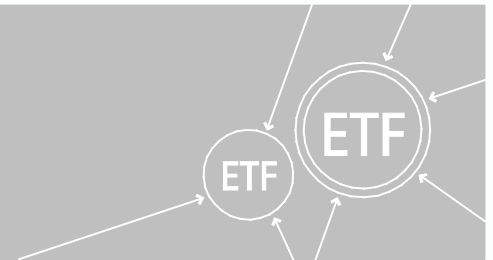




Vanguard

Annual Report for the Vanguard® Exchange Traded Funds

25 September 2012



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard® Australian Shares Index ETF	VAS	Annual Report
Vanguard® Australian Property Securities Index ETF	VAP	Annual Report
Vanguard® Australian Shares High Yield ETF	VHY	Annual Report
Vanguard® Australian Government Bond Index ETF	VGB	Annual Report

Vanguard has prepared an Annual Report for the Vanguard® Index Funds, for the financial year ending 30 June 2012. The ETFs above are classes of units* in the relevant funds. Units in the ETF class are those that are traded on the Australian Securities Exchange (ASX).

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

* **VAS** is a class of units in the Vanguard® Australian Shares Index Fund (ARSN 090 939 718), **VAP** is a class of units in the Vanguard® Australian Property Securities Index Fund (ARSN 090 939 549), **VHY** is a class of units in the Vanguard® Australian Shares High Yield Fund (ARSN 091 751 807) and **VGB** is a class of units in the Vanguard® Australian Government Bond Index Fund (ARSN 134 177 807).

Further Information

If you have any queries, please contact Computershare on 1300 757 905.

We have taken your circumstances into account in preparing this material. Prior to making an investment decision please consider your circumstances, read our Australian ETF Product Disclosure Statement (PDS) and consult your investment advisor or broker before making any investment decision. You can access our PDS at vanguard.com.au. Past performance is not an indication of future performance. There is no guarantee that distributions will be declared in the future or the future availability of the Distribution Reinvestment Plan.

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Vanguard® Wholesale Funds

Domestic Funds

Domestic ETFs (ASX Codes: VAS, VAP, VHYP, VGB)

Annual Report

30th June 2012



Vanguard®



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

Contents

About Vanguard	2
Directors' Report	3
Auditor's Independence Declaration	10
Statement of comprehensive income	11
Balance sheet	13
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	18
Directors' Declaration	66
Independent Auditor's Report	67

About Vanguard

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

What makes us different?

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

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

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

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

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

Low costs. Investors can’t control the markets, but they can control the costs of investing. Providing low-cost investments isn’t a pricing strategy for us. It’s how we do business.

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

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

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

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

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

Directors' Report

The directors of Vanguard Investments Australia Ltd, the Responsible Entity of the Vanguard Wholesale Funds, present their report together with the financial report of the following Vanguard Wholesale Funds (the Funds) for the year ended 30 June 2012:

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

Principal activities

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

The Vanguard Australian Inflation-Linked Bond Index Fund commenced operations on 11 April 2012. There are no comparative figures for this Fund as this is the first year of operations.

The Funds did not have any employees during the year.

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

Directors

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

J M Norris
G W Reed
J P Brennan
K A Watt
J M James

Review and results of operations

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

Directors' Report *(continued)*

Review and results of operations *(continued)*

Results

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	For the year ended 30 June		For the year ended 30 June		For the year ended 30 June		For the year ended 30 June	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before financing costs attributable to unitholders	71,944	81,774	29,243	22,296	25,114	2,948	386,743	158,181
<i>Distributions</i>								
Distribution paid and payable	71,829	90,793	26,019	24,728	11,301	2,623	190,280	172,102
Distribution (cents per unit)	4.4231	5.2410	4.4537	5.5536	*(1)	*(1)	6.2679	5.9609
	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	For the year ended 30 June		For the year ended 30 June		For the year ended 30 June		For the year ended 30 June	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before financing costs attributable to unitholders	11,890	–	246,548	118,944	(456,318)	618,187	5,574	45,106
<i>Distributions</i>								
Distribution paid and payable	625	–	147,709	128,690	250,949	226,809	20,830	16,713
Distribution (cents per unit)	0.2173	*(2)	*(3)	*(3)	*(4)	*(4)	*(5)	*(5)

*(1) The distribution for Vanguard Australian Government Bond Index Fund was 5.6227 (2011: 4.0572) cents per unit for the Ordinary Class and 110.6556 (2011: n/a) cents per unit for the ETF Class.

Vanguard Australian Government Bond Index Fund (ETF class)'s inception date was 24 April 2012.

*(2) Vanguard Australian Inflation-Linked Bond Index Fund's inception date was 11 April 2012.

*(3) The distribution for Vanguard Australian Property Securities Index Fund was 3.5865 (2011: 3.1347) cents per unit for the Ordinary Class and 300.6476 (2011: 216.0710) cents per unit for the ETF Class.

Vanguard Australian Property Securities Index Fund (ETF class)'s inception date was 11 October 2010.

*(4) The distribution for Vanguard Australian Shares Index Fund was 6.9310 (2011: 6.7748) cents per unit for the Ordinary Class and 254.0764 (2011: 241.0858) cents per unit for the ETF Class.

*(5) The distribution for Vanguard Australian Shares High Yield Fund was 7.5660 (2011: 5.9417) cents per unit for the Ordinary Class and 302.2336 (2011: 13.5517) cents per unit for the ETF Class.

Vanguard Australian Shares High Yield Fund (ETF class)'s inception date was 23 May 2011.

Directors' Report *(continued)*

Review and results of operations *(continued)*

Performance

The table below details the performance of the Funds as represented by the total return, net of fees, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2012 and assumes that all distributions were re-invested during

that period. These are calculated in accordance with FSC Standard 6.0 Product Performance – calculation and presentation of returns. The directors assess the performance of the Funds by comparing each Fund's total return with the corresponding Index (the Benchmark) gross of fees.

	2012	2011	2010	2009	2008
	%	%	%	%	%
Vanguard Cash Reserve Fund					
Capital growth	–	(0.51)	0.33	(0.37)	1.00
Distribution of income	4.50	5.31	3.39	5.66	3.91
Total return	4.50	4.80	3.72	5.29	4.91
Benchmark return					
UBS Bank Bill Index™	4.69	4.98	3.89	5.48	5.01
Vanguard Cash Plus Index Fund					
Capital growth	0.56	(0.53)	(0.90)	0.21	0.36
Distribution of income	4.49	5.58	4.74	6.75	6.28
Total return	5.05	5.05	3.84	6.96	6.64
Benchmark return					
Tailored Index	5.52	4.91	3.89	7.58	6.95
Vanguard Australian Government Bond Index Fund					
Capital growth	7.42	0.58	2.80	(3.45)	n/a
Distribution of income	5.82	4.20	4.49	1.75	n/a
Total return	13.24	4.78	7.29	(1.70)	n/a
Benchmark return					
UBS Government Bond Index	13.43	5.02	7.58	(1.62)	n/a
Vanguard Australian Fixed Interest Index Fund					
Capital growth	6.09	(0.35)	1.70	4.41	(0.05)
Distribution of income	6.04	5.65	6.02	6.60	4.10
Total return	12.13	5.30	7.72	11.01	4.05
Benchmark return					
UBS Composite Bond Index™	12.40	5.55	7.86	10.82	4.44
Vanguard Australian Inflation-Linked Bond Index Fund					
Capital growth	4.01	n/a	n/a	n/a	n/a
Distribution of income	0.22	n/a	n/a	n/a	n/a
Total return	4.23	n/a	n/a	n/a	n/a
Benchmark return					
UBS (B) Treasury Inflation Index 1+	4.29	n/a	n/a	n/a	n/a

The Fund's inception date was 11 April 2012

Directors' Report *(continued)*

Review and results of operations *(continued)*

Performance *(continued)*

	2012	2011	2010	2009	2008
	%	%	%	%	%
Vanguard Australian Property Securities Index Fund					
Capital growth	3.90	0.10	12.81	(45.09)	(41.54)
Distribution of income	6.77	5.38	7.28	4.60	3.72
Total return	10.67	5.48	20.09	(40.49)	(37.82)
Benchmark return					
S&P/ASX 300 A-REIT Index	10.98	5.86	20.34	(42.11)	(37.74)
Vanguard Australian Shares Index Fund					
Capital growth	(11.40)	7.36	8.70	(23.98)	(18.38)
Distribution of income	4.13	4.23	4.08	3.76	4.42
Total return	(7.27)	11.59	12.78	(20.22)	(13.96)
Benchmark return					
S&P/ASX 300 Index	(7.01)	11.90	13.05	(20.34)	(13.67)
Vanguard Australian Shares High Yield Fund					
Capital growth	(4.17)	8.57	8.64	(26.24)	(17.44)
Distribution of income	6.06	5.04	4.36	4.11	3.41
Total return	1.89	13.61	13.00	(22.13)	(14.03)
Benchmark return					
FTSE ASFA Australia High Dividend Yield Index	2.33	13.66	12.67	(18.56)	(11.14)

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

Directors' Report *(continued)*

Review and results of operations *(continued)*

Unit redemption prices

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

	At 30 June		Period high Period to 30 June		Period low Period to 30 June	
	2012	2011	2012	2011	2012	2011
Vanguard Cash Reserve Fund	1.0075	1.0084	1.0087	1.0162	1.0045	1.0042
Vanguard Cash Plus Index Fund	1.0248	1.0191	1.0272	1.0281	1.0158	1.0136
Vanguard Australian Government Bond Index Fund	1.0946	1.0054	1.1048	1.0143	0.9943	0.9744
Vanguard Australian Government Bond Index Fund (ETF class) (1)	51.5928	–	52.0708	–	49.9045	–
Vanguard Australian Fixed Interest Index Fund	1.1626	1.0955	1.1700	1.1069	1.0770	1.0616
Vanguard Australian Inflation-Linked Bond Index Fund (2)	1.0407	–	1.0650	–	0.9975	–
Vanguard Australian Property Securities Index Fund	0.6182	0.5939	0.6197	0.6355	0.4982	0.5767
Vanguard Australian Property Securities Index Fund (ETF class)	50.9697	49.0196	51.0945	51.9726	41.1458	47.6637
Vanguard Australian Shares Index Fund	1.5278	1.7202	1.7278	1.8473	1.4385	1.5641
Vanguard Australian Shares Index Fund (ETF class)	52.9973	59.7301	60.0040	64.1302	49.9256	54.3193
Vanguard Australian Shares High Yield Fund	1.2621	1.3088	1.3236	1.3793	1.1349	1.1797
Vanguard Australian Shares High Yield Fund (ETF class)	48.1114	50.0282	50.4506	50.3789	43.3520	48.6664

(1) Vanguard Australian Government Bond Index Fund (ETF class) inception date was 24 April 2012

(2) Vanguard Australian Inflation-Linked Bond Index Fund inception date was 11 April 2012

Directors' Report *(continued)*

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

Indemnity and insurance

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to Vanguard Investments Australia Ltd as Responsible Entity or the auditors of the Funds. So long as Vanguard Investments Australia Ltd acts in accordance with the Constitutions of the Funds and the Law, it remains indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

The auditors of the Funds are in no way indemnified out of the assets of the Funds.

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

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

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

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

Interests in the Funds

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

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

Directors' Report *(continued)*

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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



J M James
Managing Director
Melbourne
31 August 2012



Auditor's Independence Declaration

As lead auditor for the audit of Vanguard Index Funds (Domestic Funds) for the year ended 30 June 2012, 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 Index Funds (Domestic Funds) during the year:

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

A handwritten signature in black ink that reads 'JF Power'. The signature is written in a cursive, slightly slanted style.

JF Power
Partner
PricewaterhouseCoopers

Melbourne
31 August 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Notes	Vanguard Cash Reserve Fund	Vanguard Cash Plus Index Fund	Vanguard Australian Government Bond Index Fund	Vanguard Australian Fixed Interest Index Fund
		2012	2012	2012	2012
		\$'000	\$'000	\$'000	\$'000
Investment income					
Interest income from financial instruments not held at fair value through profit or loss		518	571	–	–
Dividend income		–	–	–	–
Distribution income		–	–	–	–
Net gain/(loss) on financial instruments held at fair value through profit or loss	5	73,879	83,813	30,976	23,609
Other operating income		–	–	–	–
Total net investment income/(loss)		74,397	84,384	30,976	23,609
Expenses					
Responsible entity's fees	7	2,447	2,604	1,728	1,307
Transaction costs		–	–	–	–
Other operating expenses		6	6	5	6
Total operating expenses		2,453	2,610	1,733	1,313
Operating profit/(loss)		71,944	81,774	29,243	22,296
Financing costs attributable to unitholders					
Distributions to unitholders	8	(71,829)	(90,793)	(26,019)	(24,728)
(Increase)/decrease in net assets attributable to unitholders	9(b)	(115)	9,019	(3,224)	2,432
Profit/(loss) for the year		–	–	–	–
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	–	–

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

Statement of comprehensive income *(continued)*

For the year ended 30 June 2012

	Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Investment income									
Interest income from financial instruments not held at fair value through profit or loss		–	–	87	367	2,284	3,766	80	58
Dividend income		–	–	–	–	242,976	217,924	20,536	18,283
Distribution income		–	–	155,447	138,420	32,655	30,234	2,226	462
Net gain/(loss) on financial instruments held at fair value through profit or loss	5	12,080	–	99,173	(11,476)	(715,180)	386,174	(15,854)	27,766
Other operating income		–	–	1	2	376	307	14	36
Total net investment income/(loss)		12,080	–	254,708	127,313	(436,889)	638,405	7,002	46,605
Expenses									
Responsible entity's fees	7	190	–	8,039	8,082	19,135	19,737	1,365	1,459
Transaction costs		–	–	108	271	248	441	41	33
Other operating expenses		–	–	13	16	46	40	22	7
Total operating expenses		190	–	8,160	8,369	19,429	20,218	1,428	1,499
Operating profit/(loss)		11,890	–	246,548	118,944	(456,318)	618,187	5,574	45,106
Financing costs attributable to unitholders									
Distributions to unitholders	8	(625)	–	(147,709)	(128,690)	(250,949)	(226,809)	(20,830)	(16,713)
(Increase)/decrease in net assets attributable to unitholders	9(b)	(11,265)	–	(98,839)	9,746	707,267	(391,378)	15,256	(28,393)
Profit/(loss) for the year		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	–	–

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

Balance sheet

As at 30 June 2012

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Assets									
Cash & cash equivalents	10	9,445	5,953	88,273	11,581	928	753	21,480	75,116
Futures margin deposit		86	219	118	66	20	10	217	689
Receivables		68	91	48	85	19	7	480	654
Due from Brokers – receivable for securities sold		–	–	–	–	5,633	–	34,850	–
Financial assets held at fair value through profit or loss		1,536,961	1,720,372	558,668	506,499	369,974	68,592	3,698,734	3,065,834
Other assets		130	410	1,272	1,086	99	1,052	5,451	2,637
Total assets		1,546,690	1,727,045	648,379	519,317	376,673	70,414	3,761,212	3,144,930
Liabilities									
Payables	14(b)	192	213	155	120	89	17	883	743
Distribution payable	8	4,733	6,721	2,069	1,618	7,821	582	55,043	45,050
Due to brokers – payables for securities purchased		–	–	3,162	7,306	4,298	–	33,026	–
Financial liabilities held at fair value through profit or loss		12	38	47	20	–	2	–	123
Other liabilities		103	–	169	443	163	30	1,302	1,374
Total liabilities (excluding net assets attributable to unitholders)		5,040	6,972	5,602	9,507	12,371	631	90,254	47,290
Net assets attributable to unitholders (liability)	9(b)	1,541,650	1,720,073	642,777	509,810	364,302	69,783	3,670,958	3,097,640

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

Balance sheet *(continued)*

As at 30 June 2012

	Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Assets									
Cash & cash equivalents	10	128	–	930	5,304	40,499	44,266	2,003	(152)
Futures margin deposit		–	–	1,911	2,632	6,595	8,084	315	217
Receivables		727	–	38,972	37,846	48,033	43,754	3,986	3,764
Due from Brokers – receivable for securities sold		1,911	–	–	–	2,367	13,989	–	–
Financial assets held at fair value through profit or loss		298,661	–	2,437,266	2,440,810	5,169,066	6,062,296	361,473	363,785
Other assets		–	–	1,632	3,820	2,737	33,266	127	32
Total assets		301,427	–	2,480,711	2,490,412	5,269,297	6,205,655	367,904	367,646
Liabilities									
Payables	14(b)	72	–	675	687	1,413	1,657	112	129
Distribution payable	8	625	–	41,581	37,263	42,977	35,779	2,999	699
Due to brokers – payables for securities purchased		1,911	–	–	–	1,652	23,880	3,554	–
Financial liabilities held at fair value through profit or loss		–	–	–	205	–	–	–	–
Other liabilities		–	–	1,498	825	1,624	1,220	124	163
Total liabilities (excluding net assets attributable to unitholders)		2,608	–	43,754	38,980	47,666	62,536	6,789	991
Net assets attributable to unitholders (liability)	9(b)	298,819	–	2,436,957	2,451,432	5,221,631	6,143,119	361,115	366,655

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

Statement of changes in equity

For the year ended 30 June 2012

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2012	2011	2012	2011	2012	2011	2012	2011
		\$'000	\$'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		-	-	-	-	-	-	-	-

	Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
		2012	2011	2012	2011	2012	2011	2012	2011
		\$'000	\$'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		-	-	-	-	-	-	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

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

Statement of cash flows

For the year ended 30 June 2012

	Notes	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
		2012	2011	2012	2011	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities									
Proceeds from sale of financial instruments held at fair value through profit or loss		7,060,540	7,647,429	815,559	1,587,944	120,071	25,949	797,267	1,101,203
Purchases of financial instruments held at fair value through profit or loss		(6,803,143)	(7,600,531)	(840,876)	(1,661,642)	(397,238)	(40,607)	(1,034,931)	(1,143,899)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	–	–	–	–	–	–
Interest received		536	575	–	–	1	(3)	–	–
Dividends received		–	–	–	–	–	–	–	–
Distributions received		–	–	–	–	–	–	–	–
Responsible entity's fees paid		(2,469)	(2,615)	(1,701)	(1,295)	(381)	(174)	(9,674)	(8,890)
Other expenses paid		(6)	(9)	(5)	(6)	(7)	(5)	(10)	(9)
Other income received		5	–	–	–	1	–	29	99
Net cash inflow/(outflow) from operating activities	15(a)	255,463	44,849	(27,023)	(74,999)	(277,553)	(14,840)	(247,319)	(51,496)
Cash flows from financing activities									
Proceeds from applications by unitholders		217,424	365,590	248,568	235,411	373,538	28,409	916,500	883,488
Payments for redemptions by unitholders		(465,223)	(408,950)	(139,331)	(142,745)	(93,229)	(10,660)	(639,348)	(697,158)
Distributions paid		(4,172)	(4,941)	(5,522)	(6,560)	(2,581)	(2,563)	(83,469)	(77,808)
Net cash inflow/(outflow) from financing activities		(251,971)	(48,301)	103,715	86,106	277,728	15,186	193,683	108,522
Net increase/(decrease) in cash and cash equivalents		3,492	(3,452)	76,692	11,107	175	346	(53,636)	57,026
Cash and cash equivalents at the beginning of the year		5,953	9,405	11,581	474	753	407	75,116	18,090
Cash and cash equivalents at the end of the year	10	9,445	5,953	88,273	11,581	928	753	21,480	75,116
Non-cash financing activities	15(b)								

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

Statement of cash flows *(continued)*

For the year ended 30 June 2012

	Notes	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
		2012	2011	2012	2011	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities									
Proceeds from sale of financial instruments held at fair value through profit or loss		3,407	–	486,267	280,388	819,857	696,981	123,065	224,928
Purchases of financial instruments held at fair value through profit or loss		(290,706)	–	(383,034)	(609,544)	(650,921)	(1,157,004)	(133,151)	(231,660)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	(108)	(271)	(248)	(441)	(41)	(33)
Interest received		–	–	103	395	2,541	3,616	75	78
Dividends received		–	–	–	–	238,506	211,454	21,207	17,003
Distributions received		–	–	154,309	132,239	32,585	29,045	1,342	584
Responsible entity's fees paid		(118)	–	(8,053)	(8,120)	(19,379)	(19,765)	(1,372)	(1,472)
Other expenses paid		(9)	–	(13)	(14)	(46)	(40)	(33)	(7)
Other income received		–	–	–	2	379	308	10	36
Net cash inflow/(outflow) from operating activities	15(a)	(287,426)	–	249,471	(204,925)	423,274	(235,846)	11,102	9,457
Cash flows from financing activities									
Proceeds from applications by unitholders		287,984	–	481,714	692,335	1,023,220	1,371,451	110,585	51,660
Payments for redemptions by unitholders		(430)	–	(673,115)	(437,228)	(1,373,066)	(1,047,663)	(107,488)	(52,007)
Distributions paid		–	–	(62,444)	(54,170)	(77,195)	(79,629)	(12,044)	(9,736)
Net cash inflow/(outflow) from financing activities		287,554	–	(253,845)	200,937	(427,041)	244,159	(8,947)	(10,083)
Net increase/(decrease) in cash and cash equivalents		128	–	(4,374)	(3,988)	(3,767)	8,313	2,155	(626)
Cash and cash equivalents at the beginning of the year		–	–	5,304	9,292	44,266	35,953	(152)	474
Cash and cash equivalents at the end of the year	10	128	–	930	5,304	40,499	44,266	2,003	(152)
Non-cash financing activities	15(b)								

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

Notes to the financial statements

For the year ended 30 June 2012

1. General information

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

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

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

The financial statements were authorised for issue by the directors on 31 August 2012. The directors of the Responsible Entity have the power to amend and reissue the financial report.

The financial report is presented in the Australian currency.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

This financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and

non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards

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

(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**
These include derivative financial instruments including futures, forward contracts, options and interest rate swaps. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Funds do not designate any derivatives as hedges in a hedging relationship.
- **Financial instruments designated at fair value through profit or loss upon initial recognition**
These include financial assets that are not held for trading purposes and which may be sold. These are investments in traded debt, unlisted trusts, unlisted equity instruments, commercial paper and exchange traded equity instruments.

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

(ii) Recognition/derecognition

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

(b) Financial instruments *(continued)*

(ii) Recognition/derecognition *(continued)*

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.

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. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Funds recognise the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

Details on how the fair value of the financial instruments is determined are disclosed in Note 3(b).

(iv) Offsetting financial instruments

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

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Funds are required to distribute its 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. Because the Funds' redemption unit price is based on different valuation

principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

(d) Cash and cash equivalents

For cash flow presentation purposes, 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, 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 borrowings on the balance sheet. Futures margin deposit accounts are restricted cash balances and accordingly are not included in cash and cash equivalents.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Funds' main income generating activity.

(e) Investment income

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

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

Trust distributions are recognised on an entitlements basis.

(f) Expenses

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

(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.

(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 2012, but have not yet received. The distributions are payable at the end of September, December, March and June each year for all Funds except for Vanguard Cash Reserve Fund and Vanguard Cash Plus Index Fund which are payable at the end of each month. Distributions are recognised in the income statement as finance costs attributable to unitholders.

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

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

(j) 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.

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

(l) Futures margin deposits

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

(m) Receivables

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

(n) Payables

Payables include liabilities and accrued expenses owing by the Fund 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.

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties, have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credit recovery at a rate of 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 and the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretation is set below:

(i) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 10 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard is not applicable until 1 January 2013* but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Funds have not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Funds' financial statements as the Funds do not hold any available-for-sale investments.

* In December 2011, the IASB delayed the application dates of IFRS 9 to 1 January 2015.

(ii) *AASB 13 Fair Value Measurement and AASB 2011-18 Amendments to Australian Accounting Standards from AASB 13 (effective from 1 January 2013).*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Funds do not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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 2012

3. Financial risk management

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

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statement and seeks to deliver investment returns which closely match the total returns of selected indexes. The Funds use derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment management department under the policies approved by the Board of Directors of the Responsible Entity.

(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 their holdings across the market, index funds are generally well protected from the specific risk of individual securities. Their specific returns tend to cancel each other out leaving the index funds with the market returns and their associated risk. Vanguard employs an indexing investment strategy in all asset classes in which the Funds invest.

(ii) Foreign exchange risk

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

(iii) 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 investment 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:

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk *(continued)*

	Vanguard Cash Reserve Fund				Vanguard Cash Plus 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 2012								
Assets								
Cash and cash equivalents	9,445	–	–	9,445	88,273	–	–	88,273
Futures margin deposit	86	–	–	86	118	–	–	118
Financial assets held at fair value through profit or loss	1,536,961	–	–	1,536,961	256,409	302,259	–	558,668
Other assets & receivables	–	–	198	198	–	–	1,320	1,320
Total assets	1,546,492	–	198	1,546,690	344,800	302,259	1,320	648,379
Liabilities								
Other liabilities	–	–	5,040	5,040	–	9	5,593	5,602
Total liabilities (excluding net assets attributable to unitholders)	–	–	5,040	5,040	–	9	5,593	5,602
Net assets attributable to unitholders - liability	1,546,492	–	(4,842)	1,541,650	344,800	302,250	(4,273)	642,777
30 June 2011								
Assets								
Cash and cash equivalents	5,953	–	–	5,953	11,581	–	–	11,581
Futures margin deposit	219	–	–	219	66	–	–	66
Financial assets held at fair value through profit or loss	1,720,372	–	–	1,720,372	274,635	231,864	–	506,499
Other assets & receivables	–	–	501	501	–	–	1,171	1,171
Total assets	1,726,544	–	501	1,727,045	286,282	231,864	1,171	519,317
Liabilities								
Other liabilities	38	–	6,934	6,972	–	20	9,487	9,507
Total liabilities (excluding net assets attributable to unitholders)	38	–	6,934	6,972	–	20	9,487	9,507
Net assets attributable to unitholders - liability	1,726,506	–	(6,433)	1,720,073	286,282	231,844	(8,316)	509,810

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk *(continued)*

	Vanguard Australian Government Bond Fund				Vanguard Australian Fixed Interest Index Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	TOTAL	Floating interest rate	Fixed interest rate	Non-interest bearing	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012								
Assets								
Cash and cash equivalents	928	–	–	928	21,480	–	–	21,480
Futures margin deposit	20	–	–	20	217	–	–	217
Financial assets held at fair value through profit or loss	–	369,974	–	369,974	–	3,698,734	–	3,698,734
Other assets & receivables	–	–	5,751	5,751	–	–	40,781	40,781
Total assets	948	369,974	5,751	376,673	21,697	3,698,734	40,781	3,761,212
Liabilities								
Other liabilities	–	–	12,371	12,371	–	–	90,254	90,254
Total liabilities (excluding net assets attributable to unitholders)	–	–	12,371	12,371	–	–	90,254	90,254
Net assets attributable to unitholders - liability	948	369,974	(6,620)	364,302	21,697	3,698,734	(49,473)	3,670,958
30 June 2011								
Assets								
Cash and cash equivalents	753	–	–	753	75,116	–	–	75,116
Futures margin deposit	10	–	–	10	689	–	–	689
Financial assets held at fair value through profit or loss	–	68,592	–	68,592	–	3,065,834	–	3,065,834
Other assets & receivables	–	–	1,059	1,059	–	–	3,291	3,291
Total assets	763	68,592	1,059	70,414	75,805	3,065,834	3,291	3,144,930
Liabilities								
Other liabilities	–	2	629	631	123	–	47,167	47,290
Total liabilities (excluding net assets attributable to unitholders)	–	2	629	631	123	–	47,167	47,290
Net assets attributable to unitholders - liability	763	68,590	430	69,783	75,682	3,065,834	(43,876)	3,097,640

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk *(continued)*

	Vanguard Australian Inflation-Linked Bond Index Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	TOTAL
	\$'000	\$'000	\$'000	\$'000
30 June 2012				
Assets				
Cash and cash equivalents	128	–	–	128
Futures margin deposit	–	–	–	–
Financial assets held at fair value through profit or loss	–	298,661	–	298,661
Other assets & receivables	–	–	2,638	2,638
Total assets	128	298,661	2,638	301,427
Liabilities				
Other liabilities	–	–	2,608	2,608
Total liabilities (excluding net assets attributable to unitholders)	–	–	2,608	2,608
Net assets attributable to unitholders - liability	128	298,661	30	298,819
30 June 2011				
Assets				
Cash and cash equivalents	–	–	–	–
Futures margin deposit	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	–	–
Other assets & receivables	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Other liabilities	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)	–	–	–	–
Net assets attributable to unitholders - liability	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(b) Fair value estimation

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

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

Fair value in an inactive or unquoted market

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

(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 2012 there are no financial assets that are past due or impaired (2011: \$nil).

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

(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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(c) Credit risk *(continued)*

value of a Fund are with any individual counterparty, and all contracts are with counterparties included in the Board's Approved Counterparties list.

The Vanguard Cash Reserve Fund, Vanguard Cash Plus Index Fund and Vanguard Australian Fixed Interest Index Fund also restrict their exposure to credit losses on derivative instruments they hold by entering into master netting arrangements with counterparties with whom they undertake a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Funds overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangements. As at 30 June 2012, the Funds had no master netting arrangements outstanding (2011: \$nil).

(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.

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.

(d) Liquidity risk

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

The Funds' financial instruments include investments in equity investments, fixed interest securities and derivative contracts traded over-the-counter. The Funds' listed securities are considered to be readily realisable as they are all listed on major stock exchanges. The Funds may use futures to gain market exposure without investing directly in the securities. This allows the Funds to maintain liquidity without being under-invested in their respective investment policies. The derivatives are not used to leverage the Funds' portfolio.

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

	Vanguard Cash Reserve Fund									
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	192	–	–	–	192	213	–	–	–	213
Distribution payable	4,733	–	–	–	4,733	6,721	–	–	–	6,721
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	12	–	–	12	–	38	–	–	38
Other liabilities	103	–	–	–	103	–	–	–	–	–
Net assets attributable to unitholders	1,541,650	–	–	–	1,541,650	1,720,073	–	–	–	1,720,073
Total financial liabilities (excluding gross settled derivatives)	1,546,678	12	–	–	1,546,690	1,727,007	38	–	–	1,727,045
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Cash Plus Index Fund										
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	155	–	–	–	155	563	–	–	–	563
Distribution payable	2,069	–	–	–	2,069	1,618	–	–	–	1,618
Due to brokers – payables for securities purchased	3,162	–	–	–	3,162	7,306	–	–	–	7,306
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	47	–	–	47	–	20	–	–	20
Other liabilities	169	–	–	–	169	–	–	–	–	–
Net assets attributable to unitholders	642,777	–	–	–	642,777	509,810	–	–	–	509,810
Total financial liabilities (excluding gross settled derivatives)	648,332	47	–	–	648,379	519,297	20	–	–	519,317
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Australian Government Bond Index Fund										
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	89	–	–	–	89	47	–	–	–	47
Distribution payable	7,821	–	–	–	7,821	582	–	–	–	582
Due to brokers – payables for securities purchased	4,298	–	–	–	4,298	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	2	–	–	2
Other liabilities	163	–	–	–	163	–	–	–	–	–
Net assets attributable to unitholders	364,302	–	–	–	364,302	69,783	–	–	–	69,783
Total financial liabilities (excluding gross settled derivatives)	376,673	–	–	–	376,673	70,412	2	–	–	70,414
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Australian Fixed Interest Index Fund										
	As at 30 June 2012				TOTAL	As at 30 June 2011				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years		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
Payables	883	–	–	–	883	2,117	–	–	–	2,117
Distribution payable	55,043	–	–	–	55,043	45,050	–	–	–	45,050
Due to brokers – payables for securities purchased	33,026	–	–	–	33,026	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	123	–	–	123
Other liabilities	1,302	–	–	–	1,302	–	–	–	–	–
Net assets attributable to unitholders	3,670,958	–	–	–	3,670,958	3,097,640	–	–	–	3,097,640
Total financial liabilities (excluding gross settled derivatives)	3,761,212	–	–	–	3,761,212	3,144,807	123	–	–	3,144,930
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Australian Property Securities Index Fund										
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	675	–	–	–	675	37,263	–	–	–	37,263
Distribution payable	41,581	–	–	–	41,581	–	–	–	–	–
Due to brokers – payables for securities purchased	–	–	–	–	–	1,512	–	–	–	1,512
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	205	–	–	205
Other liabilities	1,498	–	–	–	1,498	–	–	–	–	–
Net assets attributable to unitholders	2,436,957	–	–	–	2,436,957	2,451,432	–	–	–	2,451,432
Total financial liabilities (excluding gross settled derivatives)	2,480,711	–	–	–	2,480,711	2,490,207	205	–	–	2,490,412
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Australian Shares Index Fund										
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	1,413	–	–	–	1,413	2,877	–	–	–	2,877
Distribution payable	42,977	–	–	–	42,977	35,779	–	–	–	35,779
Due to brokers – payables for securities purchased	1,652	–	–	–	1,652	23,880	–	–	–	23,880
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	1,624	–	–	–	1,624	–	–	–	–	–
Net assets attributable to unitholders	5,221,631	–	–	–	5,221,631	6,143,119	–	–	–	6,143,119
Total financial liabilities (excluding gross settled derivatives)	5,269,297	–	–	–	5,269,297	6,205,655	–	–	–	6,205,655
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

	Vanguard Australian Shares High Yield Fund									
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	112	–	–	–	112	292	–	–	–	292
Distribution payable	2,999	–	–	–	2,999	699	–	–	–	699
Due to brokers – payables for securities purchased	3,554	–	–	–	3,554	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	124	–	–	–	124	–	–	–	–	–
Net assets attributable to unitholders	361,115	–	–	–	361,115	366,655	–	–	–	366,655
Total financial liabilities (excluding gross settled derivatives)	367,904	–	–	–	367,904	367,646	–	–	–	367,646
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Australian Inflation-linked Bond Index Fund										
	As at 30 June 2012					As at 30 June 2011				
	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
Payables	72	–	–	–	72	–	–	–	–	–
Distribution payable	625	–	–	–	625	–	–	–	–	–
Due to brokers – payables for securities purchased	1,911	–	–	–	1,911	–	–	–	–	–
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	–	–	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	298,819	–	–	–	298,819	–	–	–	–	–
Total financial liabilities (excluding gross settled derivatives)	301,427	–	–	–	301,427	–	–	–	–	–
Gross settled derivatives										
Derivative type 1										
Inflows	–	–	–	–	–	–	–	–	–	–
(Outflows)	–	–	–	–	–	–	–	–	–	–
Total gross settled derivatives inflow (outflow)	–	–	–	–	–	–	–	–	–	–

(e) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' operating profit to interest rate 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, historical correction of the Funds' investments with the relevant benchmark and market volatility. 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 returns from the average return minus one standard deviation to the average return plus one standard deviation. For a normal distribution approximately two-thirds of the outcomes are expected to fall within plus or minus one standard deviation of the mean. Outcomes are expected to occur outside these ranges, approximately one-third of the time.

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(e) Summarised sensitivity analysis *(continued)*

	Vanguard Cash Reserve Fund Impact on operating profit/(loss) and net assets attributable to unitholders				Vanguard Cash Plus Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	0%	+7%	-50 bps	+50 bps	0%	+7%	-50 bps	+50 bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012	-	107,587	(7,732)	7,732	-	39,103	(213)	213
30 June 2011	0%	+7%	-25 bps	+50 bps	0%	+7%	-25 bps	+50 bps
	-	120,424	(4,316)	8,633	-	35,453	(136)	272
	Vanguard Australian Government Bond Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders				Vanguard Australian Fixed Interest Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	-1%	+12%	-50 bps	+50 bps	-1%	+12%	-50 bps	+50 bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012	(3,699)	44,397	10,639	(10,639)	(36,987)	443,848	106,305	(106,305)
30 June 2011	-2%	+11%	-25 bps	+50 bps	-2%	+11%	-25 bps	+50 bps
	(1,372)	7,545	828	(1,656)	(61,314)	337,228	36,906	(73,811)
	Vanguard Australian Property Securities Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders				Vanguard Australian Shares Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	-23%	+38%	-50 bps	+50 bps	-8%	+23%	-50 bps	+50 bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012	(560,571)	926,161	(14)	14	(413,525)	1,188,885	(235)	235
30 June 2011	-18%	+26%	-25 bps	+50 bps	-10%	+23%	-25 bps	+50 bps
	(439,346)	634,557	(20)	40	(606,230)	1,394,328	(131)	262
	Vanguard Australian Shares High Yield Fund Impact on operating profit/(loss) and net assets attributable to unitholders				Vanguard Australian Inflation-Linked Bond Index Fund Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	-8%	+23%	-50 bps	+50 bps	-1%	+12%	-50 bps	+50 bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012	(28,918)	83,139	(12)	12	(2,987)	35,839	8,592	(8,592)
30 June 2011	-10%	+23%	-25 bps	+50 bps	-	-	-	-
	(36,378)	83,661	-	-	-	-	-	-

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(f) Fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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.

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Index Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012								
Financial assets								
Financial assets held for trading								
Derivatives	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	1,496,893	40,068	–	1,536,961	50,642	508,026	–	558,668
Total	1,496,893	40,068	–	1,536,961	50,642	508,026	–	558,668
Financial liabilities								
Financial liabilities held for trading								
Derivatives	12	–	–	12	47	–	–	47
Total	12	–	–	12	47	–	–	47
30 June 2011								
Financial assets								
Financial assets held for trading								
Derivatives	–	–	–	–	4	–	–	4
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	1,505,315	215,057	–	1,720,372	–	506,495	–	506,495
Total	1,505,315	215,057	–	1,720,372	4	506,495	–	506,499
Financial liabilities								
Financial liabilities held for trading								
Derivatives	38	–	–	38	20	–	–	20
Total	38	–	–	38	20	–	–	20

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

	Vanguard Australian Government Bond Index Fund				Vanguard Australian Fixed Interest Index Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012								
Financial assets								
Financial assets held for trading								
Derivatives	1	–	–	1	9	–	–	9
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	–	369,973	–	369,973	–	3,698,725	–	3,698,725
Total	1	369,973	–	369,974	9	3,698,725	–	3,698,734
Financial liabilities								
Financial liabilities held for trading								
Derivatives	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
30 June 2011								
Financial assets								
Financial assets held for trading								
Derivatives	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:								
Equity securities	–	–	–	–	–	–	–	–
Debt securities	–	68,592	–	68,592	–	3,065,834	–	3,065,834
Total	–	68,592	–	68,592	–	3,065,834	–	3,065,834
Financial liabilities								
Financial liabilities held for trading								
Derivatives	2	–	–	2	123	–	–	123
Total	2	–	–	2	123	–	–	123

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(f) Fair value hierarchy *(continued)*

	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares Index Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012								
Financial assets								
Financial assets held for trading								
Derivatives	258	–	–	258	155	–	–	155
Financial assets designated at fair value through profit or loss:								
Equity securities	2,437,008	–	–	2,437,008	5,168,022	889	–	5,168,911
Debt securities	–	–	–	–	–	–	–	–
Total	2,437,266	–	–	2,437,266	5,168,177	889	–	5,169,066
Financial liabilities								
Financial liabilities held for trading								
Derivatives	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
30 June 2011								
Financial assets								
Financial assets held for trading								
Derivatives	–	–	–	–	986	–	–	986
Financial assets designated at fair value through profit or loss:								
Equity securities	2,440,810	–	–	2,440,810	6,061,189	121	–	6,061,310
Debt securities	–	–	–	–	–	–	–	–
Total	2,440,810	–	–	2,440,810	6,062,175	121	–	6,062,296
Financial liabilities								
Financial liabilities held for trading								
Derivatives	205	–	–	205	–	–	–	–
Total	205	–	–	205	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

3. Financial risk management *(continued)*

(f) Fair value hierarchy *(continued)*

	Vanguard Australian Shares High Yield Fund				Vanguard Australian Inflation-Linked Bond Index Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2012								
Financial assets								
Financial assets held for trading								
Derivatives	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	361,473	-	-	361,473	-	-	-	-
Debt securities	-	-	-	-	-	298,661	-	298,661
Total	361,473	-	-	361,473	-	298,661	-	298,661
Financial liabilities								
Financial liabilities held for trading								
Derivatives	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
30 June 2011								
Financial assets								
Financial assets held for trading								
Derivatives	70	-	-	70	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Equity securities	363,715	-	-	363,715	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
Total	363,785	-	-	363,785	-	-	-	-
Financial liabilities								
Financial liabilities held for trading								
Derivatives	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

4. Interest income

	2012			2011		
	Average Balance	Interest	Average rate	Average Balance	Interest	Average rate
	\$'000	\$'000	%	\$'000	\$'000	%
Vanguard Cash Plus Index Fund						
Fixed interest securities – domestic	300,214	17,255	5.75%	131,443	7,589	5.77%
Vanguard Australian Government Bond Index Fund						
Fixed interest securities – domestic	207,052	7,849	3.79%	61,530	3,482	5.66%
Vanguard Australian Fixed Interest Index Fund						
Fixed interest securities – domestic	3,424,488	184,879	5.40%	3,097,526	180,060	5.81%
Vanguard Australian Inflation-Linked Bond Index Fund						
Fixed interest securities – domestic	301,835	1,842	3.66%	–	–	–

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

Interest revenue is recognised on an entitlements basis, and is shown in the income statement as part of net

gains/losses on financial instruments designated at fair value. This is due to the discount securities and fixed interest securities being classified as financial instruments designated at fair value through profit or loss upon initial recognition, as detailed in Note 2(b).

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Net gain/(loss) on financial assets held for trading	123	(105)	(63)	(116)	(18)	7	3,352	(507)
Net gain/(loss) on financial assets designated at fair value through profit or loss	73,768	83,956	31,086	23,745	25,581	3,124	393,166	167,604
Net gain/(loss) on financial assets held at fair value through profit or loss	73,891	83,851	31,023	23,629	25,563	3,131	396,518	167,097
Net realised gain/(loss) on financial assets held at fair value through profit or loss	75,639	81,392	27,482	24,731	10,810	3,026	199,997	176,067
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	(1,748)	2,459	3,541	(1,102)	14,753	105	196,521	(8,970)
Net gain/(loss) on financial assets held at fair value through profit or loss	73,891	83,851	31,023	23,629	25,563	3,131	396,518	167,097
Financial liabilities								
Net gain/(loss) on financial liabilities held for trading	(12)	(38)	(47)	(20)	–	(2)	–	(123)
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–	–	–
Net gain/(loss) on financial liabilities held at fair value through profit or loss	(12)	(38)	(47)	(20)	–	(2)	–	(123)
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	(12)	(38)	(47)	(20)	–	(2)	–	(123)
Net gain/(loss) on financial liabilities held at fair value through profit or loss	(12)	(38)	(47)	(20)	–	(2)	–	(123)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	73,879	83,813	30,976	23,609	25,563	3,129	396,518	166,974

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Net gain/(loss) on financial assets held for trading	–	–	(1,605)	2,168	(5,047)	6,929	(644)	147
Net gain/(loss) on financial assets designated at fair value through profit or loss	12,080	–	100,778	(13,644)	(710,133)	379,245	(15,210)	27,619
Net gain/(loss) on financial assets held at fair value through profit or loss	12,080	–	99,173	(11,476)	(715,180)	386,174	(15,854)	27,766
Net realised gain/(loss) on financial assets held at fair value through profit or loss	1,962	–	(191,641)	(117,246)	(55,799)	59,381	(9,541)	29,268
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	10,118	–	290,814	105,565	(659,381)	326,793	(6,313)	(1,502)
Net gain/(loss) on financial assets held at fair value through profit or loss	12,080	–	99,173	(11,681)	(715,180)	386,174	(15,854)	27,766
Financial liabilities								
Net gain/(loss) on financial liabilities held for trading	–	–	–	(205)	–	–	–	–
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–	–	–
Net gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	(205)	–	–	–	–
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	–	–	–	(205)	–	–	–	–
Net gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	(205)	–	–	–	–
Total net gains/(losses) on financial instruments held at fair value through profit or loss	12,080	–	99,173	(11,476)	(715,180)	386,174	(15,854)	27,766

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

6. Auditor's remuneration

The auditor's remuneration is borne by the Responsible Entity. Other services include the audit of the Compliance Plans and Internal Controls Report (GS 007). During

the year, the following fees were paid and payable for services provided by the auditor of the Funds.

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auditor's remuneration								
– for auditing the financial statements	10,142	10,142	10,625	10,625	20,783	10,142	16,445	16,445
– other services	15,185	20,889	15,285	20,889	15,185	20,889	15,535	20,889

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auditor's remuneration								
– for auditing the financial statements	12,678	–	24,860	23,860	23,689	23,689	20,996	19,996
– other services	9,431	–	15,535	20,889	15,535	20,889	15,535	20,889

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

7. Responsible Entity's fees

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Inflation-Linked Bond Index Fund (1)		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	2,447	2,604	1,728	1,307	190	—	9,794	8,883
Management costs per annum	0.15%	0.15%	0.29%	0.29%	0.29%	—	0.29%	0.29%

	Vanguard Australian Government Bond Index Fund (Ordinary Unit Class)		Vanguard Australian Government Bond Index Fund (2) (ETF Unit Class)		Vanguard Australian Property Securities Index Fund (Ordinary Unit Class)		Vanguard Australian Property Securities Index Fund (3) (ETF Unit Class)	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	439	177	2	—	7,989	8,054	50	28
Management costs per annum	0.29%	0.29%	0.20%	—	0.34%	0.34%	0.25%	0.25%

	Vanguard Australian Shares High Yield Fund (Ordinary Unit Class)		Vanguard Australian Shares High Yield Fund (4) (ETF Unit Class)		Vanguard Australian Shares Index Fund (Ordinary Unit Class)		Vanguard Australian Shares Index Fund (ETF Unit Class)	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	1,317	1,459	48	—	18,810	19,206	325	531
Management costs per annum	0.40%	0.40%	0.25%	0.25%	0.34%	0.34%	0.15%	0.15%

(1) Vanguard Australian Inflation-Linked Bond Index Fund inception date was 11 April 2012

(2) Vanguard Australian Government Bond Index Fund (ETF class) inception date was 24 April 2012

(3) Vanguard Australian Property Securities Index Fund (ETF class) inception date was 11 October 2010

(4) Vanguard Australian Shares High Yield Fund (ETF class) inception date was 23 May 2011

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

8. Distributions paid and payable

	Vanguard Cash Reserve Fund				Vanguard Cash Plus Index Fund				Vanguard Australian Inflation-Linked Bond Index Fund (1)				Vanguard Australian Fixed Interest Index Fund			
	2012		2011		2012		2011		2012		2011		2012		2011	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	67,096	4.1147	84,072	4.8485	23,950	4.1250	23,110	5.2313	–	–	–	–	135,237	4.5520	127,052	4.3921
Distribution payable – 30 June	4,733	0.3084	6,721	0.3925	2,069	0.3287	1,618	0.3223	625	0.2173	–	–	55,043	1.7159	45,050	1.5688
	71,829	4.4231	90,793	5.2410	26,019	4.4537	24,728	5.5536	625	0.2173	–	–	190,280	6.2679	172,102	5.9609

	Vanguard Australian Government Bond Index Fund (Ordinary Unit Class)				Vanguard Australian Government Bond Index Fund (2) (ETF Unit Class)				Vanguard Australian Property Securities Index Fund (Ordinary Unit Class)				Vanguard Australian Property Securities Index Fund (3) (ETF Unit Class)			
	2012		2011		2012		2011		2012		2011		2012		2011	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	3,480	3.3234	2,041	3.2252	–	–	–	–	105,192	2.5509	91,062	2.2475	936	213.9541	365	140.3969
Distribution payable – 30 June	7,710	2.2993	582	0.8320	111	110.6556	–	–	41,161	1.0356	36,975	0.8872	420	86.6935	288	75.6741
	11,190	5.6227	2,623	4.0572	111	110.6556	–	–	146,353	3.5865	128,037	3.1347	1,356	300.6476	653	216.0710

	Vanguard Australian Shares High Yield Fund (Ordinary Unit Class)				Vanguard Australian Shares High Yield Fund (4) (ETF Unit Class)				Vanguard Australian Shares Index Fund (Ordinary Unit Class)				Vanguard Australian Shares Index Fund (ETF Unit Class)			
	2012		2011		2012		2011		2012		2011		2012		2011	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Interim distributions paid	16,827	6.5326	16,014	5.6931	1,004	260.7684	–	–	199,814	5.6896	183,917	5.7824	8,158	208.0611	7,113	204.4886
Distribution payable – 30 June	2,691	1.0334	694	0.2486	308	41.4652	5	13.5517	40,861	1.2414	34,358	0.9924	2,116	46.0153	1,421	36.5972
	19,518	7.5660	16,708	5.9417	1,312	302.2336	5	13.5517	240,675	6.9310	218,275	6.7748	10,274	254.0764	8,534	241.0858

(1) Vanguard Australian Inflation-Linked Bond Index Fund inception date was 11 April 2012

(2) Vanguard Australian Government Bond Index Fund (ETF class) inception date was 24 April 2012

(3) Vanguard Australian Property Securities Index Fund (ETF class) inception date was 11 October 2010

(4) Vanguard Australian Shares High Yield Fund (ETF class) inception date was 23 May 2011

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

9. Net assets attributable to unitholders

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	'000	'000	'000	'000	'000	'000	'000	'000
(a) Units on issue								
Opening balance	1,712,367	1,725,196	501,922	393,353	–	–	2,871,686	2,608,276
Applications	215,588	307,782	243,874	231,568	287,533	–	818,093	813,826
Distributions reinvested	69,329	84,435	19,691	17,119	–	–	87,570	89,347
Redemptions	(462,589)	(405,046)	(136,227)	(140,118)	–	–	(569,444)	(639,763)
Closing balance	1,534,695	1,712,367	629,260	501,922	287,533	–	3,207,905	2,871,686
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders								
Opening balance	1,720,073	1,741,941	509,810	401,676	–	–	3,097,640	2,823,572
Applications	217,144	310,849	248,754	236,189	287,554	–	919,314	883,656
Distributions reinvested	69,644	84,951	20,047	17,388	–	–	96,818	95,975
Redemptions	(465,326)	(408,649)	(139,058)	(143,011)	–	–	(639,277)	(691,642)
Increase/(decrease) in net assets attributable to unitholders	115	(9,019)	3,224	(2,432)	11,265	–	196,463	(13,921)
Closing balance	1,541,650	1,720,073	642,777	509,810	298,819	–	3,670,958	3,097,640

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

Vanguard Australian Government Bond Index Fund						
	2012			2011		
	Ordinary Units	ETF Class Units		Ordinary Units	ETF Class Units	
	'000	'000		'000	'000	
(a) Units on issue						
Opening balance	69,966	–		51,166	–	
Applications	351,314	100		29,133	–	
Distributions reinvested	1,425	–		409	–	
Redemptions	(87,377)	–		(10,742)	–	
Closing balance	335,328	100		69,966	–	
	2012			2011		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders						
Opening balance			69,783			50,754
Applications	367,586	5,000	372,586	28,946	–	28,946
Distributions reinvested	1,482	–	1,482	403	–	403
Redemptions	(93,362)	–	(93,362)	(10,645)	–	(10,645)
Increase/(decrease) in net assets attributable to unitholders			13,813			325
Closing balance			364,302			69,783

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

Vanguard Australian Property Securities Index Fund						
	2012			2011		
	Ordinary Units	ETF Class Units		Ordinary Units	ETF Class Units	
	'000	'000		'000	'000	
(a) Units on issue						
Opening balance	4,167,785	380		3,640,044	–	
Applications	857,034	100		1,122,225	379	
Distributions reinvested	145,513	1		134,942	1	
Redemptions	(1,195,714)	–		(729,426)	–	
Closing balance	3,974,618	481		4,167,785	380	
	2012			2011		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders						
Opening balance			2,451,432			2,125,755
Applications	474,729	4,743	479,472	675,168	18,979	694,147
Distributions reinvested	80,948	54	81,002	80,043	6	80,049
Redemptions	(673,788)	–	(673,788)	(438,773)	–	(438,773)
Increase/(decrease) in net assets attributable to unitholders			98,839			(9,746)
Closing balance			2,436,957			2,451,432
Vanguard Australian Shares Index Fund						
	2012			2011		
	Ordinary Units	ETF Class Units		Ordinary Units	ETF Class Units	
	'000	'000		'000	'000	
(a) Units on issue						
Opening balance	3,462,225	3,869		3,209,045	2,364	
Applications	592,733	1,120		721,651	2,400	
Distributions reinvested	108,187	26		100,255	25	
Redemptions	(871,592)	(460)		(568,726)	(920)	
Closing balance	3,291,553	4,555		3,462,225	3,869	
	2012			2011		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders						
Opening balance			6,143,119			5,237,804
Applications	931,064	60,258	991,322	1,248,694	140,238	1,388,932
Distributions reinvested	166,554	1,370	167,924	171,044	1,511	172,555
Redemptions	(1,346,810)	(26,657)	(1,373,467)	(993,154)	(54,396)	(1,047,550)
Increase/(decrease) in net assets attributable to unitholders			(707,267)			391,378
Closing balance			5,221,631			6,143,119

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

	Vanguard Australian Shares High Yield Fund					
	2012			2011		
	Ordinary Units	ETF Class Units	Total	Ordinary Units	ETF Class Units	Total
	'000	'000	'000	'000	'000	'000
(a) Units on issue						
Opening balance	279,182	40		275,529	-	
Applications	61,491	700		38,069	40	
Distributions reinvested	5,323	1		5,574	-	
Redemptions	(85,648)	-		(39,990)	-	
Closing balance	260,348	741		279,182	40	
(b) Net assets attributable to unitholders						
Opening balance			366,655			331,624
Applications	77,278	33,372	110,650	49,573	1,985	51,558
Distributions reinvested	6,486	30	6,516	7,237	-	7,237
Redemptions	(107,450)	-	(107,450)	(52,157)	-	(52,157)
Increase/(decrease) in net assets attributable to unitholders			(15,256)			28,393
Closing balance			361,115			366,655

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

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

The Vanguard Australian Property Securities Index Fund ("VAPSIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced trading on 15 October 2010 on the Australian Securities Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

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

The Vanguard Australian Government Bond Index Fund ("VAGBIF") offers two classes of units, Ordinary Units and ETF Class Units. The ETF Class Units commenced trading on 30 April 2012 on the Australian Securities Exchange. Each unit has the same rights attaching to it as all other units of the relevant class.

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

Capital risk management

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

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

The ratio of net liquid assets to net applications/ (redemptions) at end of reporting periods are as follows:

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	(989)	(390)	437	371	1,146	73	1,116	765
Net Liquid assets of the fund	1,541,650	1,720,073	642,777	509,810	364,302	69,783	3,670,958	3,097,640
Net assets attributable to unitholders (NAATU)	1,541,650	1,720,073	642,777	509,810	364,302	69,783	3,670,958	3,097,640
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	100%

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	1,146	–	(774)	1,017	(1,522)	1,360	13	(2)
Net Liquid assets of the fund	298,819	–	2,436,957	2,451,432	5,221,631	6,143,119	361,115	366,655
Net assets attributable to unitholders (NAATU)	298,819	–	2,436,957	2,451,432	5,221,631	6,143,119	361,115	366,655
Ratio of net liquid assets to NAATU	100%	–	100%	100%	100%	100%	100%	100%

10. Cash and cash equivalents

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	9,445	5,953	88,273	11,581	928	753	21,480	75,116

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	128	–	930	5,304	40,499	44,266	2,003	(152)

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading								
Derivatives	–	–	–	4	1	–	9	–
Total held for trading	–	–	–	4	1	–	9	–
Designated at fair value through profit or loss								
Equity securities	–	–	–	–	–	–	–	–
Fixed interest securities	1,536,961	1,720,372	558,668	506,495	369,973	68,592	3,698,725	3,065,834
Total designated at fair value through profit or loss	1,536,961	1,720,372	558,668	506,495	369,973	68,592	3,698,725	3,065,834
Total financial assets held at fair value through profit or loss	1,536,961	1,720,372	558,668	506,499	369,974	68,592	3,698,734	3,065,834
Comprising:								
Derivatives								
Australian share price futures	–	–	–	–	–	–	–	–
Australian interest rate futures	–	–	–	4	1	–	9	–
Total derivatives	–	–	–	4	1	–	9	–
Equity securities								
Australian equity securities	–	–	–	–	–	–	–	–
Total equity securities	–	–	–	–	–	–	–	–
Fixed interest securities								
Australian fixed interest securities	1,536,961	1,720,372	558,668	506,495	369,973	68,592	3,698,725	3,065,834
Total fixed interest securities	1,536,961	1,720,372	558,668	506,495	369,973	68,592	3,698,725	3,065,834
Total financial assets held at fair value through profit or loss	1,536,961	1,720,372	558,668	506,499	369,974	68,592	3,698,734	3,065,834

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 2012

11. Financial assets held at fair value through profit or loss *(continued)*

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading								
Derivatives	–	–	258	–	155	986	–	70
Total held for trading	–	–	258	–	155	986	–	70
Designated at fair value through profit or loss								
Equity securities	–	–	2,437,008	2,440,810	5,168,911	6,061,310	361,473	363,715
Fixed interest securities	298,661	–	–	–	–	–	–	–
Total designated at fair value through profit or loss	298,661	–	2,437,008	2,440,810	5,168,911	6,061,310	361,473	363,715
Total financial assets held at fair value through profit or loss	298,661	–	2,437,266	2,440,810	5,169,066	6,062,296	361,473	363,785
Comprising:								
Derivatives								
Australian share price futures	–	–	258	–	155	986	–	70
Australian interest rate futures	–	–	–	–	–	–	–	–
Total derivatives	–	–	258	–	155	986	–	70
Equity securities								
Australian equity securities	–	–	2,437,008	2,440,810	5,087,111	5,971,089	361,473	363,715
International equity securities	–	–	–	–	81,800	90,221	–	–
Total equity securities	–	–	2,437,008	2,440,810	5,168,911	6,061,310	361,473	363,715
Fixed interest securities								
Australian fixed interest securities	298,661	–	–	–	–	–	–	–
Total fixed interest securities	298,661	–	–	–	–	–	–	–
Total financial assets held at fair value through profit or loss	298,661	–	2,437,266	2,440,810	5,169,066	6,062,296	361,473	363,785

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 2012

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000
Held for trading								
Derivatives	12	38	47	20	–	2	–	123
Total held for trading	12	38	47	20	–	2	–	123
Total financial liabilities held at fair value through profit or loss	12	38	47	20	–	2	–	123
Comprising:								
Derivatives								
Australian share price futures	–	–	–	–	–	–	–	–
Australian interest rate futures	12	38	47	20	–	2	–	123
Total derivatives	12	38	47	20	–	2	–	123
Total financial liabilities held at fair value through profit or loss	12	38	47	20	–	2	–	123

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000
Held for trading								
Derivatives	–	–	–	205	–	–	–	–
Total held for trading	–	–	–	205	–	–	–	–
Total financial liabilities held at fair value through profit or loss	–	–	–	205	–	–	–	–
Comprising:								
Derivatives								
Australian share price futures	–	–	–	205	–	–	–	–
Australian interest rate futures	–	–	–	–	–	–	–	–
Total derivatives	–	–	–	205	–	–	–	–
Total financial liabilities held at fair value through profit or loss	–	–	–	205	–	–	–	–

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 2012

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 Cash Reserve Fund						Vanguard Cash Plus Index Fund					
	2012			2011			2012			2011		
	Fair value			Fair value			Fair value			Fair value		
	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities
Buy												
Australian fixed interest futures	32,885	-	12	127,501	-	38	56,719	-	47	2,571	-	20
Total buys	32,885	-	12	127,501	-	38	56,719	-	47	2,571	-	20
Sell												
Australian fixed interest futures	-	-	-	-	-	-	-	-	-	40,906	4	-
Total sells	-	-	-	-	-	-	-	-	-	40,906	4	-
	32,885	-	12	127,501	-	38	56,719	-	47	43,477	4	20

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

13. Derivative financial instruments *(continued)*

	Vanguard Australian Government Bond Index Fund						Vanguard Australian Fixed Interest Index Fund					
	2012			2011			2012			2011		
	Fair value			Fair value			Fair value			Fair value		
	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities
Buy												
Australian fixed interest futures	97	1	–	476	–	2	–	–	–	76,090	–	123
Total buys	97	1	–	476	–	2	–	–	–	76,090	–	123
Sell												
Australian fixed interest futures	–	–	–	–	–	–	(5,654)	9	–	–	–	–
Total sells	–	–	–	–	–	–	(5,654)	9	–	–	–	–
	97	1	–	476	–	2	(5,654)	9	–	76,090	–	123

	Vanguard Australian Property Securities Index Fund						Vanguard Australian Shares Index Fund					
	2012			2011			2012			2011		
	Fair value			Fair value			Fair value			Fair value		
	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities
Buy												
Australian share price index futures	18,791	258	–	26,560	–	205	76,474	155	–	97,773	986	–
Total buys	18,791	258	–	26,560	–	205	76,474	155	–	97,773	986	–
Sell												
Australian share price index futures	–	–	–	–	–	–	–	–	–	–	–	–
Total sells	–	–	–	–	–	–	–	–	–	–	–	–
	18,791	258	–	26,560	–	205	76,474	155	–	97,773	986	–

	Vanguard Australian Shares High Yield Fund						Vanguard Australian Inflation–Linked Bond Index Fund					
	2012			2011			2012			2011		
	Fair value			Fair value			Fair value			Fair value		
	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities	Contract/ Notional	Assets	Liabilities
Buy												
Australian share price index futures	–	–	–	2,531	70	–	–	–	–	–	–	–
Total buys	–	–	–	2,531	70	–	–	–	–	–	–	–
Sell												
Australian share price index futures	–	–	–	–	–	–	–	–	–	–	–	–
Total sells	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	2,531	70	–	–	–	–	–	–	–

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties

Responsible Entity

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

(a) Key management personnel

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

(i) Directors

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

J M Norris
G W Reed
J P Brennan
K A Watt
J M James

(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 directors' related entities may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Funds' investors and are trivial and domestic in nature.

(b) Responsible Entity's fees and other transactions

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

- up to 0.2% per annum of the net asset value for the Vanguard Cash Plus Index Fund and Vanguard Australian Fixed Interest Index Fund;
- up to 0.25% per annum of the net asset value for the Vanguard Australian Property Securities Index Fund and Vanguard Australian Shares Index Fund;
- up to 0.5% per annum of the net asset value for the Vanguard Australian Shares High Yield Fund;
- up to 1.5% per annum of the net asset value for the Vanguard Cash Reserve Fund, Vanguard Australian Government Bond Index Fund and Vanguard Australian Inflation-Linked Bond Index Fund.

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

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

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

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

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

	Management costs	
	2012	2011
	% per annum	% per annum
Vanguard Cash Reserve Fund	0.15	0.15
Vanguard Cash Plus Index Fund	0.29	0.29
Vanguard Australian Government Bond Index Fund	0.29	0.29
Vanguard Australian Government Bond Index Fund (ETF Unit class)	0.20	–
Vanguard Australian Fixed Interest Index Fund	0.29	0.29
Vanguard Australian Inflation-Linked Bond Index Fund	0.29	–
Vanguard Australian Property Securities Index Fund (Ordinary Units)	0.34	0.34
Vanguard Australian Property Securities Index Fund (ETF Unit class)	0.25	0.25
Vanguard Australian Shares Index Fund (Ordinary Units)	0.34	0.34
Vanguard Australian Shares Index Fund (ETF Unit class)	0.15	0.15
Vanguard Australian Shares High Yield Fund (Ordinary Units)	0.40	0.40
Vanguard Australian Shares High Yield Fund (ETF Unit class)	0.25	0.25

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fees paid and payable for the year by the Funds to the Responsible Entity	2,447	2,604	1,728	1,307	441	177	9,794	8,883
Aggregate amounts payable to the Responsible Entity at the reporting date	192	213	155	120	89	17	883	743

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fees paid and payable for the year by the Funds to the Responsible Entity	190	–	8,039	8,082	19,135	19,737	1,365	1,459
Aggregate amounts payable to the Responsible Entity at the reporting date	72	–	675	687	1,413	1,657	112	129

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

(c) Related party schemes' unitholdings

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

	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$	\$
Vanguard Cash Plus Index Fund	14,538,654	26,800,769	2.31	5.34	–	9,836,250	12,262,115	–	1,022,001	1,200,427
Vanguard Cash Reserve Fund	14,866,202	27,279,310	0.97	1.59	–	9,926,056	12,413,108	–	1,038,199	1,170,193

(d) Key management personnel unitholdings

All transactions between the Funds and Key Management Personnel are undertaken on normal terms and conditions. The key management personnel of Vanguard Investments Australia Ltd held units in the Funds as follows:

	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$	\$
J M James and related parties										
– Vanguard Australian Shares Index Fund	109,247	109,247	0.003	0.003	–	109,247	–	–	7,571	2,554
– Vanguard Australian Shares High Yield Fund	101,406	101,406	0.04	0.04	–	–	–	–	7,672	6,025
– Vanguard Australian Shares Index Fund – ETF Class	40	40	0.88	1.03	–	40	–	–	102	15

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

(e) Related Party investments

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

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

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

Investments in: Vanguard Cash Plus Index Fund	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$'000	\$'000
By other schemes managed by VIA:										
Vanguard Index Cash Plus Fund	19,905,281	16,315,361	3.16	3.25	11,885,645	6,832,703	8,295,725	7,350,545	862	869
Vanguard LifeStrategy Conservative Fund	3,018,226	3,131,114	0.48	0.62	578,019	831,398	690,907	590,553	125	174
Vanguard LifeStrategy Balanced Fund	5,760,642	5,783,228	0.92	1.15	993,808	909,282	1,016,394	797,205	243	320
Vanguard LifeStrategy Growth Fund	1,525,828	1,681,908	0.24	0.34	200,330	453,394	356,410	393,957	67	89
Vanguard Conservative Index Fund	204,701,264	159,704,995	32.59	31.86	75,722,720	111,389,921	30,726,451	5,870,152	8,532	7,365
Vanguard Balanced Index Fund	209,321,754	125,092,823	33.32	24.95	89,339,464	82,916,720	5,110,533	1,102,312	7,609	4,837
Vanguard Growth Index Fund	18,465,087	14,955,875	2.94	2.98	5,052,150	13,836,842	1,542,938	3,795,793	739	664
Vanguard Personal Superannuation Plan	–	3,229,211	–	0.64	1,241,361	2,229,062	4,470,572	3,190,122	–	185

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

(e) Related Party investments *(continued)*

Investments in: Vanguard Australian Fixed Interest Index Fund	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$'000	\$'000
By other schemes managed by VIA:										
Vanguard Index Diversified Bond Fund	24,008,815	20,072,835	0.75	0.70	6,919,292	29,527,020	2,983,312	66,112,439	1,355	3,547
Vanguard LifeStrategy Conservative Fund	696,222	701,999	0.02	0.02	161,968	108,913	167,745	135,987	43	44
Vanguard LifeStrategy Balanced Fund	2,550,218	2,683,073	0.08	0.09	269,795	549,432	402,650	544,852	155	162
Vanguard LifeStrategy Growth Fund	6,837,354	8,295,907	0.21	0.29	844,476	857,611	2,303,029	936,528	454	514
Vanguard LifeStrategy High Growth Fund	2,420,871	2,627,212	0.08	0.09	951,938	1,512,384	1,158,279	1,777,720	147	176
Vanguard Conservative Index Fund	47,576,859	39,036,919	1.48	1.36	15,803,253	27,849,721	7,263,313	2,102,745	2,865	2,156
Vanguard Balanced Index Fund	92,867,617	59,707,116	2.90	2.08	34,345,882	42,487,390	1,185,381	2,927,499	5,072	2,796
Vanguard Growth Index Fund	89,439,297	77,419,541	2.79	2.70	22,558,505	54,210,354	10,538,749	1,990,847	5,248	4,200
Vanguard High Growth Index Fund	17,177,231	20,433,415	0.54	0.71	7,005,336	20,857,057	10,261,520	5,096,471	1,165	1,130
Vanguard Diversified Bond Index Fund	101,142,728	62,681,419	3.16	2.18	41,431,325	63,176,572	2,970,016	495,153	5,404	983
Vanguard Personal Superannuation Plan	–	1,191,260	–	0.04	2,219,344	956,402	3,410,604	1,441,522	–	109

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

(e) Related Party investments *(continued)*

Investments in: Vanguard Australian Property Securities Index Fund	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$'000	\$'000
By other schemes managed by VIA:										
Vanguard Index Australian Property Securities Fund	114,072,047	123,872,849	2.87	2.98	11,003,844	15,436,900	20,804,646	19,164,088	4,188	3,950
Vanguard LifeStrategy Conservative Fund	240,474	258,551	0.00	0.01	64,666	30,452	82,743	–	9	8
Vanguard LifeStrategy Balanced Fund	1,383,149	1,382,032	0.03	0.03	163,458	152,199	162,341	–	50	42
Vanguard LifeStrategy Growth Fund	5,329,966	5,846,339	0.13	0.14	447,986	407,079	964,359	114,087	195	179
Vanguard LifeStrategy High Growth Fund	5,859,415	6,764,114	0.15	0.16	486,530	800,339	1,391,229	615,472	222	212
Vanguard Conservative Index Fund	16,478,714	12,525,066	0.41	0.30	6,383,104	9,106,572	2,429,456	1,064,847	593	369
Vanguard Balanced Index Fund	47,261,735	30,995,247	1.19	0.74	17,034,832	21,626,507	768,344	–	1,567	776
Vanguard Growth Index Fund	63,681,906	51,044,805	1.60	1.23	14,747,439	34,827,194	2,110,338	–	2,169	1,444
Vanguard High Growth Index Fund	41,145,654	45,015,984	1.04	1.08	5,909,470	34,864,633	9,779,800	171,880	1,642	1,327
Vanguard Personal Superannuation Plan	–	737,911	–	0.02	75,577	251,200	813,488	53,471	–	21

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

14. Related parties *(continued)*

(e) Related Party investments *(continued)*

Investments in: Vanguard Australian Shares Index Fund	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$'000	\$'000
By other schemes managed by VIA:										
Vanguard Index Australian Shares Fund	240,085,837	267,133,001	7.29	7.73	16,166,790	20,504,247	43,213,954	20,992,017	17,374	18,200
Vanguard LifeStrategy Conservative Fund	737,791	623,313	0.02	0.02	364,464	192,489	249,986	183,512	49	45
Vanguard LifeStrategy Balanced Fund	4,326,961	3,822,387	0.13	0.11	1,051,321	627,177	546,747	587,830	271	248
Vanguard LifeStrategy Growth Fund	16,706,676	16,401,021	0.51	0.47	1,329,142	922,174	1,023,487	1,089,873	1,143	1,111
Vanguard LifeStrategy High Growth Fund	20,134,904	20,440,433	0.61	0.59	1,443,656	1,206,194	1,749,185	1,392,485	1,387	1,393
Vanguard Conservative Index Fund	49,849,854	34,874,094	1.51	1.01	24,101,402	27,176,730	9,125,642	4,791,313	3,177	2,032
Vanguard Balanced Index Fund	155,128,396	83,773,088	4.71	2.42	71,639,492	55,439,538	284,184	2,018,041	8,737	3,998
Vanguard Growth Index Fund	206,139,934	155,038,088	6.26	4.48	52,500,029	107,487,444	1,398,183	4,328,140	12,751	8,895
Vanguard High Growth Index Fund	144,026,099	140,865,082	4.38	4.07	20,715,846	109,940,910	17,554,829	3,950,607	10,268	8,331
Vanguard Personal Superannuation Plan	–	4,701,295	–	0.14	476,619	827,722	5,177,914	367,154	–	308

Investments in: Vanguard Australian Shares High Yield Fund	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			%	%					\$	\$
By other schemes managed by VIA:										
Vanguard High Yield Australian Shares Fund:	57,976,919	59,578,893	22.27	21.34	8,022,579	6,895,544	9,624,553	9,406,623	4,376	3,656

(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 2012

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

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

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Index Fund		Vanguard Australian Government Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	115	(9,019)	3,224	(2,432)	13,813	325	196,463	(13,921)
Distributions paid and payable	71,829	90,793	26,019	24,728	11,301	2,623	190,280	172,102
Proceeds from sale of financial instruments held at fair value through profit or loss	7,060,540	7,647,429	815,559	1,587,944	120,071	25,949	797,267	1,101,203
Purchases of financial instruments held at fair value through profit or loss	(6,803,143)	(7,600,531)	(840,876)	(1,661,642)	(397,238)	(40,607)	(1,034,931)	(1,143,899)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(73,879)	(83,813)	(30,976)	(23,609)	(25,563)	(3,129)	(396,518)	(166,974)
Net change in receivables and other assets	23	3	(8)	(6)	(11)	(5)	(19)	(24)
Net change in other liabilities	(22)	(13)	35	18	74	4	139	17
Non-cash item (reinvestment of distribution income)	–	–	–	–	–	–	–	–
Net cash inflow/(outflow) from operating activities	255,463	44,849	(27,023)	(74,999)	(277,553)	(14,840)	(247,319)	(51,496)

	Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Property Securities Index Fund		Vanguard Australian Shares Index Fund		Vanguard Australian Shares High Yield Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	11,265	–	98,839	(9,746)	(707,267)	391,378	(15,256)	28,393
Distributions paid and payable	625	–	147,709	128,690	250,949	226,809	20,830	16,713
Proceeds from sale of financial instruments held at fair value through profit or loss	3,407	–	486,267	280,388	819,857	696,981	123,065	224,928
Purchases of financial instruments held at fair value through profit or loss	(290,706)	–	(383,034)	(609,544)	(650,921)	(1,157,004)	(133,151)	(231,660)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(12,080)	–	(99,173)	11,476	715,180	(386,174)	15,854	(27,766)
Net change in receivables and other assets	(9)	–	(1,125)	(6,196)	(4,279)	(7,872)	(222)	(1,160)
Net change in other liabilities	72	–	(12)	7	(245)	36	(18)	9
Non-cash item (reinvestment of distribution income)	–	–	–	–	–	–	–	–
Net cash inflow/(outflow) from operating activities	(287,426)	–	249,471	(204,925)	423,274	(235,846)	11,102	9,457

Notes to the financial statements *(continued)*

For the year ended 30 June 2012

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

(b) Non-cash financing activities

	Vanguard Cash Reserve Fund		Vanguard Cash Plus Fund		Vanguard Australian Inflation-Linked Bond Index Fund		Vanguard Australian Fixed Interest Index Fund	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	69,644	84,951	20,047	17,388	–	–	96,818	95,975
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	Vanguard Australian Property Securities Index Fund				Vanguard Australian Shares Index Fund			
	2012		2011		2012		2011	
	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	80,948	54	80,043	6	166,554	1,370	171,044	1,511
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	Vanguard Australian Shares High Yield Fund				Vanguard Australian Government Bond Index Fund			
	2012		2011		2012		2011	
	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units	Ordinary Units	ETF Class Units
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	6,486	30	7,237	–	1,482	–	403	–
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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 Note 15(a)) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

16. Segment information

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

Geographical exposures

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

17. Events occurring after the balance sheet date

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 2012 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.

18. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2012 and 30 June 2011 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 11 to 65 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 2012 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that each Fund will be able to pay its debts as and when they become due and payable.

- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J M James
Managing Director
Melbourne
31 August 2012



Independent auditor's report to the unitholders of the Vanguard Index Funds (Domestic Funds):

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

Report on the financial report

We have audited the accompanying financial report of Vanguard Index Funds (Domestic Funds) (the Funds), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Funds.

Directors' responsibility for the financial report

The directors of the Responsible Entity for the Funds are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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.

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Vanguard Index Funds (Domestic Funds) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Funds' financial position as at 30 June 2012 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*; and
- (b) the Funds' financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of the Funds for the year ended 30 June 2012 included on Vanguard Investments Australia Ltd (Vanguard Australia) web site. The Vanguard Australia directors are responsible for the integrity of the Vanguard Australia web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

JF Power

JF Power
Partner

Melbourne
31 August 2012

Responsible Entity

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