

Vanguard® Investor Index Funds

Annual Report
30th June 2011



Vanguard®



Vanguard® Index Australian Shares Fund	ARSN 090 995 770	ABN 38 931 692 506
Vanguard® High Yield Australian Shares Fund	ARSN 109 638 379	ABN 19 060 820 283
Vanguard® Index International Shares Fund	ARSN 090 995 583	ABN 42 389 448 403
Vanguard® Index Hedged International Shares Fund	ARSN 095 375 894	ABN 66 256 805 696
Vanguard® Index Australian Property Securities Fund	ARSN 090 995 494	ABN 99 571 736 269
Vanguard® Index Diversified Bond Fund	ARSN 090 995 841	ABN 96 491 646 070
Vanguard® Index Cash Plus Fund	ARSN 090 995 887	ABN 64 380 598 371
Vanguard® LifeStrategy Conservative Fund	ARSN 090 996 044	ABN 68 558 424 817
Vanguard® LifeStrategy Balanced Fund	ARSN 103 186 607	ABN 31 948 445 348
Vanguard® LifeStrategy Growth Fund	ARSN 090 996 099	ABN 73 804 372 624
Vanguard® LifeStrategy High Growth Fund	ARSN 090 995 967	ABN 38 087 357 469

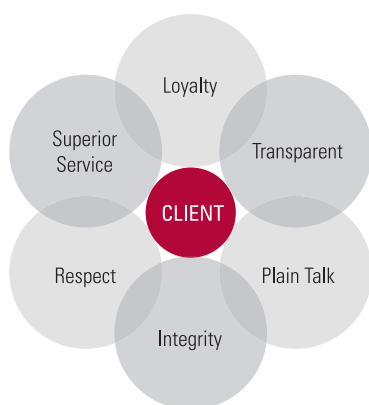
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About Vanguard

Since launching the first index mutual fund for individual investors in 1976, Vanguard has strived to be the world's highest value provider of investment products and services.

We have an unwavering focus on our clients and a commitment to champion what is best for investors by keeping costs as low as possible.



Our investment philosophy

Underlying Vanguard's investment approach is an enduring philosophy based on four key beliefs:

1. Minimise costs

All else being equal, investments with consistently low management fees and transaction costs can give investors a head start in achieving competitive returns*. Management fees create a drag on returns that make it difficult for a fund manager to add value. High fund turnover can drive up transaction costs and lower a fund's tax efficiency. To keep portfolio costs down, Vanguard adopts a buy-and-hold investment approach to minimise transaction costs and taxes.

2. Focus on strategic asset allocation

Research suggests that asset allocation is the most important investment decision investors will make, that is their mix of equities, fixed interest, property and cash within a portfolio. Historically asset allocation has accounted for more than 80 per cent of the variation in long term investment performance.

3. Invest for the long term

A sound investment approach starts with asset allocation with consideration to the time horizon of the investment objective.

4. Maintain diversification in portfolios

Being broadly diversified, with exposure to all parts of the share, fixed interest and property markets reduces the amount of risk a portfolio is exposed to.

Vanguard Investments Australia Ltd is a wholly owned subsidiary of The Vanguard Group, Inc. which is based in the US and currently manages nearly US\$ 1.9[†] trillion for nearly 25 million individual and institutional accounts.

In Australia, Vanguard has been helping investors meet their long-term financial goals with low cost indexing solutions for nearly 15 years.

*Past performance is not an indicator of future performance. Our products are designed to closely track market returns before fees, expenses and taxes. Investments are not guaranteed and may rise or fall.

[†]As at 30 June 2011

Directors' Report

The directors of Vanguard Investments Australia Ltd, the Responsible Entity of the Vanguard Investor Index Funds, present their report together with the financial report of the Vanguard Investor Index Funds ('the Funds') for the year ended 30 June 2011.

Principal activities

The Funds invest in accordance with the investment policy of the Funds as set out in the current Product Disclosure Statement (PDS) and in accordance with the Constitutions of the Funds. The Funds seek to track the weighted average return of each of the underlying Vanguard Wholesale Index Funds in which they invest, before taking into account Fund fees and expenses. The weights used are the strategic asset allocations to each asset class, for each individual Fund.

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.

Results

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	For the year ended 30 June		For the year ended 30 June		For the year ended 30 June		For the year ended 30 June	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Operating profit/(loss) before financing costs attributable to unitholders	47,917,924	41,724,806	9,666,382	8,413,355	2,303,686	4,055,908	26,923,670	19,032,911
<i>Distributions</i>								
Distribution paid and payable	16,285,406	14,808,141	3,256,426	2,863,457	1,664,264	1,585,637	24,993,152	–
Distribution (cents per unit)	6.14	5.67	4.57	3.90	0.90	0.94	14.42	–

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	For the year ended 30 June		For the year ended 30 June		For the year ended 30 June	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Operating profit/(loss) before financing costs attributable to unitholders	3,542,440	11,206,612	8,560,560	10,143,102	721,718	543,799
<i>Distributions</i>						
Distribution paid and payable	3,389,558	4,364,427	16,939,232	6,757,008	804,883	690,101
Distribution (cents per unit)	2.63	3.37	15.52	5.55	5.16	4.35

Directors

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

J G Duffield – resigned 31 December 2010

J H Wily – resigned 31 December 2010

J M Norris

G W Reed

J P Brennan

K A Watt

J M James

Review and results of operations

During the year, the investment policy of the Funds continues to be that detailed in the current PDS and in accordance with the provisions of the Constitutions of the Funds.

The Funds maintained their investment strategy by investing in unlisted unit trusts. There have been no changes to the operations of the Funds since last year.

Directors' Report (continued)

Review and results of operations (continued)

Results (continued)

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	For the year ended 30 June 2011		For the year ended 30 June 2011		For the year ended 30 June 2011		For the year ended 30 June 2011	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Operating profit/(loss) before financing costs attributable to unitholders	465,931	409,948	1,861,886	1,959,195	6,660,722	7,750,322	7,039,771	8,126,957
<i>Distributions</i>								
Distribution paid and payable	526,560	247,058	1,847,308	879,247	5,752,722	2,665,682	4,330,782	2,189,753
Distribution (cents per unit)	7.59	4.00	7.90	3.93	8.28	3.85	6.84	3.47

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 annual return is shown for each of the past five years to 30 June 2011 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.

	2011	2010	2009	2008	2007
	%	%	%	%	%
Vanguard Index Australian Shares Fund					
Capital growth	7.35	8.71	(24.02)	(18.35)	22.75
Distribution of income	3.80	3.66	3.45	4.07	5.58
Total return	11.15	12.37	(20.57)	(14.28)	28.33
Benchmark return					
<i>S&P/ASX 300 Index</i>	11.90	13.05	(20.34)	(13.67)	29.21
Vanguard High Yield Australian Shares Fund					
Capital growth	8.59	8.67	(26.24)	(17.43)	21.45
Distribution of income	4.48	3.80	3.73	2.97	7.89
Total return	13.07	12.47	(22.51)	(14.46)	29.34
Benchmark return					
<i>S&P/ASX 200 Index (excluding Listed Property Trusts)</i>	13.66	12.67	(18.56)	(11.14)	28.96
Vanguard Index International Shares Fund					
Capital growth	0.88	3.22	(17.82)	(22.68)	6.04
Distribution of income	1.19	1.28	1.28	1.04	1.03
Total return	2.07	4.50	(16.54)	(21.64)	7.07
Benchmark return					
<i>MSCI World ex-Australia Index</i>	2.66	5.22	(16.24)	(21.26)	7.77
Vanguard Index Hedged International Shares Fund (Hedged to AUD)					
Capital growth	0.04	13.35	(29.42)	(24.70)	12.38
Distribution of income	25.98	–	–	10.46	10.35
Total return	26.02	13.35	(29.42)	(14.24)	22.73
Benchmark return					
<i>MSCI World ex-Australia Index (Hedged to AUD)</i>	26.72	14.07	(28.41)	(13.68)	23.69

Directors' Report *(continued)*

Review and results of operations *(continued)*

Performance *(continued)*

	2011	2010	2009	2008	2007
	%	%	%	%	%
Vanguard Index Australian Property Securities Fund					
Capital growth	0.20	12.63	(45.04)	(41.91)	11.00
Distribution of income	4.76	6.77	4.14	3.72	14.37
Total return	4.96	19.40	(40.90)	(38.19)	25.37
Benchmark return					
<i>S&P/ASX 300 Property Index</i>	5.86	20.34	(42.11)	(37.74)	26.32
Vanguard Index Diversified Bond Fund					
Capital growth	(8.66)	3.64	7.62	(1.16)	(2.18)
Distribution of income	14.24	5.36	2.17	6.90	6.32
Total return	5.58	9.00	9.79	5.74	4.14
Benchmark return					
<i>Tailored Index</i>	6.23	9.89	10.15	6.51	4.78
Vanguard Index Cash Plus Fund					
Capital growth	(0.59)	(0.97)	0.33	0.01	(0.73)
Distribution of income	5.26	4.37	6.19	6.16	6.26
Total return	4.67	3.40	6.52	6.17	5.53
Benchmark return					
<i>Tailored Index</i>	4.91	3.28	7.58	6.95	4.78
Vanguard LifeStrategy Conservative Fund					
Capital growth	(0.84)	3.99	(5.09)	(7.00)	2.64
Distribution of income	7.31	3.98	3.87	5.13	6.62
Total return	6.47	7.97	(1.22)	(1.87)	9.26
Benchmark return					
<i>Tailored Index</i>	7.04	8.28	(1.08)	(1.09)	10.06
Vanguard LifeStrategy Balanced Fund					
Capital growth	0.08	5.91	(9.93)	(11.30)	5.38
Distribution of income	7.26	3.78	3.02	4.72	6.81
Total return	7.34	9.69	(6.91)	(6.58)	12.19
Benchmark return					
<i>Tailored Index</i>	8.07	10.28	(6.88)	(5.99)	12.91
Vanguard LifeStrategy Growth Fund					
Capital growth	1.04	7.91	(14.43)	(17.14)	8.41
Distribution of income	7.32	3.62	2.35	6.02	6.80
Total return	8.36	11.53	(12.08)	(11.12)	15.21
Benchmark return					
<i>Tailored Index</i>	9.19	12.31	(12.56)	(10.66)	16.02
Vanguard LifeStrategy High Growth Fund					
Capital growth	3.44	9.15	(20.45)	(20.50)	13.21
Distribution of income	5.80	3.15	2.39	4.76	5.34
Total return	9.24	12.30	(18.06)	(15.74)	18.55
Benchmark return					
<i>Tailored Index</i>	10.04	13.01	(18.41)	(15.15)	19.48

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

Directors' Report *(continued)*

Review and results of operations *(continued)*

Unit redemption prices

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

	At 30 June		Period high Period to 30 June		Period low Period to 30 June	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Vanguard Index Australian Shares Fund	1.7353	1.6258	1.8654	1.8802	1.5688	1.3890
Vanguard High Yield Australian Shares Fund	1.1298	1.0414	1.1914	1.2069	1.0189	0.9054
Vanguard Index International Shares Fund	0.7645	0.7611	0.8224	0.8147	0.7377	0.7113
Vanguard Index Hedged International Shares Fund	0.6841	0.5575	0.7004	0.6462	0.5507	0.4690
Vanguard Index Australian Property Securities Fund	0.5765	0.5806	0.6029	0.6455	0.5521	0.4714
Vanguard Index Diversified Bond Fund	1.0928	1.1164	1.1332	1.1164	1.0638	1.0621
Vanguard Index Cash Plus Fund	1.0059	1.0040	1.0118	1.0185	0.9937	0.9942
Vanguard LifeStrategy Conservative Fund	1.0867	1.0704	1.0908	1.0917	0.9295	0.9953
Vanguard LifeStrategy Balanced Fund	1.1490	1.1204	1.1626	1.1677	0.8668	1.0156
Vanguard LifeStrategy Growth Fund	1.2055	1.1625	1.2365	1.2403	0.8122	1.0263
Vanguard LifeStrategy High Growth Fund	1.2659	1.2046	1.3200	1.3212	0.7430	1.0471

Directors' Report *(continued)*

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

Indemnification and insurance of officers and auditors

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

while acting on behalf of the Funds. The auditors are in no way indemnified out of the assets of the Funds.

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

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 11(b) to the financial statements.

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

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 11(d) to the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the year is set out in note 8 to the financial statements.

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

Environmental regulation

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



J M James
Managing Director
Melbourne
31 August 2011

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Auditor's Independence Declaration

As lead auditor for the audit of Vanguard Investor Index Funds for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of the following Vanguard Investor Index Funds during the year:

- Vanguard Index Australian Shares Fund
- Vanguard High Yield Australian Shares Fund
- Vanguard Index International Shares Fund
- Vanguard Index Hedged International Shares Fund
- Vanguard Index Australian Property Securities Fund
- Vanguard Index Diversified Bond Fund
- Vanguard Index Cash Plus Fund
- Vanguard LifeStrategy Conservative Fund
- Vanguard LifeStrategy Balanced Fund
- Vanguard LifeStrategy Growth Fund
- Vanguard LifeStrategy High Growth Fund



George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
31 August 2011

Statement of comprehensive income

For the year ended 30 June 2011

	Notes	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Investment income									
Dividends/trust distributions		18,199,820	16,731,133	3,656,201	3,278,983	2,410,829	2,222,924	25,777,662	1,162,154
Net gain/(loss) on financial assets designated at fair value through profit or loss	4	31,634,439	26,816,487	6,410,588	5,548,387	636,527	2,471,606	1,747,815	18,560,369
Other investment income		27,231	24,640	3,378	6,229	9,391	4,307	1,840	2,907
Total investment income/(loss)		49,861,490	43,572,260	10,070,167	8,833,599	3,056,747	4,698,837	27,527,317	19,725,430
Expenses									
Responsible Entity's fees	5	1,921,220	1,815,401	400,955	411,510	745,242	637,090	602,111	688,550
Other expenses		22,346	32,053	2,830	8,734	7,819	5,839	1,536	3,969
Total operating expenses		1,943,566	1,847,454	403,785	420,244	753,061	642,929	603,647	692,519
Operating profit/(loss)		47,917,924	41,724,806	9,666,382	8,413,355	2,303,686	4,055,908	26,923,670	19,032,911
Finance costs attributable to unitholders									
Distributions to unitholders	7	(16,285,406)	(14,808,141)	(3,256,426)	(2,863,457)	(1,664,264)	(1,585,637)	(24,993,152)	–
(Increase)/decrease in net assets attributable to unitholders	8(b)	(31,632,518)	(26,916,665)	(6,409,956)	(5,549,898)	(639,422)	(2,470,271)	(1,930,518)	(19,032,911)
Profit/(loss) for the year		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	–	–

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

Statement of comprehensive income *(continued)*

For the year ended 30 June 2011

	Notes	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
		2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$
Investment income							
Dividends/trust distributions		3,950,456	4,781,475	16,736,621	7,300,015	868,677	757,041
Net gain/(loss) on financial assets designated at fair value through profit or loss	4	20,553	6,838,455	(7,467,511)	3,381,791	(82,943)	(146,050)
Other investment income		3,994	2,452	37,162	8,365	8,053	2,084
Total investment income/(loss)		3,975,003	11,622,382	9,306,272	10,690,171	793,787	613,075
Expenses							
Responsible Entity's fees	5	429,348	412,554	742,541	541,035	65,437	66,288
Other expenses		3,215	3,216	3,171	6,034	6,632	2,988
Total operating expenses		432,563	415,770	745,712	547,069	72,069	69,276
Operating profit/(loss)		3,542,440	11,206,612	8,560,560	10,143,102	721,718	543,799
Finance costs attributable to unitholders							
Distributions to unitholders	7	(3,389,558)	(4,364,427)	(16,939,232)	(6,757,008)	(804,883)	(690,101)
(Increase)/decrease in net assets attributable to unitholders	8(b)	(152,882)	(6,842,185)	8,378,672	(3,386,094)	83,165	146,302
Profit/(loss) for the year		–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–

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

Statement of comprehensive income *(continued)*

For the year ended 30 June 2011

	Notes	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Investment income									
Dividends/trust distributions		568,320	283,513	1,986,830	1,019,888	6,176,701	3,119,261	4,741,561	2,611,607
Net gain/(loss) on financial assets designated at fair value through profit or loss	4	(60,052)	162,936	17,124	1,078,387	939,088	5,081,554	2,723,701	5,946,132
Other investment income		3,012	577	13,464	2,969	11,773	1,376	17,853	1,226
Total investment income/(loss)		511,280	447,026	2,017,418	2,101,244	7,127,562	8,202,191	7,483,115	8,558,965
Expenses									
Responsible Entity's fees	5	43,820	36,155	152,085	138,609	465,556	450,117	440,899	430,573
Other expenses		1,529	923	3,447	3,440	1,284	1,752	2,445	1,435
Total operating expenses		45,349	37,078	155,532	142,049	466,840	451,869	443,344	432,008
Operating profit/(loss)		465,931	409,948	1,861,886	1,959,195	6,660,722	7,750,322	7,039,771	8,126,957
Finance costs attributable to unitholders									
Distributions to unitholders	7	(526,560)	(247,058)	(1,847,308)	(879,247)	(5,752,722)	(2,665,682)	(4,330,782)	(2,189,753)
(Increase)/decrease in net assets attributable to unitholders	8(b)	60,629	(162,890)	(14,578)	(1,079,948)	(908,000)	(5,084,640)	(2,708,989)	(5,937,204)
Profit/(loss) for the year		–	–	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	–	–

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

Balance sheet

As at 30 June 2011

	Notes	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash & cash equivalents	9	3,223	171,695	(1,920)	261	13	91,251	(1,711)	(45,903)
Dividends/distribution receivable		2,650,930	4,847,776	148,102	216,179	960,364	1,443,379	14,967,894	600,286
Financial assets designated at fair value through profit and loss	10	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454
Other assets		47,636	46,847	9,789	10,385	19,059	17,985	14,928	15,310
Total assets		459,573,048	431,409,129	77,984,725	74,934,615	144,920,214	130,796,133	118,375,279	109,736,147
Liabilities									
Accounts payable		164,071	161,128	34,057	34,558	67,864	64,346	52,120	51,954
Distribution payable	7	5,304,654	7,403,982	82,461	148,323	1,117,706	1,475,188	21,865,284	–
Other liabilities		–	–	–	–	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)		5,468,725	7,565,110	116,518	182,881	1,185,570	1,539,534	21,917,404	51,954
Net assets attributable to unitholders (liability)	8(b)	454,104,323	423,844,019	77,868,207	74,751,734	143,734,644	129,256,599	96,457,875	109,684,193

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

	Notes	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
		2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$
Assets							
Cash & cash equivalents	9	(447)	29,748	9	629	6	99,071
Dividends/distribution receivable		1,098,961	1,499,839	3,631,759	2,423,858	52,592	35,882
Financial assets designated at fair value through profit and loss	10	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218
Other assets		10,177	10,470	15,232	15,341	1,647	1,656
Total assets		73,577,815	76,115,361	55,034,534	155,785,985	16,628,637	17,327,827
Liabilities							
Accounts payable		36,499	38,750	21,005	60,701	6,043	6,197
Distribution payable	7	2,621,613	3,370,371	4,435,849	2,257,036	171,282	42,469
Other liabilities		–	–	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)		2,658,112	3,409,121	4,456,854	2,317,737	177,325	48,666
Net assets attributable to unitholders (liability)	8(b)	70,919,703	72,706,240	50,577,680	153,468,248	16,451,312	17,279,161

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

Balance sheet *(continued)*

As at 30 June 2011

	Notes	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash & cash equivalents	9	(8)	(762)	(1,343)	7,649	(376)	1,632	(161)	657
Dividends/distribution receivable		192,636	67,078	769,016	305,533	2,678,930	1,147,445	1,847,372	1,061,026
Financial assets designated at fair value through profit and loss	10	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715
Other assets		1,079	999	3,792	3,626	11,458	11,581	10,893	10,970
Total assets		7,462,312	6,979,567	26,984,873	25,872,425	83,566,099	80,897,736	79,681,772	76,373,368
Liabilities									
Accounts payable		3,739	3,671	13,459	13,347	40,449	41,006	37,759	38,658
Distribution payable	7	350,411	169,193	1,284,542	620,416	4,111,568	1,947,170	2,794,269	1,512,950
Other liabilities		–	–	–	–	–	–	–	–
Total liabilities (excluding net assets attributable to unitholders)		354,150	172,864	1,298,001	633,763	4,152,017	1,988,176	2,832,028	1,551,608
Net assets attributable to unitholders (liability)	8(b)	7,108,162	6,806,703	25,686,872	25,238,662	79,414,082	78,909,560	76,849,744	74,821,760

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

Statement of changes in equity

For the year ended 30 June 2011

Notes	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Total equity at the beginning of the financial year	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-	-	-

Notes	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Total equity at the beginning of the financial year	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-

Notes	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Total equity at the beginning of the financial year	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Total equity at the end of the financial year	-	-	-	-	-	-	-	-

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

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

Statement of cash flows

For the year ended 30 June 2011

	Notes	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities									
Proceeds from sale of financial assets designated at fair value through profit or loss		36,243,418	26,590,157	12,279,387	10,602,504	11,267,776	17,050,851	23,024,057	43,116,889
Purchases of financial assets designated at fair value through profit or loss		(14,740,762)	(66,405,780)	(5,265,484)	(12,944,705)	(22,434,665)	(38,422,045)	(4,093,902)	(9,389,618)
Other income		27,231	24,640	3,378	6,228	9,391	4,307	1,841	2,907
Responsible Entity's fees paid		(1,919,066)	(1,793,434)	(400,860)	(408,192)	(742,798)	(627,680)	(601,563)	(696,482)
Other expenses paid		(22,346)	(32,053)	(2,830)	(8,734)	(7,819)	(5,839)	(1,536)	(3,969)
Net cash inflow/(outflow) from operating activities	12(a)	19,588,475	(41,616,470)	6,613,591	(2,752,899)	(11,908,115)	(22,000,406)	18,328,897	33,029,727
Cash flows from financing activities									
Proceeds from applications by unitholders		45,677,381	108,748,675	9,242,762	19,115,633	30,143,166	45,431,237	8,526,894	16,725,554
Payments for redemptions by unitholders		(59,548,493)	(63,082,764)	(14,372,753)	(15,140,897)	(17,340,842)	(23,191,027)	(25,340,074)	(49,800,807)
Distributions paid		(5,885,835)	(3,922,808)	(1,485,781)	(1,226,956)	(985,447)	(185,157)	(1,471,525)	–
Net cash inflow/(outflow) from financing activities		(19,756,947)	41,743,103	(6,615,772)	2,747,780	11,816,877	22,055,053	(18,284,705)	(33,075,253)
Net increase/(decrease) in cash and cash equivalents		(168,472)	126,633	(2,181)	(5,119)	(91,238)	54,647	44,192	(45,526)
Cash and cash equivalents at the beginning of the year		171,695	45,062	261	5,380	91,251	36,604	(45,903)	(377)
Cash and cash equivalents at the end of the year	9	3,223	171,695	(1,920)	261	13	91,251	(1,711)	(45,903)

Non-cash financing activities 12(b)

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

Statement of cash flows *(continued)*

For the year ended 30 June 2011

	Notes	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
		2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$
Cash flows from operating activities							
Proceeds from sale of financial assets designated at fair value through profit or loss		11,404,161	6,838,010	174,797,747	8,278,458	7,495,195	15,709,106
Purchases of financial assets designated at fair value through profit or loss		(4,926,093)	(12,547,283)	(64,777,915)	(76,625,966)	(6,109,345)	(17,760,598)
Other income		3,994	2,452	37,162	8,365	8,053	2,084
Responsible Entity's fees paid		(431,306)	(406,057)	(782,129)	(517,412)	(65,582)	(65,488)
Other expenses paid		(3,215)	(3,216)	(3,171)	(6,034)	(6,632)	(2,988)
Net cash inflow/(outflow) from operating activities	12(a)	6,047,541	(6,116,094)	109,271,694	(68,862,589)	1,321,689	(2,117,884)
Cash flows from financing activities							
Proceeds from applications by unitholders		9,037,419	18,876,001	82,064,188	91,623,745	6,758,906	22,239,436
Payments for redemptions by unitholders		(12,931,900)	(10,686,757)	(189,156,416)	(21,774,004)	(7,981,775)	(19,785,721)
Distributions paid		(2,183,255)	(2,044,928)	(2,180,086)	(985,744)	(197,885)	(236,465)
Net cash inflow/(outflow) from financing activities		(6,077,736)	6,144,316	(109,272,314)	68,863,997	(1,420,754)	2,217,250
Net increase/(decrease) in cash and cash equivalents		(30,195)	28,222	(620)	1,408	(99,065)	99,366
Cash and cash equivalents at the beginning of the year		29,748	1,526	629	(779)	99,071	(295)
Cash and cash equivalents at the end of the year	9	(447)	29,748	9	629	6	99,071

Non-cash financing activities 12(b)

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

Statement of cash flows *(continued)*

For the year ended 30 June 2011

	Notes	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities									
Proceeds from sale of financial assets designated at fair value through profit or loss		1,492,330	1,312,688	4,412,900	2,885,953	8,583,627	5,492,719	8,521,783	7,745,744
Purchases of financial assets designated at fair value through profit or loss		(1,465,974)	(2,009,860)	(3,530,220)	(5,298,326)	(4,138,333)	(11,891,999)	(4,365,817)	(9,328,900)
Other income		3,012	571	13,464	2,968	11,773	1,376	17,853	1,226
Responsible Entity's fees paid		(43,833)	(35,690)	(152,140)	(136,904)	(465,990)	(444,983)	(441,721)	(426,772)
Other expenses paid		(1,529)	(923)	(3,447)	(3,440)	(1,284)	(1,752)	(2,445)	(1,435)
Net cash inflow/(outflow) from operating activities	12(a)	(15,994)	(733,214)	740,557	(2,549,749)	3,989,793	(6,844,639)	3,729,653	(2,010,137)
Cash flows from financing activities									
Proceeds from applications by unitholders		1,407,368	1,977,256	3,857,543	5,851,141	5,836,531	13,117,004	6,895,826	11,397,987
Payments for redemptions by unitholders		(1,247,266)	(1,183,408)	(4,204,875)	(3,144,072)	(9,112,460)	(6,007,702)	(9,993,947)	(9,120,907)
Distributions paid		(143,354)	(61,200)	(402,217)	(149,559)	(715,872)	(263,112)	(632,350)	(266,137)
Net cash inflow/(outflow) from financing activities		16,748	732,648	(749,549)	2,557,510	(3,991,801)	6,846,190	(3,730,471)	2,010,943
Net increase/(decrease) in cash and cash equivalents		754	(566)	(8,992)	7,761	(2,008)	1,551	(818)	806
Cash and cash equivalents at the beginning of the year		(762)	(196)	7,649	(112)	1,632	81	657	(149)
Cash and cash equivalents at the end of the year	9	(8)	(762)	(1,343)	7,649	(376)	1,632	(161)	657

Non-cash financing activities 12(b)

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

Notes to the financial statements

For the year ended 30 June 2011

1. General information

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

The Funds were constituted on 16 June 1998 and will terminate on 15 June 2078 unless terminated earlier in accordance with the provisions of the Constitutions of the Funds.

The Funds invest in accordance with the investment policy of the Funds as set out in the current Product Disclosure Statement (PDS) and in accordance with the Constitutions of the Funds. The Funds seek to match the weighted average return of each of the underlying Vanguard Wholesale Index Funds in which they invest, before taking into account Fund fees and expenses. The weights used are the strategic asset allocations to each asset class, for each individual Fund.

The financial statements were authorised for issue by the directors on 31 August 2011. The directors of the Responsible Entity have the power to amend and reissue the financial report.

The financial report is presented in the Australian currency.

2. Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

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

The balance sheet is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards

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

Financial statement presentation

The Funds have applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Fund had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Financial instruments

(i) Classification

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

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

(b) Financial instruments *(continued)*

(i) Classification *(continued)*

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Funds recognise the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

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

(iv) Offsetting financial instruments

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

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for cash equal to a proportionate share of the Funds' net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Funds. Because the Funds' redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the income statement as they arise.

(d) Cash and cash equivalents

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

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

(e) Investment income

Trust distributions are recognised on an entitlements basis as the Funds are presently entitled to the distributable income of its investee trusts.

(f) Expenses

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

(g) Income tax

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

(g) Income tax *(continued)*

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

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

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

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

(h) Distributions

In accordance with the Constitutions of the Funds, the Funds fully distribute their distributable income to unitholders by cash or reinvestment. Distributions payable are the amounts that the unitholders are presently entitled to as at 30 June 2011, but have not yet received. The distributions are payable at the end of December and June each year for all funds except for the Vanguard High Yield Australian Shares Fund which is payable at the end of each month, and the Vanguard Index Diversified Bond Fund and the Vanguard Index Cash Plus Fund which is payable at the end of September, December, March and June. Distributions are recognised in the income statement as finance costs attributable to unitholders.

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

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

(j) Foreign currency translation

Functional and presentation currency

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

(k) Receivables

Receivables may include amounts for trust distributions. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

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

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income as at 30 June 2011 under the Constitutions of the Funds.

(m) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed. There are currently no entry or exit fees charged for the Funds.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties such as audit fees, custodial services and Responsible Entity fees, have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of at least 75%, hence Responsible Entity fees, custodial fees and other expenses have been recognised in the income statement 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 cash flow statement on a gross basis.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretation is set below:

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

(o) New accounting standards and interpretations *(continued)*

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

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

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

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

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009–12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Funds will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Funds' financial statements.

(iii) AASB 2010–6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption on Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Funds' disclosures. The Funds intend to apply the amendments from 1 July 2011.

(iv) Amendments to AASB 2010–4 *Further Amendments to Australian Accounting Standards arising from the Annual improvements Projects* (effective for annual reporting periods beginning on or after 1 July 2010/1 July 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Funds do not expect that any adjustments will be necessary as the result of applying the revised rules.

3. Financial risk management

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

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

(a) Market risk

(i) Price risk

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

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

(ii) Foreign exchange risk

The international Funds 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 losses or gains must be converted back to Australian dollars.

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Foreign exchange risk *(continued)*

The Funds have no significant direct exposure to foreign exchange risk. However, the Funds are indirectly exposed to foreign exchange risk via their investment strategy of investing in the Vanguard Wholesale Index Funds.

Of the Vanguard Wholesale Index Funds, the Vanguard International Shares Index Fund and Vanguard Emerging Markets Shares Index Fund do not hedge any of their exposure to foreign currencies. Accordingly, these Funds are affected by currency fluctuations.

The Vanguard International Fixed Interest Index Fund (Hedged), Vanguard International Credit Securities Index Fund (Hedged), Vanguard International Property Securities Index Fund (Hedged) and Vanguard International Small Companies Index Fund (Hedged) and Vanguard International Shares Index Fund (Hedged) invest on a fully hedged basis (to Australian dollars), reducing their exposure to currency risk.

(iii) Interest rate risk

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

The Funds have insufficient direct exposure to interest rate risk to be material. The Funds are indirectly exposed to interest rate risk via their investment strategy of investing in the Vanguard Wholesale Index Funds. All financial liabilities are non-interest bearing.

(b) Fair value estimation

The carrying amounts of the Funds' assets and liabilities at the balance sheet date approximate their fair values.

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

Fair value in an active market

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

Fair value in an inactive or unquoted market

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

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

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

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

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(c) Credit risk

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

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

For Funds which invest in forward exchange contracts there is risk associated with unrealised profits. This is generally a small proportion of the Fund's value.

Credit risk is most applicable to the funds with significant exposure to fixed interest and debt securities such as the Vanguard LifeStrategy Conservative Fund, Vanguard LifeStrategy Balanced Fund, Vanguard Index Cash Plus Fund and Vanguard Index Diversified Bond Fund.

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 2011 or 30 June 2010.

(d) Liquidity risk

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

The Funds' financial instruments are predominantly investments in the Vanguard Wholesale Index Funds (VWIF), a group of unlisted unit trusts which are also managed by the Responsible Entity. The VWIF's financial instruments include investments in equity investments, fixed interest securities and derivative contracts traded over-the-counter. The VWIF's listed securities are considered to be readily realisable as they are all listed on major stock exchanges. The VWIF may use futures to gain market exposure without investing directly in the securities. This allows the VWIF to maintain liquidity without being under-invested in their respective investment policies. The derivatives are not used to leverage the VWIF's portfolio.

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Index Australian Shares Fund										
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	164,071	–	–	–	164,071	161,128	–	–	–	161,128
Distribution payable	5,304,654	–	–	–	5,304,654	7,403,982	–	–	–	7,403,982
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	454,104,323	–	–	–	454,104,323	423,844,019	–	–	–	423,844,019
Total financial liabilities	459,573,048	–	–	–	459,573,048	431,409,129	–	–	–	431,409,129

Vanguard High Yield Australian Shares Fund										
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	34,057	–	–	–	34,057	34,558	–	–	–	34,558
Distribution payable	82,461	–	–	–	82,461	148,323	–	–	–	148,323
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	77,868,207	–	–	–	77,868,207	74,751,734	–	–	–	74,751,734
Total financial liabilities	77,984,725	–	–	–	77,984,725	74,934,615	–	–	–	74,934,615

Vanguard Index International Shares Fund										
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	67,864	–	–	–	67,864	64,346	–	–	–	64,346
Distribution payable	1,117,706	–	–	–	1,117,706	1,475,188	–	–	–	1,475,188
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	143,734,644	–	–	–	143,734,644	129,256,599	–	–	–	129,256,599
Total financial liabilities	144,920,214	–	–	–	144,920,214	130,796,133	–	–	–	130,796,133

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Index Hedged International Shares Fund										
	As at 30 June 2011				TOTAL	As at 30 June 2010				TOTAL
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years		Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	52,120	–	–	–	52,120	51,954	–	–	–	51,954
Distribution payable	21,865,284	–	–	–	21,865,284	–	–	–	–	–
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	96,457,875	–	–	–	96,457,875	109,684,193	–	–	–	109,684,193
Total financial liabilities	118,375,279	–	–	–	118,375,279	109,736,147	–	–	–	109,736,147

Vanguard Index Australian Property Securities Fund										
	As at 30 June 2011				TOTAL	As at 30 June 2010				TOTAL
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years		Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	36,499	–	–	–	36,499	38,750	–	–	–	38,750
Distribution payable	2,621,613	–	–	–	2,621,613	3,370,371	–	–	–	3,370,371
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	70,919,703	–	–	–	70,919,703	72,706,240	–	–	–	72,706,240
Total financial liabilities	73,577,815	–	–	–	73,577,815	76,115,361	–	–	–	76,115,361

Vanguard Index Diversified Bond Fund										
	As at 30 June 2011				TOTAL	As at 30 June 2010				TOTAL
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years		Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	21,005	–	–	–	21,005	60,701	–	–	–	60,701
Distribution payable	4,435,849	–	–	–	4,435,849	2,257,036	–	–	–	2,257,036
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	50,577,680	–	–	–	50,577,680	153,468,248	–	–	–	153,468,248
Total financial liabilities	55,034,534	–	–	–	55,034,534	155,785,985	–	–	–	155,785,985

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

	Vanguard Index Cash Plus Fund									
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	6,043	–	–	–	6,043	6,197	–	–	–	6,197
Distribution payable	171,282	–	–	–	171,282	42,469	–	–	–	42,469
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	16,451,312	–	–	–	16,451,312	17,279,161	–	–	–	17,279,161
Total financial liabilities	16,628,637	–	–	–	16,628,637	17,327,827	–	–	–	17,327,827

	Vanguard Index LifeStrategy Conservative Fund									
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	3,739	–	–	–	3,739	3,671	–	–	–	3,671
Distribution payable	350,411	–	–	–	350,411	169,193	–	–	–	169,193
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	7,108,162	–	–	–	7,108,162	6,806,703	–	–	–	6,806,703
Total financial liabilities	7,462,312	–	–	–	7,462,312	6,979,567	–	–	–	6,979,567

	Vanguard Index LifeStrategy Balanced Fund									
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	13,459	–	–	–	13,459	13,347	–	–	–	13,347
Distribution payable	1,284,542	–	–	–	1,284,542	620,416	–	–	–	620,416
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	25,686,872	–	–	–	25,686,872	25,238,662	–	–	–	25,238,662
Total financial liabilities	26,984,873	–	–	–	26,984,873	25,872,425	–	–	–	25,872,425

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

Vanguard Index LifeStrategy Growth Fund										
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	40,449	–	–	–	40,449	41,006	–	–	–	41,006
Distribution payable	4,111,568	–	–	–	4,111,568	1,947,170	–	–	–	1,947,170
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	79,414,082	–	–	–	79,414,082	78,909,560	–	–	–	78,909,560
Total financial liabilities	83,566,099	–	–	–	83,566,099	80,897,736	–	–	–	80,897,736

Vanguard Index LifeStrategy High Growth Fund										
	As at 30 June 2011					As at 30 June 2010				
	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable	37,759	–	–	–	37,759	38,658	–	–	–	38,658
Distribution payable	2,794,269	–	–	–	2,794,269	1,512,950	–	–	–	1,512,950
Other liabilities	–	–	–	–	–	–	–	–	–	–
Net assets attributable to unitholders	76,849,744	–	–	–	76,849,744	74,821,760	–	–	–	74,821,760
Total financial liabilities	79,681,772	–	–	–	79,681,772	76,373,368	–	–	–	76,373,368

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(e) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' operating profit to price risk. The reasonably possible movements in the price risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correction of the Funds' investments with the relevant benchmark and market volatility. However, actual movements in the price 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 in the underlying sector represents the range of historical returns from the average return

minus one standard deviation to 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.

The Funds have a limited direct exposure to interest rate risk which is considered to be immaterial. The Funds do not have direct exposure to foreign exchange risk. However, the Funds have an indirect exposure to interest rate risk and foreign exchange rate risk via their investments in Vanguard Wholesale Index Funds. No sensitivity analysis tables for interest rate risk and foreign exchange risk have been prepared on the look through basis.

	Carrying amount	Price risk movement in underlying sector	Impact on operating profit	
	\$	%	Low	High
	\$	%	\$	\$
Vanguard Index Australian Shares Fund				
30 June 2011				
Asset Sector : Australian shares	456,871,259	-10% to +23%	(45,687,126)	105,080,390
30 June 2010				
Asset Sector : Australian shares	426,342,811	-11% to +24%	(46,897,709)	102,322,275
Vanguard High Yield Australian Shares Fund				
30 June 2011				
Asset Sector : Australian shares	77,828,754	-10% to +23%	(7,782,875)	17,900,613
30 June 2010				
Asset Sector : Australian shares	74,707,790	-11% to +24%	(8,217,857)	17,929,870
Vanguard Index International Shares Fund				
30 June 2011				
Asset Sector : International shares	143,940,778	-16% to +27%	(23,030,524)	38,864,010
30 June 2010				
Asset Sector : International shares	129,243,518	-26% to +27%	(33,603,315)	34,895,750
Vanguard Index Hedged International Shares Fund				
30 June 2011				
Asset Sector : International shares	103,394,168	-16% to +27%	(16,543,067)	27,916,425
30 June 2010				
Asset Sector : International shares	109,166,454	-26% to +27%	(28,383,278)	29,474,943

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(e) Summarised sensitivity analysis *(continued)*

	Carrying amount	Price risk movement in underlying sector	Impact on operating profit	
	\$	%	Low	High
	\$	%	\$	\$
Vanguard Index Australian Property Securities Fund				
30 June 2011				
Asset Sector : Property securities	72,469,124	-18% to +26%	(13,044,442)	18,841,972
30 June 2010				
Asset Sector : Property securities	74,575,304	-28% to +25%	(20,881,085)	18,643,826
Vanguard Index Diversified Bond Fund				
30 June 2011				
Asset Sector : Fixed interest	51,387,534	-2% to +11%	(1,027,751)	5,652,629
30 June 2010				
Asset Sector : Fixed interest	153,346,157	-1% to +10%	(1,533,462)	15,334,616
Vanguard Index Cash Plus Fund				
30 June 2011				
Asset Sector : Cash	16,574,392	-0% to +7%	-	1,160,207
30 June 2010				
Asset Sector : Cash	17,191,218	+0% to +7%	-	1,203,385
Vanguard LifeStrategy Conservative Fund				
30 June 2011				
Asset Sector : Cash	3,180,824	-0% to +7%	-	222,658
Asset Sector : Fixed interest	1,941,930	-2% to +11%	(38,839)	213,612
Asset Sector : Australian shares	1,066,037	-10% to +23%	(106,604)	245,189
Asset Sector : International shares	786,044	-16% to +27%	(125,767)	212,232
Asset Sector : Property securities	293,770	-18% to +26%	(52,879)	76,380
30 June 2010				
Asset Sector : Cash	2,951,740	+0% to +7%	-	206,622
Asset Sector : Fixed interest	1,979,141	-1% to +10%	(19,791)	197,914
Asset Sector : Australian shares	978,690	-11% to +24%	(107,656)	234,886
Asset Sector : International shares	738,718	-26% to +27%	(192,067)	199,454
Asset Sector : Property securities	263,963	-28% to +25%	(73,910)	65,991

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(e) Summarised sensitivity analysis *(continued)*

	Carrying amount	Price risk movement in underlying sector	Impact on operating profit	
			Low	High
	\$	%	\$	\$
Vanguard LifeStrategy Balanced Fund				
30 June 2011				
Asset Sector : Cash	5,875,047	-0% to +7%	–	411,253
Asset Sector : Fixed interest	7,008,671	-2% to +11%	(140,173)	770,954
Asset Sector : Australian shares	6,537,338	-10% to +23%	(653,734)	1,503,588
Asset Sector : International shares	5,272,470	-16% to +27%	(843,595)	1,423,567
Asset Sector : Property securities	1,519,882	-18% to +26%	(273,579)	395,169
30 June 2010				
Asset Sector : Cash	5,791,768	+0% to +7%	–	405,424
Asset Sector : Fixed interest	7,335,681	-1% to +10%	(73,357)	733,568
Asset Sector : Australian shares	6,026,708	-11% to +24%	(662,938)	1,446,410
Asset Sector : International shares	4,970,940	-26% to +27%	(1,292,444)	1,342,154
Asset Sector : Property securities	1,430,520	-28% to +25%	(400,546)	357,630
Vanguard LifeStrategy Growth Fund				
30 June 2011				
Asset Sector : Cash	1,708,612	-0% to +7%	–	119,603
Asset Sector : Fixed interest	21,696,735	-2% to +11%	(433,935)	2,386,641
Asset Sector : Australian shares	28,050,278	-10% to +23%	(2,805,028)	6,451,564
Asset Sector : International shares	22,744,716	-16% to +27%	(3,639,155)	6,141,073
Asset Sector : Property securities	6,675,746	-18% to +26%	(1,201,634)	1,735,694
30 June 2010				
Asset Sector : Cash	1,656,978	+0% to +7%	–	115,988
Asset Sector : Fixed interest	22,998,915	-1% to +10%	(229,989)	2,299,892
Asset Sector : Australian shares	26,395,390	-11% to +24%	(2,903,493)	6,334,894
Asset Sector : International shares	22,375,027	-26% to +27%	(5,817,507)	6,041,257
Asset Sector : Property securities	6,310,768	-28% to +25%	(1,767,015)	1,577,692
Vanguard LifeStrategy High Growth Fund				
30 June 2011				
Asset Sector : Fixed interest	7,128,402	-2% to +11%	(142,568)	784,124
Asset Sector : Australian shares	34,958,789	-10% to +23%	(3,495,879)	8,040,521
Asset Sector : International shares	28,196,483	-16% to +27%	(4,511,437)	7,613,050
Asset Sector : Property securities	7,539,994	-18% to +26%	(1,357,199)	1,960,398
30 June 2010				
Asset Sector : Fixed interest	7,651,728	-1% to +10%	(76,517)	765,173
Asset Sector : Australian shares	32,860,139	-11% to +24%	(3,614,615)	7,886,433
Asset Sector : International shares	27,450,172	-26% to +27%	(7,137,045)	7,411,546
Asset Sector : Property securities	7,338,676	-28% to +25%	(2,054,829)	1,834,669

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(f) Fair value hierarchy

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

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

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

	Vanguard Index Australian Shares Fund				Vanguard High Yield Australian Shares Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2011								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	456,871,259	–	456,871,259	–	77,828,754	–	77,828,754
Total	–	456,871,259	–	456,871,259	–	77,828,754	–	77,828,754
30 June 2010								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	426,342,811	–	426,342,811	–	74,707,790	–	74,707,790
Total	–	426,342,811	–	426,342,811	–	74,707,790	–	74,707,790
30 June 2011								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	143,940,778	–	143,940,778	–	103,394,168	–	103,394,168
Total	–	143,940,778	–	143,940,778	–	103,394,168	–	103,394,168
30 June 2010								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	129,243,518	–	129,243,518	–	109,166,454	–	109,166,454
Total	–	129,243,518	–	129,243,518	–	109,166,454	–	109,166,454

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(f) Fair value hierarchy *(continued)*

	Vanguard Index Australian Property Securities Fund				Vanguard Index Diversified Bond Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2011								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	72,469,124	–	72,469,124	–	51,387,534	–	51,387,534
Total	–	72,469,124	–	72,469,124	–	51,387,534	–	51,387,534
30 June 2010								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	74,575,304	–	74,575,304	–	153,346,157	–	153,346,157
Total	–	74,575,304	–	74,575,304	–	153,346,157	–	153,346,157

	Vanguard Index Cash Plus Fund				Vanguard LifeStrategy Conservative Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2011								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	16,574,392	–	16,574,392	–	7,268,605	–	7,268,605
Total	–	16,574,392	–	16,574,392	–	7,268,605	–	7,268,605
30 June 2010								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	17,191,218	–	17,191,218	–	6,912,252	–	6,912,252
Total	–	17,191,218	–	17,191,218	–	6,912,252	–	6,912,252

	Vanguard LifeStrategy Balanced Fund				Vanguard LifeStrategy Growth Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2011								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	26,213,408	–	26,213,408	–	80,876,087	–	80,876,087
Total	–	26,213,408	–	26,213,408	–	80,876,087	–	80,876,087
30 June 2010								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Unlisted Unit Trusts	–	25,555,617	–	25,555,617	–	79,737,078	–	79,737,078
Total	–	25,555,617	–	25,555,617	–	79,737,078	–	79,737,078

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

3. Financial risk management *(continued)*

(f) Fair value hierarchy *(continued)*

	Vanguard LifeStrategy High Growth Fund			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2011				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted Unit Trusts	–	77,823,668	–	77,823,668
Total	–	77,823,668	–	77,823,668
30 June 2010				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted Unit Trusts	–	75,300,715	–	75,300,715
Total	–	75,300,715	–	75,300,715

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

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

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Net unrealised gain/(loss) on financial assets designated at fair value through profit or loss	29,288,942	23,638,200	5,531,628	4,124,236	519,896	1,461,695	(827,790)	11,371,747
Net realised gain/(loss) on financial assets designated at fair value through profit or loss	2,345,497	3,178,287	878,960	1,424,151	116,631	1,009,911	2,575,605	7,188,622
Total net gain/(loss) on financial assets designated at fair value through profit or loss	31,634,439	26,816,487	6,410,588	5,548,387	636,527	2,471,606	1,747,815	18,560,369

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Net unrealised gain/(loss) on financial assets designated at fair value through profit or loss	47,389	6,185,030	(2,262,521)	3,282,759	(58,656)	(47,333)
Net realised gain/(loss) on financial assets designated at fair value through profit or loss	(26,836)	653,425	(5,204,990)	99,032	(24,287)	(98,717)
Total net gain/(loss) on financial assets designated at fair value through profit or loss	20,553	6,838,455	(7,467,511)	3,381,791	(82,943)	(146,050)

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Net unrealised gain/(loss) on financial assets designated at fair value through profit or loss	(88,288)	93,557	(91,020)	839,923	633,706	4,512,547	2,263,208	5,118,892
Net realised gain/(loss) on financial assets designated at fair value through profit or loss	28,236	69,379	108,144	238,464	305,382	569,007	460,493	827,240
Total net gain/(loss) on financial assets designated at fair value through profit or loss	(60,052)	162,936	17,124	1,078,387	939,088	5,081,554	2,723,701	5,946,132

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

5. Responsible Entity's fees

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Responsible Entity's fees incurred by the Funds	1,921,220	1,815,401	400,955	411,510	745,242	637,090	602,111	688,550
Management costs per annum	0.75%	0.75%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Responsible Entity's fees incurred by the Funds	429,348	412,554	742,541	541,035	65,437	66,288
Management costs per annum	0.90%	0.90%	0.75%	0.75%	0.70%	0.70%

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Responsible Entity's fees incurred by the Funds	43,820	36,155	152,085	138,609	465,556	450,117	440,899	430,573
Management costs per annum	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

6. Auditor's remuneration

The auditor's remuneration is borne by the Responsible Entity. Other services include the audit of the Compliance Plans and Internal Controls Report (GS 007). During the year, the following fees were paid and payable for services provided by the auditor of the Funds.

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Auditor's remuneration								
– for auditing the financial statements	10,828	11,210	10,828	11,210	10,828	11,210	10,828	11,210
– other services	6,303	6,841	6,303	6,841	6,303	6,841	6,303	6,841

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Auditor's remuneration						
– for auditing the financial statements	10,828	11,210	10,828	11,210	10,828	11,210
– other services	6,303	6,841	6,303	6,841	6,303	6,841

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Auditor's remuneration								
– for auditing the financial statements	10,828	11,210	10,828	11,210	10,828	11,210	10,828	11,210
– other services	6,303	6,841	6,303	6,841	6,303	6,841	6,303	6,841

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

7. Distributions paid and payable

	Vanguard Index Australian Shares Fund				Vanguard High Yield Australian Shares Fund			
	2011		2010		2011		2010	
	\$	CPU	\$	CPU	\$	CPU	\$	CPU
Interim distributions paid	10,980,752	4.14	7,404,159	2.88	3,173,965	4.45	2,715,134	3.69
Distribution payable – 30 June	5,304,654	2.00	7,403,982	2.79	82,461	0.12	148,323	0.21
	16,285,406	6.14	14,808,141	5.67	3,256,426	4.57	2,863,457	3.90

	Vanguard Index International Shares Fund				Vanguard Index Hedged International Shares Fund			
	2011		2010		2011		2010	
	\$	CPU	\$	CPU	\$	CPU	\$	CPU
Interim distributions paid	546,558	0.31	110,449	0.08	3,127,868	1.76	–	–
Distribution payable – 30 June	1,117,706	0.59	1,475,188	0.86	21,865,284	12.66	–	–
	1,664,264	0.90	1,585,637	0.94	24,993,152	14.42	–	–

	Vanguard Index Australian Property Securities Fund				Vanguard Index Diversified Bond Fund			
	2011		2010		2011		2010	
	\$	CPU	\$	CPU	\$	CPU	\$	CPU
Interim distributions paid	767,945	0.57	994,056	0.79	12,503,383	6.70	4,499,972	3.93
Distribution payable – 30 June	2,621,613	2.06	3,370,371	2.58	4,435,849	8.82	2,257,036	1.62
	3,389,558	2.63	4,364,427	3.37	16,939,232	15.52	6,757,008	5.55

	Vanguard Index Cash Plus Fund				Vanguard LifeStrategy Conservative Fund			
	2011		2010		2011		2010	
	\$	CPU	\$	CPU	\$	CPU	\$	CPU
Interim distributions paid	633,601	4.12	647,632	4.10	176,149	2.48	77,865	1.40
Distribution payable – 30 June	171,282	1.04	42,469	0.25	350,411	5.11	169,193	2.60
	804,883	5.16	690,101	4.35	526,560	7.59	247,058	4.00

	Vanguard LifeStrategy Balanced Fund				Vanguard LifeStrategy Growth Fund			
	2011		2010		2011		2010	
	\$	CPU	\$	CPU	\$	CPU	\$	CPU
Interim distributions paid	562,766	2.42	258,831	1.24	1,641,154	2.34	718,512	1.05
Distribution payable – 30 June	1,284,542	5.48	620,416	2.69	4,111,568	5.94	1,947,170	2.80
	1,847,308	7.90	879,247	3.93	5,752,722	8.28	2,665,682	3.85

	Vanguard LifeStrategy High Growth Fund			
	2011		2010	
	\$	CPU	\$	CPU
Interim distributions paid	1,536,513	2.39	676,803	1.08
Distribution payable – 30 June	2,794,269	4.45	1,512,950	2.39
	4,330,782	6.84	2,189,753	3.47

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

8. Net assets attributable to unitholders

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
(a) Units on issue								
Opening balance	265,001,192	233,049,545	71,928,180	66,636,472	171,676,080	143,100,009	196,560,613	251,612,972
Applications	26,196,742	63,467,308	8,218,661	17,511,553	38,736,794	57,973,969	13,140,558	29,426,692
Distributions reinvested	7,376,446	5,015,154	1,637,385	1,308,164	1,372,178	354,094	2,538,451	–
Redemptions	(34,110,219)	(36,530,815)	(12,787,827)	(13,528,009)	(22,482,416)	(29,751,992)	(39,634,688)	(84,479,051)
Closing balance	264,464,161	265,001,192	68,996,399	71,928,180	189,302,636	171,676,080	172,604,934	196,560,613
	\$	\$	\$	\$	\$	\$	\$	\$
(b) Net assets attributable to unitholders								
Opening balance	423,844,019	342,924,292	74,751,734	63,737,938	129,256,599	104,282,154	109,684,193	123,726,535
Applications	45,677,380	108,748,675	9,242,764	19,115,633	30,143,166	45,431,237	8,526,894	16,725,554
Distributions reinvested	12,498,899	8,337,151	1,836,507	1,489,162	1,036,299	263,964	1,656,344	–
Redemptions	(59,548,493)	(63,082,764)	(14,372,754)	(15,140,897)	(17,340,842)	(23,191,027)	(25,340,074)	(49,800,807)
Increase/(decrease) in net assets attributable to unitholders	31,632,518	26,916,665	6,409,956	5,549,898	639,422	2,470,271	1,930,518	19,032,911
Closing balance	454,104,323	423,844,019	77,868,207	74,751,734	143,734,644	129,256,599	96,457,875	109,684,193

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
(a) Units on issue						
Opening balance	130,722,650	113,039,230	139,322,620	71,928,270	17,248,540	14,274,818
Applications	15,586,872	32,280,739	73,538,291	83,906,694	6,746,696	22,082,626
Distributions reinvested	3,509,463	3,672,775	11,602,378	3,466,939	481,101	535,019
Redemptions	(22,512,147)	(18,270,094)	(174,203,623)	(19,979,283)	(7,951,065)	(19,643,923)
Closing balance	127,306,838	130,722,650	50,259,666	139,322,620	16,525,272	17,248,540
	\$	\$	\$	\$	\$	\$
(b) Net assets attributable to unitholders						
Opening balance	72,706,240	55,773,315	153,468,248	76,474,553	17,279,161	14,435,750
Applications	9,037,421	18,876,001	82,064,187	91,623,745	6,758,905	22,239,436
Distributions reinvested	1,955,060	1,901,496	12,580,333	3,757,859	478,186	535,998
Redemptions	(12,931,900)	(10,686,757)	(189,156,416)	(21,774,003)	(7,981,775)	(19,785,721)
Increase/(decrease) in net assets attributable to unitholders	152,882	6,842,185	(8,378,672)	3,386,094	(83,165)	(146,302)
Closing balance	70,919,703	72,706,240	50,577,680	153,468,248	16,451,312	17,279,161

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
(a) Units on issue								
Opening balance	6,514,521	5,714,409	23,064,115	20,396,855	69,520,872	62,332,411	63,302,736	60,484,454
Applications	1,306,893	1,843,347	3,367,190	5,191,203	4,869,740	11,264,245	5,441,496	9,276,751
Distributions reinvested	191,493	103,985	702,458	348,150	2,474,507	1,018,464	1,980,534	951,616
Redemptions	(1,153,995)	(1,147,220)	(3,685,488)	(2,872,093)	(7,646,578)	(5,094,248)	(7,904,457)	(7,410,085)
Closing balance	6,858,912	6,514,521	23,448,275	23,064,115	69,218,541	69,520,872	62,820,309	63,302,736
	\$	\$	\$	\$	\$	\$	\$	\$
(b) Net assets attributable to unitholders								
Opening balance	6,806,703	5,742,639	25,238,662	21,075,131	78,909,560	65,570,896	74,821,760	65,494,231
Applications	1,407,367	1,977,250	3,857,542	5,851,142	5,836,531	13,117,004	6,895,828	11,397,987
Distributions reinvested	201,987	107,333	780,966	376,513	2,872,452	1,144,722	2,417,114	1,113,245
Redemptions	(1,247,266)	(1,183,409)	(4,204,876)	(3,144,072)	(9,112,461)	(6,007,702)	(9,993,947)	(9,120,907)
Increase/(decrease) in net assets attributable to unitholders	(60,629)	162,890	14,578	1,079,948	908,000	5,084,640	2,708,989	5,937,204
Closing balance	7,108,162	6,806,703	25,686,872	25,238,662	79,414,082	78,909,560	76,849,744	74,821,760

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

(b) Movements in the number of units and net assets attributable to unitholders are stipulated within the Constitutions of the Funds.

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

Capital risk management

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

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

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Average daily net applications/(redemptions)	(55,263)	181,936	(20,438)	15,836	51,005	88,606	(66,985)	(131,774)
Net liquid assets of the fund	454,104,323	423,844,019	77,868,207	74,751,734	143,734,644	129,256,599	96,457,875	109,684,193
Net assets attributable to unitholders (NAATU)	454,104,323	423,844,019	77,868,207	74,751,734	143,734,644	129,256,599	96,457,875	109,684,193
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	100%

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Average daily net applications/(redemptions)	(15,516)	32,626	(426,662)	278,286	(4,872)	9,776
Net liquid assets of the fund	70,919,703	72,706,240	50,577,680	153,468,248	16,451,312	17,279,161
Net assets attributable to unitholders (NAATU)	70,919,703	72,706,240	50,577,680	153,468,248	16,451,312	17,279,161
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Average daily net applications/(redemptions)	638	3,163	(1,384)	10,785	(13,052)	28,324	(12,343)	9,072
Net liquid assets of the fund	7,108,162	6,806,703	25,686,872	25,238,662	79,414,082	78,909,560	76,849,744	74,821,760
Net assets attributable to unitholders (NAATU)	7,108,162	6,806,703	25,686,872	25,238,662	79,414,082	78,909,560	76,849,744	74,821,760
Ratio of net liquid assets to NAATU	100%	100%	100%	100%	100%	100%	100%	100%

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

9. Cash and cash equivalents

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Cash at bank	3,223	171,695	(1,920)	261	13	91,251	(1,711)	(45,903)

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Cash at bank	(447)	29,748	9	629	6	99,071

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Cash at bank	(8)	(762)	(1,343)	7,649	(376)	1,632	(161)	657

These accounts are non-interest bearing.

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	\$	\$	\$	\$	\$	\$	\$	\$
Designated at fair value through profit or loss								
Unlisted unit trusts	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454
Total designated at fair value through profit or loss	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454
Total financial assets held at fair value through profit or loss	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454
Comprising:								
Unlisted Unit Trusts								
Units in Australian shares trusts	456,871,259	426,342,811	77,828,754	74,707,790	–	–	–	–
Units in International shares trusts	–	–	–	–	143,940,778	129,243,518	103,394,168	109,166,454
Total Unlisted Unit Trusts	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454
Total financial assets held at fair value through profit or loss	456,871,259	426,342,811	77,828,754	74,707,790	143,940,778	129,243,518	103,394,168	109,166,454

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	\$	\$	\$	\$	\$	\$
Designated at fair value through profit or loss						
Unlisted unit trusts	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218
Total designated at fair value through profit or loss	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218
Total financial assets held at fair value through profit or loss	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218
Comprising:						
Unlisted Unit Trusts						
Units in Cash trusts	–	–	–	–	16,574,392	17,191,218
Units in Fixed interest trusts	–	–	51,387,534	153,346,157	–	–
Units in Property securities trusts	72,469,124	74,575,304	–	–	–	–
Total Unlisted Unit Trusts	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218
Total financial assets held at fair value through profit or loss	72,469,124	74,575,304	51,387,534	153,346,157	16,574,392	17,191,218

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	\$	\$	\$	\$	\$	\$	\$	\$
Designated at fair value through profit or loss								
Unlisted unit trusts	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715
Total designated at fair value through profit or loss	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715
Total financial assets held at fair value through profit or loss	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715
Comprising:								
Unlisted Unit Trusts								
Units in Cash trusts	3,180,824	2,951,740	5,875,047	5,791,768	1,708,612	1,656,978	–	–
Units in Fixed interest trusts	1,941,930	1,979,141	7,008,671	7,335,681	21,696,735	22,998,915	7,128,402	7,651,728
Units in Australian shares trusts	1,066,037	978,690	6,537,338	6,026,708	28,050,278	26,395,390	34,958,789	32,860,139
Units in International shares trusts	786,044	738,718	5,272,470	4,970,940	22,744,716	22,375,027	28,196,483	27,450,172
Units in Property securities trusts	293,770	263,963	1,519,882	1,430,520	6,675,746	6,310,768	7,539,994	7,338,676
Total Unlisted Unit Trusts	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715
Total financial assets held at fair value through profit or loss	7,268,605	6,912,252	26,213,408	25,555,617	80,876,087	79,737,078	77,823,668	75,300,715

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 2011

11. Related parties

Responsible Entity

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

(a) Key management personnel

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

(i) Directors

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

J G Duffield – resigned 31 December 2010
 J H Wily – resigned 31 December 2010
 J M Norris
 G W Reed
 J P Brennan
 K A Watt
 J M James

(ii) Key management personnel compensation

The Responsible Entity is entitled to receive a management fee as detailed in note 11(b) below. Payments made from the Funds to the Responsible Entity do not include any amounts directly attributable to the compensation of the directors of the Responsible Entity.

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

(iii) Key management personnel loan disclosures

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

(iv) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Vanguard Investments Australia Ltd or its director related entities may invest in or withdraw from the Funds.

These investments or withdrawals are on the same terms and conditions as those entered into by other Funds' investors and are trivial and domestic in nature.

(b) Responsible entity's fees and other transactions

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

up to 0.85% per annum of the net asset value for the Vanguard Index Australian Shares Fund, Vanguard Index International Shares Fund, Vanguard Index Property Securities Fund, Vanguard Index Diversified Bond Fund, Vanguard Index Cash Plus Fund, Vanguard LifeStrategy Conservative Fund, Vanguard LifeStrategy Growth Fund and Vanguard LifeStrategy High Growth Fund;

up to 0.90% per annum of the net asset value for the Vanguard Index Hedged International Shares Fund and Vanguard LifeStrategy Balanced Fund; and

up to 1.5% per annum of the net asset value for the Vanguard High Yield Australian Shares Fund.

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

The Constitutions of the Funds also allow recoverable expenses borne by the Responsible Entity to be recovered from the assets of the relevant funds.

In the current PDS for the Funds, the Responsible Entity has undertaken to limit the amount of its management fees and certain expense recoveries to a 'management cost' specified for each Fund. Where the Funds invest in other Funds managed by the Responsible Entity, the Responsible Entity receives fees and expenses recoveries paid from the assets of the relevant underlying Funds. However, the total of the fees and relevant recoverable expenses received by the Responsible Entity (out of the assets of a Fund and the relevant underlying Funds) do not exceed the management cost specified in the PDS.

The following table sets out the total Responsible Entity fee and recoverable expenses deducted in respect of each Fund, including the management costs deducted directly from each Fund and the management costs deducted from the relevant underlying Funds. The amounts shown take into account GST and expected reduced input tax credits.

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

11. Related parties *(continued)*

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

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

	Total management cost		Management cost deducted directly from the Fund		Management cost deducted from underlying Funds	
	2011	2010	2011	2010	2011	2010
	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Vanguard Index Australian Shares Fund	0.75	0.75	0.41	0.41	0.34	0.34
Vanguard High Yield Australian Shares Fund	0.90	0.90	0.50	0.50	0.40	0.40
Vanguard Index International Shares Fund	0.90	0.90	0.54	0.54	0.36	0.36
Vanguard Index Hedged International Shares Fund	0.90	0.90	0.54	0.54	0.36	0.36
Vanguard Index Australian Property Securities Fund	0.90	0.90	0.56	0.56	0.34	0.34
Vanguard Index Diversified Bond Fund	0.75	0.75	0.45	0.45	0.30	0.30
Vanguard Index Cash Plus Fund	0.70	0.70	0.41	0.41	0.29	0.29
Vanguard LifeStrategy Conservative Fund	0.90	0.90	0.59	0.59	0.31	0.31
Vanguard LifeStrategy Balanced Fund	0.90	0.90	0.58	0.58	0.32	0.32
Vanguard LifeStrategy Growth Fund	0.90	0.90	0.56	0.56	0.34	0.34
Vanguard LifeStrategy High Growth Fund	0.90	0.90	0.55	0.55	0.35	0.35

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Fees paid and payable for the year by the Funds to the Responsible Entity	1,921,220	1,815,401	400,955	411,510	745,242	637,090	602,111	688,550
Fees earned by the Responsible Entity in respect of investments by the Funds in other schemes managed by the Responsible Entity *	1,593,207	1,505,455	320,764	329,208	496,828	424,726	401,407	459,033
Aggregate amounts payable to the Responsible Entity at the reporting date	164,071	161,128	34,057	34,558	67,864	64,346	52,120	51,954

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Fees paid and payable for the year by the Funds to the Responsible Entity	429,348	412,554	742,541	541,035	65,437	66,288
Fees earned by the Responsible Entity in respect of investments by the Funds in other schemes managed by the Responsible Entity *	260,676	250,479	495,027	360,690	46,285	46,887
Aggregate amounts payable to the Responsible Entity at the reporting date	36,499	38,750	21,005	60,701	6,043	6,197

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

11. Related parties *(continued)*

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

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Fees paid and payable for the year by the Funds to the Responsible Entity	43,820	36,155	152,085	138,609	465,556	450,117	440,899	430,573
Fees earned by the Responsible Entity in respect of investments by the Funds in other schemes managed by the Responsible Entity *	23,024	18,997	83,909	75,370	282,659	273,285	280,572	274,001
Aggregate amounts payable to the Responsible Entity at the reporting date	3,739	3,671	13,459	13,347	40,449	41,006	37,759	38,658

* Where monies are invested into other Funds managed by the Responsible Entity, the responsible Entity fee is calculated taking into account the fees charged in the underlying Funds.

(c) Related party schemes' unitholdings

Vanguard Investments Australia Ltd held no units in any of the Funds.

(d) Key management personnel unitholdings

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

	Number of units held by the Fund		Interest held at 30 June		Number of units acquired		Number of units disposed		Distributions paid/payable by the Funds	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
			%	%					\$	\$
Vanguard Index International Shares Fund										
– K A Watt	–	88	–	0.00	1	–	89	–	–	1
Vanguard LifeStrategy High Growth Fund										
– K A Watt	–	40,516	–	0.06	1,607	767	42,123	–	990	1,403

(e) Other transactions within the Funds

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

11. Related parties *(continued)*

(f) Related Party investments

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

The Funds held investments in other Schemes managed by VIA during the year as indicated in the tables below:

	Net fair value of investments		Interest held at 30 June		Distributions received/receivable		Distributions receivable which remain unpaid at	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	%	%	\$	\$	\$	\$
Investments by:								
Vanguard Index Australian Shares Fund								
In other schemes managed by VIA:								
Vanguard Australian Shares Index Fund	456,871,259	426,342,811	7.73	8.36	18,199,820	16,731,133	2,650,930	4,847,776
Investments by:								
Vanguard High Yield Australian Shares Fund								
In other schemes managed by VIA:								
Vanguard Australian Shares High Yield Fund	77,828,754	74,707,790	21.34	22.54	3,656,201	3,278,983	148,102	216,179
Investments by:								
Vanguard Index International Shares Fund								
Vanguard International Shares Index Fund	143,940,778	129,243,518	1.91	2.01	2,410,829	2,222,924	960,364	1,443,379
Investments by:								
Vanguard Index Hedged International Shares Fund								
Vanguard International Shares Index Fund (Hedged)	103,394,168	109,166,454	3.82	3.96	25,777,662	1,162,154	14,967,894	600,286
Investments by:								
Vanguard Index Australian Property Securities Fund								
Vanguard Australian Property Securities Index Fund	72,469,124	74,575,304	2.98	3.51	3,950,456	4,781,475	1,098,961	1,499,839
Investments by:								
Vanguard Index Diversified Bond Fund								
Vanguard Australian Fixed Interest Index Fund	21,674,892	61,382,573	0.70	2.17	3,547,465	2,960,330	314,899	941,507
Vanguard International Fixed Interest Index Fund (Hedged)	18,925,607	56,989,494	0.59	1.58	8,426,838	2,140,004	2,010,239	1,015,126
Vanguard International Credit Securities Index Fund (Hedged)	10,787,035	34,974,090	2.38	7.53	4,762,318	2,199,681	1,306,621	467,225
Investments by:								
Vanguard Index Cash Plus Fund								
Vanguard Cash Plus Index Fund	16,574,392	17,191,218	3.25	4.28	868,677	757,041	52,592	35,882

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

11. Related parties *(continued)*

(f) Related Party investments *(continued)*

	Net fair value of investments		Interest held at 30 June		Distributions received/receivable		Distributions receivable which remain unpaid at	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	%	%	\$	\$	\$	\$
Investments by:								
Vanguard LifeStrategy Conservative Fund								
In other schemes managed by VIA:								
Vanguard Cash Plus Index Fund	3,180,824	2,951,740	0.62	0.74	174,038	119,300	10,093	6,161
Vanguard Australian Fixed Interest Index Fund	758,027	788,918	0.02	0.03	44,280	40,695	11,013	13,063
Vanguard International Fixed Interest Index Fund (Hedged)	752,065	746,595	0.02	0.02	147,979	30,037	79,883	12,318
Vanguard International Credit Securities Index Fund (Hedged)	431,838	443,628	0.10	0.10	86,500	30,747	52,308	5,927
Vanguard Australian Property Securities Index Fund	151,259	133,311	0.01	0.01	7,894	8,121	2,294	2,681
Vanguard International Property Securities Index Fund (Hedged)	142,511	130,652	0.02	0.02	36,258	8,388	17,895	8,389
Vanguard International Small Companies Index Fund (Hedged)	50,067	75,116	0.05	0.07	13,573	–	8,054	–
Vanguard Australian Shares Index Fund	1,066,037	978,690	0.02	0.02	45,031	34,861	6,186	11,128
Vanguard International Shares Index Fund	735,977	663,602	0.01	0.01	12,767	11,364	4,910	7,411
Investments by:								
Vanguard LifeStrategy Balanced Fund								
In other schemes managed by VIA:								
Vanguard Cash Plus Index Fund	5,875,047	5,791,768	1.15	1.44	319,614	245,602	18,642	12,089
Vanguard Australian Fixed Interest Index Fund	2,897,215	2,898,353	0.09	0.10	162,455	154,731	42,092	47,989
Vanguard International Fixed Interest Index Fund (Hedged)	2,604,836	2,755,477	0.08	0.08	513,485	111,214	276,680	45,464
Vanguard International Credit Securities Index Fund (Hedged)	1,506,620	1,681,851	0.33	0.36	309,869	120,416	182,495	22,468
Vanguard Australian Property Securities Index Fund	808,528	718,771	0.03	0.03	41,977	45,974	12,261	14,456
Vanguard International Property Securities Index Fund (Hedged)	711,354	711,749	0.09	0.10	191,267	45,700	89,328	45,700
Vanguard International Small Companies Index Fund (Hedged)	483,303	535,786	0.47	0.53	117,546	–	77,750	–
Vanguard Australian Shares Index Fund	6,537,338	6,026,708	0.11	0.12	247,984	220,348	37,932	68,527
Vanguard International Shares Index Fund	4,512,902	4,220,125	0.06	0.07	77,892	73,194	30,110	47,130
Vanguard Emerging Markets Shares Index Fund	276,265	215,029	0.04	0.02	4,741	2,709	1,726	1,710

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

11. Related parties *(continued)*

(f) Related Party investments *(continued)*

	Net fair value of investments		Interest held at 30 June		Distributions received/receivable		Distributions receivable which remain unpaid at	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	%	%	\$	\$	\$	\$
Investments by:								
Vanguard LifeStrategy Growth Fund								
In other schemes managed by VIA:								
Vanguard Cash Plus Index Fund	1,708,612	1,656,978	0.34	0.41	88,526	75,900	5,421	3,458
Vanguard Australian Fixed Interest Index Fund	8,958,022	9,062,258	0.29	0.32	513,531	514,857	130,145	150,049
Vanguard International Fixed Interest Index Fund (Hedged)	8,114,316	8,584,661	0.25	0.24	1,585,720	361,149	861,886	141,642
Vanguard International Credit Securities Index Fund (Hedged)	4,624,397	5,351,996	1.02	1.15	956,629	394,263	560,148	71,498
Vanguard Australian Property Securities Index Fund	3,420,274	3,245,630	0.14	0.15	178,544	208,762	51,867	65,275
Vanguard International Property Securities Index Fund (Hedged)	3,255,472	3,065,138	0.41	0.45	830,642	196,805	408,805	196,805
Vanguard International Small Companies Index Fund (Hedged)	2,249,352	2,333,148	2.21	2.33	552,702	–	361,854	–
Vanguard Australian Shares Index Fund	28,050,278	26,395,390	0.47	0.52	1,110,564	1,023,678	162,758	300,132
Vanguard International Shares Index Fund	18,843,852	18,412,987	0.25	0.29	328,169	323,324	125,725	205,634
Vanguard Emerging Markets Shares Index Fund	1,651,512	1,628,892	0.21	0.18	31,674	20,523	10,321	12,952
Investments by:								
Vanguard LifeStrategy High Growth Fund								
In other schemes managed by VIA:								
Vanguard Australian Fixed Interest Index Fund	2,836,897	3,129,978	0.09	0.11	175,580	178,656	41,215	51,825
Vanguard International Fixed Interest Index Fund (Hedged)	2,701,414	2,783,468	0.08	0.08	534,262	119,326	286,939	45,925
Vanguard International Credit Securities Index Fund (Hedged)	1,590,091	1,738,282	0.35	0.37	331,916	133,864	192,606	23,222
Vanguard Australian Property Securities Index Fund	3,957,198	3,845,213	0.16	0.18	211,524	246,968	60,009	77,334
Vanguard International Property Securities Index Fund (Hedged)	3,582,796	3,493,463	0.46	0.51	954,120	224,307	449,909	224,306
Vanguard International Small Companies Index Fund (Hedged)	2,767,658	3,039,745	2.72	3.03	696,226	–	445,235	–
Vanguard Australian Shares Index Fund	34,958,789	32,860,139	0.59	0.64	1,393,298	1,286,746	202,844	373,640
Vanguard International Shares Index Fund	22,957,754	21,973,201	0.30	0.34	397,244	391,032	153,173	245,395
Vanguard Emerging Markets Shares Index Fund	2,471,071	2,437,226	0.31	0.27	47,391	30,708	15,442	19,379

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

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

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Profit/(loss) for the year	-	-	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	31,632,518	26,916,665	6,409,956	5,549,898	639,422	2,470,271	1,930,518	19,032,911
Distributions paid and payable	16,285,406	14,808,141	3,256,426	2,863,457	1,664,264	1,585,637	24,993,152	-
Proceeds from sale of financial assets designated at fair value through profit or loss	36,243,418	26,590,157	12,279,387	10,602,504	11,267,776	17,050,851	23,024,057	43,116,889
Purchases of financial assets designated at fair value through profit or loss	(14,740,762)	(66,405,780)	(5,265,484)	(12,944,705)	(22,434,665)	(38,422,045)	(4,093,902)	(9,389,618)
Net (gains)/losses on financial assets designated at fair value through profit or loss	(31,634,439)	(26,816,487)	(6,410,588)	(5,548,387)	(636,527)	(2,471,606)	(1,747,815)	(18,560,369)
Net change in dividends/distributions receivables and other assets	2,196,057	(2,628,696)	68,673	(166,981)	481,941	(1,381,411)	(14,367,225)	(600,267)
Net change in accounts payables and other liabilities	2,943	37,378	(501)	6,807	3,518	13,628	166	(7,951)
Non-cash item (reinvestment of distribution income)	(20,396,666)	(14,117,848)	(3,724,278)	(3,115,492)	(2,893,844)	(845,731)	(11,410,054)	(561,868)
Net cash inflow/(outflow) from operating activities	19,588,475	(41,616,470)	6,613,591	(2,752,899)	(11,908,115)	(22,000,406)	18,328,897	33,029,727

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Profit/(loss) for the year	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	152,882	6,842,185	(8,378,672)	3,386,094	(83,165)	(146,302)
Distributions paid and payable	3,389,558	4,364,427	16,939,232	6,757,008	804,883	690,101
Proceeds from sale of financial assets designated at fair value through profit or loss	11,404,161	6,838,010	174,797,747	8,278,458	7,495,195	15,709,106
Purchases of financial assets designated at fair value through profit or loss	(4,926,093)	(12,547,283)	(64,777,915)	(76,625,966)	(6,109,345)	(17,760,598)
Net (gains)/losses on financial assets designated at fair value through profit or loss	(20,553)	(6,838,455)	7,467,511	(3,381,791)	82,943	146,050
Net change in dividends/distributions receivables and other assets	401,171	(1,005,400)	(1,207,793)	(2,102,110)	(16,701)	2,502
Net change in accounts payables and other liabilities	(2,251)	9,954	(39,696)	31,116	(154)	904
Non-cash item (reinvestment of distribution income)	(4,351,334)	(3,779,532)	(15,528,720)	(5,205,398)	(851,967)	(759,647)
Net cash inflow/(outflow) from operating activities	6,047,541	(6,116,094)	109,271,694	(68,862,589)	1,321,689	(2,117,884)

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

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

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Profit/(loss) for the year	–	–	–	–	–	–	–	–
Increase/(decrease) in net assets attributable to unitholders	(60,629)	162,890	14,578	1,079,948	908,000	5,084,640	2,708,989	5,937,204
Distributions paid and payable	526,560	247,058	1,847,308	879,247	5,752,722	2,665,682	4,330,782	2,189,753
Proceeds from sale of financial assets designated at fair value through profit or loss	1,492,330	1,312,688	4,412,900	2,885,953	8,583,627	5,492,719	8,521,783	7,745,744
Purchases of financial assets designated at fair value through profit or loss	(1,465,974)	(2,009,860)	(3,530,220)	(5,298,326)	(4,138,333)	(11,891,999)	(4,365,817)	(9,328,900)
Net (gains)/losses on financial assets designated at fair value through profit or loss	60,052	(162,936)	(17,124)	(1,078,387)	(939,088)	(5,081,554)	(2,723,701)	(5,946,132)
Net change in dividends/distributions receivables and other assets	(125,639)	(46,811)	(463,650)	(228,334)	(1,531,362)	(879,351)	(786,269)	(789,540)
Net change in accounts payables and other liabilities	68	615	112	2,418	(557)	8,025	(899)	6,290
Non-cash item (reinvestment of distribution income)	(442,762)	(236,858)	(1,523,347)	(792,268)	(4,645,216)	(2,242,801)	(3,955,215)	(1,824,556)
Net cash inflow/(outflow) from operating activities	(15,994)	(733,214)	740,557	(2,549,749)	3,989,793	(6,844,639)	3,729,653	(2,010,137)

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

(b) Non-cash financing and investing activities

	Vanguard Index Australian Shares Fund		Vanguard High Yield Australian Shares Fund		Vanguard Index International Shares Fund		Vanguard Index Hedged International Shares Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	12,498,899	8,337,151	1,836,507	1,489,162	1,036,299	263,965	1,656,344	–

	Vanguard Index Australian Property Securities Fund		Vanguard Index Diversified Bond Fund		Vanguard Index Cash Plus Fund	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	1,955,060	1,901,496	12,580,333	3,757,859	478,186	535,998

	Vanguard LifeStrategy Conservative Fund		Vanguard LifeStrategy Balanced Fund		Vanguard LifeStrategy Growth Fund		Vanguard LifeStrategy High Growth Fund	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	201,987	107,333	780,966	376,513	2,872,452	1,144,722	2,417,114	1,113,245

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

Notes to the financial statements *(continued)*

For the year ended 30 June 2011

13. Segment information

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

Geographical segment

The Funds operate in Australia and all directly held assets are Australian. The Funds may hold exposure to other geographical segments through investments in unlisted trusts.

There are no required disclosures, as the financial statements have been prepared on the basis of the Funds direct investments, all of which are 100% in Australia, and not on a look through basis for investments held indirectly through unit trusts.

14. Events occurring after the balance sheet date

There are no significant events that have occurred since balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 30 June 2011 or on the results and cashflows of the Funds for the year ended on that date.

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

15. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010 for the Funds.

Directors' Declaration

In the opinions of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 9 to 53 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 2011 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.

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



J M James
Managing Director
Melbourne
31 August 2011

Independent auditor's report to the unitholders of the Vanguard Investor Index Funds:

- Vanguard Index Australian Shares Fund
- Vanguard High Yield Australian Shares Fund
- Vanguard Index International Shares Fund
- Vanguard Index Hedged International Shares Fund
- Vanguard Index Australian Property Securities Fund
- Vanguard Index Diversified Bond Fund
- Vanguard Index Cash Plus Fund
- Vanguard LifeStrategy Conservative Fund
- Vanguard LifeStrategy Balanced Fund
- Vanguard LifeStrategy Growth Fund
- Vanguard LifeStrategy High Growth Fund

Report on the financial report

We have audited the accompanying financial report of Vanguard Investor Index Funds (the 'Funds'), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Funds.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

**Independent auditor's report to the unitholders of
the Vanguard Investor Index Funds: (continued)**

the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Vanguard Investor Index Funds is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Funds' financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of the Funds for the year ended 30 June 2011 included on Vanguard Investments Australia Ltd ('VIA') web site. The VIA directors are responsible for the integrity of the VIA web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



PricewaterhouseCoopers



George Sagonas
Partner

Melbourne
31 August 2011

Vanguard Investments Australia Ltd is the issuer of this Annual Report and interests in the Funds. We have not taken your circumstances into account when preparing the Annual Report so it may not be applicable to your circumstances. You should consider your circumstances and our Product Disclosure Statement (PDS) before making any investment decision. You can access our PDS at www.vanguard.com.au or by calling 1300 655 102. Past performance is not an indication of future performance. Investments are not guaranteed and may rise or fall in value.

Responsible Entity

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