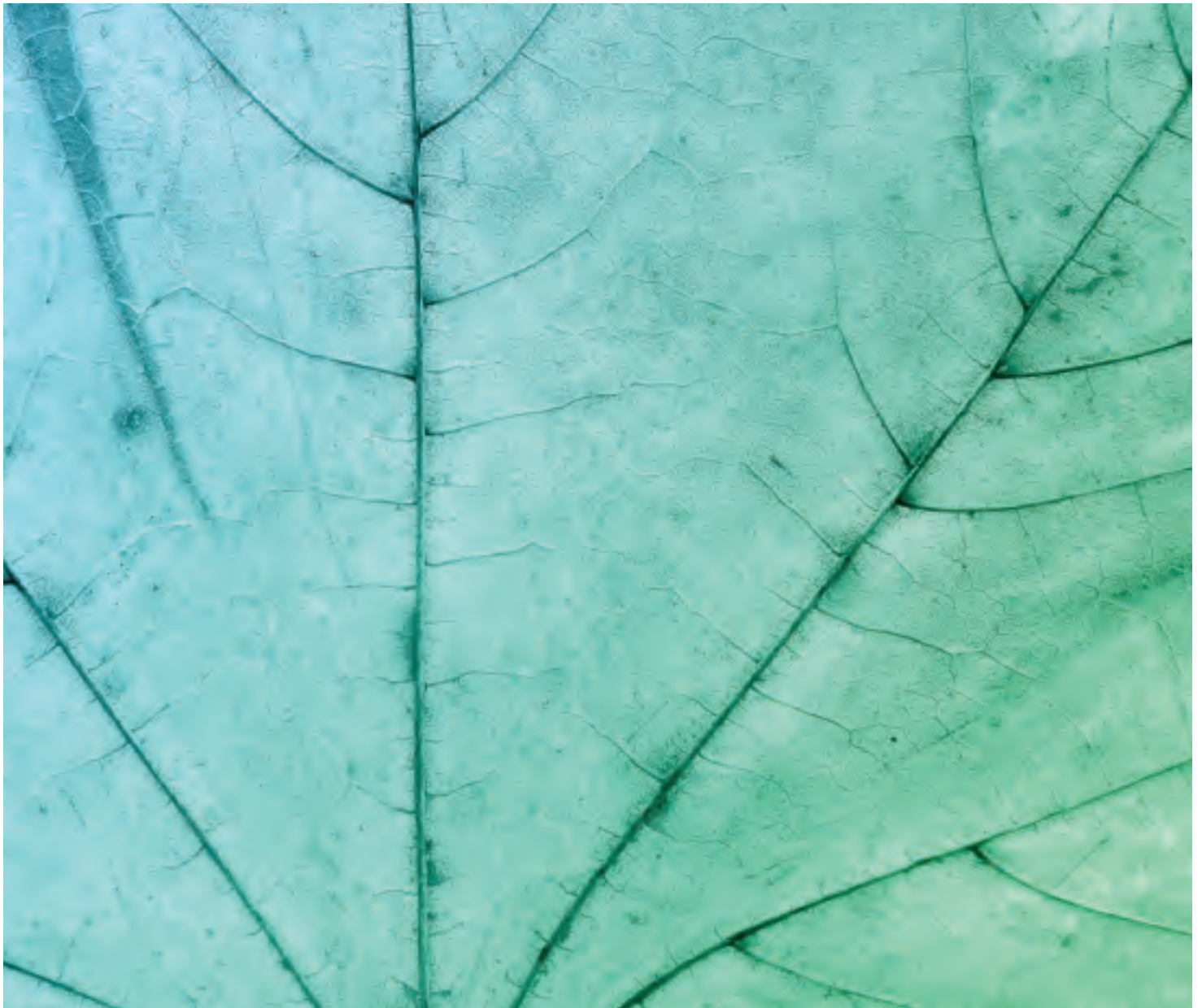


# Vanguard® Personal Superannuation Plan

Annual Report – For Superannuation and Pension Members  
30 June 2011



Vanguard Investments Australia Ltd is the issuer of this Annual Report and the Trustee of the Vanguard Personal Superannuation Plan. 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](http://www.vanguard.com.au) or by calling 1300 655 101. Past performance is not an indication of future performance. Investments are not guaranteed and may rise or fall in value.

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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<sup>†</sup> trillion (A\$2 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.

<sup>†</sup>As at 30 June 2011

# Trustee's report

The Vanguard Personal Superannuation Plan (Plan) consists of an accumulation division (Personal Plan) and a pension division (Pension Plan) which offers members investment choice through the following investment options:

## Diversified investment options

Vanguard LifeStrategy – Conservative  
Vanguard LifeStrategy – Balanced

Vanguard LifeStrategy – Growth  
Vanguard LifeStrategy – High Growth

## Sector-specific investment options

Vanguard Cash Plus  
Vanguard Australian Fixed Interest  
Vanguard Property Securities

Vanguard Australian Shares  
Vanguard International Shares  
Vanguard International Shares (Hedged)

Each of the diversified investment options has a specific long-term allocation to key asset sectors designed to meet particular risk profiles. Each of the sector-specific investment options is dedicated to a single asset class. Monies contributed to each option are invested by Vanguard Investments Australia Ltd (Vanguard) in the chosen investment strategy.

In the course of operating the Plan, unallocated assets which are not practically referable to any particular member's account may arise from time to time.

The Trustee and its administrator have therefore established a reserve account to which certain kinds of unallocated assets are credited and applied for the purpose of the Plan.

The Trustee's general strategy is that the reserve account balances should be applied for fund purposes so as to minimise those balances as soon as reasonably practicable subject to the following:

- To meet expenses which relate to the fund and not to meet expenses that relate only to some members.
- Reserve account balances should not be run down at a rate that is disproportionately quick, having regard to the period over which those expenses arose (for reasons of fairness and equity and member-intergenerational issues)
- Reserve account should be invested such that they generate an appropriate return.

The Trustee has resolved to adopt a relatively conservative investment strategy with a low-to-medium risk return profile. This is because the Trustee's general policy is to run down reserve balances as soon as reasonably practicable, meaning the higher risk investment strategies generally suited to longer investment timeframe are less likely to be suitable.

The reserve account will therefore be invested in the Vanguard LifeStrategy – Conservative option. This investment strategy provides a diversified portfolio that emphasises the historically less risky lower returning 'income' asset classes over the historically 'riskier' and higher returning 'growth' asset classes. It targets a 30% allocation to growth asset classes – property securities and shares – and a 70% allocation to income asset classes – cash and fixed interest securities.

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	<b>351,642</b>	301,166	284,935
Plus: investment in Reserve	<b>(183,354)</b>	29,001	17,941
Plus: earnings/losses on Reserve	<b>17,756</b>	21,475	(1,710)
<b>Closing Balance</b>	<b>186,044</b>	351,642	301,166

# Trustee's report *(continued)*

## Diversified investment options

### Vanguard® LifeStrategy® Conservative

#### Investment objective

Seeks to match the weighted average return of the target indexes selected by Vanguard for the various asset classes in which this option invests before taking into account fees, expenses and taxes (in respect of the Personal Plan). The weights used are the strategic allocations to each asset class.

#### Investment strategy

Designed to provide members with a diversified asset allocation that emphasises the historically less risky and lower returning income asset classes over the historically riskier and higher returning growth asset classes.

The option targets a 30% allocation to growth asset classes (property securities and shares) and a 70% allocation to income asset classes (cash and fixed interest securities). The actual allocations are maintained within 2% of the strategic asset allocations for each asset class and for the balance between growth and income allocations.

#### Asset allocation as at 30 June 2011

<b>Asset Allocation</b>			
<b>Asset Sector</b>	<b>Fund Actual</b>	<b>Target Allocation</b>	<b>Range</b>
Australian Shares	15.40%	15.00%	13–17%
International Shares	10.30%	10.00%	9–11%
Aust Listed Property	1.90%	2.00%	3–5%
Intl Prop Hedged	2.00%	2.00%	
Int. Small Companies Hedged	1.00%	1.00%	0–2%
Emerging Markets	N/a	N/a	N/a
<b>Total Growth</b>	<b>30.60%</b>	<b>30.00%</b>	<b>28–32%</b>
Aust. Fixed Interest	10.90%	11.00%	9–13%
Int. Fixed Interest Hedged	16.90%*	17.00%	15–19%
Cash	41.60%	42.00%	40–44%
<b>Total Income</b>	<b>69.40%</b>	<b>70.00%</b>	<b>68–72%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

\* Vanguard International Fixed Interest Index Fund (Hedged) 10.9%, Vanguard International Credit Securities Index Fund (Hedged) 6.0%.

# Trustee's report *(continued)*

## Diversified investment options *(continued)*

### Vanguard® LifeStrategy® Balanced

#### Investment objective

Seeks to match the weighted average return of the target indexes selected by Vanguard for the various asset classes in which this option invests before taking into account fees, expenses and taxes. The weights used are the strategic allocations to each asset class.

#### Investment strategy

Designed to provide members with a diversified asset allocation by aiming to equally mix the historically less risky and lower returning income asset classes with the historically riskier and higher returning growth asset classes.

The option targets a 50% allocation to growth asset classes (property securities and shares), and a 50% allocation to income asset classes (cash and fixed interest securities). The actual allocations are maintained within 2% of the strategic asset allocations for each asset class and for the balance between growth and income allocations.

#### Asset allocation as at 30 June 2011

<b>Asset Allocation</b>			
<b>Asset Sector</b>	<b>Fund Actual</b>	<b>Target Allocation</b>	<b>Range</b>
Australian Shares	24.30%	24.00%	22–26%
International Shares	17.10%	17.00%	15–19%
Aust Listed Property	3.10%	3.00%	5–7%
Intl Prop Hedged	3.10%	3.00%	
Int. Small Companies Hedged	2.00%	2.00%	1–3%
Emerging Markets	1.00%	1.00%	0.5–1.5%
<b>Total Growth</b>	<b>50.60%</b>	<b>50.00%</b>	<b>48–52%</b>
Aust. Fixed Interest	11.10%	11.00%	9–13%
Int. Fixed Interest Hedged	16.70%*	17.00%	15–19%
Cash	21.60%	22.00%	20–24%
<b>Total Income</b>	<b>49.40%</b>	<b>50.00%</b>	<b>48–52%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

\* Vanguard International Fixed Interest Index Fund (Hedged) 10.7%, Vanguard International Credit Securities Index Fund (Hedged) 6.0%.

# Trustee's report *(continued)*

## Diversified investment options *(continued)*

### Vanguard® LifeStrategy® Growth

#### Investment objective

Seeks to match the weighted average return of the target indexes selected by Vanguard for the various asset classes in which this option invests before taking into account fees, expenses and taxes. The weights used are the strategic allocations to each asset class.

#### Investment strategy

This option is designed to provide members with a diversified asset allocation that emphasises the historically riskier and higher returning growth asset classes over the historically less risky and lower returning income asset classes.

The option targets a 70% allocation to growth asset classes (property securities and shares) and a 30% allocation to income asset classes (cash and fixed interest securities). The actual allocations are maintained within 2% of the strategic allocations for each asset class and for the balance between growth and income allocations.

#### Asset allocation as at 30 June 2011

<b>Asset Allocation</b>			
<b>Asset Sector</b>	<b>Fund Actual</b>	<b>Target Allocation</b>	<b>Range</b>
Australian Shares	34.10%	34.00%	32–36%
International Shares	23.10%	23.00%	21–25%
Aust Listed Property	3.90%	4.00%	7–9%
Intl Prop Hedged	4.00%	4.00%	
Int. Small Companies Hedged	3.50%	3.00%	2–4%
Emerging Markets	1.70%	2.00%	1.5–2.5%
<b>Total Growth</b>	<b>70.30%</b>	<b>70.00%</b>	<b>68–72%</b>
Aust. Fixed Interest	10.90%	11.00%	9–13%
Int. Fixed Interest Hedged	16.80%*	17.00%	15–19%
Cash	2.00%	2.00%	1–3%
<b>Total Income</b>	<b>29.70%</b>	<b>30.00%</b>	<b>28–32%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

\* Vanguard International Fixed Interest Index Fund (Hedged) 10.9%, Vanguard International Credit Securities Index Fund (Hedged) 5.9%.

# Trustee's report *(continued)*

## Diversified investment options *(continued)*

### Vanguard® LifeStrategy® High Growth

#### Investment objective

Seeks to match the weighted average return of the target indexes selected by Vanguard for the various asset classes in which this option invests before taking into account fees, expenses and taxes. The weights used are the strategic allocations to each asset class.

#### Investment strategy

Designed to provide members with a diversified asset allocation that heavily emphasises the historically riskier and higher returning growth asset classes over the historically less risky and lower returning income asset classes.

The option targets a 90% allocation to growth asset classes (property securities and shares) and a 10% allocation to the income asset class of fixed interest securities. The actual allocations are maintained within 2% of the strategic allocations for each asset class and for the balance between growth and income allocations.

#### Asset allocation as at 30 June 2011

<b>Asset Allocation</b>			
<b>Asset Sector</b>	<b>Fund Actual</b>	<b>Target Allocation</b>	<b>Range</b>
Australian Shares	44.10%	44.00%	42–46%
International Shares	29.00%	29.00%	27–31%
Aust Listed Property	4.90%	5.00%	9–11%
Intl Prop Hedged	5.20%	5.00%	
Int. Small Companies Hedged	3.90%	4.00%	3–5%
Emerging Markets	2.80%	3.00%	2–4%
<b>Total Growth</b>	<b>89.90%</b>	<b>90.00%</b>	<b>88–92%</b>
Aust. Fixed Interest	4.10%	4.00%	3–5%
Int. Fixed Interest Hedged	6.00%*	6.00%	5–7%
Cash	0.00%	0.00%	0–1%
<b>Total Income</b>	<b>10.10%</b>	<b>10.00%</b>	<b>8–12%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

\* Vanguard International Fixed Interest Index Fund (Hedged) 3.9%, Vanguard International Credit Securities Index Fund (Hedged) 2.1%.

# Trustee's report *(continued)*

## Sector-specific investment options

### Vanguard® Cash Plus

#### Investment objective

Seeks to match the total return (income and capital appreciation) of a customised index (the Vanguard Cash Plus Index), which is a measure of high quality Australian cash and short-term fixed interest (debt) securities, before taking into account fees, expenses and taxes.

The Vanguard Cash Plus index has fixed allocations of:

- 85% to a 6 month discount security;
- 7.5% to a 1 year fixed interest security; and
- 7.5% to a 2 year fixed interest security.

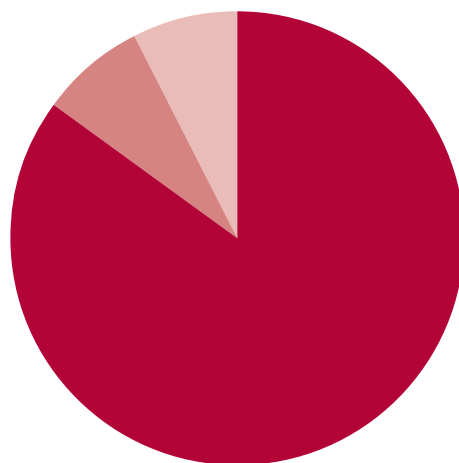
#### Investment strategy

To closely track the index, Vanguard employs optimisation techniques to select debt securities, which together have similar market risk to the index, to form the option's portfolio.

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

Futures may be used to gain market exposure without investing directly in debt securities. This allows Vanguard to maintain the option's liquidity without being under-invested.

#### Strategic Asset allocation as at 30 June 2011



6 month discount security	85.0%
1 year fixed interest security	7.5%
2 year fixed interest security	7.5%
<b>Total</b>	<b>100%</b>

# Trustee's report *(continued)*

## Sector-specific investment options *(continued)*

### Vanguard® Australian Fixed Interest

#### Investment objective

Seeks to match the total return (income and capital appreciation) of the UBS Australian Composite Bond Index (Index) before taking into account fees, expenses and taxes.

#### Investment strategy

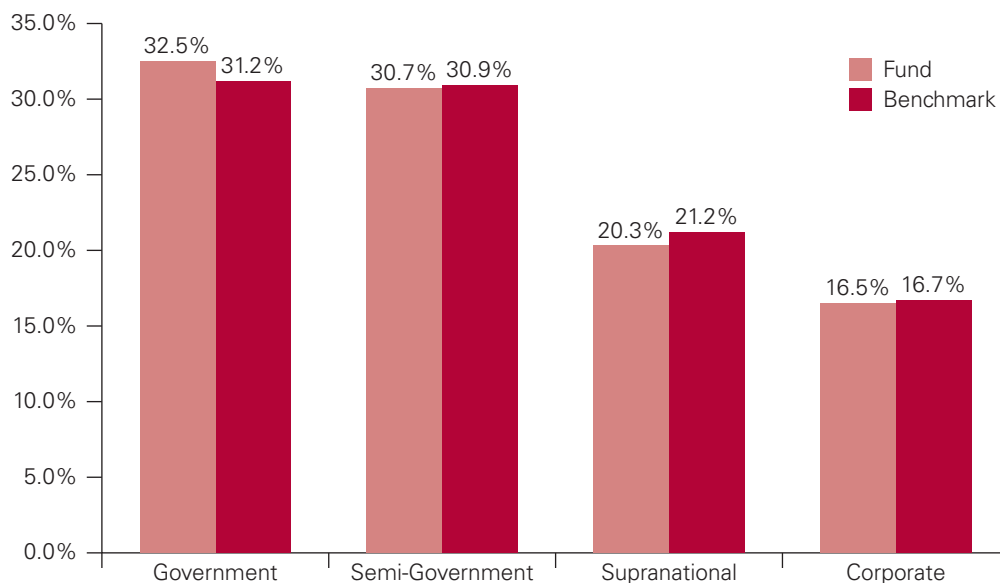
To closely track the Index, Vanguard employs optimisation techniques to select a representative sample of available bonds to form the option's portfolio.

Vanguard may make deviations from the Index by holding an above-index weighting to short-term corporate bonds to benefit from the higher yield offered. This overweighting is limited to 20% of the option's investments.

There is credit risk associated with bonds. Vanguard seeks to reduce this risk by selecting only bonds with high credit ratings and by diversifying the option's holdings across issuers.

Futures may be used to gain market exposure without investing directly in fixed interest securities. This allows Vanguard to maintain the option's liquidity without being under invested. Importantly, derivatives are not used to leverage the option's portfolio.

#### Asset allocation as at 30 June 2011



Actual asset allocations will vary from time to time.

# Trustee's report *(continued)*

## Sector-specific investment options *(continued)*

### Vanguard® Australian Property Securities

#### Investment objective

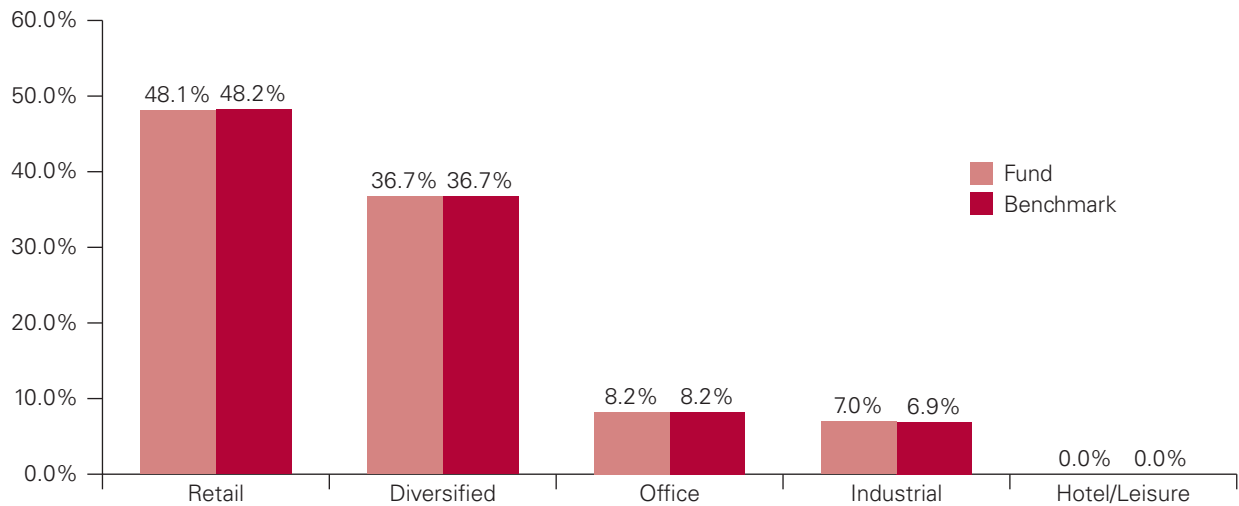
Seeks to match the total return (income and capital appreciation) of the S&P/ASX 300 A-REIT Index (Index) before taking into account fees, expenses and taxes.

#### Investment strategy

To closely track the Index, Vanguard employs optimised replication techniques to select property securities. The option will hold all of the securities in the Index (at most times) allowing for individual security weightings to vary marginally from the index from time to time. The option may invest in property securities that have been or are expected to be included in the Index.

Futures may be used to gain market exposure without investing directly in securities. This allows Vanguard to maintain the option's liquidity without being under-invested. Importantly, derivatives are not used to leverage the option's portfolio. This option has an indirect exposure to foreign property.

#### Asset allocation as at 30 June 2011



Actual asset allocations will closely track the Index.

## Trustee's report *(continued)*

### Sector-specific investment options *(continued)*

#### Vanguard® Australian Shares

##### Investment objective

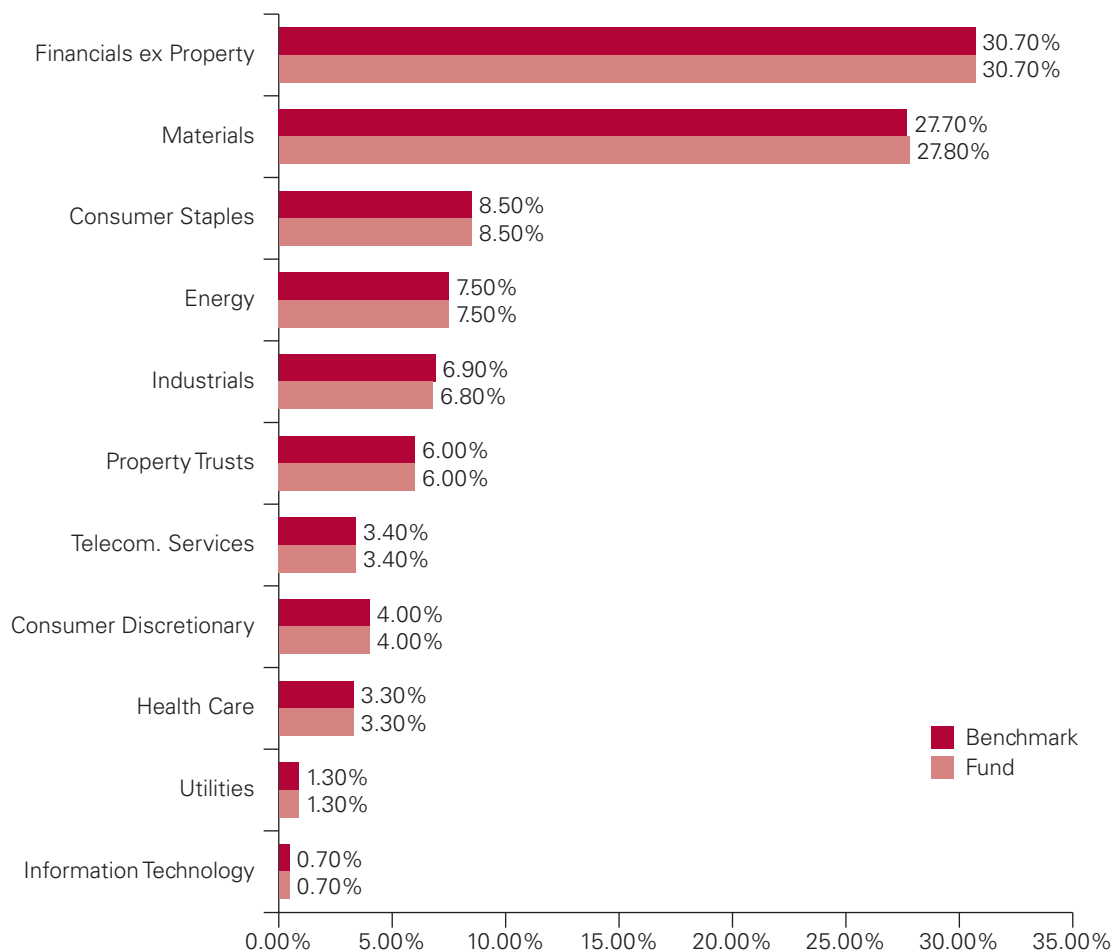
Seeks to match the return (income and capital appreciation) of the S&P/ASX 300 Index (Index) before taking into account fees, expenses and taxes.

##### Investment strategy

To closely track the Index, Vanguard employs optimisation techniques to select a representative sample of shares in the Index. The option will hold most of the shares in the Index, allowing for individual share weightings to vary marginally from the Index from time to time. The option may invest in shares that have been or are expected to be included in the Index.

Futures may be used to gain market exposure without investing directly in securities. This allows Vanguard to maintain the option's liquidity without being under invested. Importantly, derivatives are not used to leverage the option's portfolio.

##### Sector allocations as at 30 June 2011



Actual sector allocations will closely track the Index.

# Trustee's report *(continued)*

## Sector-specific investment options *(continued)*

### Vanguard® International Shares

#### Investment objective

Seeks to match the total return (income and capital appreciation) of the MSCI World ex-Australia Index (with net dividends reinvested) in Australian dollars (Index) before taking into account fees, expenses and taxes.

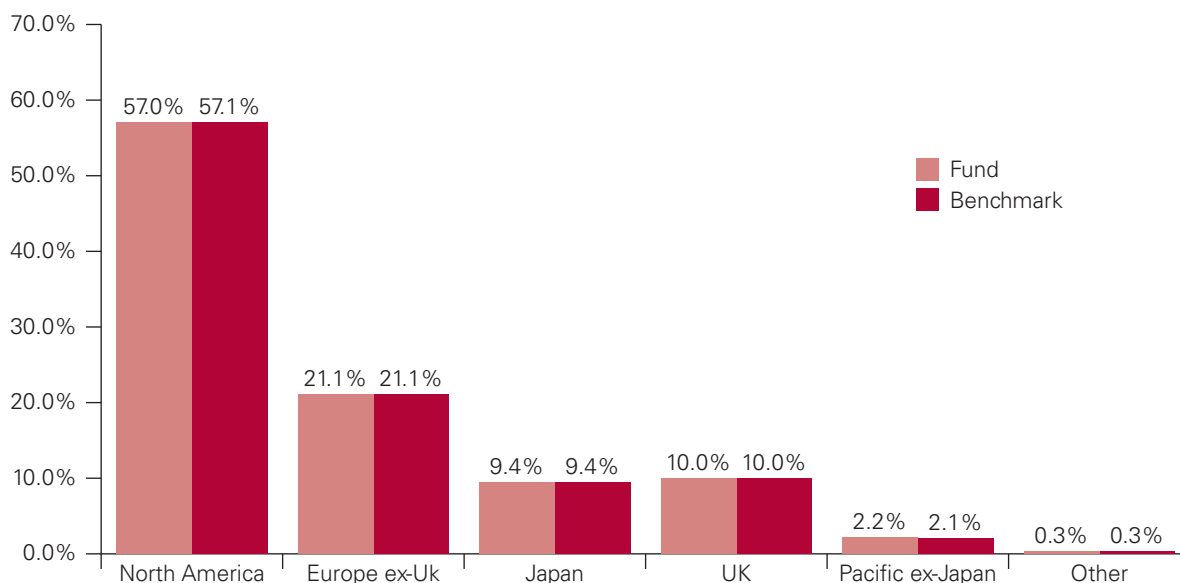
#### Investment strategy

To closely track the Index, Vanguard employs optimisation techniques to select a representative sample of shares in the Index. The option will hold most of the shares in the index, allowing for individual share weightings to vary marginally from the Index from time to time. The investment option may invest in shares that have been or are expected to be included in the Index.

Futures may be used to gain market exposure without investing directly in securities. This allows Vanguard to maintain the investment option's liquidity without being under-invested. Importantly, derivatives are not used to leverage the investment option's portfolio.

The investment option does not hedge against exchange rate fluctuations.

#### Regional weightings as at 30 June 2011



Actual regional weightings will closely track the Index.

## Trustee's report *(continued)*

### Sector-specific investment options *(continued)*

#### Vanguard® International Shares (Hedged)

##### Investment objective

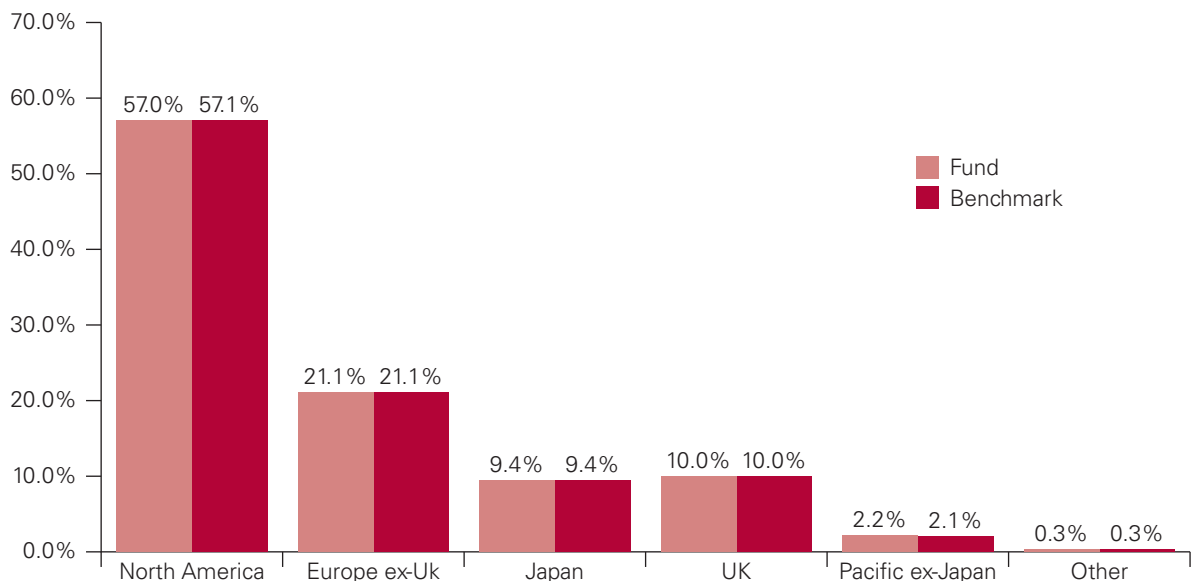
The investment option seeks to match the total return (income and capital appreciation) of the MSCI World ex-Australia Index (with net dividends reinvested), hedged into Australian dollars (Index), before taking into account fees, expenses and taxes.

##### Investment strategy

To closely track the Index, Vanguard employs optimisation techniques to select a representative sample of shares in the Index. The option will hold most of the shares in the index allowing for individual share weightings to vary marginally from the Index from time to time. The investment option may invest in shares that have been or are expected to be included in the Index.

Futures may be used to gain market exposure without investing directly in securities. This allows Vanguard to maintain the investment option's liquidity without being under-invested. Importantly, derivatives are not used to leverage the option's portfolio. Vanguard will use forward foreign exchange contracts to hedge most of the currency risk back into Australian dollars.

##### Regional weightings as at 30 June 2011



Actual regional weightings will closely track the Index.

The Personal Plan's investments consist of units in the Plum Pooled Superannuation Trust (Plum PST) managed by Plum Financial Services Limited (Plum). The Plum PST invests in the above funds for and on behalf of the Trustee.

The Pension Plan was introduced on the 9 November 2007. Its investments consist of units in unlisted Vanguard unit trusts (Vanguard Wholesale Funds), managed by Vanguard.

Investment returns of the Plan are not guaranteed. Members should be aware that past performance is not necessarily an indicator of future returns.

## Trustee's report *(continued)*

### Performance of the Vanguard Personal Superannuation Plan's investment options in the Plum PST

	6 mths to 30 June	6 mths to 30 June	6 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	5 yrs to 30 June	5 yrs to 30 June	5 yrs to 30 June
	2011	2010	2009	2011	2010	2009	2008	2007	2006	2011	2010	2009
Vanguard LifeStrategy – Conservative	<b>2.3</b>	0.2	1.4	<b>6.4</b>	7.1	-0.7	-1.2	8.7	8.3	<b>4.0</b>	4.4	4.7
Vanguard LifeStrategy – Balanced	<b>2.0</b>	-1.6	1.5	<b>7.6</b>	8.6	-5.4	-5.4	11.7	11.9	<b>3.2</b>	4.0	4.4
Vanguard LifeStrategy – Growth	<b>1.5</b>	-2.4	1.7	<b>8.2</b>	11.2	-10.4	-9.7	15.0	15.4	<b>2.3</b>	3.6	4.0
Vanguard LifeStrategy – High Growth	<b>1.1</b>	-5.0	1.9	<b>9.8</b>	11.0	-15.6	-13.8	18.2	19.5	<b>0.9</b>	2.7	3.3
Vanguard Cash Plus	<b>2.2</b>	1.8	1.3	<b>4.3</b>	3.2	5.9	5.6	5.0	4.5	<b>4.8</b>	4.8	5.1
Vanguard Australian Fixed Interest	<b>3.8</b>	4.1	-0.9	<b>4.6</b>	6.6	9.7	5.3	3.3	3.1	<b>5.5</b>	5.2	5.0
Vanguard Australian Property Securities	<b>2.9</b>	-3.0	-12.9	<b>5.2</b>	19.2	-39.8	-34.0	24.4	16.5	<b>-9.1</b>	-7.3	-7.8
Vanguard Australian Shares	<b>-0.7</b>	-9.1	8.8	<b>11.7</b>	12.7	-18.1	-11.6	27.4	23.2	<b>3.0</b>	5.1	7.0
Vanguard International Shares	<b>0.7</b>	-3.2	-8.2	<b>2.6</b>	5.2	-15.5	-18.8	7.1	22.6	<b>-4.5</b>	-1.8	-2.7
Vanguard International Shares (Hedged)	<b>4.2</b>	-5.2	3.8	<b>23.4</b>	13.2	-28.4	-12.5	21.5	16.1	<b>1.3</b>	0.0	-0.3

Investment option's net returns are calculated after estimated fund tax (but without regard to benefit taxes), and management fees. Member account keeping fees and plan management fees are charged to member accounts, and so are not reflected in the investment options performance calculations.

## Trustee's report *(continued)*

### Performance of Vanguard Personal Pension Plan investment options in Vanguard Index Funds

	6 mths to 30 June	6 mths to 30 June	6 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	12 mths to 30 June	5 yrs to 30 June	5 yrs to 30 June	5 yrs to 30 June
	2011	2010	2009	2011	2010	2009	2008	2011	2010	2009
Vanguard LifeStrategy – Conservative	<b>2.4</b>	0.5	1.3	<b>7.1</b>	8.6	-1.0	-1.1	<b>4.6</b>	5.1	5.3
Vanguard LifeStrategy – Balanced	<b>2.1</b>	-1.1	1.5	<b>8.1</b>	10.3	-6.6	-6.0	<b>3.4</b>	4.3	4.6
Vanguard LifeStrategy – Growth	<b>1.6</b>	-2.7	1.8	<b>9.1</b>	12.3	-11.7	-10.6	<b>2.3</b>	3.7	4.0
Vanguard LifeStrategy – High Growth	<b>0.9</b>	-5.0	1.8	<b>10.0</b>	12.8	-17.9	-15.1	<b>0.6</b>	2.5	3.1
Vanguard Cash Plus	<b>2.6</b>	2.2	1.6	<b>5.1</b>	3.8	7.0	6.6	<b>5.7</b>	5.7	6.0
Vanguard Australian Fixed Interest	<b>4.3</b>	4.8	-0.7	<b>5.3</b>	7.7	11.0	4.1	<b>6.3</b>	5.9	5.9
Vanguard Australian Property Securities	<b>3.0</b>	-3.2	-11.7	<b>5.5</b>	20.1	-40.5	-37.8	<b>-10.0</b>	-8.0	-8.3
Vanguard Australian Shares	<b>-1.4</b>	-10.2	9.2	<b>11.6</b>	12.8	-20.2	-14.0	<b>2.2</b>	4.3	6.6
Vanguard International Shares	<b>0.9</b>	-3.8	-8.8	<b>2.5</b>	5.0	-16.1	-21.2	<b>-5.2</b>	-2.2	-3.1
Vanguard International Shares (Hedged)	<b>5.3</b>	-6.0	4.3	<b>26.6</b>	13.8	-29.0	-13.8	<b>1.7</b>	0.2	0.1

*The investment options in the above table have been in existence longer than the Vanguard Personal Pension Plan.*

The table above reflects the historical net returns of the Vanguard Wholesale Fund in which each investment option currently invests, calculated before taxes, after management costs and assumes the reinvestment of income. Plan management fees are charged to member accounts and are not reflected in the net returns shown above. As income distributions for the Pension Plan are credited to members' cash accounts and not reinvested, members' net returns will vary depending on cash movements and the timing of any reinvestments.

# Trustee's report *(continued)*

## Statement of fees and expenses

### Contribution charges

There are no contribution fees for joining, contributing money, rollovers or ongoing or one-off contributions into members' accounts.

### Ongoing management charges

All fees and charges are inclusive of the goods and service tax.

### Administration fees

1. A member account keeping fee of \$66.00 per annum (calculated and deducted monthly on a pro-rata basis by equal instalments from a member's account). This charge applies regardless of whether contributions are made in any month to the Plan. From 1 January 2006 the monthly pro-rata member account keeping fee has been waived for those months in which a member's account balance on the last business day is \$20,000 or more (this fee does not apply to the Pension Plan); plus

2. A plan management fee equal to: 0.75% per annum for that portion of an account balance up to \$50,000, and 0.50% per annum for that portion of an account balance over \$50,000. The plan management fee is calculated monthly on the account balance at the end of the month and paid by selling appropriate units in the underlying investment options.

### Goods and services tax (GST)

The issue and withdrawal of units in the Plan will not be subject to GST. However, fees and expenses incurred by the Plan, such as management costs, attract GST.

### Investment management fees and expense recovery

Vanguard is paid fees for the services it provides and recovers expenses it incurs from managing the underlying investment options. The investment management fees and expenses of the underlying investment options are:

	2011	2010
	% p.a.	% p.a.
Vanguard LifeStrategy – Conservative	0.33	0.33
Vanguard LifeStrategy – Balanced	0.34	0.34
Vanguard LifeStrategy – Growth	0.36	0.36
Vanguard LifeStrategy – High Growth	0.37	0.37
Vanguard Cash Plus	0.29	0.29
Vanguard Australian Fixed Interest	0.29	0.29
Vanguard Australian Property Securities	0.34	0.34
Vanguard Australian Shares	0.34	0.34
Vanguard International Shares	0.36	0.36
Vanguard International Shares (Hedged)	0.39	0.36

Although no expenses are currently being imposed by the Plum PST, which is the investment vehicle used by the Plan's accumulation division, there is an entitlement to recover management expenses, such as audit, legal, accounting and other associated administrative costs. If imposed, Plan members will be advised and these expenses will be reflected by adjustment in the investment earnings of each investment option.

# Trustee's report *(continued)*

## Statement of fees and expenses *(continued)*

### Buy/Sell Spreads

	<b>2011 Buy</b>	<b>2010 Buy</b>	<b>2011 Sell</b>	<b>2010 Sell</b>
	%	%	%	%
Vanguard LifeStrategy – Conservative	+0.15	+0.15	-0.10	-0.10
Vanguard LifeStrategy – Balanced	+0.20	+0.20	-0.15	-0.15
Vanguard LifeStrategy – Growth	+0.25	+0.25	-0.15	-0.15
Vanguard LifeStrategy – High Growth	+0.30	+0.30	-0.20	-0.20
Vanguard Cash Plus	Nil	Nil	Nil	Nil
Vanguard Australian Fixed Interest	+0.20	+0.20	-0.20	-0.20
Vanguard Australian Property Securities	+0.20	+0.20	-0.20	-0.20
Vanguard Australian Shares	+0.20	+0.20	-0.10	-0.10
Vanguard International Shares	+0.30	+0.30	-0.10	-0.10
Vanguard International Shares (Hedged)	+0.40	+0.40	-0.20	-0.20

The buy/sell spread is paid directly to the underlying investment option, (via the Plum PST for the Personal Plan), to recover transaction costs such as brokerage and stamp duty, and not to Vanguard.

The purpose of the buy/sell spread is to protect investors from the costs generated by the transaction activity of other investors. Investors who invest into an option will pay the purchase price calculated by adding the buy spread to the option's net asset value per unit. Investors who withdraw from an investment option will receive the withdrawal price calculated by deducting the sell spread from the option's net asset value per unit.

### Exit charges

A benefit payment fee of \$71.50 applies to any withdrawal from the Plan including payment of final benefit or a transfer of benefits (this fee does not apply to the Pension Plan).

### Switching charges

There are no switching charges for the Plan.

### Dishonour fees

If the Plan receives a cheque payment that is dishonoured, a dishonour fee will be charged to the member account. The dishonour fee will be the amount which is charged by the bank to the Plan.

### Increases or alterations in the charges

The Plan reserves the right to increase or alter these charges as it considers appropriate. Charges may alter as a result of any increase in operating costs to the Plan or changes in relevant legislation. Members will be informed of any changes.

# Trustee's report *(continued)*

## Other information

### Complaints resolution

Simple enquiries and complaints should be referred through to one of our Member Services Consultants by calling 1300 655 101. If you wish to query a decision or failure to make a decision in respect of you or your benefit, then you need to contact or write to The Manager, Member Services, Vanguard Investments Australia Ltd, GPO Box 3006FF, Melbourne Vic 3001.

Vanguard must respond to all enquiries and complaints within 90 days of receipt of the enquiry.

If you are still not satisfied with Vanguard's handling of your complaint through the internal procedure, you may refer your complaint to the Superannuation Complaints Tribunal (Tribunal) for review. The Tribunal is an independent body established by the Federal Government under legislation to assist members and beneficiaries to resolve complaints about Trustee decisions that relate personally to members and their dependents.

The Tribunal's primary responsibility is to help the parties resolve the complaint, and if this fails, then the Tribunal will formally review and decide the matter. The Tribunal's contact details are:

Superannuation Complaints Tribunal  
Locked Mail Bag 3060  
GPO Melbourne Victoria 3001  
Telephone: 1300 780 808

### Plan information and reporting

As a member of the Plan you will receive information to help you understand the operation of and benefits provided by the Plan. If you need any further information, please contact Vanguard on 1300 655 101 between 8.00am and 6.00pm Monday to Friday (eastern Australian standard time).

### Insurance

The Trustee holds professional indemnity insurance cover.

### Eligible Rollover Fund

Members of the accumulation division must maintain a minimum account balance of at least \$7,500. If your account balance falls below \$7,500, we may advise you and request you make a contribution to increase your balance to at least \$7,500.

Should an additional amount not be paid to Vanguard within 30 days of Vanguard's request and your account remains below \$7,500, your account may be transferred to the Australian Eligible Rollover Fund, Locked Bag 5429, Parramatta, NSW 2124 (Phone: 1800 677 424). If your account is transferred to the Australian Rollover Fund, you will no longer be a member of the Vanguard Personal Superannuation Plan.

### Trust Deed Amendments

There were no amendments to the Trust Deed dated 20 November 2001 governing the Vanguard Personal Superannuation Plan.

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

Dated at Melbourne this 31 August 2011.



Director



Director

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331  
MELBOURNE VIC 3001  
DX 77  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999  
[www.pwc.com/au](http://www.pwc.com/au)

## Auditor's Independence Declaration

As lead auditor for the Vanguard Personal Superannuation Plan 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 Vanguard Personal Superannuation Plan during the period.



George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
31 August 2011

# Statement of financial position

As at 30 June 2011

	Note	2011	2010
		\$	\$
<b>Investments</b>			
Units in Plum Pooled Superannuation Trust – Accumulation Plan		292,461,766	262,768,720
Units in unlisted unit trusts – Pension Plan		29,563,864	25,701,031
<b>Total Investments</b>		<b>322,025,630</b>	288,469,751
<b>Other assets</b>			
Cash at bank		3,715,067	2,545,609
Other receivables		629,178	309,599
<b>Total other assets</b>		<b>4,344,245</b>	2,855,208
<b>Total assets</b>		<b>326,369,875</b>	291,324,959
<b>Liabilities</b>			
Unsettled purchases of investments		741,421	260,673
Unallocated contributions		86,526	92,535
Current tax liabilities	12(c)	843,656	516,687
Other payables		446,445	721,782
<b>Total liabilities</b>		<b>2,118,048</b>	1,591,677
<b>Net assets available to pay benefits</b>		<b>324,251,827</b>	289,733,282
<i>Represented by:</i>			
<b>Liability for accrued benefits</b>			
Allocated to members' accounts	5	324,098,301	289,087,037
Reserve	4	186,044	351,642
Not yet allocated		(32,518)	294,602
	3	<b>324,251,827</b>	289,733,282

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Operating statement

## For the year ended 30 June 2011

	Note	2011	2010
		\$	\$
<b>Revenue from ordinary activities</b>			
<b>Investment revenue</b>			
Interest		111,893	69,563
Distributions		1,775,125	898,300
Changes in net market value of investments	9	23,869,020	22,313,981
		<b>25,756,038</b>	23,281,844
<b>Contribution revenue</b>			
Employer		11,191,940	11,517,712
Members		11,374,557	12,936,170
Government co-contributions		119,443	203,474
Transfers from other funds		11,435,878	25,929,752
		<b>34,121,818</b>	50,587,108
<b>Other revenue</b>			
Compensation		908	921
		<b>908</b>	921
<b>Total revenue from ordinary activities</b>		<b>59,878,764</b>	73,869,873
<b>Expenses from ordinary operating activities</b>			
Superannuation Contributions (Surcharge) Tax	10	3,566	(2,741)
General administration expenses	11	1,762,350	1,569,807
		<b>1,765,916</b>	1,567,066
<b>Benefits accrued as a result of operations</b>			
<b>Before income tax expense</b>		<b>58,112,848</b>	72,302,807
Income tax expense relating to ordinary activities	12(a)	2,283,681	1,837,291
<b>Benefits accrued as a result of operations after income tax expense</b>		<b>55,829,167</b>	70,465,516

The above Operating Statement should be read in conjunction with the accompanying notes.

# Statement of cash flows

For the year ended 30 June 2011

	Notes	2011	2010
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		111,893	69,563
Transfers from other funds		11,435,878	25,929,752
Employer contributions		11,218,043	11,516,888
Members' contributions		11,374,557	12,936,169
Government co-contributions		119,443	203,474
Distributions		1,458,989	697,808
Other revenue		256	976
General administration expenses paid		(2,010,083)	(1,144,319)
Income tax paid		(1,956,712)	(2,728,765)
Bank fees		(1,266)	(1,322)
Benefits paid		(21,375,429)	(17,492,022)
<b>Net cash inflow/(outflow) from operating activities</b>	14	<b>10,375,569</b>	29,988,202
<b>Cash flows from investing activities</b>			
Proceeds from redemption of investments		52,664,737	44,369,843
Payments for purchases of investments		(61,870,848)	(75,574,953)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(9,206,111)</b>	(31,205,110)
<b>Net increase/(decrease) in cash</b>		<b>1,169,458</b>	(1,216,908)
Cash at the beginning of the financial period		2,545,609	3,762,517
<b>Cash at the end of the financial period</b>		<b>3,715,067</b>	2,545,609

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. Nature of the plan

Vanguard Personal Superannuation Plan ("the Plan") is a superannuation plan domiciled in Australia. The Trustee of the Plan is Vanguard Investments Australia Ltd (Vanguard). The address of the Plan's registered office is GPO Box 3006FF Melbourne Vic 3001.

The Plan consists of an accumulation division (Personal Plan) and a pension division (Pension Plan) which provides benefits to its members under the Trust Deed dated 20 November 2001, as amended.

An administration agreement dated 20 November 2001 has been entered into with Plum Financial Services Limited ("Plum") whereby Plum was appointed as the administrator of the Plan.

	2011	2010
Number of Members		
Vanguard Personal Superannuation Plan	2,200	2,213
Vanguard Personal Pension Plan	103	86

The Personal Plan's investments consist of units in the Plum Pooled Superannuation Trust (Plum PST) managed by Plum. The Plum PST invests in units in unlisted Vanguard unit trusts, managed by Vanguard, for and on behalf of the Trustee, Vanguard.

The Pension Plan's investments consist of units in unlisted Vanguard unit trusts, managed by Vanguard.

## 2. Summary of significant accounting policies

### (a) Statement of Compliance

The financial report is a general purpose report which has been prepared in accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" ("AAS25") as amended by AASB 2005-13 "Amendments to Australian Accounting Standards [AAS25]" (December 2005), other applicable Accounting Standards, the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 ("SIS") and Regulations.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial statements of the Plan do not comply with IFRS, due to the requirements of AAS25.

The financial report was approved by the Board of Directors of the Trustee, Vanguard Investments Australia Ltd on 31 August 2011.

### (b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Plan.

### (c) Use of Estimates and judgement

It was concluded that judgements made by management in the application of Australian Accounting Standards did not have a significant effect on the financial statements. No estimates with a significant risk of material adjustment in the next year were noted.

### (d) Assets

Assets of the Plan are recorded at net market value as at the reporting date. Estimated costs of disposal are deducted in the determination of the net market value.

Net market values are determined as follows:

Units in the pooled superannuation trust and unlisted unit trusts – Redemption price as at balance date, which is based on the market value of the underlying investment.

The net fair value of financial assets is considered equal to their net market value.

### (e) Revenue

Interest revenue is recognised in the Operating Statement as it accrues, using original effective interest rate of the instrument calculated at the acquisition or on origination date.

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

### (e) Revenue *(continued)*

Distribution revenue is recognised on the date the units are quoted ex-distribution and if not received at reporting date, are reflected in the Statement of Financial Position as a receivable at net market value.

Changes in the net market value of investments are recognised as income and are determined as difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

Contributions revenue and transfers from other funds are recognised when the control and the benefits from the revenue have transferred to the Plan and is recognised gross of any taxes.

Other revenue is recognised on an accrual basis.

### (f) Income tax

Income tax on the benefits accrued as a result of operations for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the Statement of Financial Position date and any adjustment to tax payable in respect of previous years. Current tax for the current period is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantially enacted at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Income tax has been provided in the current year at the rate of 15% as it is the expectation of the Trustee that the Plan will be treated as a complying superannuation fund. If the Plan is subsequently deemed to be a non-complying fund for the current year, then income tax will be payable at a rate of 45% on the Plan's taxable income.

### (g) Benefits payable

Benefits payable represent those members who notified the Plan of their intention to exit and were not paid prior to year end.

### (h) Other receivables and payables

Other receivables are recognised at the net fair value. Other payables represent liabilities for goods and services provided to the Plan prior to the end of the financial year and which are unpaid. The amounts are unsecured. Other receivables and payables are subject to normal trade credit terms.

### (i) Cash

Cash at bank in the Statement of Financial Position consists of cash at bank with an original maturity of three months or less that are readily convertible to cash, and is subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash consists of cash at bank as defined above.

### (j) Liability for accrued benefits

The liability for accrued benefits is the Plan's present obligation to pay benefits to members and beneficiaries, and has been calculated as the difference between the carrying amounts of the assets, sundry liabilities and income tax liabilities as at the reporting date.

### (k) Goods and services tax (GST)

Revenues and expenses are recognised net of the amount of GST as a reduced input tax credit (RITC), except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

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

### (k) Goods and services tax (GST) *(continued)*

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable to the ATO is included as a current asset or liability in the Statement of Financial Position.

### (l) 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 Plan) and interpretation is set out below:

- (i) *AASB 9 Financial Instruments and AASB 2009–11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 10 Amendment 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 Plan has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact in the Plan's financial statements as the Plan does 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 July 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 Plan will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Plan's 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: Disclosure 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 Plan's disclosures. The Plan intends 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 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 Plan does not expect that any adjustments will be necessary as the result of applying the revised rules.

## 3. Liability for accrued benefits

	2011	2010
	\$	\$
<b>Changes in the liability for accrued benefits:</b>		
Liability for accrued benefits at the beginning of the financial year	<b>289,733,282</b>	236,789,696
Plus: increase in accrued benefits	<b>55,829,167</b>	70,465,516
Less: benefits paid and payable	<b>(21,310,622)</b>	(17,521,930)
<b>Liability for accrued benefits at the end of the financial year</b>	<b>324,251,827</b>	289,733,282

# Notes to the financial statements (continued)

For the year ended 30 June 2011

## 4. Reserve

Amounts which cannot practicably be allocated to particular members are credited to the reserve account. The Trustee may use the reserve account to meet certain expenses which relate to the Plan as a whole and for other purposes connected with the Plan.

The table below outlines the movement that has occurred during the year.

	2011	2010
	\$	\$
Opening Balance	351,642	301,166
Plus: investment in Reserve	(183,354)	29,001
Plus: earnings/losses on Reserve	17,756	21,475
<b>Closing balance</b>	<b>186,044</b>	351,642

## 5. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Plan (or any factor other than resignation from the Plan) and include benefits which members were entitled to receive had they terminated their Plan membership as at the reporting date.

	2011	2010
	\$	\$
Vested benefits:		
Vanguard Personal Superannuation Plan	292,298,838	262,417,078
Vanguard Personal Pension Plan	31,799,463	26,669,959
	<b>324,098,301</b>	289,087,037

## 6. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

## 7. Funding arrangements

The objective of funding in respect of the Plan is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. Employers contribute at the superannuation guarantee rate and members contribute at varying rates to the Plan.

## 8. Auditor remuneration

	2011	2010
	\$	\$
<b>Audit Services</b>		
<i>Auditors of the Plan:</i>		
PricewaterhouseCoopers		
Audit and review of financial reports and compliance	37,283	38,640
Other regulatory audit services		
– Audit of risk management strategy and plan	8,822	9,110
– Audit of the annual APRA return	2,931	3,040
<b>Total</b>	<b>49,036</b>	50,970

Audit fees are paid by Vanguard.

## 9. Changes in net market value

	2011	2010
	\$	\$
Unrealised Gain/(Loss) on Investments held		
Units in Plum Pooled Superannuation Trust	21,080,341	18,726,278
Units in unlisted unit trusts	373,708	676,162
Investments realised during the financial period		
Units in Plum Pooled Superannuation Trust	2,391,809	2,726,430
Units in unlisted unit trusts	23,162	185,111
	<b>23,869,020</b>	22,313,981

## 10. Superannuation contributions (surcharge) tax

Prior to 1 July 2005, under the *Superannuation Contributions Tax (Assessment and Collection) Act 1997*, the holder of surchargeable contributions for the financial year is liable to pay the superannuation contributions (surcharge) tax ("the surcharge"). The surcharge is levied on surchargeable contributions depending on the individual member's adjusted taxable income. The Plan has recognised the surcharge as an expense and liability when the assessment is received from the

## Notes to the financial statements *(continued)*

For the year ended 30 June 2011

### 10. Superannuation contributions (surcharge) tax *(continued)*

Australian Taxation Office. No assessed surcharge liability remains unpaid at year end. With effect from 1 July 2005, the surcharge has been abolished. This means that a surcharge will not be issued in respect of any surchargeable contributions made or received from 1 July 2005.

No additional surcharge liability in respect of surchargeable contributions made prior to 1 July 2005 has been recognised at year end as the Trustee considers that it cannot be reliably measured.

The surcharge included in the Operating Statement is \$3,566 (2010: \$2,741 refund).

Any surcharge levied against the Plan is charged to the relevant members' benefits when the assessment is received and agreed.

### 11. Other general administration expenses

	2011	2010
	\$	\$
Bank charges	1,266	1,323
Manager fees	1,580,350	1,433,952
Other Expenses	180,734	134,532
	<b>1,762,350</b>	1,569,807

### 12. Income tax

The Plan has received certification from the Australia Prudential Regulation Authority (APRA) confirming the Plan's complying status and this has not since been revoked. Income tax is assessable at 15% on net investment earnings, employee contributions and capital gains, with deductions allowable for administration and certain other expenses. A reconciliation of income tax expense with revenues and expenses for the period before income tax is set out below:

	2011	2010
	\$	\$
<b>(a) Income tax expense</b>		
Current income tax expense	1,827,852	1,516,193
Under/(over) provision prior periods	455,829	321,098
	<b>2,283,681</b>	1,837,291

	2011	2010
	\$	\$
<b>(b) Reconciliation of income tax expense and benefits accrued as a result of operations before income tax</b>		
Benefits accrued as a result of operations before income tax	58,112,848	72,302,807
Income tax calculated at 15% (2010: 15%)	8,716,927	10,845,421
Tax effect of permanent differences:		
Members' contributions	(1,401,560)	(1,940,426)
Government co-contributions	(17,916)	(30,521)
Rollovers from other funds	(1,640,947)	(3,889,463)
Non-assessable investment gains	(3,580,352)	(3,347,097)
Surcharge	535	(411)
Non-assessable expenses	24,429	2,834
Exempt Pension Income	(273,264)	(124,144)
Under/(Over) provision prior periods	455,829	321,098
<b>Income tax expense</b>	<b>2,283,681</b>	1,837,291
<b>(c) Current tax liabilities</b>		
<b>Provision for current income tax</b>		
Balance at beginning of year	516,687	1,408,162
Income tax paid – current period	(984,196)	(999,511)
Income tax paid – prior period	(972,516)	(1,729,259)
Current year income tax provision	1,827,852	1,516,197
Under/(over) provision prior periods	455,829	321,098
	<b>843,656</b>	516,687

### 13. Financial risk management

#### (a) Financial Risk Management Objectives, Policies and Processes

The Plan's 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 Plan's overall risk management programme focuses on ensuring compliance with the Plan's 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 Vanguard's investment management department under the policies approved by the Trustee.

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

## 13. Financial risk management *(continued)*

### (b) Market Risk

Market risk is the possibility that the market has negative returns over short or even extended periods. Cash investments have the lower market risk. Bonds, then property securities and then equities have increasing levels of market risk. Short-term market risks are high to very high for most asset classes.

In any asset sector the returns of individual securities are a combination of the market return and returns specific to each security.

By diversifying their holdings across the market, index funds are generally well protected from the specific risk of individual securities. Their specific returns tend to cancel each other out leaving the Plan with the market return and its associated risk.

#### Fair value estimation

The carrying amounts of the Plan's 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.

### (c) 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.

The Plan has no significant direct exposure to foreign exchange risk. However, the Plan is indirectly exposed to foreign exchange risk via the investment strategy of investing in the Vanguard unlisted unit trusts (Vanguard Index Funds) and the Plum PST.

Foreign currency exposure is accounted for by marking to market in a manner consistent with the valuation of the underlying securities.

### (d) 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 Plan has insufficient direct exposure to interest rate risk to be material. The Plan is indirectly exposed to interest rate risk via their investment strategy of investing in the Vanguard Index Funds and the Plum PST. All financial liabilities are non-interest bearing.

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

## 13. Financial risk management *(continued)*

### (e) Counterparty risk and Credit risk

Counterparty risk is the risk that the Plan's trading counterparties become insolvent or cannot otherwise meet their obligations.

The Plan has no significant direct exposure to Counterparty risk and Credit risk. However, the Plan is indirectly exposed to Counterparty risk and Credit risk via their investment strategy of investing in the Vanguard Index Funds and the Plum PST.

The underlying investments of the Plan that invest in fixed interest and debt securities are exposed to credit risk. This is the risk that an issuer of a fixed interest or debt security may not meet its payment obligations to the Funds. The Responsible Entity seeks to minimise this risk by diversifying a Fund's holdings across issuers.

The underlying investments of the Plan which invest in forward exchange contracts are exposed to the risk associated with unrealised profits. This is generally a small proportion of the Plan's value.

Credit risk is most applicable to the funds with significant exposure to fixed interest and debt securities such as the Vanguard Australian Fixed Interest Index Fund, Vanguard International Fixed Interest Index Fund (Hedged) and Vanguard International Credit Securities Index Fund (Hedged).

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. There was no significant concentration of credit risk counterparties at balance date, except in relation to the Plan's investments in the Vanguard Index Funds and the Plum PST, which represented 99.32% (2010: 99.56%) of the net assets attributable to members of the Plan at financial year end.

### (f) Liquidity and cash flow risk

Liquidity risk is the risk of the Plan will not be able to meet its financial obligations as they fall due. The Plan's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Plan's reputation.

The Plan's liquidity position is monitored on a daily basis. The Plan's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Plan expenses plus investing activities.

The following tables summarises the expected maturity profile of the Plan's financial liabilities based on the earliest date on which the Plan can be required to pay.

2011	Less than 1 month	1 to 6 months	Total
	\$	\$	\$
Unsettled purchases of investments	741,421	–	741,421
Unallocated contributions	86,526	–	86,526
Current tax liabilities	–	843,656	843,656
Other payables	446,445	–	446,445
Liability for accrued benefits	324,251,827	–	324,251,827
<b>Total</b>	<b>325,526,219</b>	<b>843,656</b>	<b>326,369,875</b>

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

## 13. Financial risk management *(continued)*

### (f) Liquidity and cash flow risk *(continued)*

2010	Less than 1 month	1 to 6 months	Total
	\$	\$	\$
Unsettled purchases of investments	260,673	–	260,673
Unallocated contributions	92,535	–	92,535
Current tax liabilities	–	516,687	516,687
Other payables	721,782	–	721,782
Liability for accrued benefits	289,733,282	–	289,733,282
<b>Total</b>	<b>290,808,272</b>	<b>516,687</b>	<b>291,324,959</b>

The Plan's significant financial liabilities are the liability for accrued benefits to members, which includes vested benefits. In relation to the contractual maturity of liability for accrued benefits, these would be considered on demand. The Plan considers it unlikely that all members will seek to withdraw their benefits at the same time. The members accept the time taken to convert their assets to cash to meet their obligations when called upon.

### (g) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Plan's net assets available to pay benefits 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 Plan's 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 Plan invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The Plan has limited direct exposure to interest rate risk and is considered to be immaterial. The Plan does not have direct exposure to foreign exchange risk. However, the Plan has an indirect exposure to the interest rate risk and foreign exchange rate risk via its investments in Vanguard Index Funds and the Plum PST. No sensitivity analysis tables for interest rate risk and foreign exchange risk have been prepared on the look through basis.

The sensitivity of the Plan's net assets available to pay benefits to price risk is disclosed as follows:

2011	Carrying Amount	Movement in underlying sector	Increase/(Decrease) in benefits accrued as a result of operations	Increase/(Decrease) in members liabilities for accrued benefits
	(\$)	(%)	(\$)	(\$)
Australian Equities	138,140,690	(10%) / +23%	(13,814,069) / 31,772,359	(13,814,069) / 31,772,359
Global Equities	66,417,950	(16%) / +27%	(10,626,872) / 17,932,847	(10,626,872) / 17,932,847
Listed Property	29,890,250	(18%) / +26%	(5,380,245) / 7,771,465	(5,380,245) / 7,771,465
Australian Fixed Interest	27,569,415	(2%) / +11%	(551,388) / 3,032,636	(551,388) / 3,032,636
Global Fixed Interest	20,314,920	(2%) / +11%	(406,298) / 2,234,641	(406,298) / 2,234,641
Cash	39,692,405	0% / +7%	0 / 2,778,468	0 / 2,778,468

## Notes to the financial statements *(continued)*

For the year ended 30 June 2011

### 13. Financial risk management *(continued)*

#### (g) Summarised sensitivity analysis *(continued)*

2010	Carrying Amount	Movement in underlying sector	Increase/(Decrease) in benefits accrued as a result of operations	Increase/(Decrease) in members liabilities for accrued benefits
	(\$)	(%)	(\$)	(\$)
Australian Equities	121,304,526	(11%) / +24%	(13,343,498) / 29,113,086	(13,343,498) / 29,113,086
Global Equities	65,102,222	(26%) / +27%	(16,926,578) / 17,577,600	(16,926,578) / 17,577,600
Listed Property	20,829,277	(28%) / +25%	(5,832,198) / 5,207,319	(5,832,198) / 5,207,319
Australian Fixed Interest	22,830,864	(1%) / +10%	(228,309) / 2,283,086	(228,309) / 2,283,086
Global Fixed Interest	19,042,131	(1%) / +10%	(190,421) / 1,904,213	(190,421) / 1,904,213
Cash	39,360,731	0% / +7%	0 / 2,755,251	0 / 2,755,251

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 by independent sources that are actively involved in the relevant market.

2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Units in Plum Pooled Superannuation Trust – Accumulation Plan	–	292,461,766	–	292,461,766
Units in unlisted unit trusts – Pension Plan	–	29,563,864	–	29,563,864
	–	322,025,630	–	322,025,630

2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Units in Plum Pooled Superannuation Trust – Accumulation Plan	–	262,768,720	–	262,768,720
Units in unlisted unit trusts – Pension Plan	–	25,701,031	–	25,701,031
	–	288,469,751	–	288,469,751

# Notes to the financial statements *(continued)*

For the year ended 30 June 2011

## 14. Reconciliation of benefits accrued as a result of operations to net cash inflow from operating activities

	2011	2010
	\$	\$
Benefits accrued as a result of operations	<b>55,829,167</b>	70,465,516
Changes in net market value of investments	<b>(23,869,020)</b>	(22,313,981)
Benefits paid	<b>(21,310,621)</b>	(17,521,930)
Changes in operating assets and liabilities		
Increase/(decrease) in accounts payable	<b>(281,347)</b>	456,952
(Increase)/decrease in accounts receivable	<b>(319,579)</b>	(206,880)
Increase/(decrease) in income tax payable	<b>326,969</b>	(891,475)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>10,375,569</b>	29,988,202

## 15. Related parties

### (a) Trustee

The Trustee of the Plan is Vanguard Investments Australia Ltd (ABN 72 072 881 086, AFSL 227263, RSE Licence L0001335), which is a wholly owned subsidiary of The Vanguard Group, Inc.

### (b) Key management personnel

The Plan does not employ personnel in their own right. However, the Plan is required to have an incorporated Trustee to manage the activities of the Plan and this is considered the Key Management Personnel.

### (i) Directors

The directors of the Trustee during the financial year and up until the date of this report are key management personnel of that entity and their names are as follows:

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

### (ii) Key management personnel compensation

The Trustee is entitled to receive a trustee and management fee as detailed in Note 15(d) below. Payments made from the Plan to the Trustee do not include any amounts directly attributable to the compensation of the directors of the Trustee. No compensation is paid to directors or directly by the Plan to any of the key management personnel of the Trustee.

### (iii) Key management personnel loan disclosures

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

## Notes to the financial statements *(continued)*

For the year ended 30 June 2011

### 15. Related parties *(continued)*

#### (c) Key management personnel unitholdings

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

	Number of units held		Interest held at 30 June		Number of units acquired		Number of units disposed	
	2011	2010	2011	2010	2011	2010	2011	2010
			%	%				
J M James	<b>135,839</b>	136,389	<b>0.09%</b>	0.00%	<b>87</b>	37	<b>860</b>	589

J.G. Duffield resigned as a director as at 31 December 2010 and therefore, the related parties of J.G. Duffield are not required to be disclosed as at balance date.

#### (d) Other related party transactions

The Plan invests directly and via the Plum PST into Vanguard Managed Funds of which Vanguard is the Responsible Entity. These include:

- Vanguard LifeStrategy – Conservative
- Vanguard LifeStrategy – Balanced
- Vanguard LifeStrategy – Growth
- Vanguard LifeStrategy – High Growth
- Vanguard Cash Plus
- Vanguard Australian Fixed Interest
- Vanguard Australian Property Securities
- Vanguard Australian Shares
- Vanguard International Shares
- Vanguard International Shares (Hedged)

The Manager fees of \$1,580,350 (2010: \$1,433,952) as disclosed in Note 11, are paid to Vanguard.

### 16. Events subsequent to balance 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](http://www.vanguard.com.au).

## Trustee's declaration to the members

In the opinion of the Trustee:

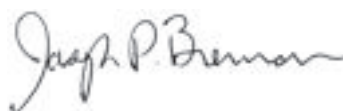
- (a) the financial statements set out on pages 20 to 33 are drawn up so as to present fairly the Statement of Financial Position as at 30 June 2011, and the Operating Statement for the year then ended.
- (b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25 – Financial Reporting by Superannuation Plans, other relevant Australian General Accepted Accounting Principles, Australian equivalents to International Financial Reporting Standards, Urgent Issues Group interpretations corresponding to the interpretations approved by the International Accounting Standards Board (IASB), the provisions of the Trust Deed, and relevant legislative requirements; and
- (c) the Plan has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, its Regulations and the *Corporations Act 2001*, its Regulations and Guidelines during the year ended 30 June 2011.

This statement is made in accordance with a resolution of the directors of the Trustee, Vanguard Investments Australia Ltd.

Dated at Melbourne this 31 August 2011.



Director



Director



**Vanguard Personal Superannuation Plan (ABN: 815 504 685 53)**

## **Report by the Independent Auditor to the Trustee and Members**

### **Financial Statements**

I have audited the financial statements of Vanguard Personal Superannuation Plan (the “Plan”) for the year ended 30 June 2011 comprising the Statement of Financial Position, Operating Statement and Statement of Cash Flows.

### **Trustee’s Responsibility for the Financial Statements**

The superannuation entity’s trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the Plan.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee’s preparation and fair presentation of the financial statements 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 trustee’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

**PricewaterhouseCoopers**  
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**Report by the Independent Auditor to the Trustee and Members (continued)**

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Auditor's Opinion**

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of Vanguard Personal Superannuation Plan as at 30 June 2011 and the results of its operations and its cash flows for the year ended 30 June 2011.

**Matters relating to the electronic presentation of the audited financial report**

This audit report relates to the financial report of Vanguard Personal Superannuation Plan for the financial year ended 30 June 2011 included on Vanguard Investments Australia Ltd's (the trustee) web site. The trustee is responsible for the integrity of Vanguard's 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 or remuneration 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.

A stylized, handwritten signature of the auditor, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature of George Sagonas.

George Sagonas  
Partner

Melbourne  
31 August 2011



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