

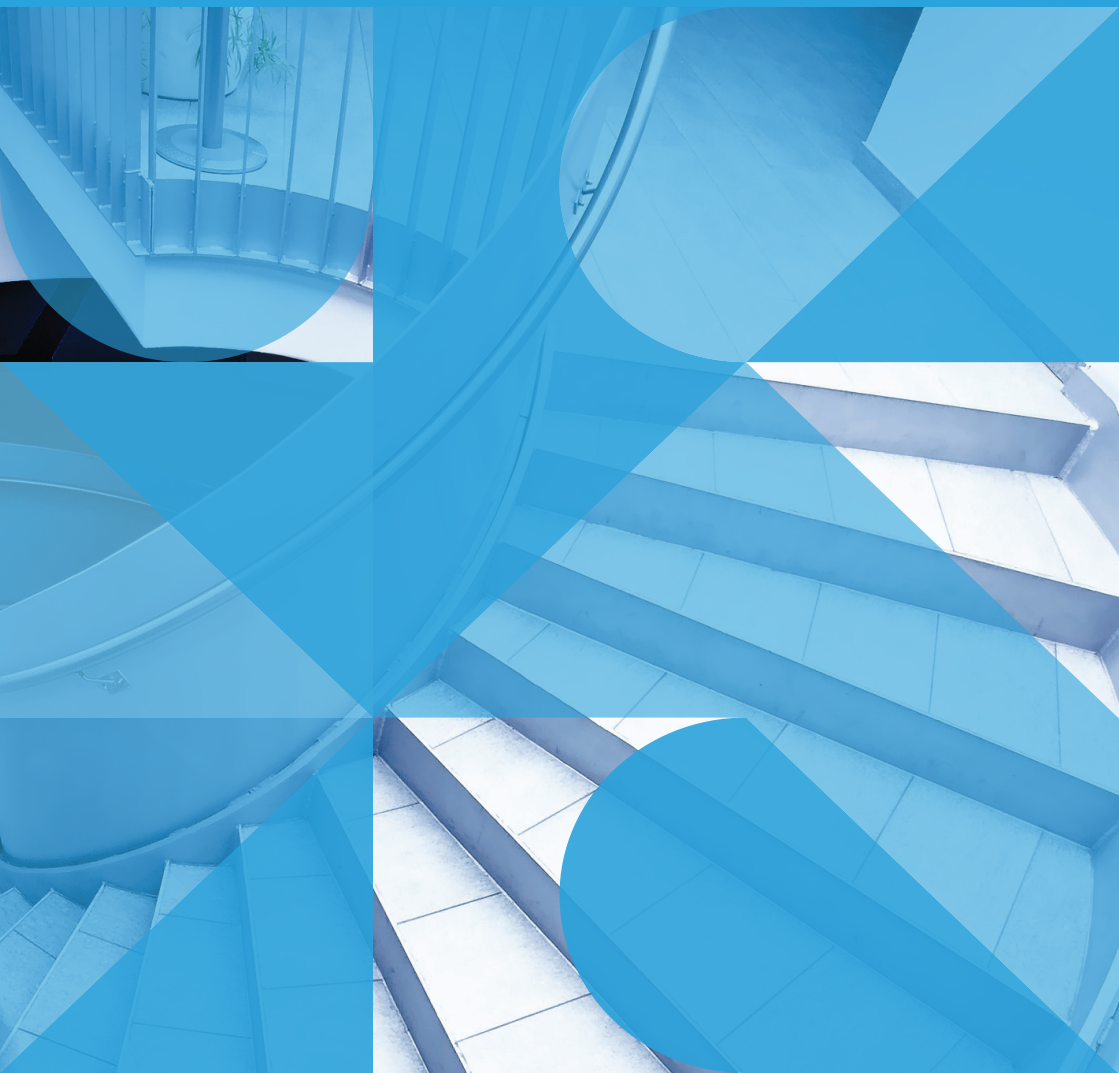
# VPEG2B

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

**ANNUAL REPORT** 2018  
FOR THE YEAR ENDED 30 JUNE

**DIVERSIFY.  
GROW.  
OUTPERFORM.**

INVESTMENT MANAGER



## CORPORATE DIRECTORY

### DIRECTORS OF THE TRUSTEE

**Michael Tobin** B.E., MBA, DFS (Financial Markets)  
Managing Director

**David Pullini** B.E., MBA, BappFin.  
Director

### NOTICE OF ANNUAL GENERAL MEETING

#### **The Annual General Meeting of Vantage Private Equity Growth 2**

Will be held at: Corrs Chambers Westgarth  
L17, 8 Chifley Square  
Sydney NSW 2000

Time: 10.30am

Date: 29 November 2018

### PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 25, Aurora Place  
88 Phillip Street  
Sydney NSW 2000

### AUDITORS

**Ernst & Young**  
200 George Street  
Sydney NSW 2000

### SOLICITORS

**Norton Rose Fulbright**  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

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## TRUSTEE AND MANAGERS' REPORT

**Vantage Asset Management Pty Limited, the Trustee of Vantage Private Equity Growth Trust 2B ("the Fund" or "VPEG2B") presents this report together with the financial statements of VPEG2B for the year ended 30 June 2018.**

### DIRECTORS

The following persons were directors of the Trustee during the whole of the financial year and up to the date of this report, unless otherwise stated:

**Michael Tobin**  
Managing Director

**David Pullini**  
Director

### PRINCIPAL ACTIVITY

The principal activity of the Fund is the investment in professionally managed Private Equity funds focused on investing in the later expansion and buyout stages of Private Equity in Australia and New Zealand.

The principal objective of the Fund is to provide investors with the benefit of a well-diversified Private Equity investment portfolio. This is achieved by focusing on providing the majority of its commitments and investments to underlying funds that invest in businesses that are at a more mature stage of development, and in particular the later expansion and buyout stages of Private Equity investment.

As at 30 June 2018 the Fund held investment commitments in eight Private Equity funds managed by Australian and New Zealand headquartered Private Equity fund managers. VPEG2B has commitments of \$13.1m<sup>1</sup> (2017: \$12.95m<sup>1</sup>) which includes \$2.4m to Adamantem Capital Fund 1, \$2m to each of Allegro Fund II, CHAMP IV, Next Capital Fund III and Odyssey Private Equity Fund 8, \$1.2m Mercury Capital Fund 2, NZ\$1.0m to Waterman Fund 3, NZ\$0.5m to Pencarrow Bridge Fund and a co-investment into Fitzpatrick Financial Group of \$0.1m.

Note 1. Assumes an average AUD / NZ exchange rate of 1.1 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund (2017: 1.1).

## FUND PERFORMANCE HIGHLIGHTS FOR FY18

- \$2.91m in Additional Capital Drawn by underlying Private Equity funds
- 15 new underlying company investments added to the portfolio
- 1 underlying company sold delivering > 2.5 X cost of original investment
- A total of 37 underlying company investments completed with 2 exits now realised
- Total distributions received from underlying funds during the year of \$1.025m
- Net Profit of \$0.26m
- Total distributions paid to Unit Holders during FY18 of \$0.63m (\$0.072 per unit)
- Total Unit Holder Return during FY18 of 10.3%

## DISTRIBUTIONS TO UNIT HOLDERS

During December 2017, a cash distribution of \$407,001 (\$0.046 per unit), was declared and distributed to all VPEG2B Unitholders following the sale of Next Capital III investee company, Infinite Aged Care.

During March 2018, a cash distribution of \$225,620 (\$0.0255 per unit) was declared and distributed to all VPEG2B Unitholders as a result of the strong operational performance during FY18 from two underlying company investments of VPEG2's investee CHAMP IV and Waterman Fund 3.

## ECONOMIC CONDITIONS ACROSS FY18

During the first quarter of the financial year ended 30 June 2018 (FY18), the Australian economy experienced slower than expected growth of 0.8%. This was attributed to some poor weather experienced in some sectors as well as declining mining exports. Despite this slow growth, the December 2017 quarter quantified stronger domestic economic growth with an ongoing low inflation rate and optimistic financial markets all positively impacting market sentiment. These aspects increased business investment, improved business confidence, delivered higher terms of trade (from higher commodity prices) and lowered unemployment numbers.

Economic data during the second half of FY18 saw an initial improvement in growth, which kept the market optimistic. Key factors behind the March 2018 quarter improvements included stronger activity in the non-residential construction area as well as increased government spending. Exports also improved, which reflected the strong economic performance being reported by many trading partners. Stronger than expected economic performance by China, along with recent policy initiatives to reduce pollution levels, were undoubtedly drivers to the first half of FY18's success.

Across the full year ended 30 June 2018 (FY18), the Australian economy showed its ability to sustain strong economic growth through the volatile market conditions presented by inhibiting macroeconomic factors effecting the broader economy.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### ECONOMIC CONDITIONS ACROSS FY18 (CONT.)

This annual economic expansion was contributed to the improvement in export performance and increase in business investments. Additionally, the improvement in trade terms allowed Australia to benefit from the accelerating economy and the weakening Australian dollar.

This allowed Australia to record its 27th year of continuous economic growth across FY18. As a result, Australia holds the record for the second longest uninterrupted expansion in modern history, having not suffered a recession since 1991. Given the uncertainty in the economic and political situation experienced around the world over the year, this is a remarkable achievement.

For the full year ended 30 June 2018, the Australian economy grew at a moderate pace of 2.9% (2017 1.9%) which was higher than the 2.7% that had been forecasted. These encouraging signs have seen the Australian jobs market strengthen throughout FY18 with over 400,000 new jobs created, reducing the unemployment rate to 5.4%, the lowest since 2012.

A reduction in consumer sentiment across the latter half FY18 was attributed to the combination of low wages growth, high household debt and ever-increasing utilities cost, leaving Australian households under increasing debt pressures. This affected the annualised growth in retail spending, which was down 2.6% year on year. Across the last quarter of FY18 the eastern sea-board housing market softened dramatically, creating regulatory restrictions on lending to residential property investors. When combined with higher interest rates on investor loans this caused a depletion in major city housing prices.

Across the year, the Reserve Bank of Australia (RBA) continued to hold cash rates at 1.5% p.a. as annual inflation remained subdued at 1.9%. Recent commentary by RBA officials suggest the cash rate will remain on hold well into 2019 unless the labour market tightens further and wages growth increases.

Despite the RBA keeping the monetary policy unchanged, the final quarter of FY18 saw banks realise pressure on short and long-term funding. This resulted in four banks within the sector, to lift their lending rates by modest amounts, demonstrating that short term funding expenses were on the rise within Australia.

Looking forward, a protracted trade war will certainly impact Australia's balance of payments and overall economic performance. Whilst to date, the imposition of tariffs is unlikely to have a direct impact on Australia-US trade, the knock-on impact from other trading partners, in particular China, is likely to be of more concern. Should China see a slowing of industrial production the expectation would be that demand for commodities would weaken, which would be reflected in lower volumes and lower prices. Lower commodity exports will inevitably flow through to all levels of the economy starting with royalties and taxes to governments, to corporate earnings and obviously to employment.

## **STRONG PRIVATE EQUITY DEAL FLOW IN VPEG2 TARGET MARKET SEGMENT**

Across the year ended 30 June 2018, there were strong levels of activity in all phases and aspects of the local private equity market.

In terms of investment opportunities, the flow of transactions remained healthy and the quality of the deals continued to be suitable.

Fund raising also saw positive results with a number of managers completing successful raisings. A recently completed global study in the area of alternative investments reported that Australia/New Zealand now comprise the seventh largest area for private equity in the world, with increasing levels of interest from international institutions to invest in this market. FY18 saw stronger interest in the local market from both North American and European investors.

The trend for increased investment into the local Private Equity Market from both domestic to international investors is expected to continue through FY19.

Pricing for transactions in the lower mid-market, in which VPEG2's underlying funds invest, remained sensible reflecting the fact that there is a sustainable balance between supply and demand. As might be expected there is some differentiation on pricing based on the industry involved, the expected rate of growth and the size of the deal. The local banks also maintained a sensible approach to finance with debt multiples generally remaining between the 2.5 and 3.5 times earnings, although there is more pressure on leverage towards the larger deals that are outside of VPEG2's mandate.

Robust opportunities also presented themselves on the supply side during the financial year with low levels of competition in the lower middle market segment of Private Equity in Australia, that VPEG2's underlying funds invest in. This would appear to be in contrast to other established markets (particularly North America and Europe). Based on overseas fund managers comments, a combination of competition between credit providers and a higher number of managers has certainly resulted in higher multiples being paid for businesses in those markets, reducing the margin for error should the economic cycle turn for those larger deals in those markets.

Good liquidity on the exit side continued to present to VPEG2's fund managers during the period with one realisation completed via a trade sale. This in turn resulted in the distribution of capital to investors following the completion of that exit, during the period, with additional exits expected to be completed across FY19 leading to further distributions.

VPEG2's underlying Private Equity fund managers' report that the deal pipeline is strong and that many new and bolt on opportunities are being assessed in line with each of their firm's investment mandates. As a result, it is anticipated that VPEG2's underlying managers will complete additional acquisitions across FY19, which will ultimately grow the number of companies within VPEG2's underlying private equity portfolio, across a range of industry sector, thereby enhancing VPEG2's portfolio diversification.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### REVIEW OF VPEG2B'S OPERATIONS

Vantage Private Equity Growth Trust 2B ('VPEG2B' or 'Fund') is one of the Private Equity funds managed by Vantage Asset Management Pty Ltd which is a leading independent investment management company with expertise in Private Equity, funds management, manager selection and operational management.

VPEG2B comprises one half of a twin trust structure (in conjunction with Vantage Private Equity Growth Trust 2A) which are Australian unit trusts. The Fund's investment objective for its Investment Portfolio is to achieve attractive medium to long-term returns on Private Equity investments while keeping the volatility of the overall investment portfolio low. This is achieved by investing across a highly diversified portfolio of Private Equity assets with diversification obtained by allocating across manager, geographic region, financing stage, industry sector and vintage year.

VPEG2B continues to build its Private Equity portfolio with additional commitments made to underlying funds throughout the year and additional capital drawn to fund the acquisitions of 15 new underlying company investments. In addition, one of VPEG2B's underlying funds completed the sale of an underlying company during the year, delivering a strong top quartile return to VPEG2B.

### FULLY PAID UNITS ISSUED

The Fund's final close, on 28 May 2015, achieved total investment commitments of \$8,847,838 from investors. The initial issue price for units under this offer was \$1.00 per unit payable in full upon application.

As a result, VPEG2B has on issue 8,847,838, fully paid units with total Paid Capital of \$8,904,052 at 30 June 2018.

### NEW UNDERLYING PRIVATE EQUITY FUND COMMITMENTS AND INVESTMENTS

Since the commencement of the investment program, VPEG2B has committed \$13.1m\* (2017: \$12.95m\*) across eight Private Equity funds and completed one co-investment. As at 30 June 2018, these commitments included \$2.4m to Adamantem Capital Fund 1, \$2m to each of Allegro Fund II, CHAMP IV, Next Capital Fund III and Odyssey Private Equity Fund 8, \$1.2m Mercury Capital Fund 2, NZ\$1.0m to Waterman Fund 3, NZ\$0.5m to Pencarrow Bridge Fund and a co-investment into Fitzpatrick Financial Group of \$0.1m.

There were no additional commitments made to existing or new Private Equity funds during the year ended 30 June 2018.



**VPEG2B'S PRIVATE EQUITY PORTFOLIO AND COMMITMENTS,  
 AS AT 30 JUNE 2018, WERE AS FOLLOWS:**

PRIVATE EQUITY FUND NAME	FUND / DEAL SIZE	VINTAGE YEAR	INVESTMENT FOCUS	VPEG2B COMMITMENT	CAPITAL DRAWN DOWN	TOTAL NO. OF INVESTEE COMPANIES	NO. OF EXITS
<b>Next Capital Fund III</b>	\$265m	2014	Small to Mid Market Expansion / Buyout	\$2.0m	\$1.26m	6	1
<b>Allegro Fund II</b>	\$180m	2014	Small to Mid Market Expansion / Buyout	\$2.0m	\$1.50m	8	1
<b>Mercury Capital Fund 2</b>	\$300m	2015	Small to Mid Market Expansion / Buyout	\$1.2m	\$0.66m	4	0
<b>CHAMP IV</b>	\$735m	2016	Mid Market Buyout	\$2.0m	\$1.14m	6	0
<b>Waterman Fund 3</b>	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.0m	\$0.45m	3	0
<b>Pencarrow Bridge Fund</b>	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$0.5m	\$0.35m	4	0
<b>Adamantem Capital Fund 1</b>	\$591m	2017	Mid Market Expansion / Buyout	\$2.4m	\$0.45m	3	0
<b>Odyssey Fund 8</b>	\$275m	2017	Mid Market Expansion / Buyout	\$2.0m	\$0.56m	2	0
<b>Co-Invest 1 (Fitzpatrick's Financial Group)</b>	\$200m	2017	Mid Market Expansion	\$0.1m	\$0.13m	1	0
<b>TOTAL<sup>1</sup></b>				<b>\$13.1m</b>	<b>\$6.50m</b>	<b>37</b>	<b>2</b>

1. Assumes AUD / NZD exchange rate of 1.1 for VPEG2B's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

As a result of the continued investment activity by VPEG2B's underlying funds, the total value of funds drawn from VPEG2B into Private Equity investments during the year increased from \$3.73m at 30 June 2017 to \$6.50m at 30 June 2018, representing a 74.3% increase in drawn capital from VPEG2B across the year.

This resulted in an increase in the number of underlying company investments in VPEG2B's portfolio from twenty-two to thirty-seven during the year. In addition, six "bolt on" acquisitions were completed by existing portfolio companies and a number of other follow-on investments were also made into existing companies to expand their operations. As a result, at 30 June 2018, VPEG2B had 37 underlying company investments completed in the underlying portfolio.

### NEW UNDERLYING PRIVATE EQUITY COMPANY INVESTMENTS COMPLETED DURING THE YEAR INCLUDED:

#### by Adamantem Capital Fund 1

- **Hygain Holdings** (November 2017), a premium Australian horse feed producer.
- **Servian** (June 2018), a specialised data and analytics consultancy firm.

#### by Allegro Fund II

- **Everest Foods** (September 2017), a leading manufacturer and distributor of ice cream, gelato, sorbet and frozen desserts.

#### by CHAMP IV

- **Jaybro Group** (December 2017), a supplier of consumables to the civil infrastructure and construction industries across Australia and New Zealand.
- **Panthera Finance Pty Ltd** (December 2017), Australia's largest privately owned receivables management company.

#### by Mercury Capital Fund 2

- **Nirvana Health Group** (July 2017), the largest primary care operator in New Zealand.
- **International Volunteer HQ Limited** ('IVHQ') (November 2017), the global leader in Volunteer Tourism.

#### by Next Capital Fund III

- **Noisette Bakery** (January 2018), a Melbourne, Australia based artisanal commercial bakery.

### by Odyssey Fund 8

- **OZtrail** (January 2018), Australian outdoor leisure products business.
- **Mine Site Technologies** (June 2018), a leading provider of unified communication products to the mining and tunneling sectors.

### by Pencarrow Bridge Fund

- **Netlogix Groups Holding Ltd** (October 2017), a technology enabled freight logistics company.
- **The Collective** (April 2018), a leading manufacturer and distributor of gourmet yoghurt.

### by Waterman Fund 3

- **Provincial Education Group Limited** (July 2017), New Zealand's largest early childhood education provider.
- **PBT Group** (October 2017), a national transport courier and logistics operator across New Zealand.

### Co-invest 1 (Fitzpatrick Financial Group)

- **Co-investment into Fitzpatrick Financial Group** (August 2017), with Yorkway Capital who together with Quadrant Private Equity also funded the strategic acquisition of Retirement Victoria.

## SIGNIFICANT BOLT ON ACQUISITIONS COMPLETED DURING THE YEAR INCLUDED:

### by Adamantem Capital Fund 1

- **Heritage Lifecare** added to its portfolio of New Zealand aged care facilities with the bolt-on acquisition of three additional aged care operations (March & April 2018).

### by Allegro Fund II

- **Carpet Court NZ** completed the **bolt-on** acquisition of **Curtain Studio** (May 2018), a leading retailer of window furnishings in New Zealand.

### by Waterman Fund 3

- **Provincial Education Group** acquired a further five childcare centres (June 2018) to add to its existing portfolio, expanding the total number of childcare centres to 40.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

The table below provides a summary of the top 10 underlying Private Equity investments in VPEG2B's portfolio, for which funds have been drawn from VPEG2B, as at 30 June 2018. As demonstrated in the table, the top 10 investments in VPEG2B's underlying portfolio represented 49.2% of VPEG2B's total Private Equity Portfolio as at 30 June 2018.

RANK	INVESTMENT	FUND	DESCRIPTION	% OF VPEG NAV*	CUMULATIVE % OF VPEG NAV*
1	<b>Funlab</b>	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	8.4%	8.4%
2	<b>Pepperstone</b>	CHAMP IV	Futures Trading Investment Platform	6.8%	15.3%
3	<b>Carpet Court NZ</b>	Allegro Fund II	Carpet Retailer	5.4%	20.7%
4	<b>Lynch Group</b>	Next Capital III	Flower & Potted Plant Operator	5.4%	26.1%
5	<b>Forest Coach Lines</b>	Next Capital III	Urban Bus Fleet Owners & Operator	4.5%	30.6%
6	<b>Mining Technologies Holding Pty Ltd</b>	Odyssey 8	Leading Global Provider of Data & Voice Communications	3.9%	34.6%
7	<b>Adventure Holdings Australia Pty Ltd</b>	Odyssey 8	Leading Outdoor Equipment Brand	3.9%	38.5%
8	<b>My Food Bag</b>	Waterman Fund 3	Home Food Delivery Provider	3.9%	42.4%
9	<b>Nexus Day Hospitals</b>	Mercury Capital 2	Day Hospital Owner & Operator	3.5%	45.9%
10	<b>Heritage Lifecare Ltd</b>	Adamantem 1	New Zealand Age Care & Retirement Village Operator	3.4%	49.2%

### COMPLETED EXITS DURING FY18

During September 2017, Next Capital III announced the sale of its interest in Infinite Aged Care to Moelis Australia who will partner with the management to execute the business plan Next Capital created. The sale to Moelis was completed on 31 October 2017, following approval by the Foreign Investment Review Board, with VPEG2's share of the sale proceeds received during November 2017.

Next Capital III acquired a controlling interest in Infinite Aged Care on the 10 December 2014. Infinite Aged Care was established by two experienced operators in the aged care and property sectors to acquire five seed assets in South Australia with the objective of building a national leasehold aged care business.

During the investment period, Next Capital played an instrumental role in assisting management across a range of material initiatives including identification and execution of series of brownfield development opportunities which added earnings, bed capacity and "future proofed" the existing sites. In addition, Next Capital commenced and secured a pipeline of 1500 additional bed licences to cater for a significant greenfield development program across a range of other priority locations.

## COMPLETED EXITS DURING FY18 (CONT.)

Next Capital recognised that while the opportunity had the potential to deliver further incremental value by executing these long-term strategies, the equity and timeframes required were too great relative to their targeted investment parameters. Hence, a longer-term investor, targeting longer term returns, would value the opportunity more highly.

The long-term strategy under the new owners, Moelis Australia, remains to leverage a strong management and operational platform, to develop a material greenfield development pipeline, ultimately delivering an industry leading 2,000 bed aged care business.

The sale of Infinite Aged Care was completed in late October 2017, for \$45.7m (as reported in the media), delivering Next Capital Fund III investors including VPEG2 a strong top quartile return on investment.

## FINANCIAL PERFORMANCE OF THE FUND

During the year, total income received by the Fund was \$507,779 representing a 47.5% decrease over the \$967,776 received in FY17. The breakdown of Income for FY18 compared with FY17 is shown in the table below.

SOURCE OF INCOME	FY18 \$'000'S	FY17 \$'000'S	% CHANGE OVER FY17
Income Received from Underlying Private Equity Funds	458,860	830,768	-44.8%
Interest on Cash & Short Term Deposits	48,919	137,008	-64.3%
<b>TOTAL</b>	<b>507,779</b>	<b>967,776</b>	<b>-47.5%</b>

Distributions received from underlying funds during the year were in the form of dividends, capital gains, return of capital and other interest income received from underlying company investments including from the exit of Infinite Aged Care.

VPEG2B's total funds invested in cash and term deposits as at 30 June 2018 was \$2,814,065 (2017: \$5,516,684). The reduction in cash and term deposit investments held across the year was due to the payment of additional drawdowns to underlying private equity funds to meet VPEG2B's share of new underlying company investments acquired by those funds.

In addition, cash distributions of \$632,621 (\$0.0715 per unit) were paid to all VPEG2B Unitholders across the year following the exit of Infinite Aged Care by Next Capital Fund III and also due to the strong operational performance during FY18 from two underlying company investments of VPEG2's investees CHAMP IV and Waterman Fund 3.

The spread of liquid investments across cash and term deposits provides interest income on cash held while ensuring an appropriate level of liquidity to meet the Fund's operational expenses and future calls by underlying Private Equity funds, as new underlying company investments are added to the portfolio.

Operational costs incurred by the Fund during the year increased slightly from \$221,070 in FY17 to \$252,204 in FY18. The majority of these expenses consisted of costs associated with the management of VPEG2B. The increase in operational expenses was due to the increase in audit, tax & accounting fees incurred over the year. The resulting net profit for VPEG2B for the year was \$255,575 a reduction from the \$746,706 booked in FY17.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### FINANCIAL PERFORMANCE OF THE FUND (CONT.)

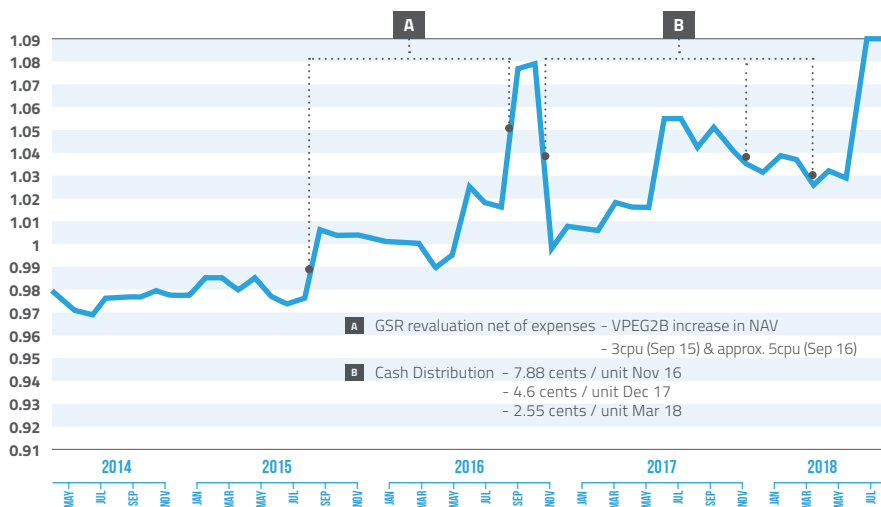
Furthermore, a revaluation increment of \$701,222 was booked for the year ended 30 June 2018, an increase of 218% over the \$220,211 booked at 30 June 2017, due to the improvement in the value of the underlying Private Equity investments during the year.

As a result Net Assets attributable to Unitholders increased from \$9.34m at the end of FY17 to \$9.66m as at 30 June 2018.

### CHANGE IN NET ASSET VALUE / UNIT

The graph below details the movement in VPEG2B's Net Asset Value (NAV) per unit since inception through to 30 June 2018.

### VPEG2B NAV / UNIT



## CHANGE IN NET ASSET VALUE / UNIT (CONT.)

As demonstrated in the graph above, VPEG2B's Net Asset Value (NAV) increased from \$1.055 per unit at 30 June 2017 to \$1.092 per unit by 30 June 2018.

The increase in VPEG2B's NAV during the year was due to an improvement in the value of realised and unrealised underlying company investments across the year. As the underlying private equity portfolio matures and the hold period of individual investments increase beyond an initial 12-month hold, underlying fund managers revalue their portfolio companies at the end of each quarterly period at a multiple of the last twelve months of maintainable earnings of the company. Managers value underlying companies in accordance with the International Private Equity Investment Valuation Guidelines that have been adopted by the Australian Private Equity association, AVCAL and adhered to by all funds that VPEG2B invests in.

As VPEG2B's underlying portfolio continues to develop, only around 50% of underlying companies have been revalued from their initial cost of investment. As such Vantage expects that, as the portfolio matures, the continuing revaluation of the portfolio will lead to further increases in unrealised gains over the coming years, which will be realised upon the exit of those companies after an average 2-4 year hold period.

As a result of the strong level of distributions received from underlying funds across the year as well as the increase in the value of unrealised investments and including distributions paid to Unitholders across the year, the **total improvement in Unitholder value across FY18 represented a gain of 10.3%.**

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Fund.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2018, a further five new underlying company investments have been added to the VPEG2B investment portfolio with an additional bolt on investment also completed by an existing portfolio company. In addition, one underlying company was sold delivering an additional exit from VPEG2B's underlying portfolio.

In July 2018, Odyssey Fund 8 added to Adventure Holdings Australia (Oztrail) with the acquisition of Primus Australia Pty Ltd trading as Companion Brands (Companion).

Also, during July 2018, Adamantem Capital Fund 1 invested in Servian Group, a specialised data and analytics consulting firm.

In late July 2018, CHAMP IV acquired a majority share in Gourmet Food Holdings, a market leading Australian and New Zealand branded manufacturer and distributor of gourmet crackers and chilled packaged seafood.

In August 2018, Next Capital III acquired a controlling interest in iSeek an Australian owned cloud, data centre and connectivity provider.

Also, during July 2018, Adamantem Capital Fund 1 invested in Servian Group, a specialised data and analytics consulting firm.

In late July 2018, CHAMP IV acquired a majority share in Gourmet Food Holdings, a market leading Australian and New Zealand branded manufacturer and distributor of gourmet crackers and chilled packaged seafood.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONT.)

In August 2018, Next Capital III acquired a controlling interest in iSeek an Australian owned cloud, data centre and connectivity provider.

Also, during August 2018, Mercury Capital Fund 2 invested in Message Media Group, Australasia's largest business to person messaging company with international operations in the United States and the United Kingdom.

In September 2018, CHAMP IV acquired a majority holding in Cellcare, the leading private umbilical cord blood and tissue storage bank in Australia and Canada.

Finally in late September 2018 Next Capital III sold investee company Forest Coach Lines to Comfortdelgro Corporation Limited the Singapore based public transport conglomerate, delivering Next III investors including VPEG2B another top quartile return on investment.

Further details of these new investments will be provided in the September 2018 quarterly investor report available on the Fund's website at [www.vpeg2.info](http://www.vpeg2.info). The manager expects the number of acquisitions within the underlying portfolio to continue in line with the rate of acquisitions over the past year as the Private Equity portfolio develops.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2018 to the date of this report that otherwise has significantly affected, or may significantly affect:

- a) the Fund's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Fund's state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The operations of the Fund will continue as planned with its existing investment operations and new investments expected to be made by VPEG2B's underlying private equity funds, as well as the likelihood of an increasing number of exits.

### ENVIRONMENTAL REGULATION

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

### INFORMATION ON INVESTMENT COMMITTEE MEMBERS

The following persons served of VPEG2B's Investment, Audit and Risk Committee (Investment Committee) during the whole of the financial year and up to the date of this report:

**Roderick H McGeoch AO**

Independent Chairman of Investment Committee

**Patrick Handley**

Independent Investment Committee Member

**Paul Scully**

Independent Investment Committee Member

**Michael Tobin**

Investment Committee Member  
and Managing Director of Trustee

**David Pullini**

Investment Committee Member  
and Director of Trustee





**RODERICK H MCGEECH AO, LLB.**  
 Investment Committee Chairman (Independent).

### Experience and expertise

Rod is the immediate past Chairman Emeritus of Corrs Chambers Westgarth, a leading Australian law firm and has significant board and advisory experience. His current board positions include; Chairman of Chubb Insurance Australia Limited, Chairman of BGP Holdings PLC, Director of Ramsay Healthcare Limited, Director of Destination NSW and a Director of Corporation Airports America. Rod is also deputy Chairman of the Sydney Cricket and Sports Ground Trust. Rod was also previously a member of the International Advisory board of Morgan Stanley Dean Witter, one of the world's leading financial institutions and also the Honorary Chairman of the Trans-Tasman Business Circle and the Co-Chairman of the Australia New Zealand Leadership Forum.

Rod was also the Chief Executive Officer of Sydney's successful Olympic bid and a Director of the Sydney Organising Committee for the Olympic Games. Rod was awarded membership of the Order of Australia for services to Law and the Community in 1990. In 2013 Rod was made an Officer of the Order of Australia (AO) for distinguished service to the community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games.

### Special responsibilities

Chairman of the Investment Committee.



**PATRICK HANDLEY B.COM., MBA.**  
 Investment Committee Member (Independent)

### Experience and expertise

Pat has over 30 years of international financial services experience and is currently the Chairman of Mason Stevens Pty Limited. Pat was previously Chairman of Pacific Brands Ltd where he oversaw the turnaround of the company after it was purchased from Pacific Dunlop in a Management Buyout led by the Private Equity fund managers Catalyst and CVC Asia Pacific in 2001.

Pat was also previously an Executive Director and Chief Financial Officer of Westpac Banking Corporation, where during his tenure he established the first Quadrant Capital fund in 1994. Pat has also been Chairman and Chief Executive Officer of County Savings Bank (USA), Chief Financial Officer of BancOne Corporation (USA), and a Director of Suncorp Metway Limited, AMP Limited, HHG.

### Special responsibilities

Chairman of the Audit Committee.

## TRUSTEE AND MANAGERS' REPORT (CONT.)



**PAUL SCULLY BA, FIAA, FAICD.**

Investment Committee Member (Independent)

### Experience and expertise

Paul has spent 35 years in financial services and has extensive local and international experience in many aspects of institutional investment management, covering business and asset management, M&A and Private Equity. Paul's former board positions include SAS Trustee Corporation, a NSW Government employee superannuation fund, its financial planning subsidiary State Plus. Paul has also been a Director of ING Management Pty Ltd, the responsible entity for the listed property funds of the ING Group in Australia, including the ING Office Fund & ING Industrial Fund, both past ASX top 100 entities. Paul also holds positions on the Investor Review Committees of the Australian Prime Property Funds.

Paul is the former CEO and Managing Director of ING Investment Management (INGIM) Asia Pacific and a member of INGIM's Global Management Board. Paul was responsible for establishing INGIM's Private Equity multi manager investment program in 1997 and was part of the team that subsequently built that business to approximately \$300m of funds under management. During his tenure, INGIM invested in many Private Equity funds managed by close to 20 Australian Private Equity fund managers.

Paul is an actuary by profession and has also written extensively on finance related topics.



**MICHAEL TOBIN B.E., MBA, DFS (FINANCIAL MARKETS)**

Investment Committee Member and  
Managing Director

### Experience and expertise

Michael is the Managing Director of Vantage Asset Management Pty Limited (the Manager and Trustee of VPEG2B) and is responsible for overseeing the implementation of the Fund's investment strategy. Michael has over 30 years experience in Private Equity management, advisory and investment as well as in management operations.

Michael was formerly Head of Development Capital and Private Equity at St George Bank where he was responsible for the management and ultimate sale of the bank's commitments and investments in \$140m worth of St George branded Private Equity funds. Michael also established the bank's Private Equity advisory business, which structured and raised Private Equity for corporate customers of the bank. Michael has arranged and advised on direct Private Equity investments into more than 40 separate private companies in Australia across a range of industry sectors.

Michael holds a BE (UNSW), an MBA (AGSM) and a Diploma of Financial Services (AFMA).

### Special responsibilities

Managing Director and Company Secretary of the Trustee and Executive Member of the Investment Committee.

**DAVID PULLINI** BE, MBA

Investment Committee Member and Director

**Experience and expertise**

David is a Director of Vantage Asset Management Pty Limited (the Manager and Trustee of VPEG2B) and has more than 25 years of general management, business development, investment, advisory, acquisitions and divestment experience.

In 2005 David was a founding partner of O'Sullivan Pullini, a firm that became recognised as a leading investment bank in Australia. O'Sullivan Pullini completed M&A transactions worth over A\$10 billion in value across multiple industry sectors and to a broad cross-section of clients. The firm was particularly active in advising in the Private Equity space, including successful advisory mandates for Kohlberg Kravis Roberts (KKR) on the acquisition of the Australian businesses of Cleanaway and Brambles Industrial Services from Brambles Industries, the establishment of a A\$4 billion joint venture with the Seven Network and the later divestment of Cleanaway.

Prior to co-founding O'Sullivan Pullini, David managed international corporate businesses for fifteen years in Australia and Europe. For the eight years David was based in Europe, he managed a portfolio of Brambles European based businesses. David has deep experience and understanding of the key drivers of profitable business growth and the levers of value creation. David holds a BE Hons. (UTS), an MBA (IMD) and a Graduate Diploma of Applied Finance (SIA).

**Special responsibilities**

Director of the Trustee and Executive Member of the Investment Committee.

**MEETINGS OF INVESTMENT, AUDIT AND RISK COMMITTEE**

The number of meetings of the investment committee held during the period ended 30 June 2018, and the number of meetings attended by each committee member were:

DIRECTOR	FULL MEETINGS OF DIRECTORS		MEETINGS OF INVESTMENT AUDIT & RISK COMMITTEE	
	A	B	A	B
<b>Roderick H McGeoch AO*</b>	—	—	6	6
<b>Patrick Handley*</b>	—	—	6	6
<b>Paul Scully*</b>	—	—	6	6
<b>Michael Tobin</b>	6	6	6	6
<b>David Pullini</b>	6	6	6	6

A = Number of meetings attended.

B = Number of meetings held during the year whilst committee member held office.

\* = Independent members of investment, audit and risk committee.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Trustee paid a premium of \$18,747 (2017: \$16,978) in relation to insurance cover for Vantage Asset Management Pty Limited and its Directors and officers.

Under VPEG2B's trust deed, Vantage Asset Management Pty Limited, may indemnify the investment committee member out of VPEG2B's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its power, duties or rights in relation to VPEG2B.

The Trustee indemnifies the directors and officers on a full indemnity basis and to the full extent possible permitted by law against all losses, liabilities, costs charges and expenses incurred by the officer as an officer of the company or by a related body corporate. The company may, to the extent permitted by law, purchase and maintain insurance, and pay or agree to pay a premium of insurance for each officer against any liability incurred by the officer as an officer of the company or a related body corporate including but not limited to a liability for negligence or for reasonable costs and expenses incurred in defending proceedings. In addition, the company and each director have entered into a deed which gives the director a contractual right:

- to an indemnity from the company for liabilities incurred as an officer of the company, to the extent permitted by the Corporations Act;
- to directors' and officers' insurance cover, as permitted in the Corporations Act, for the period that each director is a director of the company and for 7 years after that director ceases to hold office; and
- to access documents and records of the company both while the director is a director of the company and after that director ceases to hold office for the purposes expressly permitted by the deed.

### PROCEEDINGS ON BEHALF OF THE FUND

No person has applied to the Court to bring proceedings on behalf of the Trustee or intervene in any proceedings to which the Trustee is a party for the purpose of taking responsibility on behalf of the Trustee for all or any part of those proceedings.

The Trustee was not a party to any such proceedings during the year.

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



**Michael Tobin**  
Managing Director

Sydney  
31 October 2018



**David Pullini**  
Director

# FINANCIAL STATEMENTS

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VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
<b>INVESTMENT INCOME</b>			
Distribution income	2	<b>458,860</b>	830,768
Interest income		<b>48,919</b>	137,008
<b>Total investment income</b>		<b>507,779</b>	967,776
<b>OPERATING EXPENSES</b>			
Tax accounting fees		<b>(15,983)</b>	(4,250)
Audit fees – current year		<b>(15,000)</b>	(7,500)
Audit fees – prior year fees		<b>(6,723)</b>	(154)
Investment administration fees		<b>(14,462)</b>	(12,292)
Investment committee fees		<b>(50,618)</b>	(50,739)
Management fees		<b>(141,098)</b>	(139,506)
Registry fees		<b>(6,675)</b>	(5,164)
Other expenses		<b>(1,645)</b>	(1,465)
<b>Total expenses</b>		<b>(252,204)</b>	(221,070)
<b>Profit for the year</b>		<b>255,575</b>	746,706
<b>OTHER COMPREHENSIVE INCOME</b>			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Net unrealised movements in reserves upon revaluation of available for sale investments	9	<b>701,222</b>	220,211
<b>Other comprehensive income for the year</b>		<b>701,222</b>	220,211
<b>Total comprehensive income / (loss) for the year</b>		<b>956,797</b>	966,917

The accompanying notes form part of these financial statements.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	<b>2,814,065</b>	5,516,684
Receivables	4	<b>6,396</b>	18,339
<b>Total current assets</b>		<b>2,820,461</b>	5,535,023
<b>Non-current assets</b>			
Investments	5	<b>6,887,321</b>	3,837,368
<b>Total non-current assets</b>		<b>6,887,321</b>	3,837,368
<b>Total assets</b>		<b>9,707,782</b>	9,372,391
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors	6	<b>45,325</b>	34,110
<b>Total liabilities</b>		<b>45,325</b>	34,110
<b>Net assets attributable to Unit Holders</b>	7	<b>9,662,457</b>	9,338,281

The accompanying notes form part of these financial statements.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
<b>ASSETS</b>			
Net assets attributable to Unit Holders at the beginning of the year		<b>9,338,281</b>	9,068,573
Transactions with Unit Holders, in their capacity as Unit Holders			
Distributions paid to Unit Holders	11	<b>(632,621)</b>	(697,209)
<b>Total transactions with Unit Holders</b>		<b>(632,621)</b>	(697,209)
<b>COMPREHENSIVE INCOME</b>			
Profit for the year attributable to Unit Holders	10	<b>255,575</b>	746,706
Net increase / (decrease) in investment revaluation reserve	9	<b>701,222</b>	220,211
<b>Total comprehensive income</b>		<b>956,797</b>	966,917
<b>Change in net assets attributable to Unit Holders</b>	7	<b>9,662,457</b>	9,338,281

The accompanying notes form part of these financial statements.



VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
<b>CASH FLOW</b>			
<b>Cash flows from operating activities</b>			
Income distributions received		<b>459,842</b>	830,388
Interest received		<b>59,980</b>	180,990
Expenses paid		<b>(241,089)</b>	(215,939)
<b>Net cash from operating activities</b>	13	<b>278,733</b>	795,439
<b>Cash flows from investing activities</b>			
Payments to acquire financial assets		<b>(2,913,762)</b>	(2,066,213)
Return or refund of capital received		<b>565,031</b>	746,252
<b>Net cash used in investing activities</b>		<b>(2,348,731)</b>	(1,319,961)
<b>Cash flows from Unit Holders' activities</b>			
Distributions paid to Unit Holders		<b>(632,621)</b>	(697,209)
<b>Net cash from Unit Holders' activities</b>		<b>(632,621)</b>	(697,209)
<b>Net decrease in cash and cash equivalents</b>			
		<b>(2,702,619)</b>	(1,221,731)
Cash and cash equivalents at beginning of the year		<b>5,516,684</b>	6,738,415
<b>Cash and cash equivalents at end of the year</b>	3	<b>2,814,065</b>	5,516,684

The accompanying notes form part of these financial statements.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial reporting framework

Vantage Private Equity Growth Trust 2B ("the Fund, VPEG2B") is not a reporting entity as in the opinion of the directors of Vantage Asset Management Pty Limited ("the Trustee") as there are unlikely to exist any users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the reporting requirements under the Fund's Constitution.

#### Statement of Compliance

This special purpose financial report has been prepared in accordance with the Fund's Constitution, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations and the disclosure requirements of Accounting Standards AASB 101 "Presentation of Financial Statements", AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", AASB 107 "Statement of Cash Flows" and AASB 1054 'Australian Additional Disclosures'. The disclosure requirements of other accounting standards have not been adopted in full. AASB 127 "Consolidated and Separate Financial Statements" has not been adopted in preparation of this special purpose financial report.

#### Basis of Preparation

The financial report is prepared on an accruals basis and is based on historical costs, except for the revaluation of certain financial instruments which are carried at their fair values. Cost is based on the fair value of the consideration given in exchange for assets.

The Fund has adopted an alternative presentation to that presented in the Statement of Changes in Equity presented in last year's financial report. The Statement of Changes in Net Assets Attributable to Unit Holders contains equivalent information to a Statement of Changes in Equity is more appropriate to the needs of users.

#### Standards and Interpretations issued not yet adopted

The trust has not applied any Australian Accounting Standards that have been issued as at balance date but are not yet operative for the year ended 30 June 2018. There are no effects resulting from any changes to accounting standards applicable to the trust for the current year.

#### *AASB 9 Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. When adopted, the standard will affect the Fund's accounting for its available-for-sale (AFS) financial assets. Under AASB 9 the AFS classification will no longer be available. Based on preliminary assessment the company will likely elect to use fair value through profit and loss (FVTPL) classification to account for equity instruments. Therefore, the fair value movements will go through the profit and loss instead of other comprehensive income (OCI). In the current year there was \$701,222 of unrealised gains recognised in OCI that would be recognised in profit and loss under the new standard.

## Significant accounting policies

Significant accounting policies adopted in the preparation of the financial statements are set out below. Accounting policies have been consistently applied to the period presented, unless otherwise stated.

### a) Cash and cash equivalents

Cash comprises cash at banks and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### b) Revenue

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Trust distributions are recognised as revenue when the right to receive payment is established. Distribution income includes capital gains arising from the disposal of investments. Unrealised gains and losses are transferred to reserves and are not assessable or distributable until realised. Capital losses are not distributed to Unit Holders but are retained to be offset against any future realised capital gains.

### c) Investments

#### Available for sale investments

The Fund has investments in the interests of unit trusts that are not traded in an active market. Investments are classified as available for sale financial assets and are stated at fair value. Fair value is based on the net asset backing of units in the trusts.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on available for sale investments are recognised in profit or loss where the Fund's right to receive the dividend has been established.

### d) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

### d) Impairment of financial assets (CONT.)

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

An available for sale asset is considered impaired where it is subject to a significant or prolonged decline in value below cost whereby all efforts by the manager have been made to turn around the operations of the underlying investment and termination of the investment is certain.

In respect of available for sale investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

### e) Expenses

Expenses are brought to account on an accruals basis.

### f) Distributions and Taxation

Under current legislation, the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the investors.

The Fund fully distributes its distributable income, calculated in accordance with VPEG2B's constitution and applicable taxation legislation and any other amounts determined by the Trustee, to Unit Holders by cash or reinvestment.

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

Realised capital losses are not distributed to unit-holders but are retained in the Fund to be offset against any future realised capital gain. If realised capital gains exceed realised capital losses the excess is distributed to the unit-holders.

The benefits of imputation credits are passed on to unit-holders in accordance with accounting and taxation regulations.

### g) Net Assets Attributable to Unit Holders

Unitholders' funds are classified as financial liabilities. The interim distribution and proposed distributions payable to partners on these funds are recognised in the income statement as finance costs.

Non-distributable income is transferred directly to the Net Assets Attributable to Unit Holders' and may consist of changes in the fair value of the investments, accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income previously taken directly to Unit Holders' funds. Accrued income not yet assessable will be included in the determination of distributable income in the same period in which it becomes assessable for tax.

Net assets attributable to interest holders also includes amounts payable to interest holders in respect of distributions.

### h) Trade and Other Receivables

Trade and other receivables are measured at amortised cost less any impairment.

## **i) Finance costs**

Income distributions paid and payable on units are recognised in the profit and loss as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

## **j) Goods and Services Tax (GST)**

The Fund is registered for GST. GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Payables in the balance sheet are shown inclusive of GST.

Cash outflows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## **k) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **l) Foreign Currency Transactions**

Both the functional and presentation of the Fund is Australian dollars.

Monetary assets and liabilities dominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Investments held in foreign trusts are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Any subsequent effects of exchange rate fluctuations are treated as part of the fair value adjustment.

## **m) Critical Accounting Estimates and Judgments**

In the application of the Fund's accounting policies, the trustee is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### **a) *Fair value of financial instruments***

The valuation of investments is based upon the net assets attributable to interest holders as noted in the investee funds' audited financial statements. Each investee fund will select an appropriate valuation technique for financial instruments that are not quoted in an active market. This valuation is based upon a fair estimation of values (which are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, market volatility, investment stage, estimated cashflows etc.) as determined by the Manager of the investees.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 2. REVENUE AND OTHER INCOME

	NOTE	2018 \$	2017 \$
<b>Distribution income</b>			
INCOME DISTRIBUTIONS RECEIVED			
Interest income		25,315	-
Dividend income (excluding franking credits)		80,181	424
Foreign income		17,429	-
Capital gains		368,570	815,835
Less: Limited Partnership losses recognised by VPEG2B		(39,171)	-
Interest income - equalisation interest		6,536	14,509
<b>Total distribution income</b>		<b>458,860</b>	<b>830,768</b>

- a) During the current year, equalisation interest was received following the final close of Adamantem Capital Fund 1. During the previous year, equalisation interest was received following the second and final close of CHAMP IV.

### NOTE 3. CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	2,776,110	1,200,853
Term deposits	37,955	4,315,831
	<b>2,814,065</b>	<b>5,516,684</b>

#### Reconciliation of cash

CASH AT THE END OF THE FINANCIAL YEAR AS SHOWN IN THE CASH FLOW STATEMENT IS RECONCILED TO ITEMS IN THE BALANCE SHEET AS FOLLOWS:

<b>Cash and cash equivalents</b>	<b>2,814,065</b>	<b>5,516,684</b>
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#### NOTE 4. RECEIVABLES

	2018 \$	2017 \$
<b>Current</b>		
GST receivable	<b>6,144</b>	6,044
Interest receivable	<b>252</b>	11,313
Other receivable	-	982
<b>Total other receivables</b>	<b>6,396</b>	18,339

#### NOTE 5. OTHER FINANCIAL ASSETS

	2018 \$	2017 \$
<b>Non-current</b>		
UNITS IN UNLISTED TRUST AT COST:		
Allegro Fund II	<b>1,251,185</b>	882,629
Mercury Capital Fund 2	<b>660,000</b>	408,000
Next Capital Fund III	<b>1,050,003</b>	1,025,000
CHAMP IV	<b>719,804</b>	494,290
Waterman 3	<b>452,276</b>	201,505
Pencarrow Bridge Fund	<b>350,591</b>	227,261
Adamantem Fund 1	<b>450,718</b>	16,514
Odyssey Fund 8	<b>564,078</b>	20,005
Co-investment Fitzpatricks Group	<b>125,280</b>	-
Accumulated Portfolio Revaluation	<b>1,263,386</b>	562,164
	<b>6,887,321</b>	3,837,368

VPEG2B has committed capital to foreign investments amounting to NZ\$1,457,600 in New Zealand (2017: NZ\$1,457,600).

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 6. CREDITORS

	2018 \$	2017 \$
<b>Current</b>		
Accounts payable	23,325	23,310
Other creditors and accruals	22,000	10,800
	<b>45,325</b>	34,110

### NOTE 7. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

	NOTE	2018 \$	2017 \$
Issued units	8	8,904,052	8,904,052
Investment revaluation reserve	9	1,263,386	562,164
Accumulated Income	10	824,849	569,274
Distributions paid to Unit Holders	11	(1,329,830)	(697,209)
<b>Closing balance</b>		<b>9,662,457</b>	9,338,281



## NOTE 8. ISSUED UNITS

	NUMBER OF UNITS	2018 \$	2017 \$
8,847,838 units issued	8,847,838	<b>8,904,052</b>	8,904,052

No additional units were issued during the year.

All interests in VPEG2B are of the same class and carry equal rights. Under VPEG2B's trust deed, each interest represents a right to an individual share in VPEG2B and does not extend to a right to the underlying assets of VPEG2B.

## NOTE 9. INVESTMENT REVALUATION RESERVE

	2018 \$	2017 \$
Investment Revaluation Reserve	<b>1,263,386</b>	562,164

### a) Movement in reserves

Opening balance	<b>562,164</b>	341,953
Net revaluation increments / (decrements)	<b>701,222</b>	220,211
<b>Closing balance</b>	<b>1,263,386</b>	562,164

The asset revaluation reserve represents accumulated gains and losses arising on the revaluation of available for sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 10. ACCUMULATED INCOME / (LOSSES)

	2018 \$	2017 \$
Accumulated income	<b>824,849</b>	569,274

#### a) Movement in accumulated income

Opening balance	<b>569,274</b>	(177,432)
Net operating income for the year	<b>255,575</b>	746,706
<b>Closing balance</b>	<b>824,849</b>	569,274

### NOTE 11. DISTRIBUTIONS TO UNIT HOLDERS

	2018 \$	2017 \$
<b>Distributions to Unit Holders</b>		
Distributions paid	<b>(1,329,830)</b>	(697,209)

#### a) Movement in distributions paid to Unit Holders

	2018 \$ PER UNIT	2017 \$ PER UNIT	2018 \$	2017 \$
Opening balance	<b>0.079</b>	-	<b>(697,209)</b>	-
Distributions paid during the year	<b>0.072</b>	0.079	<b>(632,621)</b>	(697,209)
<b>Closing balance</b>	<b>0.150</b>	0.079	<b>(1,329,830)</b>	(697,209)

### NOTE 12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Contingent Liabilities

There are no contingent liabilities requiring disclosure in the financial report.

#### Contingent Assets

There are no contingent assets requiring disclosure in the financial report.

## NOTE 13. NOTES TO THE STATEMENT OF CASH FLOWS

	2018 \$	2017 \$
<b>a) Reconciliation of profit or loss for the period to net cash flows from operating activities:</b>		
Net operating profit for the year	<b>255,575</b>	746,706
CHANGES IN ASSETS AND LIABILITIES:		
Decrease in receivables	<b>11,943</b>	43,602
Increase in creditors	<b>11,215</b>	5,131
<b>Cash flow from operations</b>	<b>278,733</b>	795,439

### b) Non cash investing activities

- i) During the year, an investee offset a refund of capital payable to VPEG2B of \$28,017 (2017: \$22,323), against a call for capital by the same fund.

## NOTE 14. EVENTS AFTER THE BALANCE SHEET DATE

There have not been any other matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect, the results of those operations of the Fund in future financial years.

## NOTE 15. TRUSTEE AND MANAGER DETAILS

The registered office and principal place of business of Vantage Asset Management Pty Ltd is:

Level 25  
 Aurora Place  
 88 Phillip Place  
 SYDNEY NSW 2000

## DIRECTORS' DECLARATION OF THE TRUSTEE COMPANY

As detailed in Note 1 to the financial statements, the Fund is not a reporting entity because in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors' reporting requirements under the Fund's Constitution.

The director of Vantage Asset Management Pty Limited also declare that:

- a) in the directors' opinion, the attached financial statements and notes, present fairly the Fund's financial position as at 30 June 2018 and of its performance for the year ended on that date and comply with accounting standards to the extent disclosed in Note 1 to the financial statements;
- b) in the director's opinion, there are reasonable grounds to believe that the 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 Director of the Trustee Vantage Asset Management Pty Limited.



**Michael Tobin**  
Managing Director

Sydney  
31 October 2018



**David Pullini**  
Director

## INDEPENDENT AUDITOR'S REPORT



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### Independent Auditor's Report to the unitholders of Vantage Private Trust 2B

#### Opinion

We have audited the financial report, being a special purpose financial report, of Vantage Private Trust 2B (the Trust), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Trust as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of the Trust Deed.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Responsibilities of the Directors for the Financial Report

The directors of the Trust are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Trust Deed and is appropriate to meet the needs of the unitholders. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Report

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

## INDEPENDENT AUDITOR'S REPORT



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Sydney  
31 October 2018

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## NOTES

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# VPEG2B

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GROW.  
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INVESTMENT MANAGER

