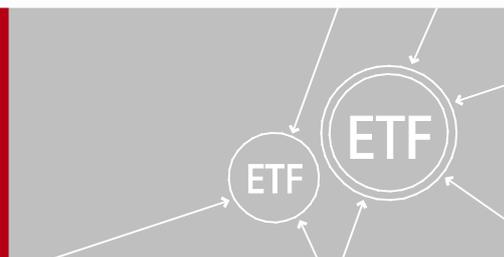




Annual Report
for the Vanguard® Exchange Traded Funds

6 September 2017



Vanguard Investments Australia Ltd announces the following:

ETF	ASX CODE	ANNOUNCEMENT
Vanguard MSCI Australian Large Companies Index ETF	VLC	Annual Report
Vanguard MSCI Australian Small Companies Index ETF	VSO	Annual Report
Vanguard FTSE Emerging Markets Shares ETF	VGE	Annual Report
Vanguard MSCI Index International Shares (Hedged) ETF	VGAD	Annual Report
Vanguard FTSE Asia ex Japan Shares Index ETF	VAE	Annual Report
Vanguard FTSE Europe Shares ETF	VEQ	Annual Report

Vanguard has prepared an Annual Report for the financial year ending 30 June 2017. The Annual Report provides financial information for each fund and where indicated, provides specific information for the ETF class

Further Information

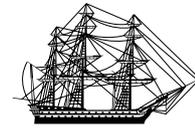
If you have any queries on Vanguard ETFs, please visit vanguard.com.au/etf

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

Information about the Vanguard FTSE Emerging Markets Shares ETF and Vanguard FTSE Europe Shares ETF is not intended for persons present in the United States of America. Retail investors can only use the PDS for informational purposes. You can access the PDS at vanguard.com.au.

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Vanguard[®]

Annual Report | 30 June 2017

Vanguard[®] Wholesale Funds

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

For personal use only

2016
2017

For personal use only

Vanguard funds covered in this annual report

Vanguard Australian Large Companies Index Fund	ARSN 147 936 105	ABN 17 468 108 459
Vanguard Australian Small Companies Index Fund	ARSN 147 936 570	ABN 73 969 263 897
Vanguard Global Emerging Markets Shares Fund	ARSN 147 937 906	ABN 91 542 729 566
Vanguard Global Shares Index Fund (Hedged)	ARSN 165 786 989	ABN 92 314 430 239
Vanguard Asia ex Japan Shares Index Fund	ARSN 606 451 110	ABN 50 411 576 623
Vanguard Europe Shares Index Fund	ARSN 606 480 086	ABN 30 252 933 265

Responsible Entity

Vanguard Investments Australia Ltd
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AFSL 227263

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About Vanguard

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

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

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

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

Our unique structure – putting investors' interests first

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

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

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

Our investment expertise

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

Low-cost investing

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

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

Directors' Report

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

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

Principal activities

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

On 19 September 2016, the Vanguard Global Emerging Markets Shares Fund commenced tracking the FTSE Emerging Markets All Cap China A Inclusion Index (with net dividends reinvested), in Australian dollars.

Vanguard Australian Large Companies Index Fund (ASX code VLC), Vanguard Australian Small Companies Index Fund (ASX code VSO), Vanguard Global Emerging Markets Shares Fund (ASX code VGE), Vanguard Global Shares Index Fund (Hedged) (ASX code VGAD), Vanguard Asia ex Japan Shares Index Fund (ASX code VAE) and Vanguard Europe Shares Index Fund (ASX code VEQ) 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 the Responsible Entity during the year or since the end of the year and up to the date of this report:

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

Directors' Report (continued)

Review and results of operations

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

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	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	7,706	(1,958)	8,566	8,262	8,714	(4,072)
Distributions						
Distribution paid and payable (\$'000)	2,808	2,408	3,780	2,534	1,346	890
Distribution (cents per unit)	249.4702	250.1181	217.0171	164.6929	99.3104	102.5349

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	28,841	1,626	4,814	221	7,572	(318)
Distributions						
Distribution paid and payable (\$'000)	10,197	1,361	797	236	1,287	126
Distribution (cents per unit)	254.9136	71.9960	171.9169	51.2164	122.6415	110.2837

Directors' Report (continued)

Review and results of operations (continued)

Performance

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

	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Australian Large Companies Index Fund					
Capital growth	8.13	(9.37)	(0.07)	13.07	20.11
Distribution of income	4.63	4.15	4.05	4.28	5.71
Total return	12.76	(5.22)	3.98	17.35	25.82
Benchmark					
<i>MSCI Australian Shares Large Cap Index</i>	13.02	(5.03)	(4.19)	17.62	26.23
	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Australian Small Companies Index Fund					
Capital growth	6.47	8.20	(3.18)	11.69	(1.87)
Distribution of income	4.76	4.03	2.73	3.60	3.60
Total return	11.23	12.23	(0.45)	15.29	1.73
Benchmark					
<i>MSCI Australian Shares Small Cap Index</i>	11.61	12.57	(0.21)	15.65	2.07
	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Global Emerging Markets Shares Fund					
Capital growth	12.56	(11.03)	16.37	2.19	–
Distribution of income	2.00	1.76	2.34	1.42	–
Total return	14.56	(9.27)	18.71	3.61	–
Benchmark					
<i>FTSE Emerging Markets All Cap China A Transition Index (with net dividends reinvested) in AUD *</i>	15.88	(10.06)	20.13	4.32	–

* On 19 September 2016, the Vanguard Global Emerging Markets Shares Fund commenced tracking the FTSE Emerging Markets All Cap China A Inclusion Index (with net dividends reinvested), in Australian dollars.

Directors' Report (continued)

Review and results of operations (continued)

Performance (continued)

	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Global Shares Index Fund (Hedged)					
Capital growth	15.53	(2.82)	5.01	–	–
Distribution of income	4.95	1.36		–	–
Total return	20.48	(1.46)	5.01	–	–
Benchmark					
<i>MSCI World Index Ex–Australia (with net dividends reinvested), hedged into Australian dollars index</i>	20.54	(1.42)	5.15	–	–
	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Asia ex Japan Shares Index Fund					
Capital growth	17.30	0.09	–	–	–
Distribution of income	3.65	1.03	–	–	–
Total return	20.95	1.12	–	–	–
Benchmark					
<i>FTSE Asia Pacific ex Japan, Australia and New Zealand Index (with net dividends reinvested) in AUD</i>	21.43	1.17	–	–	–
	2017	2016	2015	2014	2013
	%	%	%	%	%
Vanguard Europe Shares Index Fund					
Capital growth	14.59	(9.96)	–	–	–
Distribution of income	2.88	2.19	–	–	–
Total return	17.47	(7.77)	–	–	–
Benchmark					
<i>FTSE Developed Europe All Cap Index (with net dividends reinvested) in AUD</i>	18.29	(8.50)	–	–	–

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

Directors' Report (continued)

Review and results of operations (continued)

Unit redemption prices

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

	At 30 June		Period high		Period low	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Vanguard Australian Large Companies Index Fund	60.1660	55.7479	63.3670	63.6686	54.5967	50.8998
Vanguard Australian Small Companies Index Fund	50.5511	46.8715	51.3722	47.9833	46.3719	39.2676
Vanguard Global Emerging Markets Shares Fund	59.8077	53.1431	62.2456	60.6311	51.6654	46.0428
Vanguard Global Shares Index Fund (Hedged)	61.9529	52.1395	62.8362	54.9810	51.1513	45.6977
Vanguard Asia ex Japan Shares Index Fund	59.6059	50.4205	61.3466	51.3787	49.1655	45.8681
Vanguard Europe Shares Index Fund	52.1597	45.7512	54.9618	50.5769	43.0332	43.0729

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

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

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

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

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

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

Likely developments and expected results of operations

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

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

Indemnity and insurance of officers and auditors

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

Directors' Report (continued)

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

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

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

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

Interests in the Fund

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

The value of the Funds' assets and liabilities are disclosed on the balance sheet and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 11.

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



C Kelton
 Managing Director
 Melbourne, 31 August 2017

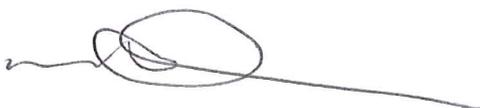


Auditor's Independence Declaration for the Vanguard Wholesale Funds (ETF's):

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares Fund
- Vanguard Global Shares Index Fund (Hedged)
- Vanguard Asia ex Japan Shares Index Fund
- Vanguard Europe Shares Index Fund

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

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

B. 

Britt Hawkins
Partner

Melbourne
31 August 2017

Statement of comprehensive income

For the year ended 30 June 2017

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income							
Interest income		–	–	–	1	2	1
Dividend income		2,768	2,513	1,901	2,249	–	–
Distribution income		316	237	541	483	1,567	972
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	4,763	(4,596)	6,351	5,747	7,359	(4,901)
Other operating income		2	3	25	19	34	5
Total net investment income/(loss)		7,849	(1,843)	8,818	8,499	8,962	(3,923)
Expenses							
Responsible Entity's fees	14	132	106	227	213	237	147
Custody fees		3	5	22	21	1	1
Transaction costs		1	–	2	3	9	1
Other operating expenses		7	4	1	–	1	–
Total operating expenses		143	115	252	237	248	149
Operating profit/(loss)		7,706	(1,958)	8,566	8,262	8,714	(4,072)
Financing costs attributable to unitholders							
Distributions to unitholders	10	(2,808)	(2,408)	(3,780)	(2,534)	(1,346)	(890)
(Increase)/decrease in net assets attributable to unitholders	9	(4,898)	4,366	(4,786)	(5,728)	(7,368)	4,962
Profit/(loss) for the year		–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–

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

Statement of comprehensive income (continued)

For the year ended 30 June 2017

	Notes	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Investment income							
Interest income		57	28	–	–	–	–
Dividend income		–	–	639	399	–	–
Distribution income		5,947	3,639	11	6	1,307	128
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	22,784	(2,085)	4,270	(178)	6,267	(442)
Other operating income		162	98	3	69	73	3
Total net investment income/(loss)		28,950	1,680	4,923	296	7,647	(311)
Expenses							
Responsible Entity's fees	14	61	43	98	48	70	7
Custody fees		48	11	9	25	1	–
Transaction costs		–	–	–	–	4	–
Other operating expenses		–	–	2	2	–	–
Total operating expenses		109	54	109	75	75	7
Operating profit/(loss)		28,841	1,626	4,814	221	7,572	(318)
Finance costs attributable to unitholders							
Distributions to unitholders	10	(10,197)	(1,361)	(797)	(236)	(1,287)	(126)
(Increase)/decrease in net assets attributable to unitholders	9	(18,644)	(265)	(4,017)	15	(6,285)	444
Profit/(loss) for the year		–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–

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

Balance Sheet

As at 30 June 2017

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents		(513)	(448)	401	(18)	2,566	87
Margin accounts		23	12	10	32	–	–
Receivables		2	2	5	4	605	4
Accrued income		711	644	334	316	–	–
Due from brokers – receivable for securities sold		344	321	1,871	736	–	218
Financial assets held at fair value through profit or loss	6	70,986	58,909	92,571	77,515	110,153	51,360
Total assets		71,553	59,440	95,192	78,585	113,324	51,669
Liabilities							
Distribution payable	10	407	452	2,724	1,260	504	244
Payables		13	12	23	19	28	14
Due to brokers – payables for securities purchased		–	–	433	335	2,359	–
Total liabilities (excluding net assets attributable to unitholders)		420	464	3,180	1,614	2,891	258
Net assets attributable to unitholders (liability)	9	71,133	58,976	92,012	76,971	110,433	51,411

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

Balance Sheet (continued)

As at 30 June 2017

	Notes	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Assets							
Cash and cash equivalents		2,154	5,247	200	132	1,220	6
Margin accounts		534	609	30	22	–	–
Receivables		621	–	13	8	526	–
Accrued income		3,670	2,772	127	162	–	–
Due from brokers – receivable for securities sold		–	–	95	90	251	87
Financial assets held at fair value through profit or loss	6	247,254	94,967	27,290	22,750	82,400	5,396
Total assets		254,233	103,595	27,755	23,164	84,397	5,489
Liabilities							
Margin accounts		5,300	2,770	–	–	–	–
Distribution payable	10	10,197	1,361	420	172	917	88
Payables		11	3	9	7	16	1
Due to brokers – payables for securities purchased		–	1,150	–	–	1,090	–
Financial liabilities held at fair value through profit or loss	7	1,538	1,129	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)		17,046	6,413	429	179	2,023	89
Net assets attributable to unitholders (liability)	9	237,187	97,182	27,326	22,985	82,374	5,400

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

Statement of changes in equity

For the year ended 30 June 2017

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year						
Profit/(loss) for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year						
Profit/(loss) for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-

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

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

Statement of cash flows

For the year ended 30 June 2017

	Notes	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Proceeds from sale of financial instruments held at fair value through profit or loss		3,232	3,762	36,462	53,668	970	935
Purchases of financial instruments held at fair value through profit or loss		(10,580)	(24,431)	(46,182)	(50,282)	(49,786)	(15,303)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		(1)	–	(2)	(3)	(9)	(1)
Interest received		–	–	–	1	1	1
Dividends received		2,718	2,301	1,916	2,217	–	–
Distributions received		299	190	509	530	1,568	1,369
Other income received		2	3	24	19	36	5
Responsible Entity's fees paid		(131)	(108)	(224)	(233)	(223)	(145)
Operating expenses paid		(10)	(4)	(23)	–	(7)	(1)
Net cash inflow/(outflow) from operating activities	12(a)	(4,471)	(18,287)	(7,520)	5,917	(47,450)	(13,140)
Cash flows from financing activities							
Proceeds from applications by unitholders		7,123	20,342	33,339	28,687	50,953	12,868
Payments for redemptions by unitholders		–	–	(23,339)	(32,625)	–	–
Distributions paid from operating activities		(2,717)	(2,288)	(2,061)	(2,131)	(983)	(964)
Net cash inflow/(outflow) from financing activities		4,406	18,054	7,939	(6,069)	49,970	11,904
Net increase/(decrease) in cash and cash equivalents		(65)	(233)	419	(152)	2,520	(1,236)
Cash and cash equivalents at the beginning of the year		(448)	(215)	(18)	134	87	1,306
Effects of foreign currency exchange rate changes on cash and cash equivalents		–	–	–	–	(41)	17
Cash and cash equivalents at the end of the year	11	(513)	(448)	401	(18)	2,566	87

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

Statement of cash flows (continued)

For the year ended 30 June 2017

	Notes	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Proceeds from sale of financial instruments held at fair value through profit or loss		10,420	4,560	1,278	282	6,802	55
Purchases of financial instruments held at fair value through profit or loss		(132,924)	(72,879)	(1,494)	(23,271)	(76,623)	(5,961)
Transaction costs on purchases of financial instruments held at fair value through profit or loss		–	–	–	–	(4)	–
Interest received		59	26	–	–	–	–
Dividends received		–	–	608	228	–	–
Distributions received		–	362	11	4	1,307	128
Other income received		162	98	3	69	73	3
Responsible Entity's fees paid		(56)	(52)	(96)	(66)	(55)	(6)
Operating expenses paid		(46)	–	(11)	(5)	(5)	(1)
Net cash inflow/(outflow) from operating activities	12(a)	(122,385)	(67,885)	299	(22,759)	(68,505)	(5,782)
Cash flows from financing activities							
Proceeds from applications by unitholders		120,599	73,633	264	23,000	76,666	5,844
Payments for redemptions by unitholders		–	(1,030)	–	–	(6,511)	–
Distributions paid from operating activities		(1,219)	–	(489)	(63)	(446)	(38)
Net cash inflow/(outflow) from financing activities		119,380	72,603	(225)	22,937	69,709	5,806
Net increase/(decrease) in cash and cash equivalents		(3,005)	4,718	74	178	1,204	24
Cash and cash equivalents at the beginning of the year		5,247	533	132	–	6	–
Effects of foreign currency exchange rate changes on cash and cash equivalents		(88)	(4)	(6)	(46)	10	(18)
Cash and cash equivalents at the end of the year	11	2,154	5,247	200	132	1,220	6

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

Notes to the financial statements

For the year ended 30 June 2017

1. General information

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

- Vanguard Australian Large Companies Index Fund 17 December 2010
- Vanguard Australian Small Companies Index Fund 9 August 2007
- Vanguard Global Emerging Markets Shares Fund 17 October 2010
- Vanguard Global Shares Index Fund (Hedged) 25 September 2013
- Vanguard Asia ex Japan Shares Index Fund 16 November 2015
- Vanguard Europe Shares Index Fund 16 September 2015

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

(i) Compliance with International Financial Reporting Standards

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

(ii) New and amended standards adopted by the Funds

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

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

- **Financial instruments held for trading**

Derivative financial instruments such as futures, forward foreign exchange contracts, options and swaps are included under this classification. The Funds do not designate any derivatives as hedges in a hedging relationship.

- **Financial instruments designated at fair value through profit or loss upon initial recognition**

These include financial assets that are not held for trading purposes and which may be sold. These are investments in listed equity securities, listed unit trusts and listed property trusts.

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

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

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

(iv) Offsetting financial instruments

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

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

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

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

(d) Cash and cash equivalents

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

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

(e) Margin accounts

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

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

(f) Investment income

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

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

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

Trust distributions are recognised on an entitlements basis.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(g) Expenses

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

(h) Income tax

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

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

(i) Distributions

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

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

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

(k) Functional and presentation currency

(i) Functional and presentation currency

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and is regulated. The Australian dollar is also the Funds' presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

(l) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(m) Receivables and accrued income

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

(n) Payables

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

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

(o) Applications and redemptions

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

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credit recovery rate of between 55% and 100%, hence Responsible Entity's fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Comparative revisions

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

(r) Use of estimates

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

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over the counter derivatives or unquoted securities, are fair valued using valuation techniques.

Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations

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

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

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

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

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

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

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

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

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

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

(t) Rounding of amounts

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management

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

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

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

(a) Market risk

(i) Price risk

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

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

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative assets held for trading	–	–	–	–	1	–
Equity securities designated at fair value through profit or loss	64,308	52,038	80,554	67,421	–	–
Listed unit trusts designated at fair value through profit or loss	6,678	6,871	12,017	10,094	110,152	51,360
Net total	70,986	58,909	92,571	77,515	110,153	51,360

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative assets held for trading	6	77	–	5	–	–
Equity securities designated at fair value through profit or loss	–	–	27,046	22,505	–	–
Listed unit trusts designated at fair value through profit or loss	–	–	244	238	82,400	5,396
Unlisted unit trusts designated at fair value through profit or loss	239,288	90,553	–	–	–	–
Derivative liabilities held for trading	(81)	(23)	–	–	–	–
Net total	239,213	90,607	27,290	22,748	82,400	5,396

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Funds have exposure to foreign assets and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. The risk is measured using sensitivity analysis.

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.

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

The foreign exchange risk disclosures have been prepared on the basis of the Funds' direct investments and not on a look through basis to investments held via interposed investment funds. In addition, any currency hedging to minimise the impact of foreign exchange risk has not been incorporated into the disclosures unless the derivatives are held directly in these Funds.

In accordance with the Funds' policy, the Investment Manager monitors the Funds' foreign exchange exposure on a daily basis.

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The tables below summarise the Funds' assets and liabilities that are denominated in a currency other than the Australian dollar.

Vanguard Global Emerging Markets Shares Fund										
	As at 30 June 2017					As at 30 June 2016				
	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000
Assets										
Cash and cash equivalents	1,342	–	–	–	–	62	–	–	–	–
Due from brokers – receivable for securities sold	–	–	–	–	–	218	–	–	–	–
Financial assets held at fair value through profit or loss	110,153	–	–	–	–	51,360	–	–	–	–
Total assets	111,495	–	–	–	–	51,640	–	–	–	–
Liabilities										
Due to brokers – payables for securities purchased	2,359	–	–	–	–	–	–	–	–	–
Total liabilities	2,359	–	–	–	–	–	–	–	–	–
Net increase/(decrease) in exposure from foreign currency forward contracts										
Buy foreign currency	1,310	–	–	–	–	–	–	–	–	–
Sell foreign currency	–	–	–	–	–	(215)	–	–	–	–
Net exposure including foreign currency forward contracts	110,446	–	–	–	–	51,425	–	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Vanguard Global Shares Index Fund (Hedged)										
	As at 30 June 2017					As at 30 June 2016				
	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000
Assets										
Cash and cash equivalents	586	70	49	100	76	314	31	32	18	29
Margin accounts	227	67	155	33	52	305	47	147	78	31
Financial assets held at fair value through profit or loss	–	36	1	5	54	30	27	13	21	10
Total assets	813	173	205	138	182	649	105	193	117	70
Liabilities										
Financial liabilities held at fair value through profit or loss	26	59	44	–	96	45	–	–	338	5
Total liabilities	26	59	44	–	96	45	–	–	338	5
Net increase/(decrease) in exposure from foreign currency forward contracts										
Buy foreign currency	153,634	17,891	32,407	21,980	27,541	64,650	7,252	12,783	10,234	11,420
Sell foreign currency	(300,459)	(33,924)	(61,189)	(43,976)	(53,177)	(124,173)	(14,895)	(23,544)	(18,211)	(22,265)
Net exposure including foreign currency forward contracts	(146,038)	(15,919)	(28,621)	(21,858)	(25,550)	(58,919)	(7,538)	(10,568)	(8,198)	(10,780)

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Vanguard Asia ex Japan Shares Index Fund

	As at 30 June 2017					As at 30 June 2016				
	Hong Kong Dollars A\$'000	Taiwan New Dollars A\$'000	Korean Won A\$'000	Indian Rupee A\$'000	Other Currencies A\$'000	Hong Kong Dollars A\$'000	Taiwan New Dollars A\$'000	Korean Won A\$'000	Indian Rupee A\$'000	Other Currencies A\$'000
Assets										
Cash and cash equivalents	40	–	–	–	151	50	–	–	–	81
Margin accounts	–	–	–	–	30	–	–	–	–	22
Receivables	–	–	10	–	–	–	–	5	–	–
Accrued income	82	38	2	3	2	109	41	4	5	3
Due from brokers – receivable for securities sold	48	6	29	7	5	42	–	16	8	24
Financial assets held at fair value through profit or loss	10,331	4,040	5,025	3,262	4,632	8,650	3,272	3,945	2,823	4,060
Total assets	10,501	4,084	5,066	3,272	4,820	8,851	3,313	3,970	2,836	4,190
Liabilities										
Distribution payable	–	–	–	–	–	–	–	–	–	–
Payables	–	–	–	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	–	–	–	–	–
Net increase/(decrease) in exposure from foreign currency forward contracts										
Buy foreign currency	–	–	–	–	80	–	–	–	–	84
Sell foreign currency	(80)	–	–	–	(376)	(69)	–	–	–	(145)
Net exposure including foreign currency forward contracts	10,421	4,084	5,066	3,272	4,524	8,782	3,313	3,970	2,836	4,129

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Vanguard Europe Shares Index Fund										
	As at 30 June 2017					As at 30 June 2016				
	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000	US Dollars A\$'000	British Pounds A\$'000	Euros A\$'000	Japanese Yen A\$'000	Other Currencies A\$'000
Assets										
Cash and cash equivalents	1,114	–	–	–	–	2	–	–	–	–
Due from brokers – receivable for securities sold	251	–	–	–	–	87	–	–	–	–
Financial assets held at fair value through profit or loss	82,400	–	–	–	–	5,396	–	–	–	–
Total assets	83,765	–	–	–	–	5,485	–	–	–	–
Liabilities										
Due to brokers – payables for securities purchased	1,090	–	–	–	–	–	–	–	–	–
Total liabilities	1,090	–	–	–	–	–	–	–	–	–
Net increase/(decrease) in exposure from foreign currency forward contracts										
Buy foreign currency	–	–	–	–	–	–	–	–	–	–
Sell foreign currency	(250)	–	–	–	–	(84)	–	–	–	–
Net exposure including foreign currency forward contracts	82,425	–	–	–	–	5,401	–	–	–	–

(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 Funds have insufficient direct exposure to interest rate risk to be material.

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(b) Summarised sensitivity analysis

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

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

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund				Vanguard Global Emerging Markets Shares Fund					
	Impact on operating profit/(loss) and net assets attributable to unitholders				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		Price risk		Interest rate risk		Foreign exchange risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-3%	+4%	-25bps	+25bps	-4%	+5%	-25bps	+25bps	-2%	+3%	-25bps	+25bps	-6%	+0%
30 June 2017	(2,130)	2,839	1	(1)	(3,703)	4,629	(1)	1	(2,203)	3,305	(6)	6	(61)	-
	-3%	+4%	-25bps	+25bps	-4%	+5%	-25bps	+25bps	-3%	+3%	-25bps	+25bps	-8%	+5%
30 June 2016	(1,767)	2,356	(1)	1	(3,101)	3,876	-	-	(1,541)	1,541	-	-	22	(14)

	Vanguard Global Shares Index Fund (Hedged)													
	Impact on operating profit/(loss) and net assets attributable to unitholders													
	Price risk		Interest rate risk		Foreign exchange risk									
	\$'000	\$'000	\$'000	\$'000	US Dollar		British Pound		Euro		Japanese Yen		Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-2%	+4%	-25bps	+25bps	-6%	+0%	-5%	7%	-2%	+8%	-13%	+2%	-4%	+2%
30 June 2017	(4,784)	9,569	7	(7)	49	-	6	(9)	4	(16)	17	(3)	4	(2)
	-3%	+4%	-25bps	+25bps	-8%	+5%	-18%	0%	-8%	+3%	-1%	+24%	-5%	+5%
30 June 2016	(2,718)	3,624	(8)	8	46	(29)	14	-	14	(5)	(2)	47	3	(3)

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

Vanguard Asia ex Japan Shares Index Fund														
Impact on operating profit/(loss) and net assets attributable to unitholders														
	Price risk		Interest rate risk		Foreign exchange risk									
	\$'000	\$'000	\$'000	\$'000	Hong Kong Dollar		Taiwan New Dollar		Korean Won		Indian Rupee		Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-2%	+4%	-25bps	+25bps	-7%	+0%	-5%	+5%	-6%	+1%	-5%	+4%	-4%	+2%
30 June 2017	(546)	1,092	(1)	1	12	-	2	(2)	2	-	1	-	8	(4)
	-3%	+3%	-25bps	+25bps	-5%	+5%	-5%	+5%	-5%	+5%	-5%	+5%	-5%	+5%
30 June 2016	(683)	682	-	-	10	(10)	2	(2)	1	(1)	(1)	(1)	7	(7)

Vanguard Europe Shares Index Fund						
Impact on operating profit/(loss) and net assets attributable to unitholders						
	Price risk		Interest rate risk		Foreign exchange risk US Dollar	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-4%	+5%	-25bps	+25bps	-6%	+0%
30 June 2017	(3,296)	4,120	(3)	3	17	-
	-6%	+3%	-25bps	+25bps	-8%	+5%
30 June 2016	(324)	162	-	-	7	(4)

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(c) Credit risk

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

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

For Funds which invest in forward exchange contracts there is a risk associated with unrealised profits.

Credit risk is managed by ensuring that:

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. There were no significant concentrations of credit risk to counterparties at 30 June 2017 or 30 June 2016.

(i) Debt securities

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

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

Investment-grade issuers are defined as those rated BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. An analysis of debt by rating is set out in the table below.

(ii) Derivatives

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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(d) Liquidity risk

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

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

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

Vanguard Australian Large Companies Index Fund

	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	407	–	–	–	407	452	–	–	–	452
Payables	13	–	–	–	13	12	–	–	–	12
Net assets attributable to unitholders	71,133	–	–	–	71,133	58,976	–	–	–	58,976
Total liabilities	71,553	–	–	–	71,553	59,440	–	–	–	59,440

Vanguard Australian Small Companies Index Fund

	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	2,724	–	–	–	2,724	1,260	–	–	–	1,260
Payables	23	–	–	–	23	19	–	–	–	19
Due to brokers – payables for securities purchased	433	–	–	–	433	335	–	–	–	335
Net assets attributable to unitholders	92,012	–	–	–	92,012	76,971	–	–	–	76,971
Total liabilities	95,192	–	–	–	95,192	78,585	–	–	–	78,585

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(d) Liquidity risk (continued)

Vanguard Global Emerging Markets Shares Fund

	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	504	–	–	–	504	244	–	–	–	244
Payables	28	–	–	–	28	14	–	–	–	14
Due to brokers – payables for securities purchased	2,359	–	–	–	2,359	–	–	–	–	–
Net assets attributable to unitholders	110,433	–	–	–	110,433	51,411	–	–	–	51,411
Total liabilities	113,324	–	–	–	113,324	51,669	–	–	–	51,669

Vanguard Global Shares Index Fund (Hedged)

	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivatives	1,371	167	–	–	1,538	1,093	36	–	–	1,129
Margin accounts	5,300	–	–	–	5,300	2,770	–	–	–	2,770
Distribution payable	10,197	–	–	–	10,197	1,361	–	–	–	1,361
Payables	11	–	–	–	11	3	–	–	–	3
Due to brokers – payables for securities purchased	–	–	–	–	–	1,150	–	–	–	1,150
Net assets attributable to unitholders	237,187	–	–	–	237,187	97,182	–	–	–	97,182
Total liabilities	254,066	167	–	–	254,233	103,559	36	–	–	103,595

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(d) Liquidity risk (continued)

	Vanguard Asia ex Japan Shares Index Fund									
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	420	–	–	–	420	172	–	–	–	172
Payables	9	–	–	–	9	7	–	–	–	7
Net assets attributable to unitholders	27,326	–	–	–	27,326	22,985	–	–	–	22,985
Total liabilities	27,755	–	–	–	27,755	23,164	–	–	–	23,164

	Vanguard Europe Shares Index Fund									
	As at 30 June 2017					As at 30 June 2016				
	Less than 1 month	1–6 months	6–12 months	1–2 years	Total	Less than 1 month	1–6 months	6–12 months	1–2 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	917	–	–	–	917	88	–	–	–	88
Payables	16	–	–	–	16	1	–	–	–	1
Due to brokers - payables for securities purchased	1,090	–	–	–	1,090	–	–	–	–	–
Net assets attributable to unitholders	82,374	–	–	–	82,374	5,400	–	–	–	5,400
Total liabilities	84,397	–	–	–	84,397	5,489	–	–	–	5,489

Notes to the financial statements (continued)

For the year ended 30 June 2017

3. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities of gross settled derivative financial instruments

The tables below analyses the Funds' gross settled derivative financial instruments based on their contractual maturity. The Funds may at their discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

Vanguard Global Emerging Markets Shares Fund									
	As at 30 June 2017				As at 30 June 2016				
	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	Total \$'000	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	1 – 2 years \$'000	Total \$'000
Derivative									
Inflows	1,311	–	–	1,311	215	–	–	–	215
(Outflows)	(1,310)	–	–	(1,310)	(215)	–	–	–	(215)
Net	1	–	–	1	–	–	–	–	–

Vanguard Global Shares Index Fund (Hedged)									
	As at 30 June 2017				As at 30 June 2016				
	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	Total \$'000	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	1 – 2 years \$'000	Total \$'000
Derivative									
Inflows	499,697	245,259	–	744,956	206,693	100,425	–	–	307,118
(Outflows)	(494,196)	(244,256)	–	(738,452)	(204,034)	(99,853)	–	–	(303,887)
Net	5,501	1,003	–	6,504	2,659	572	–	–	3,231

Vanguard Asia ex Japan Shares Index Fund									
	As at 30 June 2017				As at 30 June 2016				
	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	Total \$'000	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	1 – 2 years \$'000	Total \$'000
Derivative									
Inflows	456	–	–	456	214	–	–	–	214
(Outflows)	(456)	–	–	(456)	(214)	–	–	–	(214)
Net	–	–	–	–	–	–	–	–	–

Vanguard Europe Shares Index Fund									
	As at 30 June 2017				As at 30 June 2016				
	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	Total \$'000	Less than 1 month \$'000	1 – 6 months \$'000	6 – 12 months \$'000	1 – 2 years \$'000	Total \$'000
Derivative									
Inflows	250	–	–	250	84	–	–	–	84
(Outflows)	(250)	–	–	(250)	(84)	–	–	–	(84)
Net	–	–	–	–	–	–	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2017

4. Fair value measurement

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

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

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

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

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

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

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

The Funds value their investments in accordance with the accounting policies set out in note 2(b) to the financial statements.

For the majority of investments, the Funds rely on information provided by independent pricing services for the valuation of investments.

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

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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

4. Fair value measurement (continued)

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

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

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the reporting period 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 investment managers of such funds.

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

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

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

Notes to the financial statements (continued)

For the year ended 30 June 2017

4. Fair value measurement (continued)

Recognised fair value measurements

The following tables present the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2017 and 30 June 2016.

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund				Vanguard Global Emerging Markets Shares Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2017												
Financial assets												
Financial assets held for trading:												
Derivatives	-	-	-	-	-	-	-	-	-	1	-	1
Financial assets designated at fair value through profit or loss:												
Equity securities	64,308	-	-	64,308	80,476	78	-	80,554	-	-	-	-
Listed unit trusts	6,678	-	-	6,678	12,017	-	-	12,017	110,152	-	-	110,152
Total	70,986	-	-	70,986	92,493	78	-	92,571	110,152	1	-	110,153
30 June 2016												
Financial assets												
Financial assets designated at fair value through profit or loss:												
Equity securities	52,038	-	-	52,038	66,922	499	-	67,421	51,360	-	-	51,360
Listed unit trusts	6,871	-	-	6,871	10,094	-	-	10,094	-	-	-	-
Total	58,909	-	-	58,909	77,016	499	-	77,515	51,360	-	-	51,360

Notes to the financial statements (continued)

For the year ended 30 June 2017

4. Fair value measurement (continued)

Recognised fair value measurements (continued)

	Vanguard Global Shares Index Fund (Hedged)				Vanguard Asia ex Japan Shares Index Fund				Vanguard Europe Shares Index Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2017												
Financial assets												
Financial assets held for trading:												
Derivatives	6	7,960	–	7,966	–	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss:												
Equity securities	–	–	–	–	26,279	767	–	27,046	–	–	–	–
Listed unit trusts	–	–	–	–	244	–	–	244	82,400	–	–	82,400
Unlisted unit trusts	–	239,288	–	239,288	–	–	–	–	–	–	–	–
Total	6	247,248	–	247,254	26,523	767	–	27,290	82,400	–	–	82,400
Financial liabilities												
Financial liabilities held for trading:												
Derivatives	81	1,457	–	1,538	–	–	–	–	–	–	–	–
Total	81	1,457	–	1,538	–	–	–	–	–	–	–	–
30 June 2016												
Financial assets												
Financial assets held for trading:												
Derivatives	77	4,337	–	4,414	5	2	–	7	–	–	–	–
Financial assets designated at fair value through profit or loss:												
Equity securities	–	–	–	–	22,505	–	–	22,505	–	–	–	–
Listed unit trusts	–	–	–	–	238	–	–	238	5,396	–	–	5,396
Unlisted unit trusts	–	90,553	–	90,553	–	–	–	–	–	–	–	–
Total	77	94,890	–	94,967	22,748	2	–	22,750	5,396	–	–	5,396
Financial liabilities												
Financial liabilities held for trading:												
Derivatives	23	1,106	–	1,129	–	–	–	–	–	–	–	–
Total	23	1,106	–	1,129	–	–	–	–	–	–	–	–

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

4. Fair value measurement (continued)

Transfers between levels

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

	Vanguard Australian Small Companies Index Fund			Vanguard Asia ex Japan Shares Index Fund		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017						
Transfers between level 1 and 2: Equity securities	–	–	–	(717)	717	–
30 June 2016						
Transfers between level 1 and 2: Equity securities	(29)	29	–	–	–	–

The equity securities transferred into level 2 relates to the frequency of quoted price valuations. There were no transfers into and out of level 3 during the year ended 30 June 2017 (30 June 2016: nil).

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments held for trading	–	–	–	–	1	3
Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss	4,658	(3,998)	2,954	5,516	7,370	(4,863)
Net realised gain/(loss) on financial instruments held for trading	(4)	7	1	55	29	(26)
Net realised gain/(loss) on financial instruments designated at fair value through profit or loss	109	(605)	3,396	176	(41)	(15)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	4,763	(4,596)	6,351	5,747	7,359	(4,901)

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net unrealised gain/(loss) on financial instruments held for trading	3,143	3,340	(5)	7	–	–
Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss	15,257	(3,861)	4,041	(174)	5,717	(434)
Net realised gain/(loss) on financial instruments held for trading	4,244	(1,727)	32	36	(23)	20
Net realised gain/(loss) on financial instruments designated at fair value through profit or loss	140	163	202	(47)	573	(28)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	22,784	(2,085)	4,270	(178)	6,267	(442)

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading						
Derivatives	–	–	–	–	1	–
Total held for trading	–	–	–	–	1	–
Designated at fair value through profit or loss						
Equity securities	64,308	52,038	80,554	67,421	–	–
Listed unit trusts	6,678	6,871	12,017	10,094	110,152	51,360
Total designated at fair value through profit or loss	70,986	58,909	92,571	77,515	110,152	51,360
Total financial assets held at fair value through profit or loss	70,986	58,909	92,571	77,515	110,153	51,360
Comprising:						
Derivatives						
Foreign currency forward contracts	–	–	–	–	1	–
Total derivatives	–	–	–	–	1	–
Equity securities						
Australian equity securities	64,308	52,038	80,554	67,421	–	–
Total equity securities	64,308	52,038	80,554	67,421	–	–
Listed unit trusts						
Australian listed trusts	6,678	6,871	12,017	10,094	–	–
International listed trusts	–	–	–	–	110,152	51,360
Total listed unit trusts	6,678	6,871	12,017	10,094	110,152	51,360
Total financial assets held at fair value through profit or loss	70,986	58,909	92,571	77,515	110,153	51,360

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading						
Derivatives	7,966	4,414	–	7	–	–
Total held for trading	7,966	4,414	–	7	–	–
Designated at fair value through profit or loss						
Equity securities	–	–	27,046	22,505	–	–
Listed unit trusts	–	–	244	238	82,400	5,396
Unlisted unit trusts	239,288	90,553	–	–	–	–
Total designated at fair value through profit or loss	239,288	90,553	27,290	22,743	82,400	5,396
Total financial assets held at fair value through profit or loss	247,254	94,967	27,290	22,750	82,400	5,396
Comprising:						
Derivatives						
Foreign currency forward contracts	7,960	4,337	–	–	–	–
International share price futures	6	77	–	5	–	–
International share options	–	–	–	2	–	–
Total derivatives	7,966	4,414	–	7	–	–
Equity securities						
International equity securities	–	–	27,046	22,505	–	–
Total equity securities	–	–	27,046	22,505	–	–
Listed unit trusts						
International listed trusts	–	–	244	238	82,400	5,396
Total listed unit trusts	–	–	244	238	82,400	5,396
Unlisted unit trusts						
Units in Australian equity trusts	239,288	90,553	–	–	–	–
Total unlisted unit trusts	239,288	90,553	–	–	–	–
Total financial assets held at fair value through profit or loss	247,254	94,967	27,290	22,750	82,400	5,396

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

	Vanguard Global Shares Index Fund (Hedged)	
	30 June 2017	30 June 2016
	Fair value	Fair value
	\$'000	\$'000
Held for trading		
Derivatives	1,538	1,129
Total held for trading	1,538	1,129
Total financial liabilities held at fair value through profit or loss	1,538	1,129
Comprising:		
Derivatives		
Foreign currency forward contracts	1,457	1,106
International share price futures	81	23
Total derivatives	1,538	1,129
Total financial liabilities held at fair value through profit or loss	1,538	1,129

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

8. Derivative financial instruments

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

8. Derivative financial instruments (continued)

The Funds hold the following derivative instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Funds to manage against foreign currency risks on their investments. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Funds recognise a gain or loss equal to the change in fair value at the end of each reporting period.

Futures

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

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Funds are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

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

	Vanguard Global Emerging Markets Shares Fund						Vanguard Global Shares Index Fund (Hedged)					
	2017			2016			2017			2016		
	Fair value			Fair value			Fair value			Fair value		
	Contract / Notional	Assets	Liabilities	Contract / Notional	Assets	Liabilities	Contract / Notional	Assets	Liabilities	Contract / Notional	Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Forward currency contracts	1,310	1	–	–	–	–	(239,273)	7,960	1,457	(98,960)	4,337	1,106
International share price futures	–	–	–	–	–	–	7,263	6	81	3,707	77	23
International share options	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,310	1	–	–	–	–	(232,010)	7,966	1,538	(95,253)	4,414	1,129

	Vanguard Asia ex Japan Shares Index Fund					
	2017			2016		
	Fair value			Fair value		
	Contract / Notional	Assets	Liabilities	Contract / Notional	Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Forward currency contracts	376	–	–	–	–	–
International share price futures	–	–	–	168	5	–
International share options	–	–	–	2	2	–
Total	376	–	–	170	7	–

Risk exposures and fair value measurements

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

9. Net assets attributable to unitholders

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

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund			
	2017	2016	2017	2016	2017	2016	2017	2016
	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000
Opening balance	1,067	705	58,976	43,001	1,671	1,767	76,971	75,181
Applications	120	360	7,123	20,220	680	660	33,339	28,514
Redemptions	–	–	–	–	(480)	(760)	(23,339)	(32,626)
Units issued upon reinvestment of distributions	2	2	136	121	5	4	255	174
Increase/(decrease) in net assets attributable to unitholders			4,898	(4,366)			4,786	5,728
Closing balance	1,189	1,067	71,133	58,976	1,876	1,671	92,012	76,971

	Vanguard Global Emerging Markets Shares Fund				Vanguard Global Shares Index Fund (Hedged)			
	2017	2016	2017	2016	2017	2016	2017	2016
	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000
Opening balance	972	730	51,411	43,505	1,890	460	97,182	24,315
Applications	885	241	51,551	12,786	2,100	1,450	121,219	73,632
Redemptions	–	–	–	–	–	(20)	–	(1,030)
Units issued upon reinvestment of distributions	2	1	103	82	3	–	142	–
Increase/(decrease) in net assets attributable to unitholders			7,368	(4,962)			18,644	265
Closing balance	1,859	972	110,433	51,411	3,993	1,890	237,187	97,182

	Vanguard Asia ex Japan Shares Index Fund				Vanguard Europe Shares Index Fund			
	2017	2016	2017	2016	2017	2016	2017	2016
	No. '000	No. '000	\$'000	\$'000	No. '000	No. '000	\$'000	\$'000
Opening balance	460	–	22,985	–	120	–	5,400	–
Applications	5	460	264	23,000	1,605	120	77,188	5,844
Redemptions	–	–	–	–	(125)	–	(6,511)	–
Units issued upon reinvestment of distributions	1	–	60	–	–	–	12	–
Increase/(decrease) in net assets attributable to unitholders			4,017	(15)			6,285	(444)
Closing balance	466	460	27,326	22,985	1,600	120	82,374	5,400

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

9. Net assets attributable to unitholders (continued)

Capital risk management

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

10. Distributions to unitholders paid and payable

The distributions during the year were as follows:

	Vanguard Australian Large Companies Index Fund				Vanguard Australian Small Companies Index Fund				Vanguard Global Emerging Markets Shares Fund			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions paid												
- 30 September	1,075	97.4615	784	89.0831	-	-	-	-	551	49.7400	471	59.2202
- 31 December	850	76.7791	767	81.0831	1,056	72.7246	1,274	89.9039	225	18.3537	146	15.9899
- 31 March	476	41.4455	405	37.9481	-	-	-	-	66	4.8857	29	3.0595
Distributions payable												
- 30 June	407	33.7841	452	42.0038	2,724	144.2925	1,260	74.7890	504	26.3310	244	24.2653
	2,808	249.4702	2,408	250.1181	3,780	217.0171	2,534	164.6929	1,346	99.3104	890	102.5349

	Vanguard Global Shares Index Fund (Hedged)				Vanguard Asia ex Japan Shares Index Fund				Vanguard Europe Shares Index Fund			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions paid												
- 30 September	-	-	-	-	309	67.3088	-	-	25	18.6202	-	-
- 31 December	-	-	-	-	46	9.9793	-	-	23	22.6752	13	16.6076
- 31 March	-	-	-	-	22	4.7513	64	13.7802	322	24.0987	25	20.4677
Distributions payable												
- 30 June	10,197	254.9136	1,361	71.9960	420	89.8775	172	37.4362	917	57.2474	88	73.2084
	10,197	254.9136	1,361	71.9960	797	171.9169	236	51.2164	1,287	122.6415	126	110.2837

Notes to the financial statements (continued)

For the year ended 30 June 2017

11. Cash and cash equivalents

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Domestic cash at bank	(513)	(448)	401	(18)	1,224	26
Foreign cash at bank	–	–	–	–	1,342	61
	(513)	(448)	401	(18)	2,566	87

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Domestic cash at bank	1,273	4,823	9	1	106	4
Foreign cash at bank	881	424	191	131	1,114	2
	2,154	5,247	200	132	1,220	6

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Profit/(loss) for the year	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	4,898	(4,366)	4,786	5,728	7,368	(4,962)
Distributions to unitholders	2,808	2,408	3,780	2,534	1,346	890
Proceeds from sale of financial instruments held at fair value through profit or loss	3,232	3,762	36,462	53,668	970	935
Purchases of financial instruments held at fair value through profit or loss	(10,580)	(24,431)	(46,182)	(50,282)	(49,786)	(15,303)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(4,763)	4,596	(6,351)	(5,747)	(7,359)	4,901
Net change in receivables	(67)	(260)	(19)	15	(4)	396
Net change in payables	1	4	4	1	15	3
Non-cash items	-	-	-	-	-	-
Net cash inflow/(outflow) from operating activities	(4,471)	(18,287)	(7,520)	5,917	(47,450)	(13,140)

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Profit/(loss) for the year	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	18,644	265	4,017	(15)	6,285	(444)
Distributions to unitholders	10,197	1,361	797	236	1,287	126
Proceeds from sale of financial instruments held at fair value through profit or loss	10,420	4,560	1,278	282	6,802	55
Purchases of financial instruments held at fair value through profit or loss	(132,924)	(72,879)	(1,494)	(23,271)	(76,623)	(5,961)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(22,784)	2,085	(4,270)	178	(6,267)	442
Net change in receivables	(900)	(2,409)	30	(170)	(4)	-
Net change in payables	9	2	2	7	15	-
Non-cash items	(5,047)	(870)	(61)	(6)	-	-
Net cash inflow/(outflow) from operating activities	(122,385)	(67,885)	299	(22,759)	(68,505)	(5,782)

Notes to the financial statements (continued)

For the year ended 30 June 2017

13. Remuneration of auditors

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

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PricewaterhouseCoopers						
Audit and other assurance services						
Audit and review of financial statements	18,000	18,000	18,000	18,000	20,500	20,500
Audit of compliance plan	1,933	1,933	1,933	1,933	1,933	1,933
Audit of specified assertions report	1,396	1,389	1,396	1,389	1,396	1,389
Total remuneration for audit and other assurance services	21,329	21,322	21,329	21,322	23,829	23,822
Taxation services						
Tax compliance services	9,950	7,360	9,950	7,360	9,950	7,360
Total remuneration for taxation services	9,950	7,360	9,950	7,360	9,950	7,360
Total remuneration of PricewaterhouseCoopers	31,279	28,682	31,279	28,682	33,779	31,182

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PricewaterhouseCoopers						
Audit and other assurance services						
Audit and review of financial statements	23,000	23,000	20,500	20,500	20,500	20,500
Audit of compliance plan	1,933	1,933	1,933	1,933	1,933	1,933
Audit of specified assertions report	1,396	1,389	1,396	1,389	1,396	1,389
Total remuneration for audit and other assurance services	26,329	26,322	23,829	23,822	23,829	23,822
Taxation services						
Tax compliance services	8,335	5,745	9,950	2,228	9,950	2,228
Total remuneration for taxation services	8,335	5,745	9,950	2,228	9,950	2,228
Total remuneration of PricewaterhouseCoopers	34,664	32,067	33,779	26,050	33,779	26,050

Notes to the financial statements (continued)

For the year ended 30 June 2017

14. Related party transactions

Responsible Entity

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

Key management personnel

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

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

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

Transactions with key management personnel

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

Key management personnel unitholdings

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

Key management personnel remuneration

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

Key management personnel loan disclosures

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

Responsible Entity's fees and other transactions

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

	Management costs	
	2017	2016
	% per annum	% per annum
Vanguard Australian Large Companies Index Fund	0.20	0.20
Vanguard Australian Small Companies Index Fund	0.30	0.30
Vanguard Global Emerging Markets Shares Fund	0.48	0.48
Vanguard Global Shares Index Fund (Hedged)	0.21	0.21
Vanguard Asia ex Japan Shares Index Fund	0.40	0.40
Vanguard Europe Shares Index Fund	0.35	0.35

Notes to the financial statements (continued)

For the year ended 30 June 2017

14. Related party transactions (continued)

Responsible Entity's fees and other transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Funds and the Responsible Entity are as follows:

	Vanguard Australian Large Companies Index Fund		Vanguard Australian Small Companies Index Fund		Vanguard Global Emerging Markets Shares Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees for the year	132	106	227	213	237	147
Total fees payable to the Responsible Entity at year end	11	12	23	19	28	14

	Vanguard Global Shares Index Fund (Hedged)		Vanguard Asia ex Japan Shares Index Fund		Vanguard Europe Shares Index Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Responsible Entity's fees for the year	61	43	98	48	70	7
Total fees payable to the Responsible Entity at year end	8	3	9	7	16	1

Related party unitholdings

Vanguard Investments Australia Ltd did not hold any units in the Funds during the year.

Parties related to the Funds including the Responsible Entity, its affiliates or other funds managed by the Responsible Entity did not hold any units in the Funds during the year.

Investments

The Funds held investments in the following schemes which were also managed by the Responsible Entity or its related parties:

30 June 2017	Vanguard Global Emerging Markets Shares Fund				
	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	110,151,761	0.15	1,567,637	886,871	–
	110,151,761		1,567,637	886,871	–

30 June 2016	Vanguard Global Emerging Markets Shares Fund				
	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	51,360,371	0.10	971,611	289,450	19,200
	51,360,371		971,611	289,450	19,200

Notes to the financial statements (continued)

For the year ended 30 June 2017

14. Related party transactions (continued)

Investments (continued)

Vanguard Global Shares Index Fund (Hedged)					
30 June 2017	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	227,287,437	0.07	5,946,837	2,150,353	59,582
	227,287,437		5,946,837	2,150,353	59,582

Vanguard Global Shares Index Fund (Hedged)					
30 June 2016	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	93,321,737	0.77	3,638,544	1,322,447	71,390
	93,321,737		3,638,544	1,322,447	71,390

Vanguard Europe Shares Index Fund					
30 June 2017	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	82,399,813	0.39	1,307,408	1,605,239	125,000
	82,399,813		1,307,408	1,605,239	125,000

Vanguard Europe Shares Index Fund					
30 June 2016	Fair value of investment	Interest held	Distribution received/receivable	Number of units acquired	Number of units disposed
	\$	%	\$	Units	Units
Vanguard FTSE Emerging Markets ETF	5,396,234	0.03	127,709	88,075	1,925
	5,396,234		127,709	88,075	1,925

Notes to the financial statements (continued)

For the year ended 30 June 2017

14. Related party transactions (continued)

Investments (continued)

The fair value of financial assets held in the investee fund is included in financial assets at fair value through profit or loss in the balance sheet.

Interest held represents the entity's average percentage interest in the Wholesale class of the investee funds.

The Funds' maximum exposure to loss from its interest in investee funds is equal to the total fair value of its investments in the investee funds as there are no off-balance sheet exposure relating to any of the investee funds. Once the Fund has disposed of its shares in an investee fund, it ceases to be exposed to any risk from that investee fund.

The proportion of ownership interest is equal to the proportion of the voting power held.

The Funds did not hold any investments in Vanguard Investments Australia Ltd during the year.

Other transactions within the Funds

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

15. Events occurring after the reporting period

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

16. Contingent assets, contingent liabilities and commitments

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

Directors' Declaration

In the opinions of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 19 to 58 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 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that each Fund will be able to pay its debts as and when they become due and payable.

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

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



C Kelton
Managing Director
Melbourne
31 August 2017



Independent auditor's report

To the unitholders of:

- Vanguard Australian Large Companies Index Fund
- Vanguard Australian Small Companies Index Fund
- Vanguard Global Emerging Markets Shares Fund
- Vanguard Global Shares Index Fund (Hedged)
- Vanguard Europe Shares Index Fund
- Vanguard Asia Ex-Japan Shares Index Fund

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

Report on the audit of the financial report

Our opinion

In our opinion:

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

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

What we have audited

The Funds' financial report comprises:

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

Basis for opinion

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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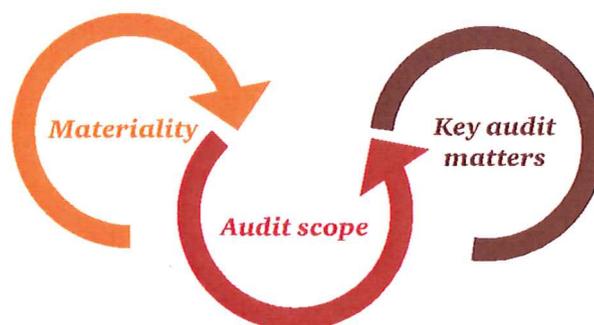
Independence

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

Our audit approach

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

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



Materiality

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

Audit Scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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- Our audit approach reflects the nature of the investments held by the Funds and the consideration of the work undertaken by third party service providers. The key service provider relevant to our audit is JPMorgan, who maintains the accounting records of the Funds and provides custodian services for the investments.

Key audit matters

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

Key audit matter

Investments in financial assets and financial liabilities

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

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

How our audit addressed the key audit matter

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

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

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

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

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

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<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>independent auditors of the third party service provider. We have placed reliance on the procedures performed by the service providers' auditors.</p> <p>For investments not held in custody at the custodian we performed the following procedures:</p> <ul style="list-style-type: none"> • We obtained independent confirmation at year end from the counterparties for collateral held and confirmation from the unlisted unit trusts unit registry for investments in unlisted unit trusts, and agreed the confirmed balance to the accounting records. • We obtained the trade ticket and the account statement for repurchase agreements and agreed the amounts to the accounting records.

Other information

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

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

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

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

Responsibilities of the directors of the financial report

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



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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Price waterhouse coopers

PricewaterhouseCoopers

Britt Hawkins
Partner

Melbourne
31 August 2017

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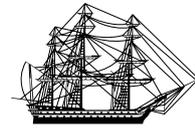
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