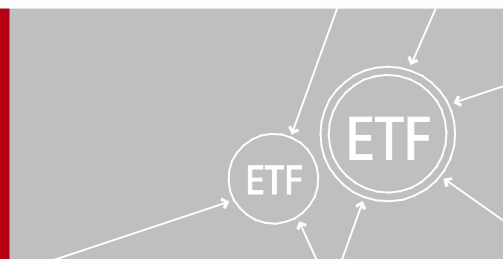


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COMPANY CODES



Annual Report
for the Vanguard® Exchange Traded Funds

7 September 2015



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard® MSCI Australian Large Companies Index ETF	VLC	Annual Report
Vanguard® MSCI Australian Small Companies Index ETF	VSO	Annual Report
Vanguard® FTSE Emerging Markets Shares ETF	VGE	Annual Report
Vanguard® MSCI Index International Shares (Hedged) ETF	VGAD	Annual Report

Vanguard has prepared an Annual Report for the financial year ending 30 June 2015. The Annual Report provides financial information for each fund and where indicated, provides specific information for the ETF class

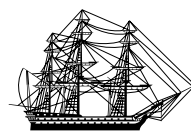
Further Information

If you have any queries on Vanguard ETFs, please visit vanguard.com.au/etf

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The funds or securities referred to herein are not sponsored, endorsed or promoted by MSCI and MSCI bears no liability with respect to any such funds or securities. The Product Disclosure Statement contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds.

Information about the Vanguard FTSE Emerging Markets Shares ETF is not intended for persons present in the United States of America. Retail investors can only use the PDS for informational purposes. You can access the PDS at vanguard.com.au. London Stock Exchange Group companies include FTSE International Limited ("FTSE"), Frank Russell Company ("Russell"), MTS Next Limited ("MTS"), and FTSE TMX Global Debt Capital Markets Inc. ("FTSE TMX"). All rights reserved. "FTSE®", "Russell®", "MTS®", "FTSE TMX®" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies and are used by FTSE, MTS, FTSE TMX and Russell under licence. All information is provided for information purposes only. No responsibility or liability can be accepted by the London Stock Exchange Group companies nor its licensors for any errors or for any loss from use of this publication. Neither the London Stock Exchange Group companies nor any of their licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Indices or the fitness or suitability of the Indices for any particular purpose to which they might be put.



Vanguard[®]

Annual Report | 30 June 2015

Vanguard[®] Wholesale Funds

ETFs (ASX Codes: VLC, VSO, VGE, VGAD)

Vanguard funds covered in this annual report

Vanguard® Australian Large Companies Index Fund	ARSN 147 936 105	ABN 17 468 108 459
Vanguard® Australian Small Companies Index Fund	ARSN 147 936 570	ABN 73 969 263 897
Vanguard® Global Emerging Markets Shares Fund	ARSN 147 937 906	ABN 91 542 729 566
Vanguard® Global Shares Index Fund (Hedged) <i>(Formerly known as Vanguard Fund V)</i>	ARSN 165 786 989	ABN 92 314 430 239

Responsible Entity

Vanguard Investments Australia Ltd
ABN 72 072 881 086
AFSL 227263

Level 34
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

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vanguard.com.au

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About Vanguard

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

Over the years Vanguard has built a reputation as a global leader in client advocacy and earned the trust of millions of investors along the way. Our sole purpose has been to align our interest with those of our investors to ensure the best outcome is achieved.

With more than \$4 trillion in assets under management as of 30 June 2015, including over \$600 billion in exchange traded funds, Vanguard is one of the world's largest global investment management companies.

In Australia, Vanguard has been helping investors meet their long-term financial goals with low-cost investment solutions for over 19 years.

Our unique structure – putting investors' interests first

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

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

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

Our investment expertise

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

Low cost investing

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

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

Directors' Report

The 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 2015:

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares Fund
- Vanguard Global Shares Index Fund (Hedged)

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 indices, before taking into account Fund fees and expenses.

Vanguard Australian Large Companies Index Fund (ASX code VLC) and Vanguard Australian Small Companies Index Fund (ASX code VSO) commenced trading on 26 May 2011. Vanguard Global Emerging Markets Shares Fund (ASX code VGE) commenced trading on 21 November 2013 and Vanguard Global Shares Index Fund (Hedged) (ASX code VGAD) commenced on 20 November 2014. The Funds operate as Exchange Traded Funds (ETF) listed on the Australian Stock Exchange (ASX).

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 period or since the end of the period and up to the date of this report:

- J M Norris
- G W Reed
- J M James (Resigned 30 June 2015)
- C R Comegys
- C Lui
- C Kelton (Appointed 1 July 2015)

Directors' Report (continued)

Review and results of operations

During the period, the investment policy of the Funds continued to be that detailed in the current PDS and in accordance with the provisions of the Constitution of the Funds. There were no changes to the operations of the Funds during the period.

Results

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
For the period ended 30 June	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before finance costs attributable to unitholders	1,201	2,919	(2,652)	2,750	3,764	394	649	–
Distributions								
Distribution paid and payable	1,545	881	1,566	954	596	89	–	–
Distribution (cents per unit)	245.5757	224.6708	119.3729	141.3944	111.8142	70.8955	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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 period from the date of inception to 30 June 2015 and assumes that all distributions were re-invested during that period. Performance is 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 the Fund's total return with the corresponding Index (the Benchmark) gross of fees.

	2015	2014	2013	2012
	%	%	%	%
Vanguard Australian Large Companies Index Fund				
Capital growth	(0.07)	13.07	20.11	(9.73)
Distribution of income	4.05	4.28	5.71	3.76
Total return	3.98	17.35	25.82	(5.97)
Benchmark return				
<i>MSCI Australian Shares Large Cap Index</i>	4.19	17.62	26.23	(5.75)
<i>The Fund's inception date was 23 May 2011</i>				
Vanguard Australian Small Companies Index Fund				
Capital growth	(3.18)	11.69	(1.87)	(17.03)
Distribution of income	2.73	3.60	3.60	3.05
Total return	(0.45)	15.29	1.73	(13.98)
Benchmark return				
<i>MSCI Australian Shares Large Cap Index</i>	(0.21)	15.65	2.07	(13.88)
<i>The Fund's inception date was 23 May 2011</i>				
Vanguard Global Emerging Markets Shares Fund				
Capital growth	16.37	2.19	–	–
Distribution of income	2.34	1.42	–	–
Total return	18.71	3.61	–	–
Benchmark return				
<i>FTSE Emerging Index (in AUD)</i>	20.13	4.32	–	–
<i>The Fund's inception date was 18 November 2013</i>				
Vanguard Global Shares Index Fund (Hedged)				
Capital growth	5.01	–	–	–
Distribution of income	–	–	–	–
Total return	5.01	–	–	–
Benchmark return				
<i>MSCI World Index Ex-Australia (with net dividends reinvested), hedged into Australian dollars index.</i>	5.15	–	–	–
<i>The Fund's inception date was 20 November 2014</i>				

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

Directors' Report (continued)

Review and results of operations (continued)

Unit redemption prices

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$	\$	\$	\$	\$	\$	\$	\$
At 30 June	61.5155	61.5893	43.1088	44.7043	59.8856	51.4855	52.9185	—
High during period	67.8202	63.1441	47.2858	46.6779	64.5828	52.4932	54.9391	—
Low during period	58.5116	52.9390	40.6462	38.9158	51.2526	46.4938	48.2477	—

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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 period.

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 2015 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.

Directors' Report (continued)

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 period 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 period.

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

Interests in the Fund

The movement in units on issue in the Funds during the period is set out in note 10(a) 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.

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 10.

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



C Lui
Director
Melbourne
28 August 2015



Auditor's Independence Declaration

As lead auditor for the audit of the Vanguard Wholesale Funds (ETFs) for the year ended 30 June 2015, 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 (ETFs) during the year:

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares Fund
- Vanguard Global Shares Index Fund (Hedged)

A handwritten signature in black ink, appearing to read 'J F Power'.

J F Power
Partner
PricewaterhouseCoopers

Melbourne
28 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Statement of comprehensive income

For the year ended 30 June 2015

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015* \$'000	2014 \$'000
Investment income									
Interest income from financial instruments not held at fair value through profit or loss		–	–	–	–	2	1	3	–
Dividend income	17	1,655	981	1,409	836	–	–	–	–
Distribution income	17	99	73	492	247	711	92	542	–
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(471)	1,915	(4,396)	1,759	3,121	306	102	–
Other operating income		3	2	19	5	25	8	15	–
Total net investment income/(loss)		1,286	2,971	(2,476)	2,847	3,859	407	662	–
Expenses									
Responsible Entity's fees	7	78	49	170	94	88	11	13	–
Transaction costs		1	–	2	2	7	2	–	–
Other operating expenses		6	3	4	1	–	–	–	–
Total operating expenses		85	52	176	97	95	13	13	–
Operating profit/(loss)		1,201	2,919	(2,652)	2,750	3,764	394	649	–
Financing costs attributable to unitholders									
Distributions to unitholders	8	(1,545)	(881)	(1,566)	(954)	(596)	(89)	–	–
(Increase)/decrease in net assets attributable to unitholders	10(b)	344	(2,038)	4,218	(1,796)	(3,168)	(305)	(649)	–
Profit/(loss) for the period		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the period		–	–	–	–	–	–	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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

Balance sheet

As at 30 June 2015

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
		2015	2014	2015	2014	2015	2014	2015*	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets									
Cash & cash equivalents	9	(215)	(177)	134	45	1,306	23	533	–
Futures margin deposit		–	–	18	–	–	–	50	–
Receivables		386	244	335	153	400	1	363	–
Due from brokers – receivable for securities sold		252	148	562	454	282	61	–	–
Financial assets held at fair value through profit or loss	11	42,917	25,887	75,006	39,727	43,400	8,667	23,513	–
Other assets		–	–	–	–	–	–	–	–
Total assets		43,340	26,102	76,055	40,379	45,388	8,752	24,459	–
Liabilities									
Payables	14(b)	8	4	18	10	11	2	1	–
Distribution payable	8	331	213	856	615	317	67	–	–
Due to brokers – payables for securities purchased		–	–	–	–	1,550	–	–	–
Financial liabilities held at fair value through profit or loss	12	–	–	–	–	5	–	143	–
Other liabilities		–	–	–	–	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)		339	217	874	625	1,883	69	144	–
Net assets attributable to unitholders (liability)	10(b)	43,001	25,885	75,181	39,754	43,505	8,683	24,315	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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

Statement of changes in equity

For the year ended 30 June 2015

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year								
Profit/(loss) for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-	-	-

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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 the end of the financial 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 2015

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015* \$'000	2014 \$'000
Cash flows from operating activities									
Proceeds from sale of financial instruments held at fair value through profit or loss		3,047	1,019	22,306	7,553	258	74	644	–
Purchases of financial instruments held at fair value through profit or loss		(20,651)	(14,188)	(62,109)	(33,063)	(30,576)	(8,453)	(23,788)	–
Transaction costs on purchases of financial instruments held at fair value through profit or loss		(1)	–	(2)	(2)	(7)	(2)	–	–
Dividends received		1,525	865	1,345	815	–	–	–	–
Interest received		–	–	–	–	2	1	3	–
Distributions received		87	46	376	170	314	92	–	–
Other income received		3	2	18	3	25	8	15	–
Responsible Entity's fees paid		(75)	(47)	(161)	(87)	(79)	(9)	(13)	–
Payment of other expenses		(6)	(3)	(4)	(1)	(2)	–	(1)	–
Net cash inflow/(outflow) from operating activities	15(a)	(16,071)	(12,306)	(38,231)	(24,612)	(30,065)	(8,289)	(23,140)	–
Cash flows from financing activities									
Cash flows from financing activities		17,459	12,937	48,401	25,314	31,654	8,378	23,666	–
Payments for redemptions by unitholders		–	–	(8,756)	–	–	–	–	–
Distributions paid from financing activities		(1,426)	(727)	(1,325)	(638)	(346)	(22)	–	–
Net cash inflow/(outflow) from financing activities		16,033	12,210	38,320	24,676	31,308	8,356	23,666	–
Net increase/(decrease) in cash and cash equivalents		(38)	(96)	89	64	1,243	67	526	–
Cash and cash equivalents at the beginning of the year		(177)	(81)	45	(19)	23	–	–	–
Effects of foreign currency exchange rate changes on cash and cash equivalents		–	–	–	–	40	(44)	7	–
Cash and cash equivalents at the end of the year	9	(215)	(177)	134	45	1,306	23	533	–
Non-cash financing activities	15(b)								

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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

Notes to the financial statements

For the year ended 30 June 2015

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.

Vanguard Australian Large Companies Index Fund and Vanguard Australian Small Companies Index Fund were constituted on 17 December 2010 and will terminate on 17 December 2090 unless terminated earlier in accordance with the provisions of the Constitutions of the Funds. These two Funds commenced trading on the 26 May 2011. Vanguard Global Emerging Market Shares Fund (Hedged) was constituted on 24 December 2010 and will terminate on 23 December 2090 unless terminated earlier in accordance with the provisions of the Constitution of the Fund. This Fund commenced trading on the 21 November 2013. Vanguard Global Shares Index Fund (Hedged) was constituted on 25 September 2013 and will terminate on 25 December 2093 unless terminated earlier in accordance with the provisions of the Constitution of the Fund. This Fund commenced trading on the 20 November 2014.

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 financial statements were authorised for issue by the directors on 28 August 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in the Australian currency.

Notes to the financial statements (continued)

For the year ended 30 June 2015

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.

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

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All 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 statements of the Funds also comply 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 2015

2. Summary of significant accounting policies (continued)

(i) New and amended standards adopted by the Funds

The Funds had to change some of their accounting policies as the result of new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014. The affected policies are:

- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Funds meet the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured at fair value through profit and loss. The adoption of the amendment does not have any impact as the Funds do not have investments in subsidiaries.

The adoption of AASB 2013-4 did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2014 that have a material impact on the Funds.

(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 exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(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.

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

(iv) Offsetting financial instruments

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

Notes to the financial statements (continued)

For the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(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 instruments 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 instruments. 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 and stated net of foreign withholding tax.

(f) Expenses

All expenses, including Responsible Entity's 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 2015

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 2015, but have not yet received. The distributions are payable at the end of September, December, March and June for Vanguard Australian Large Companies Index Fund and Vanguard Global Emerging Markets Shares Fund. Vanguard Australian Small Companies Index Fund and Vanguard Global Shares Index Fund (Hedged) are payable at the end of December and June. 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 the statement of comprehensive income as finance costs.

(j) Foreign currency translation

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.

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(n) Payables

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

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

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 applicable amendments)*, (effective from 1 January 2018)

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

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

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

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

(ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2017)

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

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

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

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

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 Statements and seek to deliver investment returns which closely match the total returns of selected indices. 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 they are exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Funds are exposed to price risk whereby the future prices of the Funds' securities are uncertain.

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 (b) 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 Vanguard Australian Large Companies Index Fund and Vanguard Australian Small Companies Index Fund presented in this financial report.

However, Vanguard Global Emerging Markets Shares Fund and Vanguard Global Shares Index Fund (Hedged) are exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies. Fluctuations in the value of the Australian dollar and foreign currencies can affect the returns from overseas investments. This is because gains or losses must be converted back to Australian dollars. Accordingly, these Funds are affected directly by currency fluctuations.

The foreign exchange risk disclosures have been prepared for Vanguard Global Emerging Markets Shares Fund and Vanguard Global Shares Index Fund (Hedged) direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true foreign currency risk profile of the Funds where the Funds have significant investments in feeder trusts which also have exposure to the foreign currency markets.

Note 3 (b) summarises the sensitivities of Vanguard Global Emerging Markets Shares Fund and Vanguard Global Shares Index Fund (Hedged) monetary assets and liabilities to foreign exchange risk.

The tables on the following pages summarise the Funds' exposure to foreign exchange risk.

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The following table summarises the Fund's exposure to foreign exchange risk.

	Vanguard Global Emerging Markets Shares Fund						
	United States Dollar	British Pound	Euro	Japanese Yen	Other	Australian Dollar	TOTAL
As at 30 June 2015*	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets							
Cash and cash equivalents	69	–	–	–	–	1,237	1,306
Futures margin deposit	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	43,400	–	–	–	–	–	43,400
Other assets and receivables	679	–	–	–	–	3	682
Total assets	44,148	–	–	–	–	1,240	45,388
Liabilities							
Payables	–	–	–	–	–	11	11
Distribution payable	–	–	–	–	–	317	317
Due to brokers – payables for securities purchased	1,550	–	–	–	–	–	1,550
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	5	5
Other liabilities	–	–	–	–	–	–	–
Total liabilities	1,550	–	–	–	–	333	1,883
Net assets attributable to unitholders – liability	42,598	–	–	–	–	907	43,505
As at 30 June 2014							
Assets							
Cash and cash equivalents	10	–	–	–	–	13	23
Futures margin deposit	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	8,667	–	–	–	–	–	8,667
Other assets and receivables	61	–	–	–	–	1	62
Total assets	8,738	–	–	–	–	14	8,752
Liabilities							
Payables	–	–	–	–	–	2	2
Distribution payable	–	–	–	–	–	67	67
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	69	69
Net assets attributable to unitholders – liability	8,738	–	–	–	–	(55)	8,683

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The following table summarises the Fund's exposure to foreign exchange risk.

	Vanguard Global Shares Index Fund (Hedged)						
	United States Dollar	British Pound	Euro	Japanese Yen	Other	Australian Dollar	TOTAL
As at 30 June 2015*	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets							
Cash and cash equivalents	7	2	3	10	–	511	533
Futures margin deposit	27	–	23	–	–	–	50
Financial assets held at fair value through profit or loss	1	1	3	–	–	23,508	23,513
Other assets and receivables	–	–	–	–	–	363	363
Total assets	35	3	29	10	–	24,382	24,459
Liabilities							
Payables	–	–	–	–	–	1	1
Distribution payable	–	–	–	–	–	–	–
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	25	50	28	23	14	3	143
Other liabilities	–	–	–	–	–	–	–
Total liabilities	25	50	28	23	14	4	144
Net assets attributable to unitholders – liability	10	(47)	1	(13)	(14)	24,378	24,315
As at 30 June 2014							
Assets							
Cash and cash equivalents	–	–	–	–	–	–	–
Futures margin deposit	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	–	–	–	–	–
Other assets and receivables	–	–	–	–	–	–	–
Total assets	–	–	–	–	–	–	–
Liabilities							
Payables	–	–	–	–	–	–	–
Distribution payable	–	–	–	–	–	–	–
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	–	–
Net assets attributable to unitholders – liability	–	–	–	–	–	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

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 Australian Large Companies Index Fund				Vanguard Australian Small Companies 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
30 June 2015								
Assets								
Cash and cash equivalents	(215)	–	–	(215)	134	–	–	134
Futures margin deposit	–	–	–	–	18	–	–	18
Financial assets held at fair value through profit or loss	–	–	42,917	42,917	–	–	75,006	75,006
Other assets & receivables	–	–	638	638	–	–	897	897
Total assets	(215)	–	43,555	43,340	152	–	75,903	76,055
Liabilities								
Other liabilities	–	–	339	339	–	–	874	874
Total liabilities (excluding net assets attributable to unitholders)	–	–	339	339	–	–	874	874
Net assets attributable to unitholders – liability	(215)	–	43,216	43,001	152	–	75,029	75,181
30 June 2014								
Assets								
Cash and cash equivalents	(177)	–	–	(177)	45	–	–	45
Futures margin deposit	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	25,887	25,887	–	–	39,727	39,727
Other assets & receivables	–	–	392	392	–	–	607	607
Total assets	(177)	–	26,279	26,102	45	–	40,334	40,379
Liabilities								
Other liabilities	–	–	217	217	–	–	625	625
Total liabilities (excluding net assets attributable to unitholders)	–	–	217	217	–	–	625	625
Net assets attributable to unitholders – liability	(177)	–	26,062	25,885	45	–	39,709	39,754

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(a) Market risk (continued)

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

	Vanguard Global Emerging Markets Shares Fund				Vanguard Global Shares Index Fund (Hedged)			
	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non - Interest Bearing	Total
30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash and cash equivalents	1,306	–	–	1,306	533	–	–	533
Futures margin deposit	–	–	–	–	50	–	–	50
Financial assets held at fair value through profit or loss	–	–	43,400	43,400	–	–	23,513	23,513
Other assets & receivables	–	–	682	682	–	–	363	363
Total assets	1,306	–	44,082	45,388	583	–	23,876	24,459
Liabilities								
Other liabilities	–	–	1,883	1,883	–	–	144	144
Total liabilities (excluding net assets attributable to unitholders)	–	–	1,883	1,883	–	–	144	144
Net assets attributable to unitholders – liability	1,306	–	42,199	43,505	583	–	23,732	24,315
30 June 2014								
Assets								
Cash and cash equivalents	23	–	–	23	–	–	–	–
Futures margin deposit	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	8,667	8,667	–	–	–	–
Other assets & receivables	–	–	62	62	–	–	–	–
Total assets	23	–	8,729	8,752	–	–	–	–
Liabilities								
Other liabilities	–	–	69	69	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)	–	–	69	69	–	–	–	–
Net assets attributable to unitholders – liability	23	–	8,660	8,683	–	–	–	–

* Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Note 3 (b) 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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(b) 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.

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund			
	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
30 June 2015	-3 %	+4 %	-50 bps	+50 bps	-4 %	+5 %	-50 bps	+50 bps
	(1,288)	1,717	1	(1)	(3,000)	3,750	(1)	1
30 June 2014	-3 %	+4 %	-30 bps	+30 bps	-4 %	+5 %	-30 bps	+30 bps
	(777)	1,035	1	(1)	(1,589)	1,986	-	-

	Vanguard Global Emerging Markets Shares Fund						
	Impact on operating profit/(loss) and net assets attributable to unitholders						
	Price risk		Interest rate risk		Foreign exchange risk		
	\$'000	\$'000	\$'000	\$'000	United States Dollar		
30 June 2015	-1%	+4 %	-50 bps	+50 bps	-1%	+23%	
	(434)	1,736	(7)	7	8	(184)	
30 June 2014	-2%	+3 %	-30 bps	+30 bps	-7%	+3%	
	(173)	260	-	-	5	(2)	

	Vanguard Global Shares Index Fund (Hedged)													
	Impact on operating profit/(loss) and net assets attributable to unitholders													
	Price risk		Interest rate risk		Foreign exchange risk									
					United States Dollar		British Pound		Euro		Japanese Yen		Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015	-2%	+3 %	-50 bps	+50 bps	-1%	23%	0%	18%	-5%	6%	-5%	9%	-2%	14%
	(468)	703	(3)	3	-	(3)	-	8	-	-	(1)	1	-	2
30 June 2014	-2%	+3 %	-30 bps	+30 bps	-7%	3%	-5%	12%	-8%	4%	-9%	1%	-7%	2%
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(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 2015 there are no financial assets that are past due or impaired.

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).

(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 fund's 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.

(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 2015

3. Financial risk management (continued)

(d) Liquidity risk

Vanguard Australian Large Companies Index Fund										
	As at 30 June 2015					As at 30 June 2014				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Maturity of non-derivative financial liabilities										
Payables	8	–	–	–	8	4	–	–	–	4
Distribution payable	331	–	–	–	331	213	–	–	–	213
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	43,001	–	–	–	43,001	25,885	–	–	–	25,885
Total financial liabilities (excluding gross settled derivatives)	43,340	–	–	–	43,340	26,102	–	–	–	26,102
Gross settled derivatives										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Vanguard Australian Small Companies Index Fund										
	As at 30 June 2015					As at 30 June 2014				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Maturity of non-derivative financial liabilities										
Payables	18	–	–	–	18	10	–	–	–	10
Distribution payable	856	–	–	–	856	615	–	–	–	615
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	75,181	–	–	–	75,181	39,754	–	–	–	39,754
Total financial liabilities (excluding gross settled derivatives)	76,055	–	–	–	76,055	40,379	–	–	–	40,379
Gross settled derivatives										
Derivative										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(d) Liquidity risk (continued)

Vanguard Global Emerging Markets Shares Fund										
	As at 30 June 2015					As at 30 June 2014				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Maturity of non-derivative financial liabilities										
Payables	11	–	–	–	11	2	–	–	–	2
Distribution payable	317	–	–	–	317	67	–	–	–	67
Due to brokers - payables for securities purchased	1,550	–	–	–	1,550	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	5	–	–	–	5	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	43,505	–	–	–	43,505	8,683	–	–	–	8,683
Total financial liabilities (excluding gross settled derivatives)	45,388	–	–	–	45,388	8,752	–	–	–	8,752
Gross settled derivatives										
Derivative										
Inflows	1,525	–	–	–	1,525	65	–	–	–	65
(Outflows)	(1,530)	–	–	–	(1,530)	(65)	–	–	–	(65)
Total gross settled derivatives inflow (outflow)	(5)	–	–	–	(5)	–	–	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Financial risk management (continued)

(d) Liquidity risk (continued)

	Vanguard Global Shares Index Fund (Hedged)									
	As at 30 June 2015*					As at 30 June 2014				
	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
Maturity of non-derivative financial liabilities										
Payables	1	–	–	–	1	–	–	–	–	–
Distribution payable	–	–	–	–	–	–	–	–	–	–
Due to brokers - payables for securities purchased	–	–	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	128	15	–	–	143	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	24,315	–	–	–	24,315	–	–	–	–	–
Total financial liabilities (excluding gross settled derivatives)	24,444	15	–	–	24,459	–	–	–	–	–
Gross settled derivatives										
Derivative										
Inflows	49,799	26,371	–	–	76,170	–	–	–	–	–
(Outflows)	(49,840)	(26,382)	–	–	(76,222)	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	(41)	(11)	–	–	(52)	–	–	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2015

4. Fair value measurement

(a) Fair value estimation

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- 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 current 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.

Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the 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.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

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

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the 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.

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

Notes to the financial statements (continued)

For the year ended 30 June 2015

4. Fair value measurement (continued)

(b) 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 (level 1).
- 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 2015.

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund				Vanguard Global Emerging Markets Shares Fund				Vanguard Global Shares Index Fund (Hedged)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015*																
Financial assets																
Financial assets held for trading																
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	1	88	-	89
Financial assets designated at fair value through profit or loss:																
Equity securities	42,917	-	-	42,917	74,970	36	-	75,006	43,400	-	-	43,400	-	23,424	-	23,424
Total	42,917	-	-	42,917	74,970	36	-	75,006	43,400	-	-	43,400	1	23,512	-	23,513
Financial liabilities																
Financial liabilities held for trading																
Derivatives	-	-	-	-	-	-	-	-	-	5	-	5	3	140	-	143
Total	-	-	-	-	-	-	-	-	-	5	-	5	3	140	-	143
30 June 2014																
Financial assets																
Financial assets designated at fair value through profit or loss:																
Equity securities	25,887	-	-	25,887	39,727	-	-	39,727	8,667	-	-	8,667	-	-	-	-
Total	25,887	-	-	25,887	39,727	-	-	39,727	8,667	-	-	8,667	-	-	-	-

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014

Notes to the financial statements (continued)

For the year ended 30 June 2015

4. Fair value measurement (continued)

(b) Fair value hierarchy (continued)

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.

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.

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

The following table presents the transfers between levels as at 30 June 2015:

	Vanguard Australian Small Companies Index Fund			
	Level 1	Level 2	Level 3	Total
30 June 2015	\$'000	\$'000	\$'000	\$'000
Transfers between level 1 and 2:				
Equity securities	(33)	33	–	33

The equity securities transferred into level 2 relates to the frequency of quoted price valuations. There were no transfers into and out of level 3 during the reporting period.

Notes to the financial statements (continued)

For the year ended 30 June 2015

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Net gain/(loss) on financial assets held for trading	–	–	(6)	–	(17)	348	(1,371)	–
Net gain/(loss) on financial assets designated at fair value through profit or loss	(471)	1,915	(4,390)	1,759	3,143	(42)	1,616	–
	(471)	1,915	(4,396)	1,759	3,126	306	245	–
Net realised gain/(loss) on financial assets held at fair value through profit or loss	98	168	(1,415)	(392)	34	1	(1,267)	–
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	(569)	1,747	(2,982)	2,151	3,092	305	1,512	–
	(471)	1,915	(4,396)	1,759	3,126	306	245	–
Financial liabilities								
Net gain/(loss) on financial liabilities held for trading	–	–	–	–	(5)	–	(143)	–
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–	–	–
	–	–	–	–	(5)	–	(143)	–
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	–	–	–	–	–	–	–	–
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(471)	1,915	(4,396)	1,759	3,121	306	102	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

6. Auditor's remuneration

The auditor's remuneration is borne by the Responsible Entity. Other services include the audit of the Compliance Plans and Tax Review. During the period, the following fees were paid and payable for services provided by the auditor of the Funds.

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
Auditor's remuneration	\$	\$	\$	\$	\$	\$	\$	\$
for auditing the financial statements	19,166	19,266	19,166	19,266	19,167	19,267	19,176	—
other services	10,975	11,338	10,975	11,338	10,975	3,733	10,975	—

7. Responsible Entity's fees

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	78	49	170	94	88	11	13	—
Management costs per annum	0.20%	0.20%	0.30%	0.30%	0.48%	0.48%	0.21%	—

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014

Notes to the financial statements (continued)

For the year ended 30 June 2015

8. Distributions to unitholders paid and payable

	Vanguard Australian Large Companies Index Fund			
	2015		2014	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	1,214	199.0154	668	174.8269
Distribution payable - 30 June	331	46.5603	213	49.8439
Total Distributions to unitholders	1,545	245.5757	881	224.6708

	Vanguard Australian Small Companies Index Fund			
	2015		2014	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	710	71.4082	339	73.7238
Distribution payable - 30 June	856	47.9647	615	67.6706
Total Distributions to unitholders	1,566	119.3729	954	141.3944

	Vanguard Global Emerging Markets Shares Fund			
	2015		2014	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	279	68.8029	22	31.7037
Distribution payable - 30 June	317	43.0113	67	39.1918
Total Distributions to unitholders	596	111.8142	89	70.8955

	Vanguard Global Shares Index Fund (Hedged)			
	2015		2014	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	–	–	–	–
Distribution payable - 30 June	–	–	–	–
Total Distributions to unitholders	–	–	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

9. Cash and cash equivalents

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents as at 30 June	(215)	(177)	134	45	1,306	23	533	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

10. Net assets attributable to unitholders

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015 '000	2014 '000	2015 '000	2014 '000	2015 '000	2014 '000	2015* '000	2014 '000
(a) Units on issue								
Opening balance	424	202	905	322	170	–	–	–
Applications	280	220	1,060	580	559	170	460	–
Distributions reinvested	1	2	2	3	1	–	–	–
Redemptions	–	–	(200)	–	–	–	–	–
Closing balance	705	424	1,767	905	730	170	460	–
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders								
Opening balance	25,885	10,910	39,754	12,644	8,683	–	–	–
Applications	17,400	12,835	48,286	25,197	31,636	8,377	23,666	–
Distributions reinvested	60	102	115	117	18	1	–	–
Redemptions	–	–	(8,756)	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	(344)	2,038	(4,218)	1,796	3,168	305	649	–
Closing Balance	43,001	25,885	75,181	39,754	43,505	8,683	24,315	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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 Funds have no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

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

Notes to the financial statements (continued)

For the year ended 30 June 2015

10. Net assets attributable to unitholders (continued)

Capital risk management

The Funds manage its 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.

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	69	51	157	100	126	33	94	–
Net liquid assets of the fund	43,001	25,885	75,181	39,754	43,505	8,683	24,315	–
Net assets attributable to unitholders (NAATU)	43,001	25,885	75,181	39,754	43,505	8,683	24,315	–
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

11. Financial assets held at fair value through profit or loss

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading								
Derivatives	–	–	–	–	–	–	89	–
Total held for trading	–	–	–	–	–	–	89	–
Designated at fair value through profit or loss								
Equity securities	42,917	25,887	75,006	39,727	43,400	8,667	23,424	–
Total designated at fair value through profit or loss	42,917	25,887	75,006	39,727	43,400	8,667	23,424	–
Total financial assets held at fair value through profit or loss	42,917	25,887	75,006	39,727	43,400	8,667	23,513	–
Comprising:								
Derivatives								
Foreign currency forward contracts	–	–	–	–	–	–	88	–
Australian share price futures	–	–	–	–	–	–	–	–
International share price futures	–	–	–	–	–	–	1	–
Total derivatives	–	–	–	–	–	–	89	–
Equity securities								
Australian equity securities	42,917	25,887	75,006	39,727	–	–	–	–
International equity securities	–	–	–	–	43,400	8,667	23,424	–
Total equity securities	42,917	25,887	75,006	39,727	43,400	8,667	23,424	–
Total financial assets held at fair value through profit or loss	42,917	25,887	75,006	39,727	43,400	8,667	23,513	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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

Notes to the financial statements (continued)

For the year ended 30 June 2015

12. Financial liabilities held at fair value through profit or loss

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading								
Derivatives	–	–	–	–	5	–	143	–
Total held for trading	–	–	–	–	5	–	143	–
Total financial liabilities held at fair value through profit or loss	–	–	–	–	5	–	143	–
Comprising:								
Derivatives								
Foreign currency forward contracts	–	–	–	–	5	–	140	–
Australian share price futures	–	–	–	–	–	–	–	–
International share price futures	–	–	–	–	–	–	3	–
Total derivatives	–	–	–	–	5	–	143	–
Total financial liabilities held at fair value through profit or loss	–	–	–	–	5	–	143	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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 2015

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.

	Vanguard Australian Large Companies Index Fund						Vanguard Australian Small Companies Index Fund					
	2015			2014			2015			2014		
	Contract/ Notional	Fair value		Contract/ Notional	Fair value		Contract/ Notional	Fair value		Contract/ Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Australian share price index futures	-	-	-	-	-	-	-	-	-	-	-	-
International share price index futures	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-

	Vanguard Global Emerging Markets Shares Fund						Vanguard Global Shares Index Fund (Hedged)					
	2015			2014			2015			2014		
	Contract/ Notional	Fair value		Contract/ Notional	Fair value		Contract/ Notional	Fair value		Contract/ Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Australian share price index futures	-	-	-	-	-	-	-	-	-	-	-	-
International share price index futures	-	-	-	-	-	-	417	1	3	-	-	-
Forward currency contracts	900	-	5	-	-	-	(23,877)	88	140	-	-	-
Total	900	-	5	-	-	-	(23,460)	89	143	-	-	-

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014

Notes to the financial statements (continued)

For the year ended 30 June 2015

14. Related parties

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.

(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. The directors of the Responsible Entity are 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
- J M James (Resigned 30 June 2015)
- C R Comegys
- C Lui
- C Kelton (Appointed 1 July 2015)

(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 not domestic in nature.

Notes to the financial statements (continued)

For the year ended 30 June 2015

14. Related parties (continued)

(b) Responsible entity's fees and other transactions

Under the Constitution of each Fund, the Responsible Entity is entitled to receive management fees up to 1.5% of the net asset value of the Fund. In addition, a withdrawal fee being the greater of 0.5% of the withdrawal value and \$50 could be introduced and charged where units in the Fund are withdrawn.

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

In the current PDS for the Funds, the Responsible Entity has undertaken to limit the amount of its management fees and certain expense recoveries to a 'management cost' as specified below. The amounts shown take into account GST and any expected Input Tax Credits.

	2015	2014
	% per annum	% per annum
Management costs		
Vanguard Australian Large Companies Index Fund	0.20	0.20
Vanguard Australian Small Companies Index Fund	0.30	0.30
Vanguard Global Emerging Markets Shares Fund	0.48	0.48
Vanguard Global Shares Index Fund (Hedged)	0.21	n/a

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fees paid and payable for the period by the Fund to the Responsible Entity	78	49	170	94	88	11	13	–
Aggregate amounts payable to the Responsible Entity at the reporting date	8	4	18	10	11	2	1	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

Notes to the financial statements (continued)

For the year ended 30 June 2015

14. Related parties (continued)

(c) Related party schemes' unitholdings

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015	2014	2015	2014	2015	2014	2015*	2014
Number of units held	–	–	–	–	–	–	–	–
Interest held at 30 June	–	–	–	–	–	–	–	–
Number of units acquired during the year	–	1,220	–	1,234	–	–	–	–
Number of units disposed during the year	–	71,927	–	53,904	–	–	–	–
Distributions paid and payable by the Funds	–	49,521	–	–	–	–	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

(d) Key management personnel unitholdings

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

(e) Related Party investments

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

The Funds held investments in other Schemes managed by VIA and other related parties during the year as indicated in the table below:

Investments by:	Net fair value of Investments		Interest held at 30 June		Distributions received/receivable		Distributions receivable which remain unpaid at	
	2015	2014	2015	2014	2015	2014	2015*	2014
Vanguard Global Emerging Markets Shares	\$'000	\$'000	%	%	\$'000	\$'000	\$'000	\$'000
In other schemes managed by VGI:								
Vanguard FTSE Emerging Markets ETF	43,400	8,667	0.07	0.02	711	92	395	–

Investments by:	Net fair value of Investments		Interest held at 30 June		Distributions received/receivable		Distributions receivable which remain unpaid at	
	2015	2014	2015	2014	2015	2014	2015*	2014
Vanguard Global Shares Index Fund (Hedged)	\$'000	\$'000	%	%	\$'000	\$'000	\$'000	\$'000
In other schemes managed by VIA:								
Vanguard International Shares Index Fund	23,281	–	0.16	–	542	–	362	–

Other Schemes managed by Vanguard Investments Australia Ltd did not hold any units in the Funds during the period.

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2015

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 Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund		Vanguard Global Shares Index Fund (Hedged)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015* \$'000	2014 \$'000
Profit/(loss) for the period	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	(344)	2,038	(4,218)	1,796	3,168	305	649	–
Distributions paid and payable	1,545	881	1,566	954	596	89	–	–
Proceeds from sale of financial instruments held and designated at fair value through profit or loss	3,047	1,019	22,306	7,553	258	74	644	–
Purchases of financial instruments held and designated at fair value through profit or loss	(20,651)	(14,188)	(62,109)	(33,063)	(30,576)	(8,453)	(23,788)	–
Net gains/(losses) on financial instruments held and designated at fair value through profit or loss	471	(1,915)	4,396	(1,759)	(3,121)	(306)	(102)	–
Net change in receivables and other assets	(143)	(144)	(180)	(100)	(399)	1	(363)	–
Net change in payables and other liabilities	4	3	8	7	9	1	1	–
Non Cash Items	–	–	–	–	–	–	(181)	–
Net cash inflow/(outflow) from operating activities	(16,071)	(12,306)	(38,231)	(24,612)	(30,065)	(8,289)	(23,140)	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

(b) Non-cash financing activities

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).

Notes to the financial statements (continued)

For the year ended 30 June 2015

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, except for Vanguard Global Emerging Markets Shares Fund and the Vanguard Global Shares Index Fund (Hedged) for which the geographic locations and exposures are outlined below.

Country	Vanguard Global Emerging Markets Shares Fund				Vanguard Global Shares Index Fund (Hedged)			
	2015		2014		2015*		2014	
	Total Assets \$'000	Percentage of total assets %	Total Assets \$'000	Percentage of total assets %	Total Assets \$'000	Percentage of total assets %	Total Assets \$'000	Percentage of total assets %
North America	43,400	100.0	8,667	100.0	14,790	62.9	–	–
Europe ex-United Kingdom	–	–	–	–	4,185	17.8	–	–
United Kingdom	–	–	–	–	1,905	8.1	–	–
Japan	–	–	–	–	2,140	9.1	–	–
Asia ex-Japan	–	–	–	–	447	1.9	–	–
Other	–	–	–	–	47	0.2	–	–
Australia	–	–	–	–	–	–	–	–
Total	43,400	100	8,667	100.0	23,513	100	–	–

*Vanguard Global Shares Index Fund (Hedged) commenced on 20 November 2014.

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

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

17. Dividend and Distribution Income

Dividend and Distribution income is net of foreign withholding taxes for \$115,893 for Vanguard Global Shares Emerging Markets Shares Fund.

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 2015 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.

19. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015 and 30 June 2014 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 7 to 49 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 2015 and of its performance for the financial period 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.



C Lui
Director
Melbourne
28 August 2015



Independent auditor's report to the unitholders of the Vanguard Wholesale Funds (ETFs):

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares Fund
- Vanguard Global Shares Index Fund (Hedged)

Report on the financial report

We have audited the accompanying financial report of the Vanguard Wholesale Funds (ETFs) (the Funds), which comprises the balance sheets as at 30 June 2015, the statements of comprehensive income, statements of changes in equity and statements 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 Vanguard Investments Australia Ltd (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), 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.

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 the Vanguard Wholesale Funds (ETFs) 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 2015 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).


PricewaterhouseCoopers



J F Power
Partner

Melbourne
28 August 2015

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Past performance is not an indication of future performance. In preparing this Annual Report, individual circumstances, for example tax implications, have not been taken into account and it may, therefore, not be applicable to an individual's situation. Before making an investment decision, you should consider your circumstances and whether the information contained in the Annual Report is applicable to your situation. This Annual Report was prepared in good faith and we accept no liability for any errors or omissions.

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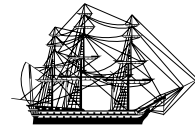
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