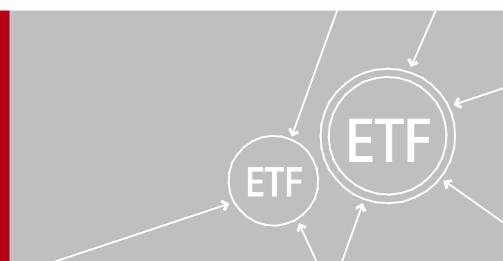


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Annual Report for the Vanguard® Exchange Traded Funds

11 September 2014



Vanguard Investments Australia Ltd announces the following:

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

Vanguard has prepared an Annual Report for the financial year ending 30 June 2014 for the ETFs above. The Annual Report provides financial information for each fund.

Further Information

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

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

All rights in the FTSE Emerging Index (the "Index") vest in FTSE International Limited ("FTSE"). "FTSE®" is a trademark of London Stock Exchange Group companies and is used by FTSE under licence. The Vanguard FTSE Emerging Markets Shares ETF (the "Product") has been developed solely by Vanguard. The Index is calculated by FTSE or its agent. FTSE and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the Product and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the Product. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Product or the suitability of the Index for the purpose to which it is being put by Vanguard.



Annual Report | 30 June 2014

Vanguard® Wholesale Funds

ETFs (ASX Codes: VLC, VSO, VGE)

Vanguard funds covered in this annual report

Vanguard Australian Large Companies Index Fund	ARSN 147 936 105	ABN 17 468 108 459
Vanguard Australian Small Companies Index Fund	ARSN 147 936 570	ABN 73 969 263 897
Vanguard Global Emerging Markets Shares Fund	ARSN 147 937 906	ABN 91 542 729 566

Responsible Entity

Vanguard Investments Australia Ltd
ABN 72 072 881 086
AFSL 227263

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About Vanguard

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

What makes us different?

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

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

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

Stability and experience

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

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

Low costs

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

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

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

Client focus

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

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

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

Directors' Report

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

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares 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 indices, before taking into account Fund fees and expenses.

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

The Funds did not have any employees during the year.

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

Directors

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

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

Directors' Report (continued)

Review and results of operations

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

Results

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
For the year ended 30 June	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before finance costs attributable to unitholders	2,919	1,695	2,750	(763)	394	—
Distributions						
Distribution paid and payable	881	395	954	412	89	—
Distribution (cents per unit)	224.6708	238.9973	141.3944	149.5701	70.8955	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Directors' Report (continued)

Review and results of operations (continued)

Performance

The table below details the performance of the Fund as represented by the total return, net of fees, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the period from the date of inception to 30 June 2014 and assumes that all distributions were re-invested during that period. Performance is calculated in accordance with FSC Standard 6.0 Product Performance – calculation and presentation of returns. The directors assess the performance of the Fund by comparing the Fund's total return with the corresponding Index (the Benchmark) gross of fees.

	2014	2013	2012	2011
	%	%	%	%
Vanguard Australian Large Companies Index Fund				
Capital growth	13.07	20.11	(9.73)	(0.33)
Distribution of income	4.28	5.71	3.76	0.02
Total return	17.35	25.82	(5.97)	(0.31)
Benchmark return				
<i>MSCI Australian Shares Large Cap Index</i>	17.62	26.23	(5.75)	(0.29)
<i>The Fund's inception date was 23 May 2011</i>				
Vanguard Australian Small Companies Index Fund				
Capital growth	11.69	(1.87)	(17.03)	(3.18)
Distribution of income	3.60	3.60	3.05	0.90
Total return	15.29	1.73	(13.98)	(2.28)
Benchmark return				
<i>MSCI Australian Shares Small Cap Index</i>	15.65	2.07	(13.88)	(2.60)
<i>The Fund's inception date was 23 May 2011</i>				
Vanguard Global Emerging Markets Shares Fund				
Capital growth	2.19	–	–	–
Distribution of income	1.42	–	–	–
Total return	3.61	–	–	–
Benchmark return				
<i>FTSE Emerging Index (with dividends reinvested) in Australian dollars</i>	4.32	–	–	–
<i>The Fund's inception date was 18 November 2013</i>				

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

Directors' Report (continued)

Review and results of operations (continued)

Unit redemption prices

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June	61.5893	54.3203	44.7043	40.3469	51.4855	–
High during period	63.1441	58.6336	46.6779	48.1302	52.4932	–
Low during period	52.9390	44.8956	38.9158	38.9850	46.4938	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Significant changes in state of affairs

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

Matters subsequent to the end of the financial period

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

Indemnity and insurance of officers

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

Directors' Report (continued)

Indemnity of auditors

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

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

Fees paid to the Responsible Entity and its associates out of Funds' property during the period are disclosed in note 13 to the financial statements.

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

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Funds during the period is set out in note 9(a) to the financial statements.

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

Environmental regulation

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

Auditor's independence declaration

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

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



J M James
Managing Director
Melbourne
29 August 2014



Auditor's Independence Declaration

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

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

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

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

JF Power
Partner
PricewaterhouseCoopers

Melbourne
29 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Statement of comprehensive income

For the year ended 30 June 2014

		Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		2014	2013	2014	2013	2014*	2013
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income							
Interest income from financial instruments not held at fair value through profit or loss			—		—	1	—
Dividend income		981	429	836	211		—
Distribution income		73	22	247	241	92	—
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	1,915	1,265	1,759	(1,185)	306	—
Other operating income		2	2	5	10	8	—
Total net investment income/(loss)		2,971	1,718	2,847	(723)	407	—
Expenses							
Responsible Entity's fees	6	49	21	94	38	11	—
Transaction costs		—	—	2	1	2	—
Other operating expenses		3	2	1	1		—
Total operating expenses		52	23	97	40	13	—
Operating profit/(loss)		2,919	1,695	2,750	(763)	394	—
Financing costs attributable to unitholders							
Distributions to unitholders	7	(881)	(395)	(954)	(412)	(89)	—
(Increase)/decrease in net assets attributable to unitholders	9(b)	(2,038)	(1,300)	(1,796)	1,175	(305)	—
Profit/(loss) for the period		—	—	—	—	—	—
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income for the period		—	—	—	—	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Balance sheet

As at 30 June 2014

		Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014* \$'000	2013 \$'000
Assets							
Cash & cash equivalents	8	(177)	(81)	45	(19)	23	—
Futures margin deposit			—		—		—
Receivables		244	100	153	53	1	—
Due from brokers – receivable for securities sold		148	53	454	275	61	—
Financial assets held at fair value through profit or loss	10	25,887	10,899	39,727	12,637	8,667	—
Other assets			—		—		—
Total assets		26,102	10,971	40,379	12,946	8,752	—
Liabilities							
Payables	13(b)	4	2	10	3	2	—
Distribution payable	7	213	59	615	299	67	—
Due to brokers – payables for securities purchased			—		—		—
Financial liabilities held at fair value through profit or loss			—		—		—
Other liabilities			—		—		—
Total liabilities (excluding net assets attributable to unitholders)		217	61	625	302	69	—
Net assets attributable to unitholders (liability)	9(b)	25,885	10,910	39,754	12,644	8,683	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Statement of changes in equity

For the year ended 30 June 2014

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		2014	2013	2014	2013	2014*	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year		—	—	—	—	—	—
Profit/(loss) for the year		—	—	—	—	—	—
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—
Transactions with owners in their capacity as owners		—	—	—	—	—	—
Total equity at the end of the financial year		—	—	—	—	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

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

Statement of cash flows

For the year ended 30 June 2014

		Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		2014	2013	2014	2013	2014*	2013
	Notes	\$'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		1,019	2,453	7,553	13,141	74	—
Purchases of financial instruments held at fair value through profit or loss		(14,188)	(4,909)	(33,063)	(20,716)	(8,453)	—
Transaction costs on purchases of financial instruments held at fair value through profit or loss			—	(2)	(1)	(2)	—
Dividends received		865	400	815	211	—	—
Interest received			—		—	1	—
Distributions received		46	22	170	213	92	—
Other operating income received		2	1	3	10	8	—
Responsible Entity's fees paid		(47)	(20)	(87)	(37)	(9)	—
Payment of other operating expenses		(3)	(2)	(1)	(1)	—	—
Net cash inflow/(outflow) from operating activities	14(a)	(12,306)	(2,055)	(24,612)	(7,180)	(8,289)	—
Cash flows from financing activities							
Proceeds from applications by unitholders		12,937	4,367	25,314	18,681	8,378	—
Payments for redemptions by unitholders			(1,954)		(11,274)	—	—
Distributions paid from financing activities		(727)	(386)	(638)	(220)	(22)	—
Net cash inflow/(outflow) from financing activities		12,210	2,027	24,676	7,187	8,356	—
Net increase/(decrease) in cash and cash equivalents		(96)	(28)	64	7	67	—
Cash and cash equivalents at the beginning of the year		(81)	(53)	(19)	(26)	—	—
Effects of foreign currency exchange rate changes on cash and cash equivalents						(44)	—
Cash and cash equivalents at the end of the year	8	(177)	(81)	45	(19)	23	—
Non-cash financing activities	14(b)						

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Notes to the financial statements

For the year ended 30 June 2014

1. General information

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

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

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

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

The financial statements are presented in the Australian currency.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

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

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

Compliance with International Financial Reporting Standards

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) New and amended standards adopted by the Fund

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

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

(ii) Changes in accounting policy fair value measurement

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

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

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

(iii) Changes in accounting policy: Offsetting arrangements

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

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

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

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

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

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the funds are required to distribute their taxable income. The units can be put back to the Funds at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Funds.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within assets as cash on the balance sheet. Futures margin deposit accounts are restricted cash balances and accordingly are not included in cash and cash equivalents.

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

(e) Investment income

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

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 as the Funds are presently entitled to the distributable income of its investee trusts.

(f) Expenses

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

(g) Income tax

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(g) Income tax (continued)

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 2014, but have not yet received. The distributions are payable at the end of September, December, March and June for Vanguard Australian Large Companies Index Fund and Vanguard Global Emerging Markets Shares Fund, and December and June for Vanguard Australian Small Companies Index Fund. Distributions are recognised in the income statement as finance costs attributable to unitholders.

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

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

(j) Foreign currency translation

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 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 2014

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 (RITC) at a rate ranging from 55% to 75%, hence Responsible Entity fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Use of estimates

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

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

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

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

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretation is set below:

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2017 but is available for early adoption. The directors do not expect this to have significant impact on the recognition and measurement of the Funds' financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements and the Funds do not apply hedge accounting.

The Funds have not yet decided when to adopt AASB9.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(s) Rounding of amounts

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

3. Financial risk management

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

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

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

(a) Market risk

(i) Price risk

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

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

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

(ii) Foreign exchange risk

The Funds' assets are denominated in Australian dollars. There is no foreign exchange risk to Vanguard Australian Large Companies Index Fund and Vanguard Australian Small Companies Index Fund presented in this financial report.

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

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

Note 3 (e) summarises the sensitivities of Vanguard Global Emerging Markets Shares Fund's monetary assets and liabilities to foreign exchange risk.

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

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

	Vanguard Global Emerging Markets Shares Fund						
	United States Dollar	British Pound	Euro	Japanese Yen	Other	Australian Dollar	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
As at 30 June 2014*							
Assets							
Cash and cash equivalents	10	–	–	–	–	13	23
Futures margin deposit	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	8,667	–	–	–	–	–	8,667
Other assets and receivables	61	–	–	–	–	1	62
Total assets	8,738	–	–	–	–	14	8,752
Liabilities							
Payables	–	–	–	–	–	2	2
Distribution payable	–	–	–	–	–	67	67
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	69	69
Net assets attributable to unitholders – liability	8,738	–	–	–	–	(55)	8,683
As at 30 June 2013							
Assets							
Cash and cash equivalents	–	–	–	–	–	–	–
Futures margin deposit	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	–	–	–	–	–
Other assets and receivables	–	–	–	–	–	–	–
Total assets	–	–	–	–	–	–	–
Liabilities							
Payables	–	–	–	–	–	–	–
Distribution payable	–	–	–	–	–	–	–
Due to brokers – payables for securities purchased	–	–	–	–	–	–	–
Financial liabilities held at fair value through profit or loss	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	–	–
Net assets attributable to unitholders – liability	–	–	–	–	–	–	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

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

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

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2014								
Assets								
Cash and cash equivalents	(177)	–	–	(177)	45	–	–	45
Futures margin deposit	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	25,887	25,887	–	–	39,727	39,727
Other assets & receivables	–	–	392	392	–	–	607	607
Total assets	(177)	–	26,279	26,102	45	–	40,334	40,379
Liabilities								
Other liabilities	–	–	217	217	–	–	625	625
Total liabilities (excluding net assets attributable to unitholders)	–	–	217	217	–	–	625	625
Net assets attributable to unitholders – liability	(177)	–	26,062	25,885	45	–	39,709	39,754
30 June 2013								
Assets								
Cash and cash equivalents	(81)	–	–	(81)	(19)	–	–	(19)
Futures margin deposit	–	–	–	–	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	10,899	10,899	–	–	12,637	12,637
Other assets & receivables	–	–	153	153	–	–	328	328
Total assets	(81)	–	11,052	10,971	(19)	–	12,965	12,946
Liabilities								
Other liabilities	–	–	61	61	–	–	302	302
Total liabilities (excluding net assets attributable to unitholders)	–	–	61	61	–	–	302	302
Net assets attributable to unitholders – liability	(81)	–	10,991	10,910	(19)	–	12,663	12,644

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(a) Market risk (continued)

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

	Vanguard Global Emerging Markets Shares Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2014*				
Assets				
Cash and cash equivalents	23	–	–	23
Futures margin deposit	–	–	–	–
Financial assets held at fair value through profit or loss	–	–	8,667	8,667
Other assets & receivables	–	–	62	62
Total assets	23	–	8,729	8,752
Liabilities				
Other liabilities	–	–	69	69
Total liabilities (excluding net assets attributable to unitholders)	–	–	69	69
Net assets attributable to unitholders – liability	23	–	8,660	8,683
30 June 2013				
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	–	–	–	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(b) Fair value estimation

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- Financial assets / liabilities held for trading
- Derivative financial instruments

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

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

Fair value in an active market

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

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

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

Fair value in an inactive or unquoted market

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(c) Credit risk

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

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

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

(i) Debt securities

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

Vanguard will try to minimise the credit risk associated with holding bonds by primarily holding non-domestic government and supranational (issued by government-owned or government-guaranteed entities) bonds or other investment-grade entities.

Investment-grade issuers are defined as those rated BBB – or higher by Standard & Poor's or Baa3 or higher by Moody's.

(ii) Derivative financial instruments

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

(iii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

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

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

(v) Other

The Funds are not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(d) Liquidity risk

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

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

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

Vanguard Australian Large Companies Index Fund										
	As at 30 June 2014					As at 30 June 2013				
	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	4	—	—	—	4	2	—	—	—	2
Distribution payable	213	—	—	—	213	59	—	—	—	59
Due to brokers – payables for securities purchased	—	—	—	—	—	—	—	—	—	—
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	—	—	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—	—	—	—
Net assets attributable to unitholders	25,885	—	—	—	25,885	10,910	—	—	—	10,910
Total financial liabilities (excluding gross settled derivatives)	26,102	—	—	—	26,102	10,971	—	—	—	10,971
Gross settled derivatives										
Derivative										
Inflows	—	—	—	—	—	—	—	—	—	—
(Outflows)	—	—	—	—	—	—	—	—	—	—
Total gross settled derivatives inflow (outflow)	—	—	—	—	—	—	—	—	—	—

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(d) Liquidity risk (continued)

Vanguard Australian Small Companies Index Fund										
	As at 30 June 2014					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	10	—	—	—	10	3	—	—	—	3
Distribution payable	615	—	—	—	615	299	—	—	—	299
Due to brokers – payables for securities purchased	—	—	—	—	—	—	—	—	—	—
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	—	—	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—	—	—	—
Net assets attributable to unitholders	39,754	—	—	—	39,754	12,644	—	—	—	12,644
Total financial liabilities (excluding gross settled derivatives)	40,379	—	—	—	40,379	12,946	—	—	—	12,946
Gross settled derivatives										
Derivative										
Inflows	—	—	—	—	—	—	—	—	—	—
(Outflows)	—	—	—	—	—	—	—	—	—	—
Total gross settled derivatives inflow (outflow)	—	—	—	—	—	—	—	—	—	—

Vanguard Global Emerging Markets Shares Fund										
	As at 30 June 2014*					As at 30 June 2013				
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Payables	2	—	—	—	2	—	—	—	—	—
Distribution payable	67	—	—	—	67	—	—	—	—	—
Due to brokers – payables for securities purchased	—	—	—	—	—	—	—	—	—	—
Financial liabilities held at fair value through profit or loss (excluding gross settled derivatives)	—	—	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—	—	—	—
Net assets attributable to unitholders	8,683	—	—	—	8,683	—	—	—	—	—
Total financial liabilities (excluding gross settled derivatives)	8,752	—	—	—	8,752	—	—	—	—	—
Gross settled derivatives										
Derivative										
Inflows	65	—	—	—	65	—	—	—	—	—
(Outflows)	(65)	—	—	—	(65)	—	—	—	—	—
Total gross settled derivatives inflow (outflow)	—	—	—	—	—	—	—	—	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(e) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates as well as the indices that the individual Funds' are designed to track. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

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

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund			
	Impact on operating profit/(loss) and net assets attributable to unitholders				Impact on operating profit/(loss) and net assets attributable to unitholders			
	Price risk		Interest rate risk		Price risk		Interest rate risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-3%	+4%	-30 bps	+30 bps	-4%	+5%	-30 bps	+30 bps
30 June 2014	(777)	1,035	1	(1)	(1,589)	1,986	-	-
	-2%	+4%	-70 bps	+70 bps	-5%	+5%	-70 bps	+70 bps
30 June 2013**	(218)	436	(1)	1	(632)	632	-	-

Vanguard Global Emerging Markets Shares Fund						
Impact on operating profit/(loss) and net assets attributable to unitholders						
	Price risk		Interest rate risk		Foreign exchange risk United States Dollar	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-2%	+3%	-30 bps	+30 bps	-7%	+3%
30 June 2014*	(173)	260	-	-	5	(2)
	n/a	n/a	n/a	n/a	n/a	n/a
30 June 2013	-	-	-	-	-	-

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(f) Fair value measurements

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- Financial assets / liabilities held for trading
- Derivative financial instruments

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

(i) Fair value hierarchy

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

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

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

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

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies 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 2014								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Equity securities	25,887	–	–	25,887	39,727	–	–	39,727
Total	25,887	–	–	25,887	39,727	–	–	39,727
30 June 2013								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Equity securities	10,899	–	–	10,899	12,637	–	–	12,637
Total	10,899	–	–	10,899	12,637	–	–	12,637

Notes to the financial statements (continued)

For the year ended 30 June 2014

3. Financial risk management (continued)

(f) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

	Vanguard Global Emerging Markets Shares Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2014*				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	8,667	–	–	8,667
Total	8,667	–	–	8,667
30 June 2013				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	–	–	–	–
Total	–	–	–	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no transfers between levels during the reporting period.

Notes to the financial statements (continued)

For the year ended 30 June 2014

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Net gain/(loss) on financial assets held for trading	–	–	–	–	348	–
Net gain/(loss) on financial assets designated at fair value through profit or loss	1,915	1,265	1,759	(1,185)	(42)	–
	1,915	1,265	1,759	(1,185)	306	–
Net realised gain/(loss) on financial assets held at fair value through profit or loss	168	(36)	(392)	(953)	1	–
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	1,747	1,301	2,151	(232)	305	–
	1,915	1,265	1,759	(1,185)	306	–
Financial liabilities						
Net gain/(loss) on financial liabilities held for trading	–	–	–	–	–	–
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	–	–	–	–	–	–
	–	–	–	–	–	–
Net realised gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	–	–	–
Net unrealised gain/(loss) on financial liabilities held at fair value through profit or loss	–	–	–	–	–	–
	–	–	–	–	–	–
Total net gains/(losses) on financial instruments held at fair value through profit or loss	1,915	1,265	1,759	(1,185)	306	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

5. Auditor's remuneration

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$	\$	\$	\$	\$	\$
Auditor's remuneration						
– for auditing the financial statements	19,266	19,722	19,266	19,722	19,267	–
– other services	11,338	10,644	11,338	10,644	3,733	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

6. Responsible Entity's fees

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees incurred by the Funds	49	21	94	38	11	—
Management costs per annum	0.20%	0.20%	0.30%	0.30%	0.48%	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

7. Distributions to unitholders paid and payable

	Vanguard Australian Large Companies Index Fund			
	2014		2013	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	668	174.8269	336	209.9740
Distribution payable – 30 June	213	49.8439	59	29.0233
Total Distributions to unitholders	881	224.6708	395	238.9973

	Vanguard Australian Small Companies Index Fund			
	2014		2013	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	339	73.7238	113	57.1329
Distribution payable – 30 June	615	67.6706	299	92.4372
Total Distributions to unitholders	954	141.3944	412	149.5701

	Vanguard Global Emerging Markets Shares Fund			
	2014*		2013	
	\$'000	Cents per unit	\$'000	Cents per unit
Interim distributions paid	22	31.7037	—	—
Distribution payable – 30 June	67	39.1918	—	—
Total Distributions to unitholders	89	70.8955	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

8. Cash and cash equivalents

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents as at 30 June	(177)	(81)	45	(19)	23	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

9. Net assets attributable to unitholders

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	'000	'000	'000	'000	'000	'000
(a) Units on issue						
Opening balance	202	160	322	160	—	—
Applications	220	80	580	420	170	—
Distributions reinvested	2	2	3	2	—	—
Redemptions	—	(40)	—	(260)	—	—
Closing balance	424	202	905	322	170	—
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Net assets attributable to unitholders						
Opening balance	10,910	7,197	12,644	6,412	—	—
Applications	12,835	4,264	25,197	18,615	8,377	—
Distributions reinvested	102	103	117	66	1	—
Redemptions	—	(1,954)	—	(11,274)	—	—
Increase/(decrease) in net assets attributable to unitholders	2,038	1,300	1,796	(1,175)	305	—
Closing Balance	25,885	10,910	39,754	12,644	8,683	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. The Funds have no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

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

Capital risk management

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

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

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Average daily net applications/(redemptions)	51	9	100	29	33	—
Net liquid assets of the fund	25,885	10,910	39,754	12,644	8,683	—
Net assets attributable to unitholders (NAATU)	25,885	10,910	39,754	12,644	8,683	—
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading						
Derivatives	—	—	—	—	—	—
Total held for trading	—	—	—	—	—	—
Designated at fair value through profit or loss						
Equity securities	25,887	10,899	39,727	12,637	8,667	—
Total designated at fair value through profit or loss	25,887	10,899	39,727	12,637	8,667	—
Total financial assets held at fair value through profit or loss	25,887	10,899	39,727	12,637	8,667	—
Comprising:						
Derivatives						
Foreign currency forward contracts	—	—	—	—	—	—
Australian share price futures	—	—	—	—	—	—
International share price futures	—	—	—	—	—	—
Total derivatives	—	—	—	—	—	—
Equity securities						
Australian equity securities	25,887	10,899	39,727	12,637	—	—
International equity securities	—	—	—	—	8,667	—
Total equity securities	25,887	10,899	39,727	12,637	8,667	—
Total financial assets held at fair value through profit or loss	25,887	10,899	39,727	12,637	8,667	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$	\$	\$	\$	\$	\$
Held for trading						
Derivatives	—	—	—	—	—	—
Total held for trading	—	—	—	—	—	—
Total financial liabilities held at fair value through profit or loss	—	—	—	—	—	—
Comprising:						
Derivatives						
Foreign currency forward contracts	—	—	—	—	—	—
Australian share price futures	—	—	—	—	—	—
International share price futures	—	—	—	—	—	—
Total derivatives	—	—	—	—	—	—
Total financial liabilities held at fair value through profit or loss	—	—	—	—	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

12. Derivative financial instruments

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

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

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

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

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

The Funds hold the following derivative instrument:

Futures

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

12. Derivative financial instruments (continued)

Futures (continued)

Vanguard Australian Large Companies Index Fund						
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
		\$'000	\$'000		\$'000	\$'000
Australian fixed interest futures	—	—	—	—	—	—
International fixed interest futures	—	—	—	—	—	—
Total	—	—	—	—	—	—

Vanguard Australian Small Companies Index Fund						
	Contract/ Notional \$'000	2014		Contract/ Notional \$'000	2013	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
		\$'000	\$'000		\$'000	\$'000
Australian fixed interest futures	—	—	—	—	—	—
International fixed interest futures	—	—	—	—	—	—
Total	—	—	—	—	—	—

Vanguard Global Emerging Markets Shares Fund						
		2014*			2013	
	Contract/ Notional	Fair value		Contract/ Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian fixed interest futures	–	–	–	–	–	–
International fixed interest futures	–	–	–	–	–	–
Total	–	–	–	–	–	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

Notes to the financial statements (continued)

For the year ended 30 June 2014

13. Related parties

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

(a) Key management personnel

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

(i) Directors

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

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

(ii) Key management personnel compensation

The Responsible Entity is entitled to receive a management fee as detailed in note 13(b) below. Payments made from the Funds to the Responsible Entity do not include any amounts directly attributable to the compensation of the directors of the Responsible Entity.

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

(iii) Key management personnel loan disclosures

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

(iv) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Vanguard Investments Australia Ltd or its director related entities may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Funds' investors and are not trivial and domestic in nature.

(b) Responsible entity's fees and other transactions

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

13. Related parties (continued)

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

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

	2014	2013
	% per annum	% per annum
Management costs		
Vanguard Australian Large Companies Index Fund	0.20	0.20
Vanguard Australian Small Companies Index Fund	0.30	0.30
Vanguard Global Emerging Markets Shares Fund	0.48	n/a

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fees paid and payable for the period by the Fund to the Responsible Entity	49	21	94	38	11	–
Aggregate amounts payable to the Responsible Entity at the reporting date	4	2	10	3	2	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

(c) Related party schemes' unitholdings

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
Number of units held	–	70,707	–	52,670	–	–
Interest held at 30 June	–	35.00%	–	16.37%	–	–
Number of units acquired during the year	1,220	70,707	1,234	52,670	–	–
Number of units disposed during the year	71,927	–	53,904	–	–	–
Distributions paid and payable by the Funds	\$49,521	\$109,505	–	\$78,355	–	–

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

(d) Key management personnel unitholdings

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

(e) Related Party investments

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

The Funds did not hold any investment in other Schemes managed by Vanguard Investments Australia Ltd during the period.

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

13. Related parties (continued)

(f) Other transactions within the Funds

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

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

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	2014	2013	2014	2013	2014*	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the period	—	—	—	—	—	—
Increase/(decrease) in net assets attributable to unitholders	2,038	1,300	1,796	(1,175)	305	—
Distributions paid and payable	881	395	954	412	89	—
Proceeds from sale of financial instruments held and designated at fair value through profit or loss	1,019	2,453	7,553	13,141	74	—
Purchases of financial instruments held and designated at fair value through profit or loss	(14,188)	(4,909)	(33,063)	(20,716)	(8,453)	—
Net gains/(losses) on financial instruments held and designated at fair value through profit or loss	(1,915)	(1,265)	(1,759)	1,185	(306)	—
Net change in receivables and other assets	(144)	(30)	(100)	(29)	1	—
Net change in payables and other liabilities	3	1	7	1	1	—
Net cash inflow/(outflow) from operating activities	(12,306)	(2,055)	(24,612)	(7,181)	(8,289)	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

(b) Non-cash financing activities

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

Notes to the financial statements (continued)

For the year ended 30 June 2014

15. Segment information

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

Geographical exposures

The Funds operate from Australia only (the geographical segment) and have no investment exposures in other countries, except for Vanguard Global Emerging Markets Shares Fund which the geographic locations and exposures are outlined below.

Country	Vanguard Global Emerging Markets Shares Fund			
	2014*		2013	
	Total Assets \$'000	Percentage of total assets %	Total assets \$'000	Percentage of total assets %
North America	8,667	100.0	—	—
Europe ex-United Kingdom	—	—	—	—
United Kingdom	—	—	—	—
Japan	—	—	—	—
Asia ex-Japan	—	—	—	—
Other	—	—	—	—
Australia	—	—	—	—
Total	8,667	100.0	—	—

*Vanguard Global Emerging Markets Shares Fund's inception date was 18 November 2013.

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

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

16. Events occurring after the reporting period

There are no significant events that have occurred since balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 30 June 2014 or on the results and cash flows of the Funds for the year ended on that date.

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

17. Contingent assets, liabilities and commitments

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

Directors' Declaration

In the opinions of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 11 to 41 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of each Fund's financial position as at 30 June 2014 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that each Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J M James
Managing Director
Melbourne
29 August 2014



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

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

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

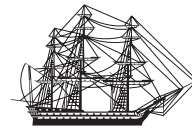

PricewaterhouseCoopers


JF Power
Partner

Melbourne
29 August 2014

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

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