



**VANTAGE PRIVATE EQUITY  
GROWTH TRUST 2B**

**ANNUAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2017

**DIVERSIFY  
GROW  
OUTPERFORM**

INVESTMENT MANAGER



# CORPORATE DIRECTORY

## Directors of 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** 11.00am

**date** 21 November 2017

## 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 their report together with the financial statements of VPEG2B for the year ended 30 June 2017.

## 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 2017 the Fund held investment commitments in five Private Equity funds managed by top performing Australian and New Zealand headquartered Private Equity fund managers. To date, VPEG2B has made commitments of \$12.95m<sup>1</sup> (2016: \$8.1m<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 to Mercury Capital Fund 2 and NZ\$1.0m to Waterman Fund 3 and NZ\$0.5m to Pencarrow Bridge Fund.

Note 1. Assumes an average AUD / NZ exchange rate of 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund (2016: 1.1).

## Fund Performance Highlights For FY17

- \$4.85m of New investment commitments made across three additional Private Equity funds
- \$12.95m of total investment commitments to date made across eight Private Equity funds
- \$2.07m in Additional capital drawn by underlying Private Equity funds
- 13 new underlying company investments added to the portfolio
- A total of 22 underlying company investments now within the portfolio
- Total distributions received from underlying funds during the year of \$0.83m
- Net Profit of \$0.75m
- Total distributions paid to Unit Holders during FY17 of \$0.079 per paid unit
- Total Return to Unit Holders during FY17 of 10.6% p.a.

## Distributions

During November 2016, a cash distribution of **\$697,209 (\$0.0788 per unit)** was distributed to all VPEG2B unitholders. No additional distribution has been recommended for payment for the year ended 30 June 2017.

## Economic Conditions across FY17

During the year ended 30 June 2017 (FY17), the Australian economy continued to shift from a reliance on the mining sector, as the decline in mining investment continued to dissipate and the economy transitioned to broader-based economic growth.

Australia recorded its 26th year of continuous economic growth across FY17. 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.

During FY17, Australia further progressed towards becoming a service based economy. The services sector continued to dominate the economy with the largest share of both economic output and employment. The expectation at the beginning of the year was that growth rates in Australia would remain subdued into 2017 as the country continued this transition. Monetary policy therefore continued to be focused on improving non-mining business investment to offset the expected fall and the continued decline in mining related investment.

For the year ended 30 June 2017, the economy grew at a moderate pace of 1.9% (2016 2.9%) which was lower than the 2.5% that had been forecast. This growth was also below the long term trend of 3.25%. The common concerns for the Australian economy across FY17, included the speed at which the Australian economy could transition away from resources into non-resource areas; the possibility of low business investment and confidence, underemployment and slow wage growth impacting

consumer spending in addition to rising household debt levels relative to income.

During the second half of calendar year 2016 the Australian economy experienced mixed outcomes, contracting by 0.5% for the September quarter (only the fourth since 1991) but bouncing back with strong growth of 1.1% in the December quarter. The rebound in the December 2016 quarter confirmed that the weak outcome in the September quarter largely reflected temporary factors. The overall increase in growth for the last 6 months of 2016 was underpinned by a significant uplift in government spending, higher household spending (at the expense of household savings) and strong growth in exports offset by a weaker business environment.

The strong growth in exports, benefited from stronger commodity prices, resulting in a lift in Australia's Terms of Trade increasing by 9.1% over the December quarter, and 15.6% since the beginning of 2016. Export growth was also enhanced by the decision of the Reserve Bank of Australia (RBA) to reduce the official cash rate a further 0.25% to an unprecedented 1.5% in August 2016. This change in monetary policy followed weak inflation data and concerns around the strength of the Australian dollar providing potential room for economic growth. The RBA reasoned that the interest rate cut coupled with a resulting lower Australian dollar would assist the growth of Australia's trade-exposed sectors which continued to outpace recent trends. In addition, bulk commodity prices strengthened after reaching multi-year lows over 2015-16, including the prices of metallurgical coal, thermal coal and iron ore.

Across the first half of 2017, the Australian economy grew by 0.3% in the March quarter and again by 0.8% in the June 2017. Whilst this was consistent with the

# TRUSTEE AND MANAGERS' REPORT

prevailing economic conditions experienced in recent years, it enabled Australia to overtake the Netherlands for holding the longest period of sustained economic growth in the world. The growth in the June 2017 quarter completed 104 consecutive periods without a recession.

The economic data for the first half of 2017 however, highlighted the weakness in domestic spending as a function of slow wage growth impacted by consumer sentiment at below long term averages. The slow growth in real wages and high levels of household debt are likely to constrain growth in spending for FY18. The unemployment rate however fell to 5.6% in May 2017, although labour market conditions remained mixed. By contrast however, the decline in mining investment began to stabilise and business conditions improved, marked by capacity utilisation attaining decade highs in May 2017. In addition, a smaller-than-expected detraction from business investment and a stronger-than-expected contribution from public final demand, offset weaker contributions from net exports and dwelling investment. Tropical Cyclone Debbie was also estimated to have detracted around a quarter of a percentage point from growth in the June 2017 quarter, with a significant impact on coal exports due to the bad weather.

Looking forward, economic growth is projected to increase gradually and reach 2.75% for FY18 and 3% in 2018-19. The drag on growth from declining resource-sector investment is expected to fade and gathering momentum outside the resource sector, will support wage and employment growth, thus boosting consumer spending. Exports are also expected to grow strongly. In addition, accommodative monetary policy, a lower exchange rate and flexible labour market are assisting the economic adjustment that has been underway for a number of years, following the peak of the investment phase of the mining boom.

## Strong Private Equity Deal Flow in VPEG2 Target Market Segment

According to the recent Pitcher Partners report: Dealmakers: Mid-market M&A in Australia 2017, 73% of all Merger and Acquisitions undertaken in Australia during 2016 were mid-market transactions, of deal value between \$10m to \$250m.

The report revealed that 2016 finished strong, with a flurry of activity and solid pipelines heading into 2017. The report also stated that the upswing was expected to continue well into the year with deal volumes in the first half of the year anticipated to be up by 30%-40% when compared to the same period in the previous year. The report concluded that it was anticipated that 2017 will finish well ahead of 2016 in terms of M&A volumes, by more than 20%.

Further evidence of the strong deal flow in the Australian mid-market were detailed in law firm Minter Ellison's recently released Directions in Public M&A Report 2017, analysing key trends in Australian public M&A over the last financial year. The report found strong middle market activity over the 2017 financial year, with 28 deals in the \$50 million to \$400 million range.

The anticipated growth in acquisitions for the next few years is underpinned by a growing number of private businesses contemplating succession plans for those owned by aging baby boomers. According to Dun & Bradstreet, there are over 10,000 private companies with revenues between \$20m and \$150m headquartered in Australia with most of them are family owned. Also according to PriceWaterhouseCoopers, over two thirds of family business owners will sell their business or pass it on to the next generation in the next five years. As a consequence there are a growing number of quality private companies for sale.

In addition, there are also a number of industry sectors that require innovation and technology to remain competitive hence requiring expansion capital. As stated in the Pitcher Partners report, it is anticipated that these factors will continue to underpin the deal making environment in the mid-market in Australia for the remainder of 2017 and into 2018.

Robust opportunities also appear to exist in industries including education, tourism, health and agribusiness. Australian Private Equity has a strong track record in these sectors which have potential to benefit from macroeconomic factors unique to Australia, which is positioned near the growth economies in the Asian region.

VPEG2's underlying Private Equity fund managers' report that the deal pipeline is solid and several new 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 announce additional acquisitions across FY18, 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.

## Review of VPEG2B's Operations

Vantage Private Equity Growth 2B ("VPEG2B") 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.

## 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 2017.

## New Underlying Private Equity Fund Commitments and Investments

Since the commencement of the investment program, VPEG2B has committed \$12.5m across eight Private Equity funds. As at 30 June 2016 these included \$2m to each of Allegro Fund II, Next Capital Fund III and CHAMP IV, \$1.2m to Mercury Capital Fund 2 and NZ\$1.0 million to Waterman Fund 3.

Additional commitments to underlying Private Equity funds completed during the year ended 30 June 2017 were as follows:

- **NZ\$0.5m** committed to **Pencarrow Bridge Fund** (November 2016), managed by Wellington, New Zealand based, small-mid market expansion and buyout specialist, Pencarrow Private Equity.



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- **\$2.4m to Adamantem Capital Fund 1** (February 2017), managed by Sydney, Australian based, Private Equity mid-market expansion and buyout specialist, Adamantem Capital Pty Ltd; and
- **\$2.0m to Odyssey Private Equity Fund 8** (March 2017), managed by Sydney, Australia based, growth capital fund manager, Odyssey Private Equity.

In summary VPEG2B's Private Equity portfolio and commitments, as at 30 June 2017, were as follows:

Private Equity Fund Name	Fund Size	Vintage Year	Investment Focus	VPEG2B Commitment	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Next Capital Fund III	\$265m	2014	Small to Mid Market Expansion / Buyout	\$2.0m	\$1.03m	5	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$2.0m	\$1.13m	7	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$1.2m	\$0.41m	2	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$2.0m	\$0.70m	4	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.0m	\$0.20m	1	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$0.5m	\$0.23m	2	0
Adamantem Capital Fund 1	\$600m*	2017	Mid Market Expansion / Buyout	\$2.4m	\$0.02m	1	0
Odyssey Fund 8	\$275m	2017	Mid Market Growth Capital	\$2.0m	\$0.02m	0	0
<b>Total**</b>				<b>\$12.95m</b>	<b>\$3.73m</b>	<b>22</b>	<b>1</b>

\*: Target Fund Size

\*\*: Assumes AUD / NZD exchange rate of 1.07 for VPEG 2B's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

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 \$1.96m at 30 June 2016 to \$3.73m at 30 June 2017, representing a 90% increase in drawn capital from VPEG2B across the year.

This resulted in an increase of the number of underlying company investments in VPEG2B's portfolio from nine to twenty-two during the year. In addition, one "bolt on" acquisition was completed to increase the size an

existing individual investment and a number of other follow-on investments were also made into existing companies to expand their operations. As a result, VPEG2B held 22 underlying company investments as at 30 June 2017.



New underlying Private Equity company investments completed during the period included:

- by Adamantem Capital Fund 1
  - **Heritage Lifecare** (April 2017), a New Zealand age-care and retirement village operator.
- by Allegro Fund II
  - **Pizza Hut Australia** (September 2016), the master franchise licence for Pizza Hut in Australia.
  - **JSW Australia** (December 2016), mine production and specialist drilling services business.
  - **Healthy Life** (February 2017) Australia's leading health food retailer.
  - **Terrex Seismic** (April 2017) Australia's leading onshore seismic surveyor.
- by CHAMP IV
  - **Containerchain** (August 2016) a business to business, web based technology software provider servicing the container logistics sector.
  - **Dutton Garage** (December 2016) Australia's largest wholesaler of prestige used cars.
  - **Straight Shipping** (December 2016) a group of New Zealand transport and shipping companies.
- by Next Capital Fund III
  - **Fun Lab** (December 2016) creator, developer and operator of out-of-home entertainment and leisure venues.
  - **Alpha Group** (April 2017) a leading provider of car leases, car hire and car parking across eight locations around Australia.
- by Pencarrow Bridge Fund
  - **MMC Ltd** (November 2016) a New Zealand fund and investment administration business.
  - **Mix** (March 2017) a manufacturer and distributor of haircare and natural skincare brands across Australia, New Zealand and South East Asia.
- by Waterman Fund 3
  - **My Food Bag** (November 2016), New Zealand's leading home food delivery provider.

The table on the next page 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 2017. As demonstrated in the table, the top 10 investments in VPEG2B's underlying portfolio represented 67.3% of VPEG2B's total Private Equity Portfolio as at 30 June 2017.

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Rank	Investment	Fund	Description	% of VPEG2B's Private Equity Portfolio	Cumulative % of VPEG2B's Private Equity Portfolio
1	Infinite Aged Care	Next Capital III	Aged care operator and developer	9.4%	9.4%
2	Lynch Group	Next Capital III	Flower and potted plant operator	8.1%	17.5%
3	Pepperstone	CHAMP IV	Online retail investment platform	8.0%	25.5%
4	Carpet Court NZ	Allegro Fund II	Carpet retailer	8.6%	34.1%
5	Funlab	Allegro Fund II	Developer & operator of entertainment & leisure venues	6.4%	40.6%
6	Nexus Day Hospitals	Mercury Capital 2	Day hospital owner & operator	6.1%	46.6%
7	Forest Coach Lines	Next Capital III	Urban bus fleet owner & operator	5.6%	52.2%
8	My Food Bag	Waterman Fund 3	Home food delivery provider	4.7%	56.9%
9	Terrex Seismic	Allegro Fund II	Seismic services provider	5.6%	62.5%
10	JSW Australia	Allegro Fund II	Mining services provider	4.8%	67.3%

## Completed Exits During FY17

During the year, VPEG2B's first underlying company exit was achieved in October 2016 with the sale of Allegro Fund II investee, Great Southern Rail to Experience Australia, a portfolio company of Quadrant Private Equity.

Great Southern Rail (GSR) was acquired by Allegro II from UK listed Serco, in May 2015. GSR operates the transcontinental passenger rail services, The Ghan, The Indian Pacific and The Overland in Australia.

Allegro acquired this iconic Australian asset in order to capitalise on the forecast growth of the luxury tourism sector in Australia. Allegro viewed this investment as an opportunity to cater to the high-end experiential tourism market. The Ghan and The Indian Pacific are iconic rail experiences positioned to provide guests with an opportunity to experience an authentic Australian adventure through the comfort and luxury of travelling by rail.

The acquisition leveraged Allegro's experience in the domestic tourism industry, building on the strong growth GSR had experienced in the years leading up to Allegro's acquisition. Through working with management and other stakeholders, Allegro built value and realised the growth potential of these unique Australian assets.

During September 2016, Allegro announced that Private equity firm Quadrant had entered into an agreement to acquire a majority stake in GSR.

During Allegro II's 16-month ownership period GSR's business was stabilised and its earnings more than doubled.

When Allegro acquired GSR, it needed capital and dedicated focus to grow. Allegro II founding Partner, Adrian Loader, said that "It wasn't the right fit under its previous owner but it had a strong management team in place, iconic assets and was well positioned to capitalise on the forecast growth of the luxury experiential tourism sector in Australia"

“We helped stabilise the business through targeted investment and allowed it to begin to fulfil its potential. As a result, GSR launched a suite of highly successful new service offerings and was close to fully booked for the 2016-2017 season with strong sales in place for next year.”

Key GSR management personnel, including Chris Tallent (CEO), Steve Bushaway (CFO), Steve Kernaghan (CRO) and Ian Ladd (COO) will continue under the proposed ownership arrangements.

The transaction was finalised in early October with VPEG2B's share of the top quartile exit proceeds received soon after, following which a distribution to VPEG2B investors resulted.

The sale of GSR to Quadrant also provided Allegro II the opportunity to retain a share in the ultimate entity purchasing GSR, Experience Australia. As a result, during December 2016, Allegro II reached financial close on the sale of GSR and the simultaneous investment in Experience Australia.

Experience Australia is an experiential tourism business backed by Quadrant Private Equity, of which GSR was the foundation investment and cornerstone asset. Following the GSR acquisition, Experience Australia also acquired Cruise Whitsundays and Rottness Express, two ferry businesses providing tourism services with strong strategic positions across their operational routes.

As this is a roll up of a portion of the exit proceeds received from GSR and has not required additional investment from

VPEG2B, Experience Australia is not reflected as a new investee company in the table on page 8.

## Financial Performance of the Fund

During the year, total income received by the Fund was **\$967,776** representing a **341% increase** over the \$219,515 received in FY16. The breakdown of Income for FY17 compared with FY16 is shown in the table below.

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

VPEG2B's total funds invested in cash and term deposits as at 30 June 2017 was \$5,535,023 (2016: \$6,738,415). 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 a cash distribution of \$697,209 (\$0.0788 per unit) was distributed to all VPEG2B unitholders in November 2016, following the exit of Great Southern Rail by Allegro II.

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.

Source of Income	FY17 \$'000's	FY16 \$'000's	% Change
Income Received From Underlying Private Equity Funds	830.8	9.6	8,554%
Interest on Cash & Term Deposits	137	209.9	-35%
<b>Total</b>	<b>967.8</b>	<b>219.5</b>	<b>341%</b>

# TRUSTEE AND MANAGERS' REPORT

Operational costs incurred by the Fund during the year decreased slightly from \$223,021 in FY16 to \$221,070 in FY17. Most these expenses consisted of costs associated with the management of VPEG2B. The slight decrease in operational expenses was due to the reduction in audit fees incurred over the prior year which had included two years costs of auditing the fund since inception rather than for one year.

The resulting net profit for VPEG2B for the year was \$746,706 a substantial improvement over the loss of \$3,506 booked in FY16.

Furthermore, a revaluation increment of \$220,211 has been recognised for the year ended 30 June 2017 due to the improvement in the value of the underlying Private Equity investments during the year.

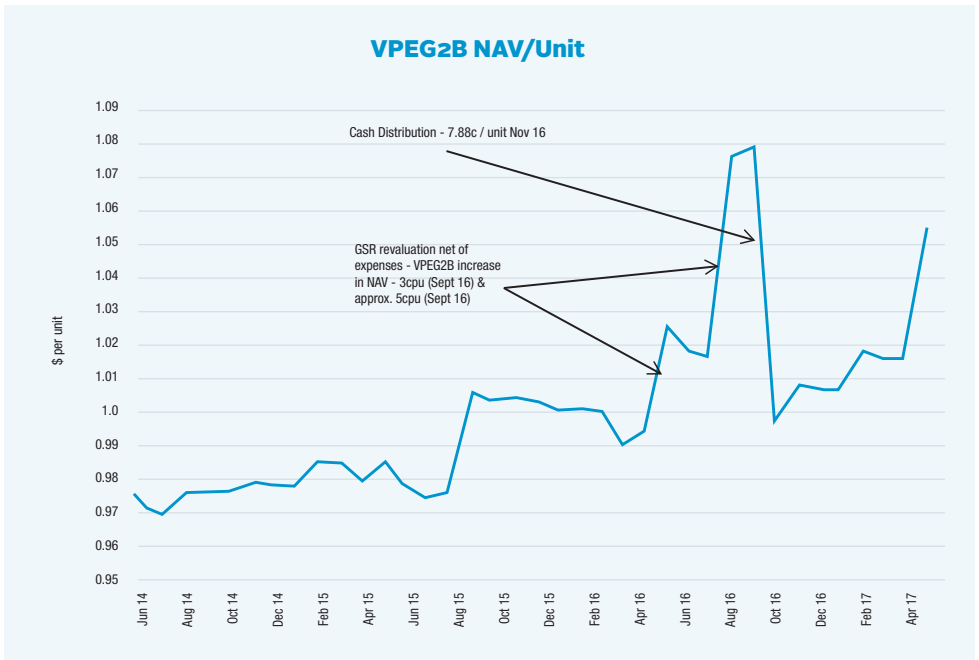
As a result Net Assets attributable to Unit holders increased from \$9.07m at the end of FY16 to \$9.34m as at 30 June 2017.

## 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 2017.

As demonstrated in the graph above, VPEG2B's Net Asset Value (NAV) increased from \$1.025 per unit at 30 June 2016 to \$1.055 per unit by 30 June 2017.

The increase in VPEG2B's NAV during the year resulted predominately from an improvement in the value of both realised (Allegro II's Great Southern Rail) 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 are required to revalue their portfolio companies. This occurs at the end of each 3-month period with managers valuing underlying companies in accordance with global 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 is still relatively young, only around 25% of underlying companies have been revalued from their initial cost of investment. As such Vantage expects that, as the portfolio matures, the 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.

Taking into account the \$0.0788 per unit cash distribution paid to Unit Holders during FY17 as a result of the exit of Allegro II's, Great Southern Rail, the improvement in total Unit Holder value across FY17 represented a total **gain of 10.6% p.a.**

## 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 2017, a further six new underlying company investments have been added to the VPEG2B investment portfolio. These include;

In July 2017, Mercury Capital Fund 2 invested in **Nirvana Health Group** the largest primary care operator in New Zealand, operating 37 large urgent care and general practice clinics primarily across Auckland.

In July 2017, Waterman Fund 3 acquired a majority shareholding in New Zealand early childhood education provider, **Provincial Education Group** Limited

In August 2017, VPEG2B completed a co-investment with Yorkway Partners into **Fitzpatrick Financial Group** who, together with Quadrant Private Equity also funded the strategic acquisition of Retirement Victoria.

In October 2017, Allegro Fund II acquired **Everest Foods**, a leading manufacturer and distributor of ice cream, gelato, sorbet and frozen desserts

In October 2017, The Pencarrow Bridge fund invested in **Netlogix Group** Holdings Ltd a technology enabled freight logistics company

In October 2017, Waterman Capital acquired a majority stake in **PBT Group** a New Zealand national transport, courier and logistics operator.

Further details of these new investments will be provided in the September 2017 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 2017 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

# TRUSTEE AND MANAGERS' REPORT

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 McGeoch 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 and a Director of Destination NSW. 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 Executive 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

**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.



# TRUSTEE AND MANAGERS' REPORT

**Michael Tobin B.E., MBA, DFS**  
(Financial Markets) Investment  
Committee Member and  
Managing Director



## Experience and expertise

Michael has been made available to the Fund as Managing Director by Vantage Asset Management Pty Limited (the Manager) and is responsible for overseeing the implementation of the Fund's investment strategy. Michael has over 25 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 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 2017, and the number of meetings attended by each committee member were:

Meetings of Investment Audit & Risk Committee	Full Meetings of Directors		Meetings of Investment Audit & Risk Committee	
	A	B	A	B
Roderick H McGeoch AO*	-	-	6	6
Patrick Handley*	-	-	6	6
Paul Scully*	-	-	6	6
Michael Tobin	6	6	6	6
David Pullini	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

## Indemnification and insurance of Directors and Officers

During the financial year, the Trustee paid a premium of \$16,978 (2016: \$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:

- a) to an indemnity from the company for liabilities incurred as an officer of the company, to the extent permitted by the Corporations Act;
- b) 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
- c) 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.

# TRUSTEE AND MANAGERS' REPORT

## 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



David Pullini,  
Director

31 October 2017

# FINANCIAL STATEMENTS

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
<b>Investment income</b>			
Distribution income	2	830,768	9,634
Interest income		137,008	209,881
<b>Total investment income</b>		<b>967,776</b>	<b>219,515</b>
<b>Operating Expenses</b>			
Accountancy Fees		(5,411)	(12,013)
Audit Fees - current year		(7,654)	(7,445)
Audit Fees - prior year		-	(7,445)
Investment Administration Fees		(12,292)	(5,100)
Investment Committee Fees		(50,739)	(50,812)
Management Fees		(139,506)	(135,913)
Registry Fees		(5,164)	(4,104)
Other expenses		(304)	(189)
<b>Total expenses</b>		<b>(221,070)</b>	<b>(223,021)</b>
<b>Profit / (loss) for the year</b>		<b>746,706</b>	<b>(3,506)</b>
<b>Other Comprehensive Income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net unrealised movements in reserves upon revaluation of available for sale investments	9	220,211	434,360
<b>Other comprehensive income for the year</b>		<b>220,211</b>	<b>434,360</b>
<b>Total comprehensive income for the year</b>		<b>966,917</b>	<b>430,854</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2017**

	NOTE	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	5,516,684	6,738,415
Receivables	4	18,339	60,959
<b>Total Current Assets</b>		<b>5,535,023</b>	<b>6,799,374</b>
<b>Non-Current Assets</b>			
Investments	5	3,837,368	2,298,178
<b>Total Non-Current Assets</b>		<b>3,837,368</b>	<b>2,298,178</b>
<b>Total Assets</b>		<b>9,372,391</b>	<b>9,097,552</b>
<b>Current Liabilities</b>			
Creditors	6	34,110	28,979
<b>Total Current Liabilities</b>		<b>34,110</b>	<b>28,979</b>
<b>Total Liabilities</b>		<b>34,110</b>	<b>28,979</b>
<b>Net Assets Attributable To Unit Holders</b>		<b>9,338,281</b>	<b>9,068,573</b>

The accompanying notes form part of these financial statements.

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

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
<b>Net Assets attributable to Unit Holders at the beginning of the year</b>		9,068,573	8,637,719
<b>Transactions with unit holders, in their capacity as unitholders</b>			
Distributions paid to Unit Holders	11	<u>(697,209)</u>	-
<b>Total transactions with Unit holders</b>		<b>(697,209)</b>	-
<b>Comprehensive Income</b>			
Profit for the year attributable to Unit Holders	10	746,706	(3,506)
Net increase / (decrease) in investment revaluation reserve	9	220,211	434,360
<b>Total comprehensive income</b>		<b><u>966,917</u></b>	<b><u>430,854</u></b>
<b>Change in net assets attributable to Unit Holders</b>	7	<b><u>9,338,281</u></b>	<b><u>9,068,573</u></b>

The accompanying notes form part of these financial statements.



**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
<b>Cash Flows From Operating Activities</b>			
Income distributions received		830,388	9,634
Interest received		180,990	196,806
Expenses paid to suppliers		(215,939)	(217,880)
<b>Net cash from / (used in) operating activities</b>	13	<b>795,439</b>	<b>(11,440)</b>
<b>Cash Flows From Investing Activities</b>			
Payments to acquire financial assets		(2,066,213)	(1,467,204)
Return or refund of capital received		746,252	-
<b>Net cash used in investing activities</b>		<b>(1,319,961)</b>	<b>(1,467,204)</b>
<b>Cash Flows From Unitholders' Activities</b>			
Distributions paid to Unit Holders		(697,209)	-
<b>Net cash from Unit Holders' activities</b>		<b>(697,209)</b>	<b>-</b>
Net decrease in cash and cash equivalents		(1,221,731)	(1,478,644)
Cash and cash equivalents at beginning of the year		6,738,415	8,217,059
<b>Cash and cash equivalents at end of the year</b>	3	<b>5,516,684</b>	<b>6,738,415</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### Note 1 Statement of Significant Accounting Policies

#### Financial reporting framework

Vantage Private Equity Growth Trust 2B (“the Fund”) 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 2017. There are no effects resulting from any changes to accounting standards applicable to the trust for the current year.

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 2017. There are no effects resulting from any changes to accounting standards applicable to the trust for the current year.

## Note 1 Statement of Significant Accounting Policies (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards*	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers and the relevant amending standards.	1 January 2018	30 June 2019

\* The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2014), and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).
- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 2015-8 Effective Date of AASB 15.

The directors are currently assessing the impact of these standards.

### Adoption of new and revised Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Adoption of these new and revised Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### Note 1 Statement of Significant Accounting Policies (continued)

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 unitholders 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 at balance date.

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. With the exception of available for sale

## **Note 1 Statement of Significant Accounting Policies (continued)**

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 Vantage Private Equity Growth Trust 2B'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 and passed on to unit-holders.

### **(g) Trade and Other Receivables**

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

### **(h) 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### Note 1 Statement of Significant Accounting Policies (continued)

#### (i) Goods and Services Tax (GST)

The Fund is not 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.

#### (j) Comparative Figures

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

#### (k) 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.

#### (l) 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:

## Note 1 Statement of Significant Accounting Policies (continued)

### (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 cash flows etc.) as determined by the Manager of the investees.

## Note 2 Revenue and Other Income

	2017	2016
	\$	\$
<b>Distribution income</b>		
– income distributions received (including dividends & interest)	816,259	-
– interest income: equalisation interest	14,509	9,634
Total distribution income	<b>830,768</b>	<b>9,634</b>

a) Equalisation interest was received following second and final close of CHAMP IV (2016: Next Capital Fund III).

## Note 3 Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank	1,200,853	45,927
Term deposits	4,315,831	6,692,488
	<b>5,516,684</b>	<b>6,738,415</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:

Cash and cash equivalents	<b>5,516,684</b>	<b>6,738,415</b>
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**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2017

**Note 4 Receivables**

	2017	2016
	\$	\$
<b>Current</b>		
GST Receivable	6,044	5,664
Interest receivable	11,313	55,295
Other receivable	982	-
Total receivables	<b>18,339</b>	<b>60,959</b>

**Note 5 Other Financial Assets**

	2017	2016
	\$	\$
<b>Non-Current</b>		
Units in Unlisted Trust at cost:	882,629	456,354
– Allegro Fund II	408,000	384,000
– Mercury Capital Fund 2	1,025,000	540,000
– Next Capital Fund III	494,290	550,000
– CHAMP IV	201,505	25,871
– Waterman 3	227,261	-
– Pencarrow Bridge Fund	16,514	-
– Adamantem Fund 1	20,005	-
– Odyssey Fund 8	562,164	341,953
Accumulated Portfolio Revaluation	<b>3,837,368</b>	<b>2,298,178</b>

Vantage Private Equity Growth Trust 2B (VPEG 2B) has committed capital to foreign investments amounting to NZ\$1,457,600 in New Zealand (2016: NZ\$965,000).

## Note 6 Creditors

	2017 \$	2016 \$
<b>Current</b>		
Accounts payable	23,310	18,179
Other creditors and accruals	10,800	10,800
	<b>34,110</b>	<b>28,979</b>

## Note 7 Net Assets Attributable to Interest Holders

	NOTE	2017 \$	2016 \$
Issued units	8	8,904,052	8,904,052
Investment revaluation reserve	9	562,164	341,953
Accumulated Income / (Losses)	10	569,274	(177,432)
Distributions paid to Unit Holders	11	(697,209)	-
Closing balance		<b>9,338,281</b>	<b>9,068,573</b>

## Note 8 Issued Units

	NUMBER OF UNITS	2017 \$	2016 \$
8,847,838 units issued	8,847,838	8,904,052	8,904,052
<i>a) Movement in Issued Units</i>			
Opening balance		8,904,052	5,067,410
Units issued during the year		-	3,836,642
Closing balance		<b>8,904,052</b>	<b>8,904,052</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2017

**Note 9 Investment Revaluation Reserve**

	2017	2016
	\$	\$
<b>Investment Revaluation Reserve</b>	562,164	341,953
<i>a) Movement in reserves</i>		
Opening balance	341,953	(92,407)
Net revaluation increments / (decrements)	220,211	434,360
Closing balance	<b>562,164</b>	<b>341,953</b>

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.

**Note 10 Accumulated Income / (Losses)**

	2017	2016
	\$	\$
<b>Accumulated income / (losses)</b>	569,274	(177,432)
<i>a) Movement in accumulated income / (losses)</i>		
Opening balance	(177,432)	(173,926)
Net operating income / (loss) for the year	746,706	(3,506)
Closing balance	<b>569,274</b>	<b>(177,432)</b>

## Note 11 Distributions to Unit Holders

	2017	2016	2017	2016
	\$ PER UNIT		\$	\$
<b>Distributions to Unit Holders</b>			(697,209)	-
<b>Distributions paid</b>				
<i>a) Movement in distributions paid to Unit Holders</i>				
Opening balance			-	-
Distributions paid during the year	\$0.079		(697,209)	-
Closing balance			<b>(697,209)</b>	-

## 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

	2017	2016
	\$	\$
<b>(a) Reconciliation of profit or loss for the period to net cash flows from operating activities</b>		
Net operating profit / (loss) for the year	746,706	(3,506)
Non-cash flows in profit		
Changes in Assets and Liabilities:		
(Increase)/decrease in receivables	43,602	(13,075)
Increase/(decrease) in creditors	5,131	5,141
Cash flow from operations	<b>795,439</b>	<b>(11,440)</b>

## **(b) Non cash investing activities**

- (i) During the year, an investee offset a refund of capital payable to Vantage Private Equity Growth Trust 2B of \$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

## DIRECTOR'S 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, as set out above, present fairly the Fund's financial position as at 30 June 2017 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 Directors' of the Trustee Vantage Asset Management Pty Limited.



Michael Tobin  
Director



David Pullini  
Director

Dated this  
Sydney  
31 October 2017

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Ernst & Young  
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## Independent Auditor's Report to the Member of Vantage Private Equity Growth Trust 2B

### Opinion

We have audited the financial report, being a special purpose financial report, of Vantage Private Equity Growth Trust 2B (the Trust), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in Net Assets attributable to Unit Holders 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 2017, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of Vantage Private Equity Growth Trust 2B Fund's Constitution.

### 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.

### Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial report is prepared to assist the Trust to meet the requirements of Australian Accounting Standards. As a result the financial report may not be suitable for another purpose. Our report is intended solely for the Trust members (collectively the Recipients) and should not be distributed to parties other than the Recipients. Our opinion is not modified in respect of this matter.

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Trustee Company are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

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

The Directors of the Trustee Company 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 Australian Accounting Standards and is appropriate to meet the needs of the members. 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 Company'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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our 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 of the Trustee Company.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 2017



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