

Paradice Investment Management Funds Annual report For the year ended 30 June 2018

This financial report covers the following Paradise Investment Management Funds:

Paradice Australian Small Cap Fund

ARSN 620 056 091

Paradice Australian Mid Cap Fund

ARSN 620 055 138

Paradice Investment Management Funds

Annual report

For the year ended 30 June 2018

Contents

Directors' report
Auditor's independence declaration
Statements of comprehensive income
Statements of financial position
Statements of changes in equity
Statements of cash flows
Notes to the financial statements
Directors' declaration
Independent auditor's report to the unit holders of the Paradice Investment Management Funds

This annual report covers the following Funds as individual entities:

Paradice Australian Small Cap Fund
Paradice Australian Mid Cap Fund

The Responsible Entity of the Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of the Paradice Investment Management Funds (the "Funds"), present their report together with the financial statements of the following Funds for the year ended 30 June 2018:

Paradice Australian Small Cap Fund Paradice Australian Mid Cap Fund

The Funds are collectively known as "Paradice Investment Management Funds".

Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund's current Product Disclosure Statement and its Constitution.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the Funds' activities during the year.

The various service providers for the Funds are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Paradice Investment Management Pty Ltd
Custodian and Administrator	National Australia Bank Limited
Statutory Auditor	PricewaterhouseCoopers

Directors

The following persons held office as directors of the Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	
Ian C Westley	
Michael J O'Brien	(appointed 11 July 2018)

Review and results of operations

During the year, the Funds continued to invest funds in accordance with the Product Disclosure Statement and the provisions of the Funds' Constitution.

The Funds' performance and the Funds' benchmark returns for the year ended 30 June 2018 were as follows:

Fund Name	Benchmark	Net return (net of fees)	Benchmark return
Paradice Australian Small Cap Fund	S&P/ASX Small Ordinaries Accumulation Index	27.20%	24.25%
Paradice Australian Mid Cap Fund	Composite 70% of S&P/ASX Midcap 50 Accumulation Index	18.68%	17.31%

Directors' report (continued)

Review and results of operations (continued)

The performance of the Funds, as represented by the results of their operations, was as follows:

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Operating profit/(loss) for the year (\$000)	38,467	1,797	41,937	27,367
<i>Class A</i>				
Distributions paid and payable (\$000)	11,592	19,453	17,308	28,730
Distributions (cents per unit)	14.4154	27.5845	14.7283	23.2380
<i>Class B</i>				
Distributions paid and payable (\$000)	1,665	523	6,388	568
Distributions (cents per unit)	7.9906	3.9144	9.6166	1.4470
<i>Class C</i>				
Distributions paid and payable (\$000)	-	-	1,093	-
Distributions (cents per unit)	-	-	8.3183	-

Significant changes in the state of affairs

The Funds have amended their Constitutions to change the obligation to distribute trust income to unit holders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

Matters subsequent to the end of the financial year

Michael J O'Brien was appointed as a director of Equity Trustees Limited on 11 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Funds' Constitution.

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

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

Indemnification of auditor

The auditor of the Funds is in no way indemnified out of the assets of the Funds.

Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 14 of the financial statements.

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

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the year are disclosed in Note 7 of the financial statements.

The value of the Funds' assets and liabilities is disclosed on the statements of financial position and derived using the basis set out in Note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Financial statements presentation

The Funds are entities of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial reports.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
26 September 2018



Auditor's Independence Declaration for the Paradise Investment Management Funds:

- Paradise Australian Small Cap Fund
- Paradise Australian Mid Cap Fund

As lead auditor for the audits of the Paradise Investment Management Funds for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is positioned above the printed name.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
26 September 2018

Statements of comprehensive income

	Note	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
		Year ended		Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Investment income					
Interest income		95	92	84	69
Dividend and distribution income		6,709	5,506	7,801	11,764
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	33,764	(1,666)	37,311	18,051
Other operating income		2	-	-	-
Net foreign exchange gain/(loss)		(13)	(1)	(4)	-
Total investment income/(loss)		40,557	3,931	45,192	29,884
Expenses					
Management and performance fees	14	1,432	1,534	2,530	1,930
Custody and administration fees		149	86	220	103
Transaction costs		469	477	464	451
Other expenses		40	37	41	33
Total expenses		2,090	2,134	3,255	2,517
Operating profit/(loss) for the year		38,467	1,797	41,937	27,367
Finance costs attributable to unit holders					
Distributions to unit holders	8	(13,257)	(19,976)	(24,789)	(29,298)
(Increase)/decrease in net assets attributable to unit holders	7	(25,210)	18,179	(17,148)	1,931
Profit/(loss) for the year		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-

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

Statements of financial position

	Note	Paradice Australian Small Cap Fund As at		Paradice Australian Mid Cap Fund As at	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Assets					
Cash and cash equivalents	9	10,840	7,892	11,946	6,121
Receivables	11	3,406	2,956	611	463
Due from brokers - receivable for securities sold		-	-	1,968	3,170
Financial assets held at fair value through profit or loss	6	<u>176,215</u>	<u>123,527</u>	<u>292,145</u>	<u>212,526</u>
Total assets		<u>190,461</u>	<u>134,375</u>	<u>306,670</u>	<u>222,280</u>
Liabilities					
Distributions payable	8	11,983	5,224	22,338	2,949
Payables	12	315	149	526	208
Due to brokers - payable for securities purchased		<u>87</u>	<u>324</u>	<u>3,993</u>	<u>3,364</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>12,385</u>	<u>5,697</u>	<u>26,857</u>	<u>6,521</u>
Net assets attributable to unit holders - liability	7	<u>178,076</u>	<u>128,678</u>	<u>279,813</u>	<u>215,759</u>

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Total equity at the beginning of the financial year	-	-	-	-
Profit/(loss) for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity at the end of the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

Statements of cash flows

	Note	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
		Year ended		Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Cash flows from operating activities					
Proceeds from sale of financial instruments held at fair value through profit or loss		119,346	127,332	175,955	188,938
Purchase of financial instruments held at fair value through profit or loss		(135,051)	(128,999)	(215,449)	(201,894)
Transaction costs on financial instruments held at fair value through profit or loss		(502)	(512)	(496)	(484)
Dividends and distributions received		2,924	2,213	6,692	5,156
Interest income received		95	92	84	69
Other income received		2	-	-	-
Management and performance fees paid		(1,358)	(2,073)	(2,388)	(2,042)
Custody and administration fees paid		(149)	(92)	(220)	(115)
Other expenses		(64)	(40)	(66)	(45)
RITC received/(paid)		28	191	211	169
Net cash inflow/(outflow) from operating activities	10(a)	(14,729)	(1,888)	(35,677)	(10,248)
Cash flows from financing activities					
Proceeds from applications by unit holders		19,333	14,211	42,589	53,916
Payments for redemptions by unit holders		(1,439)	(13,564)	(550)	(40,039)
Distributions paid to unit holders		(204)	(458)	(533)	(2,043)
Net cash inflow/(outflow) from financing activities		17,690	189	41,506	11,834
Net increase/(decrease) in cash and cash equivalents		2,961	(1,699)	5,829	1,586
Cash and cash equivalents at the beginning of the year		7,892	9,592	6,121	4,535
Effects of foreign currency exchange rate changes on cash and cash equivalents		(13)	(1)	(4)	-
Cash and cash equivalents at the end of the year	9	10,840	7,892	11,946	6,121
Non-cash financing and operating activities	10(b)	9,750	27,539	5,850	38,118

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

Notes to the financial statements

Contents

1	General information
2	Summary of significant accounting policies
3	Financial risk management
4	Fair value measurement
5	Net gains/(losses) on financial instruments held at fair value through profit or loss
6	Financial assets held at fair value through profit or loss
7	Net assets attributable to unit holders
8	Distribution to unit holders
9	Cash and cash equivalents
10	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
11	Receivables
12	Payables
13	Remuneration of auditor
14	Related party transactions
15	Events occurring after the reporting period
16	Contingent assets and liabilities and commitments

1 General information

These financial statements cover the below Funds, (the "Funds") as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates in the below table and will terminate in accordance with the provisions of the Funds' Constitution or by Law.

Paradice Australian Small Cap Fund	23 June 2004
Paradice Australian Mid Cap Fund	01 September 2006

The Responsible Entity of the Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund's current Product Disclosure Statement and its Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Funds to elect into the AMIT tax regime, the Funds' Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Funds are for-profit entities for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Funds also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Funds' financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Funds do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Funds' investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Funds.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Funds' main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

(b) Financial instruments

(i) *Classification*

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

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded equity securities and unlisted unit trusts.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy as outlined in the Product Disclosure Statement. The Funds' policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

(ii) *Recognition/derecognition*

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Funds have transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

(iii) *Measurement*

- Financial instruments held at fair value through profit or loss

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income in the period in which they arise. This also includes dividend expenses on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

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

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statements of financial position.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units can be put back to the Funds at any time for cash based on the redemption price.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Funds.

(d) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Investment income

(i) Interest income

Interest income on cash and cash equivalents is recognised in the statements of comprehensive income on an accruals basis. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlement basis.

(f) Expenses

All expenses are recognised in the statements of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unit holders.

(h) Distributions

The Funds may distribute their distributable income, in accordance with the Funds' Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unit holders.

(i) Increase/(decrease) in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Where the Funds' units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statements of comprehensive income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

The Funds do not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Funds will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(l) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statements of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

(m) Payables

Payables include liabilities, accrued expenses owed by the Funds and distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statements of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(n) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(p) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For more information on how fair value is calculated refer to Note 6 to the financial statements.

(q) Rounding of amounts

The Funds are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

(r) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

The Funds' activities expose them to a variety of financial risks including market risk (which incorporates price risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statement and the investment guidelines of the Funds. They also seek to maximise the returns derived for the level of risk to which the Funds are exposed and seek to minimise potential adverse effects on the Funds' financial performance. The Funds' policy allows them to use derivative financial instruments in managing its financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

The investments of the Funds, and associated risks, are managed by a specialist Investment Manager, Paradice Investment Management Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Funds, consistent with those stated in the Product Disclosure Statement.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Funds are exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Price risk is managed by Paradice Investment Management Pty Ltd, the Funds' Investment Manager. The Investment Manager mitigates this price risk through diversification and careful selection of securities and other financial instruments in accordance with the investment mandate of the Funds.

The Funds' overall market positions are monitored on a regular basis by the Investment Manager. This information and the compliance with the Funds' Product Disclosure Statement are reported to the Investment Manager's compliance manager and other key management personnel.

The table at Note 3(b) summarises the sensitivities of the Funds' assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Funds invest moves by +/- 5% (2017: +/-5%)

(ii) Interest rate risk

Interest rate risk is managed by Paradice Investment Management Pty Ltd.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Funds to interest rate risk.

The Funds' interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Funds' operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Funds' investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

Price risk	Impact on operating profit/net assets attributable to unit holders			
	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	-5% \$'000	+5% \$'000	-5% \$'000	+5% \$'000
As at 30 June 2018	(8,811)	8,811	(14,607)	14,607
As at 30 June 2017	(6,176)	6,176	(10,626)	10,626

(c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Funds.

The Funds do not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Funds are exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

(d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by Paradice Investment Management Pty Ltd. The Investment Manager mitigates the liquidity risk factor by generally investing in securities that are believed to offer sufficient liquidity to allow investors to withdraw from the Funds as set out in the Product Disclosure Statement.

In order to manage the Funds' overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Funds did not reject or withhold any redemptions during 2018 and 2017.

(i) Maturity of non-derivative financial liabilities

The tables below analyse the Funds' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

Paradice Australian Small Cap Fund

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2018					
Distributions payable	11,983	-	-	-	11,983
Payables	315	-	-	-	315
Due to brokers - payable for securities purchased	87	-	-	-	87
Net asset attributable to unitholders - liability	<u>178,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,076</u>
Contractual cash flows (excluding derivatives)	<u>190,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,461</u>

3 Financial risk management (continued)

(d) Liquidity risk (continued)

Paradice Australian Small Cap Fund

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2017					
Distributions payable	5,224	-	-	-	5,224
Payables	149	-	-	-	149
Due to brokers - payable for securities purchased	324	-	-	-	324
Net asset attributable to unit holders - liability	<u>128,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,678</u>
Contractual cash flows (excluding derivatives)	<u>134,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,375</u>

Paradice Australian Mid Cap Fund

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2018					
Distributions payable	22,338	-	-	-	22,338
Payables	526	-	-	-	526
Due to brokers - payable for securities purchased	3,993	-	-	-	3,993
Net asset attributable to unitholders - liability	<u>279,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,813</u>
Contractual cash flows (excluding derivatives)	<u>306,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,670</u>

Paradice Australian Mid Cap Fund

As at 30 June 2017

Distributions payable	2,949	-	-	-	2,949
Payables	208	-	-	-	208
Due to brokers - payable for securities purchased	3,364	-	-	-	3,364
Net asset attributable to unit holders - liability	<u>215,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,759</u>
Contractual cash flows (excluding derivatives)	<u>222,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,280</u>

4 Fair value measurement

The Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Funds have no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Funds is the current bid price; the quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

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

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Funds may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

4 Fair value measurement (continued)

(c) Recognised fair value measurements

The table below presents the Funds' financial assets and liabilities measured and recognised at fair value as at 30 June 2018.

Paradice Australian Small Cap Fund As at 30 June 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	154,494	-	-	154,494
Unlisted managed investment schemes	-	21,721	-	21,721
Total financial assets	154,494	21,721	-	176,215

Paradice Australian Small Cap Fund As at 30 June 2017

Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	104,872	-	-	104,872
Listed property trusts	3,831	-	-	3,831
Unlisted managed investment schemes	-	14,824	-	14,824
Total financial assets	108,703	14,824	-	123,527

Paradice Australian Mid Cap Fund As at 30 June 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	281,635	-	-	281,635
Listed unit trusts	2,964	-	-	2,964
Listed property trusts	7,546	-	-	7,546
Total financial assets	292,145	-	-	292,145

Paradice Australian Mid Cap Fund As at 30 June 2017

Financial assets				
Designated at fair value through profit or loss:				
Listed equity securities	202,521	-	-	202,521
Listed unit trusts	6,702	-	-	6,702
Listed property trusts	3,302	-	1	3,303
Total financial assets	212,525	-	1	212,526

4 Fair value measurement (continued)

(d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in fair value hierarchy at the end of the reporting period (2017: Nil).

(e) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Net realised gain/(loss) on financial instruments designated as at fair value through profit and loss	3,848	(499)	632	(5,988)
Net unrealised gain/(loss) on financial instruments designated as at fair value through profit and loss	29,916	(1,167)	36,679	24,039
Total net gains/(losses) on financial instruments held at fair value through profit or loss	33,764	(1,666)	37,311	18,051

6 Financial assets held at fair value through profit or loss

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Designated at fair value through profit or loss				
Listed equity securities	154,494	104,872	281,635	202,521
Listed unit trusts	-	-	2,964	6,702
Listed property trusts	-	3,831	7,546	3,303
Unlisted managed investment schemes	21,721	14,824	-	-
Total designated at fair value through profit or loss	176,215	123,527	292,145	212,526
Total financial assets held at fair value through profit or loss	176,215	123,527	292,145	212,526

7 Net assets attributable to unit holders

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	Year ended		Year ended	
	30 June 2018 Units '000	30 June 2017 Units '000	30 June 2018 \$'000	30 June 2017 \$'000
Paradice Australian Small Cap Fund				
Class A				
Opening balance	70,872	64,803	115,840	122,100
Applications	7,050	442	11,802	845
Redemptions	(846)	(7,964)	(1,439)	(13,564)
Reinvestment of distributions	3,392	13,591	5,742	24,110
Increase/(decrease) in net assets attributable to unit holders	-	-	22,460	(17,651)
Closing balance	80,468	70,872	154,405	115,840
Class B				
Opening balance	13,366	-	12,838	-
Applications	7,098	13,366	7,531	13,366
Reinvestment of distributions	554	-	552	-
Increase/(decrease) in net assets attributable to unit holders	-	-	2,750	(528)
Closing balance	21,018	13,366	23,671	12,838
Closing balance	101,486	84,238	178,076	128,678

7 Net assets attributable to unit holders (continued)

	Year ended		Year ended	
	30 June 2018 Units '000	30 June 2017 Units '000	30 June 2018 \$'000	30 June 2017 \$'000
Paradice Australian Mid Cap Fund				
Class A				
Opening balance	115,147	111,619	176,545	172,292
Applications	108	9,119	181	14,647
Redemptions	-	(26,095)	-	(40,039)
Reinvestment of distributions	2,365	20,504	3,798	31,521
Increase/(decrease) in net assets attributable to unit holders	-	-	13,987	(1,876)
Closing balance	117,620	115,147	194,511	176,545
Class B				
Opening balance	39,269	-	39,214	-
Applications	27,450	39,269	28,714	39,269
Redemptions	(504)	-	(550)	-
Reinvestment of distributions	1,015	-	1,069	-
Increase/(decrease) in net assets attributable to unit holders	-	-	3,909	(55)
Closing balance	67,230	39,269	72,356	39,214
Class C				
Applications	13,137	-	13,694	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(748)	-
Closing balance	13,137	-	12,946	-
Closing balance	197,987	154,416	279,813	215,759

As stipulated within the Funds' Constitution, each unit represents a right to an individual share in the Funds and does not extend to a right in the underlying assets of the Funds.

There are three separate classes of units for each Fund. Each unit has the same rights attaching to it as all other units of the Funds.

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

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

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitutions, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

8 Distribution to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
Paradice Australian Small Cap Fund				
Class A				
December	1,131	1.4153	436	0.6237
May (special)	-	-	14,316	20.3276
June (payable)	<u>10,461</u>	<u>13.0001</u>	<u>4,701</u>	<u>6.6332</u>
Total distributions	<u>11,592</u>	<u>14.4154</u>	<u>19,453</u>	<u>27.5845</u>
Class B				
December	143	0.7492	-	-
June (payable)	<u>1,522</u>	<u>7.2414</u>	<u>523</u>	<u>3.9144</u>
Total distributions	<u>1,665</u>	<u>7.9906</u>	<u>523</u>	<u>3.9144</u>
Total distributions	<u>13,257</u>		<u>19,976</u>	
	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
Paradice Australian Mid Cap Fund				
Class A				
December	1,720	1.4750	1,554	1.3220
May (special)	-	-	24,795	19.8490
June (payable)	<u>15,588</u>	<u>13.2533</u>	<u>2,381</u>	<u>2.0670</u>
Total distributions	<u>17,308</u>	<u>14.7283</u>	<u>28,730</u>	<u>23.2380</u>
Class B				
December	731	1.2024	-	-
June (payable)	<u>5,657</u>	<u>8.4142</u>	<u>568</u>	<u>1.4470</u>
Total distributions	<u>6,388</u>	<u>9.6166</u>	<u>568</u>	<u>1.4470</u>
Class C				
June (payable)	<u>1,093</u>	<u>8.3183</u>	-	-
Total distributions	<u>1,093</u>	<u>8.3183</u>	-	-
Total distributions	<u>24,789</u>		<u>29,298</u>	

The May distributions represent a special distribution paid by the Funds due to a unit holder redemption of greater than 5% of the net assets of the Funds. Due to these redemptions, as outlined in the Product Disclosure Statement / Information Memorandum, a portion of the withdrawal proceeds represented distributable income to the redeeming unit holders. Refer to the Fund's Product Disclosure Statement for details on special distributions.

9 Cash and cash equivalents

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Cash at bank	10,840	7,892	11,946	6,121
Total cash and cash equivalents	10,840	7,892	11,946	6,121

These accounts are earning a floating interest rate of 1.20% as at 30 June 2018 (30 June 2017: 1.20% to 1.45%).

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

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities				
Profit/(loss) for the year	-	-	-	-
Increase/(decrease) in net assets attributable to unit holders	25,210	(18,179)	17,148	(1,931)
Distributions to unit holders	13,257	19,976	24,789	29,298
Proceeds from sale of financial instruments held at fair value through profit or loss	119,346	127,332	175,955	188,938
Purchase of financial instruments held at fair value through profit or loss	(135,051)	(128,999)	(215,449)	(201,894)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(33,764)	1,666	(37,311)	(18,051)
Net foreign exchange gain/(loss)	13	1	4	-
Net change in receivables	(450)	175	(148)	(25)
Net change in payables	166	(431)	318	14
Reinvested income	(3,456)	(3,429)	(983)	(6,597)
Net cash inflow/(outflow) from operating activities	(14,729)	(1,888)	(35,677)	(10,248)
(b) Non-cash financing activities				
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	3,456	3,429	983	6,597
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plans	6,294	24,110	4,867	31,521
Total non-cash operating and financing activities	9,750	27,539	5,850	38,118

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

11 Receivables

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Dividends receivable	8	173	336	302
Distributions receivable	3,238	2,744	186	94
GST receivable	160	39	89	67
Total receivables	3,406	2,956	611	463

12 Payables

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Management fees payable	282	108	488	168
Other payables	33	41	38	40
Total payables	315	149	526	208

13 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Funds:

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
PricewaterhouseCoopers Australian Firm				
<i>Audit and other assurance services</i>				
Audit of financial statements	19,000	19,000	19,000	19,000
Audit of compliance plan	3,000	-	3,000	-
Total remuneration for audit and other assurance services	22,000	19,000	22,000	19,000
<i>Taxation services</i>				
Tax compliance services	9,000	9,000	9,000	9,000
Total remuneration for taxation services	9,000	9,000	9,000	9,000
Total remuneration of PricewaterhouseCoopers Australian Firm	31,000	28,000	31,000	28,000

14 Related party transactions

The Responsible Entity of Paradice Investment Management Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Paradice Investment Management Pty Ltd, to act as Investment Manager for the Funds, and National Australia Bank Limited to act as Custodian and Administrator for the Funds. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Harvey H Kalman	
Ian C Westley	
Michael J O'Brien	(appointed 11 July 2018)

(ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Funds, directly or indirectly during the financial year.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2018 (30 June 2017: nil).

(d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Funds to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

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

(f) Other transactions within the Funds

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Funds during the financial year and there were no material contracts involving management personnel's interests existing at year end.

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Funds' Constitution and Product Disclosure Statement for the Funds, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The Investment Manager is also entitled to a performance fee.

14 Related party transactions (continued)

(g) Responsible Entity and Investment Manager's fees and other transactions (continued)

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

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
Investment management fees for the year	1,310,761	1,057,009	2,366,798	1,874,056
Performance fees for the year	54,597	474,399	59,951	51,938
Total fees payable to the Investment Manager at year end	282,128	107,815	488,489	168,159
Responsible Entity fees for the year	67,125	2,616	103,737	4,280
Total fees payable to the Responsible Entity at year end	-	-	-	-

For information on how management and performance fees are calculated please refer to the Funds' Product Disclosure Statement.

The Investment Management and the Responsible Entity Fees are paid by the Funds.

(h) Related party unit holdings

Parties related to the Funds (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Funds, as follows:

Paradice Australian Small Cap Fund

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Funds \$
As at 30 June 2018							
Paradice Australian Equities Small Cap Fund	-	-	-	-	-	-	-
As at 30 June 2017							
Paradice Australian Equities Small Cap Fund	6,577,065	-	-	-	1,387,564	7,964,629	1,466,009

Paradice Australian Mid Cap Fund

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Funds \$
As at 30 June 2018							
Paradice Australian Equities Mid Cap Fund	-	-	-	-	-	-	-
As at 30 June 2017							
Paradice Australian Equities Mid Cap Fund	16,738,508	-	-	-	9,356,371	26,094,879	4,734,810

(i) Investments

The Funds did not hold any investments in Equity Trustees Limited or its related parties during the year (2017: Nil).

15 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Funds as disclosed in the statements of financial position as at 30 June 2018 or on the results and cash flows of the Funds for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2018 and of their performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
26 September 2018



Independent auditor's report

To the unit holders of:

- Paradise Australian Small Cap Fund
- Paradise Australian Mid Cap Fund

referred to collectively as the 'Paradice Investment Management Funds'.

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of the Paradise Investment Management Funds (the Funds) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial position as at 30 June 2018 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Funds' financial report comprises:

- the statements of financial position as at 30 June 2018
- the statements of comprehensive income for the year then ended
- the statements of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of Equity Trustees Limited (the Responsible Entity).

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

Independence

We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Other information

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Funds' annual report for the year ended 30 June 2018, including the Directors' report, but does not include the financial report and our auditor's report thereon.

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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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 of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Funds are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Funds 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 the 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_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'George Sagonas', written over a light blue horizontal line.

George Sagonas
Partner

Melbourne
26 September 2018