

2019

INVESTMENT MANAGER

**v** vantage  
Asset Management

# VPEG2B

**DIVERSIFY. GROW. OUTPERFORM.**

**ANNUAL REPORT** FOR THE YEAR ENDED 30 JUNE 2019  
VANTAGE PRIVATE EQUITY GROWTH TRUST 2B



## 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  
Level 17, 8 Chifley  
8/12 Chifley Square  
Sydney NSW 2000

Time: 10.30am

Date: 28 November 2019

### PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 25, Aurora Place  
88 Phillip Street  
Sydney NSW 2000

### AUDITORS

**Ernst & Young**  
The EY Centre  
200 George Street  
Sydney NSW 2000

### SOLICITORS

**Corrs Chambers Westgarth**  
Level 17, 8 Chifley  
8/12 Chifley Square  
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 2019.**

### 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 2019 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> (2018: \$13.1m<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 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 across FY19 of 1.1 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund (2018: 1.1).

## FUND PERFORMANCE HIGHLIGHTS FOR FY19

- \$2.99m in Additional Capital Drawn by underlying Private Equity funds
- 11 new underlying company investments added to the portfolio
- 4 underlying company investments sold delivering > 2.5 X cost of original investment
- A total of 48 underlying company investments completed with 6 exits now realised
- Total distributions received from underlying funds during the year of \$0.96m up 108.7% from FY18
- Net Profit for the year up 0.9% to \$0.965m
- Total Unit Holder Return during FY19 of 10.0%.

## DISTRIBUTIONS TO UNIT HOLDERS

A distribution of \$307,816 (\$0.03479 / unit) was declared and paid to VPEG2B unitholders on 28 October 2019 representing the net taxable income of the Trust for the period ended 30 June 2019.

## ECONOMIC CONDITIONS ACROSS FY19

The Australian economy started of the 2019 financial year on a strong platform following the growth rates posted at the end of the financial year growth rates of 3.4% as at 30 June 2018. This strong economic growth was generally fuelled by consumer spending and financed by a lower rate of household savings. This was better than the 3.1% reported to the year ended 31 March 2018, and at the same time also higher than the 3.0% the RBA had initially forecast. Encouragingly, it was the fastest annual rate of growth since the height of the mining boom in 2012 continuing its world record run of 27 years of consecutive growth.

The Australian economy continued to be a standout among developed countries during the second quarter of the 2019 financial year, with annualised growth continuing to run in excess of 3%. This position was driven by a combination of favourable global conditions as well as strong domestic demand.

Overall household spending was being driven by population growth as well as buoyant consumer confidence. Part of this is understandable in the light of the recent property boom in residential housing, which generated a feeling of optimism among consumers. Running counter to this, however, was the fact that wage growth had been slow. Government spending was also being influenced by population issues which had seen an unprecedented level of investment in infrastructure and transportation projects, particularly in NSW and Victoria throughout the December 2018 quarter. Additionally, exports also contributed to the strong result within the first quarter. Agricultural sales were strong in both livestock and grains. Mining and natural resources were also buoyant. Oil and gas sales performed robustly reflecting strong demand and higher oil prices.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### ECONOMIC CONDITIONS ACROSS FY19 (CONT.)

The coal industry also performed exceptionally well. At the time, it was reported the industry posted its strongest performance since 2014, on the back of good demand for both thermal and coking coal.

During the last quarter of 2018, the economy grew at only 0.2% on a seasonally adjusted basis. This was below consensus of 0.3%. Through the calendar year of 2018 the economy grew by 2.3%, which was below market expectations of 2.5% and trend of 2.75%.

Strong demand from export markets for energy and commodities played a crucial part to this growth. On the back of this demand the government was able to make significant progress towards reducing the deficit. During the first two months of the 2019 calendar year, Australia reported its largest trade surplus on record. At \$9.2 billion this was substantially ahead of the \$2.7 billion reported in the same period last in 2018.

During third quarter of the 2019 financial year, the economy grew at 0.4%. The result was again impacted by weak household spending with consumers holding back on discretionary spending. This rather disappointing result was helped to some extent by strong government spending and continuing good export numbers in the commodity areas.

In May 2019 the federal election occurred, with the Coalition returning to power. Notwithstanding the polls, which had forecast a change of government for some time, the Coalition surprised voters with their quite unexpected but successful result.

This return, of the incumbent was beneficial from two perspectives. First it avoided the three to six month period of inactivity, which inevitably follows a change of government. Second the Coalition was elected with a more pro-business agenda, while the losing Labor party was less so with major increases in taxes and spending.

The government was immediately active after returning to power with the emphasis on boosting the Australian economy with efforts focussing on tax cuts, spending on infrastructure and improving the property market.

To counter the slowing economy throughout the final quarter of the 2019 financial year, the RBA lowered the cash rate by 25 basis points to sit at 1.25%. The cash rate was then cut another consecutive time in July 2019 to start the 2020 financial year at a record low 1.00%. These changes represent the first and second changes since 2016 and reflect concerns about unemployment numbers, which have been creeping up, and the lower than desired rate of growth. Whether these cuts are actually effective remains to be seen as only one of the four major banks passed on the full benefit to their customers. Further cuts are expected later in the calendar year as well as in the first quarter of 2020. The RBA Board announced they will continue to monitor developments in the labour market, with some commentators suggesting further rate cuts to boost to consumer spending, wage inflation and lower underemployment.

While both the Australian Government and the Reserve Bank are being more pro-active in their support for the economy, the outlook will to a large extent be driven by the health and prosperity of its trading partners. Demand has to date generally held up well, while commodity prices have also been largely accommodative.

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

Across the year ended 30 June 2019, there were continued strong levels of activity in all phases and aspects of the local private equity market.

The Australian Lower-mid Market M&A environment throughout the 2019 financial year proved to be the most active marketplace for Private Equity fund managers, with 70% of all deals being classified to fall within this segment.

In the local Private Equity market, the opportunities for exits continue to remain active. Liquidity is available by sales to trade buyers, other private equity firms specialising in bigger transactions, and through the public markets. Of the three routes, the IPO market remains highly selective but genuine growth outlooks are being rewarded with high price multiples.

With the Australian and New Zealand economies growing at a more modest rate than they have in the past, there will be an increasing premium on identifying areas (and companies within those areas) that offer above average growth. With a strong interest by acquirers for profitable companies in the lower to mid-market segment in which VPEG2's underlying funds operate as well as sensible banking arrangements remaining available for purchasers, VPEG2's underlying fund managers are confident of generating attractive investment returns from their portfolio of investments across the term of their funds and that of VPEG2.

## **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 capital drawn to fund the acquisitions of 11 new underlying company investments. In addition, two of VPEG2B's underlying funds completed the sale of three underlying companies during the year, delivering strong top quartile returns 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 2019.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### UNDERLYING PRIVATE EQUITY FUND COMMITMENTS AND INVESTMENTS

Since the commencement of the investment program, VPEG2B has committed \$13.1m across eight Private Equity funds and completed one co-investment. As at 30 June 2019, 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 2019.

### VPEG2B'S PRIVATE EQUITY PORTFOLIO AND COMMITMENTS, AS AT 30 JUNE 2019, 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 |
|---|-----------|--------------|--|-------------------|--------------------|---------------------------------|--------------|
| <b>Next Capital Fund III</b>                      | \$265m    | 2014         | Small to Mid Market Expansion / Buyout | \$2.0m            | \$1.49m            | 7                               | 2            |
| <b>Allegro Fund II</b>                            | \$180m    | 2014         | Small to Mid Market Expansion / Buyout | \$2.0m            | \$1.77m            | 8                               | 2            |
| <b>Mercury Capital Fund 2</b>                     | \$300m    | 2015         | Small to Mid Market Expansion / Buyout | \$1.2m            | \$1.02m            | 6                               | 0            |
| <b>CHAMP IV</b>                                   | \$735m    | 2016         | Mid Market Buyout                      | \$2.0m            | \$1.61m            | 9                               | 2            |
| <b>Waterman Fund 3</b>                            | NZ\$200m  | 2016         | Small to Mid Market Expansion / Buyout | NZ\$1.0m          | \$0.66m            | 4                               | 0            |
| <b>Pencarrow Bridge Fund</b>                      | NZ\$80m   | 2016         | Small to Mid Market Expansion / Buyout | NZ\$0.5m          | \$0.38m            | 4                               | 0            |
| <b>Adamantem Capital Fund 1</b>                   | \$591m    | 2017         | Mid Market Expansion / Buyout          | \$2.4m            | \$1.36m            | 5                               | 0            |
| <b>Odyssey Fund 8</b>                             | \$275m    | 2017         | Mid Market Expansion / Buyout          | \$2.0             | \$1.07m            | 4                               | 0            |
| <b>Co-Invest 1 (Fitzpatricks Financial Group)</b> | \$200m    | 2017         | Mid Market Expansion                   | \$0.1m            | \$0.13m            | 1                               | 0            |
| <b>TOTAL</b>                                      |           |              |  | <b>\$13.1m</b>    | <b>\$9.49m</b>     | <b>48</b>                       | <b>6</b>     |



As a result of 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 \$6.50m at 30 June 2018 to \$9.49m at 30 June 2019, representing a 46.0% 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 thirtyseven to forty-eight during the year. In addition, two significant "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 2019, VPEG2B had 48 underlying company investments completed in the underlying portfolio.

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

### by Adamantem Capital Fund 1

- **Zenitas** (December 2018), a community based healthcare provider.
- **Hellers** (February 2019), New Zealand's leading producer of processed meats.

### by CHAMP IV

- **Gourmet Foods** (July 2018), a market leading Australian and New Zealand branded manufacturer and distributor of gourmet crackers and chilled packaged seafoods.
- **Cell Care** (September 2018), the leading private umbilical cord blood and tissue storage bank in Australia and Canada.
- **Marand Precision Engineering** (June 2019), a supplier of precision engineered solutions with key capabilities in the design and fabrication of aerostructures, tools and automated production systems for the aerospace and defence industries.

### by Mercury Capital Fund 2

- **Message Media** (August 2018), Australasia's largest business to person messaging company with international operations in the United States and the United Kingdom.
- **FiftyFive5 & GalKal** (November 2018), with the two combined businesses creating Australia's largest independent customer insights and market research firm.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### NEW UNDERLYING PRIVATE EQUITY COMPANY INVESTMENTS COMPLETED DURING THE YEAR INCLUDED: (CONT.)

#### by Next Capital Fund III

- **iSeek Group** (August 2018) a managed services provider specialising in data centre, cloud and managed connectivity servicing over 260 customers including enterprise, government and hyperscale.

#### by Odyssey Fund 8

- **Sushi Sushi** (April 2019), a vertically integrated food business that supplies sushi and other Japanese healthy convenience foods.
- **Delta Agribusiness** (April 2019), a leading provider of independent rural services and retail agricultural inputs.

#### by Waterman Fund 3

- **TRG Imaging** (December 2018), New Zealand's largest provider of radiology services.

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

#### by Adamantem Capital Fund 1

- **Hygain Holdings** added **Mitavite** from Ingham's Group, with the bolt on acquisition allowing two premium horse feed brands to come together to establish a solid platform in the domestic market (August 2018). The acquisition of the Mitavite assets allows Hygain to accelerate a number of strategic initiatives to gain greater access to horse owners across Australia and into new market segments.

#### by Odyssey Private Equity Fund 8

- During July 2018, **Adventure Holdings Australia (AHA)** acquired **Primus Australia Pty Ltd**, trading as Companion Brands. Companion Brands is a key wholesale distributor in the Australian market, distributing products to over 3,400 outlets across leisure, hardware, auto and outdoor categories providing AHA with an array of complimentary product categories to AHA's existing product portfolio.

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 2019. As demonstrated in the table, the top 10 investments in VPEG2B's underlying portfolio represented 40.3% of VPEG2B's total Private Equity Portfolio as at 30 June 2019.

| RANK | INVESTMENT                                  | FUND              | DESCRIPTION  | % OF VPEG2B'S PRIVATE EQUITY INVESTMENTS | CUMULATIVE % |
|------|---|-------------------|--|--|--------------|
| 1    | <b>Funlab</b>                               | Next Capital III  | Developer & Operator of Entertainment & Leisure Venues | 8.8%                                     | 8.8%         |
| 2    | <b>Pepperstone</b>                          | CHAMP IV          | Futures Trading Investment Platform                    | 4.5%                                     | 13.3%        |
| 3    | <b>Carpet Court NZ</b>                      | Allegro Fund II   | Carpet Retailer  | 4.0%                                     | 17.4%        |
| 4    | <b>Hygain Holdings Pty Ltd</b>              | Adamantem 1       | Premium Horse Feed Manufacturer & Distributor          | 3.9%                                     | 21.3%        |
| 5    | <b>Nexus Day Hospitals</b>                  | Mercury Capital 2 | Day Hospital Owner & Operator                          | 3.6%                                     | 24.9%        |
| 6    | <b>Lynch Group</b>                          | Next Capital III  | Flower & Potted Plant Operator                         | 3.5%                                     | 28.4%        |
| 7    | <b>Mining Technologies Holding Pty Ltd</b>  | Odyssey 8         | Leading Global Provider of Data & Voice Communications | 3.1%                                     | 31.5%        |
| 8    | <b>Noisette Bakery</b>                      | Next Capital III  | Artisanal Commercial Bakery                            | 3.0%                                     | 34.5%        |
| 9    | <b>Adventure Holdings Australia Pty Ltd</b> | Odyssey 8         | Leading Outdoor Equipment Brand                        | 3.0%                                     | 37.5%        |
| 10   | <b>My Food Bag</b>                          | Waterman Fund 3   | Home Food Delivery Provider                            | 2.8%                                     | 40.3%        |

## COMPLETED EXITS DURING FY19

During September 2018, **Next Capital Fund III** sold investee company **Forest Coach Lines** (Forest) to Comfortdelgro Corporation Limited the Singapore based public transport conglomerate (CDC). CDC is headquartered in Singapore and is a public transport conglomerate, the world's largest land transport companies.

In December 2014, Next Capital executed a management buy-out of Forest. Established in 1930 Forest is a leading urban bus operator, focused on delivering passengers from Sydney's north shore to four of Sydney's key metropolitan centres; CBD, North Sydney, Chatswood and Macquarie Centre. Forest also operates an ancillary charter business providing short group transfers, or extended group tours to regional locations across the country.

The majority of Forest's earnings are generated under a long-term contract with the New South Wales transport authority. Next Capital's investment saw the expansion of Forest through organic earnings growth from its core region as well as the building of a broader business through the acquisitions of three regional operations and a complementary charter business in Sydney.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### COMPLETED EXITS DURING FY19 (CONT.)

During the Next ownership, Forest grew employee levels from 130 to 220 staff and now operates a fleet of 220 buses spread over eight depots. It operates Region 14 contract bus services in Metropolitan NSW, other bus services in regional NSW, as well as school and non-school charter services.

The exit delivered Next III investors including VPEG2 a top quartile performance which was a strong result for a low volatility, government contracted business over a holding period of approximately 3.75 years.

During February 2019, **CHAMP IV** announced that a binding Sale Agreement had been entered into with ASX listed, global logistics solutions group, WiseTech Global for the sale of portfolio company **Containerchain**. This sale provided for the full exit of Containerchain from CHAMP IV, with the sale completed on 1 April 2019. WiseTech announced that the purchase cost was approximately \$92m paid in cash, net of cash acquired, funded through existing WiseTech group resources.

Containerchain is a business to business, web-based technology software provider for the container logistics sector. Containerchain's technological solutions are tailored to the intricacies of the Landside, Dockside and Waterside needs of all participants in the industry including freight forwarders, importers, exporters, transport operators, empty container depots and shipping lines.

Containerchain was founded in 2007 after founder, Tony Paldano identified a need to improve container depot operations after noting a growing dysfunction in the Melbourne empty container industry. In March 2010, at a forum of leading industry bodies, it was unanimously agreed that there was an urgent need for technology to share information between transport operators and empty depots.

Containerchain's software was subsequently installed at every Australian empty container depot with expanded operations to Singapore and Malaysia, where it is utilised at the Penang Port, the international gateway for the Northern region of Malaysia.

Following CHAMP IV's investment in Containerchain in September 2016 the company successfully launched new operations in multiple geographies leading to several new depot contracts, including 15 in Europe and 27 in the US. In addition, CHAMP's investment across key corporate infrastructure, to further assist rapid business expansion, was recognised as particularly valuable by WiseTech during their assessment of Containerchain.

During September 2018, **CHAMP IV** entered into an agreement to sell its investment in **Pepperstone Group** back to Pepperstone's management and other investors. Under the terms of the sale agreement a vendor note mechanism has been put in place which will see contractual repayments made to CHAMP IV periodically over the next five years. The quantum and frequency of these payments is linked to the trading performance of the underlying business.

In March 2016, CHAMP IV invested into Pepperstone Group, a high growth online investment platform specialising in Foreign Exchange, commodities and Contract For Difference (CFD) products.

Founded in Melbourne in 2010, Pepperstone currently processes an average of US\$12.55bn of trades every day, for over 73,000 active clients that utilise Pepperstone's platform as well as providing 24-hour global coverage and client support.

With an automated proprietary back-office IT system to enable operations, Pepperstone provides superior technology that uses low-latency execution and delivers low-cost spreads, resulting in exceptional customer service.

CHAMP invested in Pepperstone to assist it to expand internationally, grow the company's branding efforts and widen its product offerings through partnerships with technology vendors in different regions.

The company delivered strong operational performance during CHAMP's ownership, translating into excellent cash generation, and strong distributions to VPEG2 that are set to continue under the terms of the sale agreement.

## FINANCIAL PERFORMANCE OF THE FUND

During the year, total distribution income received by the Fund from underlying private equity funds was \$957,467 representing a 108.7% increase over the \$458,860 received in FY18. The breakdown of Income for FY19 compared with FY18 is shown in the table below.

| SOURCE OF INCOME  | FY19<br>\$     | FY18<br>\$     | % CHANGE<br>OVER FY18 |
|---|----------------|----------------|-----------------------|
| Distribution Income Received from Underlying Private Equity Funds | 957,467        | 458,860        | 108.7%                |
| Interest on Cash and Short-Term Deposits                          | 5,992          | 48,919         | -87.8%                |
| <b>TOTAL</b>  | <b>963,459</b> | <b>507,779</b> | <b>89.7%</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 exits of Forest Coast Lines, Containerchain and Pepperstone Group.

VPEG2B's total funds invested in cash and term deposits as at 30 June 2019 was \$470,797 (2018: \$2,814,065). 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.

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 decreased slightly from \$252,204 in FY18 to \$251,421 in FY19. The majority of these expenses consisted of costs associated with the management of VPEG2B. The resulting net profit for VPEG2B for the year was \$965,005 a 0.86% increase above the comprehensive income of \$956,797 booked in FY19.

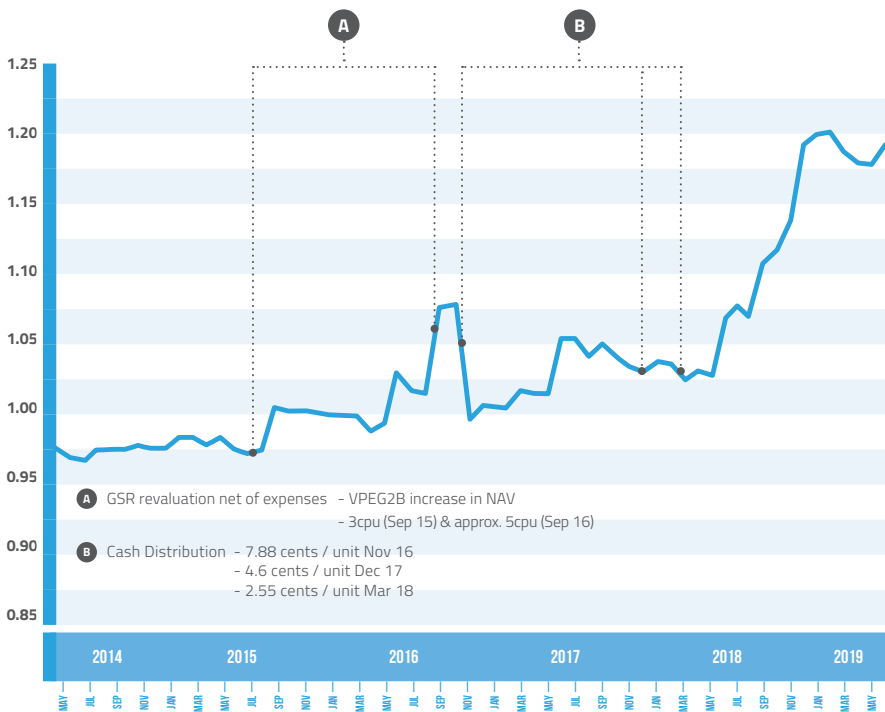
Furthermore, an investment revaluation of \$252,967 was booked for the year ended 30 June 2019, due to the improvement in the value of the underlying Private Equity investments during the year.

As a result, Net Assets attributable to Unitholders increased by 6.8% from \$9.66m at 30 June 2018 to \$10.32m as at 30 June 2019. When taking into account the FY19 tax distribution payable of \$0.31m, the total Net Assets and distribution attributable to Unitholders at 30 June 2019 increased by 10.0% across the year to \$10.63m.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

### 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 2019.



As demonstrated in the graph above, VPEG2B's Net Asset Value (NAV) increased from \$1.092 per unit at 30 June 2018 to \$1.201 per unit by 30 June 2019 (including the FY19 distribution amount of \$0.03479 per unit paid to VPEG2B Unitholders on 28 October 2019).

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 Investment Council (AIC) and adhered to by all funds that VPEG2B invests in.

With only 58% of VPEG2B's underlying portfolio companies having been held long enough to be revalued above their initial cost of investment, it is expected that net returns to investors will continue to improve as the remainder of the portfolio matures and further exits from the portfolio occur.

In addition, with a further three companies sold from VPEG2B's underlying portfolio across the past year, the total number of exits from the portfolio is now six. These six exits have delivered VPEG2B a gross 3.21 X return on invested capital across average hold period of 2.7 years.

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 FY19 represented a gain of 10.0%.

## **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 2019, a further three new underlying company investments have been added to the VPEG2B investment portfolio. In addition, one fund had entered into an agreement with a major financial institution, for the sale of one of their portfolio companies, with completion subject to the approval of minority shareholders. Should the transaction complete, the sale will result in another strong top quartile return to VPEG2B.

In July 2019, Odyssey Fund 8 acquired FRANKiE4, a leading and award-winning women's supportive footwear label.

In August 2019, Next Capital Fund III acquired its final investment for the fund into New Zealand Bus Limited, New Zealand's largest urban bus operator with a modern fleet of 700 buses across 13 depots.

Also, during August 2019, Adamantem Capital Fund 1 acquired ASX listed Legend corporation, a distributor of product tools, components and accessories into the electrical wholesale and industrial / commercial gas markets.

Further details of these new investments and the announced exit will be provided in the September 2019 quarterly investor report available during early November 2019 on the Fund's website at [www.vpeg2.info](http://www.vpeg2.info). The manager expects the number of exits within the underlying portfolio to continue as the Private Equity portfolio matures over the coming year.

## TRUSTEE AND MANAGERS' REPORT (CONT.)

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

Furthermore, during September 2019, Vantage Asset Management Pty Limited as Trustee of Vantage Private Equity Growth Trust 2B (VPEG2B) arranged a financing facility for VPEG2B (the Fund) with an independent Private Third Party Lender. The facility will be used to bridge investee fund calls needed to be made by the Fund (the Financing). The Trustee believes the Financing will benefit the Fund by allowing flexibility throughout the Funds lifecycle enabling VPEG2B to continue drawdowns under the bridging facility as the fund matures. Additionally, the facility will provide funding at short turnaround times, ultimately reducing administration for the Fund's investors.

The Financing is subject to a Loan Agreement dated 19 September 2019 entered into between, among others, the Lender and the Fund. The Financing is secured in favour of the Lender under a General Security Deed dated 19 September 2019 granted by, among others, the Fund over certain Fund assets, including cash accounts, the right to receive any future receivables and the right to receive a fixed charge over all Trustee owned assets.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2019 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 add-on investments expected to be made by VPEG2B's underlying private equity funds, as well as the likelihood of an increase in the number of exits from the portfolio.

### 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, 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 and member of the Audit 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 and HHG.

Pat holds a Bachelor of Commerce in Economics and Mathematics from Indiana University and an MBA from Ohio State University.

**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 of Vantage

### Experience and expertise

Michael is the Managing Director of Vantage 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 of Vantage and Executive Member of the Audit Committee.



**DAVID PULLINI BE, MBA**  
 Investment Committee Member  
 and Director of Vantage

**Experience and expertise**

David is a Director of Vantage 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 Vantage and Executive Member of the Investment Committee.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the Trustee paid a premium of \$20,456.84 (2018: \$18,747) in relation to insurance cover for Vantage Asset Management Pty Limited and its Directors and officers and investment committee members.

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 (CONT.)

### 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 2019



**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 2019

|   | NOTE | 2019<br>\$       | 2018<br>\$ |
|---|------|------------------|------------|
| <b>INVESTMENT INCOME</b>  |      |                  |            |
| Distribution income   | 2    | 957,467          | 458,860    |
| Interest income   |      | 5,992            | 48,919     |
| Net gains on investments held at fair value   | 5(a) | 252,967          | -          |
| <b>Total investment income</b>  |      | <b>1,216,426</b> | 507,779    |
| <b>OPERATING EXPENSES</b>   |      |                  |            |
| Tax accounting fees   |      | (10,975)         | (15,983)   |
| Audit fees - current year   |      | (8,743)          | (15,000)   |
| Audit fees - prior year fees  |      | (6,723)          | (6,723)    |
| Investment administration fees  |      | (12,244)         | (14,462)   |
| Investment committee fees   |      | (50,542)         | (50,618)   |
| Management fees   |      | (155,848)        | (141,098)  |
| Registry fees   |      | (4,817)          | (6,675)    |
| Other expenses  |      | (1,529)          | (1,645)    |
| <b>Total expenses</b>   |      | <b>(251,421)</b> | (252,204)  |
| <b>Profit from operating activities</b>   |      | <b>965,005</b>   | 255,575    |
| <b>Profit for the year</b>  |      | <b>965,005</b>   | 255,575    |
| <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 | 10   | -                | 701,222    |
| <b>Other comprehensive income for the year</b>  |      | <b>-</b>         | 701,222    |
| <b>Total comprehensive income for the year</b>  |      | <b>965,005</b>   | 956,797    |

The accompanying notes form part of these financial statements.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

|  | NOTE | 2019<br>\$        | 2018<br>\$ |
|--|------|-------------------|------------|
| <b>ASSETS</b>                                  |      |                   |            |
| <b>Current assets</b>                          |      |                   |            |
| Cash and cash equivalents                      | 3    | <b>470,797</b>    | 2,814,065  |
| Receivables                                    | 4    | <b>77,575</b>     | 6,396      |
| <b>Total current assets</b>                    |      | <b>548,372</b>    | 2,820,461  |
| <b>Non-current assets</b>                      |      |                   |            |
| Investments at fair value                      | 5    | <b>10,146,362</b> | 6,887,321  |
| <b>Total non-current assets</b>                |      | <b>10,146,362</b> | 6,887,321  |
| <b>Total assets</b>                            |      | <b>10,694,734</b> | 9,707,782  |
| <b>LIABILITIES</b>                             |      |                   |            |
| <b>Current liabilities</b>                     |      |                   |            |
| Creditors                                      | 6    | <b>67,272</b>     | 45,325     |
| Distribution payable                           | 7    | <b>307,819</b>    | -          |
| <b>Total liabilities</b>                       |      | <b>375,091</b>    | 45,325     |
| <b>Net assets attributable to Unit Holders</b> |      | <b>10,319,643</b> | 9,662,457  |

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 2019

|  | NOTE | 2019<br>\$        | 2018<br>\$ |
|--|------|-------------------|------------|
| <b>ASSETS</b>  |      |                   |            |
| Net assets attributable to Unit Holders at the beginning of the year |      | <b>9,662,457</b>  | 9,338,281  |
| Transactions with Unit Holders, in their capacity as Unit Holders    |      |                   |            |
| Distributions paid to Unit Holders                                   | 12   | <b>(307,819)</b>  | (632,621)  |
| <b>Total transactions with Unit Holders</b>                          |      | <b>(307,819)</b>  | (632,621)  |
| <b>COMPREHENSIVE INCOME</b>  |      |                   |            |
| Profit for the year attributable to Unit Holders                     | 11   | <b>965,005</b>    | 255,575    |
| Net increase / (decrease) in investment revaluation reserve          | 10   | -                 | 701,222    |
| <b>Total comprehensive income</b>                                    |      | <b>965,005</b>    | 956,797    |
| <b>Change in net assets attributable to Unit Holders</b>             | 8    | <b>10,319,643</b> | 9,662,457  |

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 2019

|   | NOTE | 2019<br>\$         | 2018<br>\$  |
|---|------|--------------------|-------------|
| <b>CASH FLOW</b>                                    |      |                    |             |
| <b>Cash flows from operating activities</b>         |      |                    |             |
| Income distributions received                       |      | <b>886,480</b>     | 459,842     |
| Interest received                                   |      | <b>6,244</b>       | 59,980      |
| Expenses paid to suppliers                          |      | <b>(229,918)</b>   | (241,089)   |
| <b>Net cash from operating activities</b>           | 14   | <b>662,806</b>     | 278,733     |
| <b>Cash flows from investing activities</b>         |      |                    |             |
| Payments to acquire financial assets                |      | <b>(3,006,074)</b> | (2,913,762) |
| Return or refund of capital received                |      | -                  | 565,031     |
| <b>Net cash used in investing activities</b>        |      | <b>(3,006,074)</b> | (2,348,731) |
| <b>Cash flows from Unit Holders' activities</b>     |      |                    |             |
| Distributions paid to Unit Holders                  |      | -                  | (632,621)   |
| <b>Net cash from Unit Holders' activities</b>       |      | -                  | (632,621)   |
| <b>Net decrease in cash and cash equivalents</b>    |      | <b>(2,343,268)</b> | (2,702,619) |
| Cash and cash equivalents at beginning of the year  |      | <b>2,814,065</b>   | 5,516,684   |
| <b>Cash and cash equivalents at end of the year</b> | 3    | <b>470,797</b>     | 2,814,065   |

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 2019

### 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.

#### New and revised standards that are effective for these financial statements

The Trust has adopted revisions and amendments to the Australia Accounting Standards issued by the Australian Standards Board which are relevant to and effect the trusts financial statements for the annual year beginning 1 July 2018.

AASB 15 Revenue from contracts with customers and AASB 9 financial instruments became effective for periods beginning on or after 1 January 2018. Accordingly, the trust applied AASB 15 and AASB 9 for the year ended 30 June 2019.

##### *AASB 15 Revenue from contracts with customers*

AASB 15 replaces AASB 118 revenue, AASB 111 Construction contracts and several revenue related interpretations. The adoption of AASB 15 had no impact on the financial statements of the Trust.

##### *AASB 9 Financial instruments*

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. The new accounting standards makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for impairment of financial assets.

When adopting AASB 9, the Trust has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

**Accounting standards and interpretations issued but not yet effective and not early 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 period ended 30 June 2019. There are no effects resulting from any changes to accounting standards applicable to the Trust for the current year.

**AASB 16 Leases**

AASB 16 eliminates the classification of leases as either operating or finance. There is now a single lessee model which requires a lessee to recognise assets and liabilities in the statement of financial position for leases with terms of more than 12 months unless the underlying asset is of low value.

The standard is applicable for annual reporting periods beginning on or after 1 January 2019.

This standard will be adopted in the year ending 30 June 2020 and there will be no impact on the financial statements of the trust.

**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.

Fund distributions are recognised as revenue when the right to receive payment is established. Distribution income includes return of capital and capital gains arising from the disposal of underlying investments. Unrealised gains and losses 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 (before July 2018)**

The Fund has investments in the interests of unit trusts and limited partnerships 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 underlying investee funds 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.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### c) Investments (CONT.)

##### Financial assets at fair value through profit or loss (subsequent 1 July 2018)

Under AASB 139, financial instruments were classified as available for sale and measured at fair value through other comprehensive income. Changes in fair value were recognised directly in equity until the security is disposed of or impaired at which the cumulative gain or loss previously recognised in equity is included in profit or loss for the year.

Under AASB 9, financial instruments are classified as fair value through profit or loss. The equity instruments are measured at fair value with changes in the fair value being recognised directly to profit or loss. The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis.

The Fund recognises financial assets on the date it becomes party to the contractual agreement (or when capital is called for investments) and recognises changes in the fair value of the financial assets from this date.

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

At initial recognition, the Fund measures financial assets at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or at fair value through profit or loss category are presented in the statement of comprehensive income in the period in which they arise.

#### d) Expenses

Expenses are brought to account on an accruals basis.

#### e) 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 and passed on to unit-holders.

#### **f) Net Assets Attributable to Unit Holders**

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

Non-distributable income is transferred directly to the Net Assets Attributable to Unitholders' 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 unitholders' 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.

#### **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.

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

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees and investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits hence expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO).

Accounts payable are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

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.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2019

### I) 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 underlying investee's audited financial statements. This valuation is determined by the Manager of investees on the following basis:

##### b) *Fair Value Information*

The fair values of financial assets are determined by reference to active market transactions where possible, however the majority of managed investee companies are unlisted Australian companies and there are no direct, quoted market prices available.

In this case, fair value estimates are made at a specific point in time, based on market conditions and information about the specific financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, market volatility, investment stage, estimated cash flows etc) and therefore cannot be determined with precision.

Valuations are inherently based on forward looking estimates and judgements about the underlying business, its market and the environment in which it operates.

##### c) *Fair Estimation of values*

Where new investments are made within the reporting year and no significant changes have occurred in the underlying business since acquisition, the investment may be maintained at cost or fair value.

Estimated valuations for other entities are primarily based on multiples of EBITDA or EBIT, depending on the industry for each investee. In estimating the valuations, a range of multiples is used to determine a range of outcomes. EBITDA or EBIT are based on forward estimates of the investees' performance based on past, present and future views of performance.

## NOTE 2. REVENUE AND OTHER INCOME

|   | NOTE | 2019<br>\$     | 2018<br>\$ |
|---|------|----------------|------------|
| <b>Distribution income</b>                            |      |                |            |
| INCOME DISTRIBUTIONS RECEIVED                         |      |                |            |
| Interest income                                       |      | <b>54,130</b>  | 25,315     |
| Dividend income (excluding franking credits)          |      | <b>69,840</b>  | 80,181     |
| Foreign income  |      | <b>66,932</b>  | 17,429     |
| Capital gains   |      | <b>497,639</b> | 368,570    |
| Return of capital / deferred tax                      |      | <b>268,926</b> | -          |
| Less: Limited Partnership losses recognised by VPEG2B |      | -              | (39,171)   |
| Interest income - equalisation interest               |      | -              | 6,536      |
| <b>Total distribution income</b>                      | 5(b) | <b>957,467</b> | 458,860    |

- a) During the prior year, equalisation interest was received following the final close of Adamantem Capital Fund 1.

## NOTE 3. CASH AND CASH EQUIVALENTS

|               | 2019<br>\$     | 2018<br>\$ |
|---------------|----------------|------------|
| Cash at bank  | <b>470,797</b> | 2,776,110  |
| Term deposits | -              | 37,955     |
|               | <b>470,797</b> | 2,814,065  |

### 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>470,797</b> | 2,814,065 |
|----------------------------------|----------------|-----------|

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 4. RECEIVABLES

|                                | 2019<br>\$    | 2018<br>\$ |
|--------------------------------|---------------|------------|
| <b>Current</b>                 |               |            |
| GST receivable                 | <b>6,588</b>  | 6,144      |
| Interest receivable            | -             | 252        |
| Other receivable               | <b>70,987</b> | -          |
| <b>Total other receivables</b> | <b>77,575</b> | 6,396      |

### NOTE 5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 2019<br>\$             | 2018<br>\$ |
|--|------------------------|------------|
| <b>Non-current</b>   |                        |            |
| INTERESTS IN UNLISTED PRIVATE EQUITY FUNDS / LIMITED PARTNERSHIPS<br>AT FAIR VALUE THROUGH PROFIT OR LOSS: |                        |            |
| Fair value of investments through profit or loss   | 5(a) <b>10,146,362</b> | 6,887,321  |

#### a) Movement in fair values

MOVEMENTS IN CARRYING AMOUNTS FOR FAIR VALUE OF INVESTMENTS THROUGH  
PROFIT OR LOSS BETWEEN THE BEGINNING AND THE END OF THE YEAR.

|   |                     |   |
|---|---------------------|---|
| Investments at fair value at beginning of the year      | <b>6,887,321</b>    | - |
| Calls paid to underlying investee funds during the year | <b>3,006,074</b>    | - |
| Net gains on investments held at fair value             | 5(b) <b>252,967</b> | - |
| <b>Investments at fair value at the end of the year</b> | <b>10,146,362</b>   | - |



|   | 2019<br>\$     | 2018<br>\$ |
|---|----------------|------------|
| <b>b) Net investment revaluations includes the impact of distributions received during the year represented by:</b> |                |            |
| Distributions received by VPEG2B from underlying investee funds during the year                                     | (957,467)      | -          |
| VPEG2B's share of movement in underlying investee funds during the year   | 1,210,434      | -          |
| <b>Net gain on investment held at fair value through profit or loss</b>   | <b>252,967</b> | -          |

**c) Vantage Private Equity Growth Trust 2B (VPEG2B) has committed capital to foreign investments amounting to NZ\$1,457,600 in New Zealand (2018: NZ\$1,457,600).**

#### NOTE 6. CREDITORS

|                              | 2019<br>\$    | 2018<br>\$ |
|------------------------------|---------------|------------|
| <b>Current</b>               |               |            |
| Accounts payable             | 44,772        | 23,325     |
| Other creditors and accruals | 22,500        | 22,000     |
|                              | <b>67,272</b> | 45,325     |

#### NOTE 7. DISTRIBUTIONS PAYABLE

|                                    | 2019<br>\$ PER UNIT | NOTE | 2019<br>\$ | 2018<br>\$ |
|------------------------------------|---------------------|------|------------|------------|
| <b>Current</b>                     |                     |      |            |            |
| DISTRIBUTION PAYABLE               |                     |      |            |            |
| <b>Income distribution payable</b> | \$0.035             | 8    | 307,819    | -          |

The above distribution relating to the year ended 30 June 2019 was paid on 28 October 2019. No distributions were paid during the year ended 30 June 2018.

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 8. NET ASSETS ATTRIBUTABLE TO INTEREST HOLDERS

|                                    | NOTE | 2019<br>\$         | 2018<br>\$  |
|------------------------------------|------|--------------------|-------------|
| Issued units                       | 9    | <b>8,904,052</b>   | 8,904,052   |
| Investment revaluation reserve     | 10   | -                  | 1,263,386   |
| Accumulated Income                 | 11   | <b>3,053,240</b>   | 824,849     |
| Distributions paid to Unit Holders | 12   | <b>(1,637,649)</b> | (1,329,830) |
| <b>Closing balance</b>             |      | <b>10,319,643</b>  | 9,662,457   |

### NOTE 9. UNITS ISSUED AND PAID CAPITAL

|                        | NUMBER OF<br>UNITS | 2019<br>\$       | 2018<br>\$ |
|------------------------|--------------------|------------------|------------|
| 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 10. INVESTMENT REVALUATION RESERVE

|                                | 2019<br>\$ | 2018<br>\$ |
|--------------------------------|------------|------------|
| Investment Revaluation Reserve | -          | 1,263,386  |

#### a) Movement in reserves

|                                  |                    |           |
|----------------------------------|--------------------|-----------|
| Opening balance                  | <b>1,263,386</b>   | 562,164   |
| Adjustment on adoption of AASB 9 | <b>(1,263,386)</b> | -         |
| Net revaluation increments       | -                  | 701,222   |
| <b>Closing balance</b>           | <b>-</b>           | 1,263,386 |

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 11. ACCUMULATED INCOME

|                    | 2019<br>\$       | 2018<br>\$ |
|--------------------|------------------|------------|
| Accumulated income | <b>3,053,240</b> | 824,849    |

### a) Movement in accumulated income

|                                   |                  |         |
|-----------------------------------|------------------|---------|
| Opening balance                   | <b>824,849</b>   | 569,274 |
| Adjustment on adoption of AASB 9  | <b>1,263,386</b> | -       |
| Net operating income for the year | <b>965,005</b>   | 255,575 |
| <b>Closing balance</b>            | <b>3,053,240</b> | 824,849 |

## NOTE 12. DISTRIBUTIONS TO UNIT HOLDERS

|                                      | 2019<br>\$         | 2018<br>\$  |
|--------------------------------------|--------------------|-------------|
| <b>Distributions to Unit Holders</b> |                    |             |
| Distributions paid                   | <b>(1,637,649)</b> | (1,329,830) |

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

|                                    | 2019<br>\$ PER UNIT | 2018<br>\$ PER UNIT | 2019<br>\$         | 2018<br>\$  |
|------------------------------------|---------------------|---------------------|--------------------|-------------|
| Opening balance                    | <b>0.150</b>        | 0.079               | <b>(1,329,830)</b> | (697,209)   |
| Distributions paid during the year | -                   | 0.072               | -                  | (632,621)   |
| Distributions payable at year end  | <b>0.035</b>        | -                   | <b>(307,819)</b>   | -           |
| <b>Closing balance</b>             | <b>0.185</b>        | 0.150               | <b>(1,637,649)</b> | (1,329,830) |

VANTAGE PRIVATE EQUITY GROWTH TRUST 2B

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 13. 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 14. NOTES TO THE STATEMENT OF CASH FLOWS

|  | 2019<br>\$     | 2018<br>\$     |
|--|----------------|----------------|
| <b>a) Reconciliation of profit or loss for the period to net cash flows from operating activities:</b> |                |                |
| Net operating profit for the year  | 965,005        | 255,575        |
| NON-CASH FLOWS IN PROFIT   |                |                |
| Revaluation of investments   | (252,967)      | -              |
| CHANGES IN ASSETS AND LIABILITIES:   |                |                |
| (Increase)/decrease in receivables   | (71,179)       | 11,943         |
| Increase in creditors  | 21,947         | 11,215         |
| <b>Cash flow from operations</b>   | <b>662,806</b> | <b>278,733</b> |

#### b) Non cash investing activities

- i) During the year, an investee offset a refund of capital payable to VPEG2B of \$nil (2018: \$28,017), against a call for capital by the same fund.

#### **NOTE 15. 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 16. 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, as set out on pages 22 to 37, present fairly the Fund's financial position as at 30 June 2019 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**  
Managing Director

Sydney  
31 October 2019



**David Pullini**  
Director

## INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
 200 George Street  
 Sydney NSW 2000 Australia  
 GPO Box 2646 Sydney NSW 2001

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 Fax: +61 2 9248 5959  
 ey.com/au

### 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 2019, 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 2019, 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 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 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  
29 October 2019



## NOTES

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# VPEG2B

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INVESTMENT MANAGER

