390,418	491,313
Vanguard Cash Reserve Fund	14,866,202	14,866,202	0.85	0.74	–	–	–	–	374,906	453,187

### (d) Key management personnel unitholdings

All transactions between the Funds and Key Management Personnel are undertaken on normal terms and conditions.

The key management personnel of Vanguard Investments Australia Ltd held units in the Funds as follows:

	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
			%	%					\$	\$
J M James and related parties										
– Vanguard Australian Shares Index Fund	–	109,247	–	0.00	–	–	109,247	–	3,038	8,361
– Vanguard Australian Shares High Yield Fund	–	101,406	–	0.03	–	–	101,406	–	2,480	7,217
– Vanguard Australian Shares Index Fund – ETF Class	–	40	–	0.00	–	–	–	–	–	107

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties (continued)

### (e) Related Party investments

The Funds had no investment in Vanguard Investments Australia Ltd during the year.

The Funds did not hold any investments in other Schemes managed by Vanguard Investments Australia Ltd (VIA) during the year.

Other schemes managed by Vanguard Investments Australia Ltd held investments in the Funds during the year as indicated:

Investments in:	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Vanguard Cash Plus Fund</b>			%	%					\$'000	\$'000
<b>By other schemes managed by VIA:</b>										
Vanguard Investor Cash Plus Fund	18,275,054	21,036,725	2.55	2.45	5,584,481	7,411,061	8,346,152	6,279,617	533	686
Vanguard LifeStrategy Conservative Fund	1,105,076	3,409,990	0.15	0.40	1,080,298	820,048	3,385,212	428,284	57	106
Vanguard LifeStrategy Balanced Fund	–	7,072,900	–	0.82	823,795	1,784,139	7,896,695	471,881	84	216
Vanguard LifeStrategy Growth Fund	–	1,730,929	–	0.20	366,726	205,101	2,097,655	–	21	54
Vanguard Conservative Index Fund	104,596,043	311,956,351	14.58	36.31	85,737,179	108,247,608	293,097,487	992,521	5,489	8,911
Vanguard Balanced Index Fund	–	328,473,732	–	38.23	88,065,520	121,546,564	416,539,252	2,394,586	4,290	9,214
Vanguard Growth Index Fund	–	25,437,386	–	2.96	8,145,368	9,304,971	33,582,754	2,332,672	470	745

Investments in:	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Vanguard Australian Fixed Interest Index Fund</b>			%	%					\$'000	\$'000
<b>By other schemes managed by VIA:</b>										
Vanguard Index Diversified Bond Fund	21,904,193	24,693,495	0.65	0.72	3,054,108	5,326,289	5,843,410	4,641,609	1,288	1,672
Vanguard LifeStrategy Conservative Fund	2,393,180	807,445	0.07	0.02	1,708,427	167,397	122,692	56,174	112	49
Vanguard LifeStrategy Balanced Fund	7,720,332	3,164,677	0.23	0.09	5,145,129	1,054,319	589,474	439,860	366	194
Vanguard LifeStrategy Growth Fund	10,694,143	8,688,417	0.32	0.25	3,719,902	2,242,205	1,714,176	391,142	582	524
Vanguard LifeStrategy High Growth Fund	3,495,249	2,848,303	0.10	0.08	1,604,969	1,067,478	958,023	640,046	189	177
Vanguard Conservative Index Fund	229,717,959	73,595,311	6.87	2.14	162,858,379	26,453,261	6,735,731	434,809	10,623	4,223
Vanguard Balanced Index Fund	405,209,295	148,845,656	12.11	4.34	258,382,724	56,750,826	2,019,085	772,787	19,283	8,331
Vanguard Growth Index Fund	198,178,860	129,496,950	5.92	3.77	75,437,737	45,581,986	6,755,827	5,524,333	10,187	7,427
Vanguard High Growth Index Fund	32,552,122	24,910,186	0.97	0.73	12,851,762	8,526,856	5,209,826	793,901	1,754	1,429
Vanguard Diversified Bond Index Fund	108,294,898	127,986,110	3.24	3.73	21,156,524	33,367,407	40,847,736	6,524,025	7,257	7,987

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties (continued)

### (e) Related Party investments (continued)

Investments in:	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Vanguard Australian Property Securities Index Fund</b>			%	%					\$'000	\$'000
<b>By other schemes managed by VIA:</b>										
Vanguard Index Australian Property Securities Fund	106,976,486	110,962,632	2.62	2.76	12,401,859	12,887,790	16,388,005	15,997,205	4,741	3,322
Vanguard LifeStrategy Conservative Fund	293,139	214,598	0.01	0.01	87,859	16,679	9,318	42,555	12	6
Vanguard LifeStrategy Balanced Fund	1,678,159	1,276,737	0.04	0.03	454,360	139,755	52,938	246,167	71	38
Vanguard LifeStrategy Growth Fund	5,468,329	4,715,245	0.13	0.12	872,306	409,344	119,222	1,024,065	237	137
Vanguard LifeStrategy High Growth Fund	6,597,070	5,461,153	0.16	0.14	1,146,971	320,702	11,054	718,964	279	164
Vanguard Conservative Index Fund	27,823,809	19,334,449	0.68	0.48	9,355,072	2,855,735	865,712	–	1,181	545
Vanguard Balanced Index Fund	89,745,465	61,882,519	2.20	1.54	33,369,554	14,620,784	5,506,608	–	3,785	1,624
Vanguard Growth Index Fund	98,639,920	67,913,961	2.41	1.69	32,538,524	5,325,861	1,812,565	1,093,806	4,187	1,942
Vanguard High Growth Index Fund	61,018,248	45,864,825	1.49	1.14	15,153,423	5,130,392	–	411,221	2,574	1,291

Investments in:	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Vanguard Australian Shares Index Fund</b>			%	%					\$'000	\$'000
<b>By other schemes managed by VIA:</b>										
Vanguard Index Australian Shares Fund	235,268,216	233,138,484	6.07	5.75	17,843,622	16,926,567	15,713,890	23,873,920	20,086	17,983
Vanguard LifeStrategy Conservative Fund	723,479	705,952	0.02	0.02	234,241	162,545	216,714	194,384	59	52
Vanguard LifeStrategy Balanced Fund	4,744,244	4,335,985	0.12	0.11	1,304,843	704,263	896,584	695,239	378	311
Vanguard LifeStrategy Growth Fund	15,436,536	16,494,565	0.40	0.41	1,367,044	1,452,224	2,425,073	1,664,335	1,346	1,233
Vanguard LifeStrategy High Growth Fund	19,442,940	19,669,462	0.50	0.49	1,442,571	1,756,243	1,669,093	2,221,685	1,649	1,487
Vanguard Conservative Index Fund	69,553,021	64,251,819	1.80	1.59	17,894,859	17,051,346	12,593,657	2,649,381	5,591	4,326
Vanguard Balanced Index Fund	250,078,055	205,171,620	6.46	5.06	64,919,340	52,432,789	20,012,905	2,389,565	19,697	13,515
Vanguard Growth Index Fund	286,437,993	249,645,935	7.39	6.16	59,586,972	50,181,744	22,794,914	6,675,743	23,088	17,112
Vanguard High Growth Index Fund	181,645,367	169,960,132	4.69	4.19	26,996,936	29,774,829	15,311,701	3,840,796	14,984	11,680

Investments in:	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Vanguard Australian Shares High Yield Fund</b>			%	%					\$'000	\$'000
<b>By other schemes managed by VIA:</b>										
Vanguard High Yield Australian Shares Fund:	69,153,259	64,681,343	14.00	17.04	10,567,606	11,978,222	6,095,690	5,273,798	6,548	4,310

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 14. Related parties (continued)

### (f) Other transactions within the Funds

Apart from those details disclosed in this note, no key management personnel of the Responsible Entity has entered into a material contract with the Funds since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year end.

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

### (a) 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	(157)	(212)	(722)	(2,399)	(78)	(3,561)	21,822	(124,010)
Distributions paid and payable	47,780	59,119	19,942	25,683	2,887	6,166	192,760	223,479
Proceeds from sale of financial instruments held at fair value through profit or loss	8,524,246	7,957,924	2,098,397	1,601,531	26,136	355,461	1,683,599	1,315,672
Purchases of financial instruments held at fair value through profit or loss	(8,191,024)	(8,404,596)	(1,917,205)	(1,892,804)	(17,637)	(42,276)	(1,400,189)	(1,374,877)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(50,244)	(61,516)	(21,367)	(25,529)	(2,956)	(2,846)	(223,520)	(108,886)
Net change in receivables	12	11	18	(4)	–	12	(14)	41
Net change in payables	(36)	61	(35)	54	(2)	(76)	(22)	(113)
Non-cash item (reinvestment of distribution income)	–	–	–	–	–	–	–	–
<b>Net cash inflow/(outflow) from operating activities</b>	<b>330,577</b>	<b>(449,209)</b>	<b>179,028</b>	<b>(293,468)</b>	<b>8,350</b>	<b>312,880</b>	<b>274,436</b>	<b>(68,694)</b>



# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (a) 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year	-	-	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	6,017	(13,844)	132,625	457,097	921,172	842,348	96,589	92,955
Distributions paid and payable	3,176	3,774	188,099	120,258	354,148	289,912	63,242	28,719
Proceeds from sale of financial instruments held at fair value through profit or loss	308,958	35,659	596,404	384,110	1,621,209	61,702	450,037	291,378
Purchases of financial instruments held at fair value through profit or loss	(68,471)	(77,693)	(765,409)	(457,200)	(1,491,025)	(1,524,548)	(797,871)	(642,273)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(9,882)	9,168	(121,959)	(424,663)	(926,825)	(830,309)	(103,785)	(91,479)
Net change in receivables	10	(6)	(40,877)	(9,280)	(8,405)	(15,406)	(6,346)	(3,382)
Net change in payables	(57)	9	121	(99)	125	(315)	134	120
Non-cash item (reinvestment of distribution income)	-	-	-	-	-	-	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>239,751</b>	<b>(42,933)</b>	<b>(10,996)</b>	<b>70,223</b>	<b>470,399</b>	<b>(1,176,616)</b>	<b>(298,000)</b>	<b>(323,962)</b>

### (b) Non-cash financing activities

	Vanguard Cash Reserve Index Fund		Vanguard Cash Plus Fund		Vanguard Australian Inflation-Linked Bond Index Fund	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	46,692	56,869	17,083	20,811	3,746	3,245
During the year, the following redemptions satisfied the issue of securities – Inspecies amount	-	-	-	-	-	-

	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares Index Fund			
	2014		2013		2014		2013	
	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	60,700	339	80,132	184	226,795	3,333	185,378	2,228
During the year, the following redemptions satisfied the issue of securities – Inspecies amount	(243,997)	-	-	-	(1,192,609)	-	-	-

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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

### (b) Non-cash financing activities (continued)

	Vanguard Australian Shares High Yield Fund				Vanguard Australian Government Bond Index Fund			
	2014		2013		2014		2013	
	Ordinary Units \$'000	ETF Class Units \$'000	Ordinary Units \$'000	ETF Class Units \$'000	Ordinary Units \$'000	ETF Class Units \$'000	Ordinary Units \$'000	ETF Class Units \$'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<b>8,971</b>	<b>798</b>	6,028	223	<b>231</b>	<b>38</b>	6,527	9
During the year, the following redemptions satisfied the issue of securities – Inspecies amount	<b>(42,716)</b>	–	–	–	–	–	–	–

	Vanguard Australian Fixed Interest Index Fund			
	2014		2013	
	Ordinary Units \$'000	ETF Class Units \$'000	Ordinary Units \$'000	ETF Class Units \$'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<b>113,456</b>	<b>58</b>	116,719	5
During the year, the following redemptions satisfied the issue of securities – Inspecies amount	<b>(369,540)</b>	–	–	–

As described in note 2(h), non-distributable income is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

## 16. Segment information

The Funds are organised into one main segment which operates solely in the business of investment management within Australia. Consequently, no segment reporting is provided in the Funds' financial statements.

### Geographical exposures

The Funds operate from Australia only (the geographical segment) and have no investment exposures in other countries.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2014

## 17. Class action events

On 26 June 2013, the Federal Court of Australia made orders approving the GPT class action settlement, and the settlement distribution scheme under which payments will be made to registered group members. The Court has appointed Slater & Gordon as the administrator of the distribution scheme.

Vanguard Australian Property Securities Index Fund (VAPSIF) and Vanguard Australian Shares Index Fund (VASIF) are identified as the registered group members in the GPT class action. The final expected distribution estimate for VAPSIF is \$383,306.50 and VASIF is \$36,724.99.

On 5 July 2012 the Federal Court of Australia made orders approving the TPI class action settlement, and the settlement distribution scheme under which payments will be made to registered group members. The Court has appointed Maurice Blackburn as the administrator of the distribution scheme.

Vanguard Australian Shares Index Fund (VASIF) and Vanguard Australian Shares High Yield Fund (VASHYF) are identified as the registered group members in the TPI class action. The final expected distribution estimate for VASIF is \$31,936.82 and VASHYF is \$12,092.12.

These amounts are unrounded and provisioning has been made in the financial statements as at 30 June 2014. They are recorded in the statement of comprehensive income under "other operating income" and on the balance sheet as "receivables".

## 18. 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 2014 or on the results and cash flows of the Funds for the year ended on that date.

Investors should be aware that markets and currencies can be volatile, therefore affecting the returns of an investment portfolio. You can obtain up to date fund performance and unit price information by visiting the Vanguard website at [www.vanguard.com.au](http://www.vanguard.com.au).

## 19. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2014 and 30 June 2013 for the Funds.

## Directors' Declaration

In the opinions of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 12 to 66 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 Fund's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that each Fund will be able to pay its 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.



J M James  
Managing Director  
Melbourne  
29 August 2014



## Independent auditor's report to the unitholders of 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 Inflation-Linked Bond Index Fund
- Vanguard Australian Property Securities Index Fund
- Vanguard Australian Shares Index Fund
- Vanguard Australian Shares High Yield Fund

### *Report on the financial report*

We have audited the accompanying financial report of Vanguard Wholesale Funds (Domestic Funds) (the Funds), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the Funds 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Vanguard Wholesale Funds (Domestic Funds) is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Funds' financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the Funds' financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a light grey rectangular background.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'JF Power', written over a light grey rectangular background.

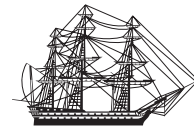
JF Power  
Partner

Melbourne  
29 August 2014

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