

# **Paradice Investment Management Funds**

## **Annual report**

### **For the year ended 30 June 2019**

This financial report covers the following Paradice 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 2019**

#### **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 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 2019.

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:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Paradice Investment Management Pty Ltd
Custodian and Administrator	State Street Australia Limited*
Statutory Auditor	PricewaterhouseCoopers

\*State Street Australia Limited was appointed as Custodian and Administrator on 5 November 2018 following the retirement of National Australia Bank who acted as Custodian and Administrator until 4 November 2018.

### Directors

The following persons held office as directors of 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)

## Directors' report (continued)

### Review and results of operations

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

The Funds' performance and Funds' benchmark return for the year ended 30 June 2019 were as follows:

Fund name	Benchmark	Net return (net of fees)	Benchmark return
Paradice Australian Small Cap Fund	S&P/ASX Small Ordinaries Total Return Index	(5.00%)	1.92%
Paradice Australian Mid Cap Fund	Composite 70% of S&P/ASX Midcap 50 Total Return Index and 30% of the S&P/ASX Small Ordinaries Total Return Index	(1.85%)	3.21%

The performance of each Fund, 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 2019	30 June 2018	30 June 2019	30 June 2018
Operating profit/(loss) for the year (\$'000)	(8,253)	38,467	(7,522)	41,937
<b>Distributions - Class A</b>				
Distributions paid and payable (\$'000)	8,365	11,592	6,264	17,308
Distributions (cents per unit)	9.14	14.42	7.53	14.73
<b>Distributions - Class B</b>				
Distributions paid and payable (\$'000)	1,084	1,665	3,858	6,388
Distributions (cents per unit)	4.98	7.99	5.07	9.62
<b>Distributions - Class C</b>				
Distributions paid and payable (\$'000)	-	-	2,176	1,093
Distributions (cents per unit)	-	-	4.85	8.32

### Significant changes in the state of affairs

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

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

No matter or circumstance has arisen since 30 June 2019 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.

## Directors' report (continued)

### 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.

### 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 to 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 is disclosed in Note 7 to the financial statements.

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

## Directors' report (continued)

### 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 6.

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



Philip D Gentry  
Chairman

Melbourne  
23 September 2019



## *Auditor's Independence Declaration for Paradise Investment Management Funds:*

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

As lead auditor for the audits of Paradise Investment Management Funds for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a light blue circular stamp.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
23 September 2019

## Statements of comprehensive income

	Note	Paradise Australian Small Cap Fund		Paradise Australian Mid Cap Fund	
		Year ended		Year ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		\$ '000	\$ '000	\$ '000	\$ '000
<b>Investment income</b>					
Interest income from financial assets at amortised cost		151	95	128	84
Dividend and distribution income		4,296	6,709	8,973	7,801
Net foreign exchange gain/(loss)		-	(13)	2	(4)
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(10,267)	33,764	(12,879)	37,311
Other income		2	2	-	-
<b>Total investment income/(loss)</b>		<b>(5,818)</b>	<b>40,557</b>	<b>(3,776)</b>	<b>45,192</b>
<b>Expenses</b>					
Management fees	14	1,558	1,432	2,917	2,530
Custody and administration fees		172	149	257	220
Transaction costs		644	469	545	464
Other expenses		61	40	27	41
<b>Total expenses</b>		<b>2,435</b>	<b>2,090</b>	<b>3,746</b>	<b>3,255</b>
<b>Operating profit/(loss) for the year</b>		<b>(8,253)</b>	<b>38,467</b>	<b>(7,522)</b>	<b>41,937</b>
<b>Finance costs attributable to unit holders</b>					
Distributions to unit holders	8	(9,449)	(13,257)	(12,298)	(24,789)
(Increase)/decrease in net assets attributable to unit holders	7	17,702	(25,210)	19,820	(17,148)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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		Paradice Australian Mid Cap Fund	
		As at		As at	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		\$ '000	\$ '000	\$ '000	\$ '000
<b>Assets</b>					
Cash and cash equivalents	9	7,277	10,840	8,713	11,946
Receivables	11	724	3,406	487	611
Due from brokers - receivable for securities sold		1,162	-	722	1,968
Financial assets at fair value through profit or loss	6	<u>184,165</u>	<u>176,215</u>	<u>236,845</u>	<u>292,145</u>
<b>Total assets</b>		<u><b>193,328</b></u>	<u>190,461</u>	<u><b>246,767</b></u>	<u>306,670</u>
<b>Liabilities</b>					
Distributions payable	8	204	11,983	2,793	22,338
Payables	12	381	315	658	526
Due to brokers - payable for securities purchased		<u>436</u>	<u>87</u>	<u>1,405</u>	<u>3,993</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u><b>1,021</b></u>	<u>12,385</u>	<u><b>4,856</b></u>	<u>26,857</u>
<b>Net assets attributable to unit holders - liability</b>	7	<u><b>192,307</b></u>	<u>178,076</u>	<u><b>241,911</b></u>	<u>279,813</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 2019 \$ '000	30 June 2018 \$ '000	30 June 2019 \$ '000	30 June 2018 \$ '000
<b>Total equity at the beginning of the financial year*</b>	-	-	-	-
Profit/(loss) for the year	-	-	-	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
<b>Total equity at the end of the financial year*</b>	-	-	-	-

\*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 2019	30 June 2018	30 June 2019	30 June 2018
		\$ '000	\$ '000	\$ '000	\$ '000
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments at fair value through profit or loss		183,310	119,346	266,257	175,955
Purchase of financial instruments at fair value through profit or loss		(201,670)	(135,051)	(224,470)	(215,449)
Net foreign exchange gain/(loss)		35	-	2	-
Interest received		140	95	121	84
Dividends and distributions received		6,212	2,924	8,400	6,692
Other income received		109	30	69	211
Management fees paid		(1,514)	(1,358)	(2,858)	(2,388)
Transactions costs paid		(644)	(502)	(545)	(496)
Custody and administration fees paid		(172)	(149)	(257)	(220)
Other expenses paid		(39)	(64)	(27)	(66)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>(14,233)</b>	<b>(14,729)</b>	<b>46,692</b>	<b>(35,677)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by unit holders		25,303	19,333	46,204	42,589
Payments for redemptions by unit holders		(14,233)	(1,439)	(91,815)	(550)
Distributions paid to unit holders		(365)	(204)	(4,314)	(533)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>10,705</b>	<b>17,690</b>	<b>(49,925)</b>	<b>41,506</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3,528)</b>	<b>2,961</b>	<b>(3,233)</b>	<b>5,829</b>
Cash and cash equivalents at the beginning of the year		10,840	7,892	11,946	6,121
Effect of foreign currency exchange rate changes on cash and cash equivalents		(35)	(13)	-	(4)
<b>Cash and cash equivalents at the end of the year</b>	9	<b>7,277</b>	<b>10,840</b>	<b>8,713</b>	<b>11,946</b>
Non-cash operating and financing activities	10(b)	<b>21,533</b>	<b>9,750</b>	<b>28,237</b>	<b>5,850</b>

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

## Notes to 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 at fair value through profit or loss
6	Financial assets at fair value through profit or loss
7	Net assets attributable to unit holders
8	Distributions 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.

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 financial liabilities at fair value through profit or loss 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

The Funds had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (ii) *New and amended standards adopted by the Funds (continued)*

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Funds do not apply hedge accounting.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Scheme without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Funds have elected to restate the comparative period presented to comply with AASB 9. The Funds' investment portfolio continue to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There were no material impact on adoption from the application of the new impairment model.

- AASB 15 *Revenue from Contracts with Customers*

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which 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 at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a material impact on the Funds' accounting policies or the amounts recognised in the financial statements.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

#### (iv) *Change in accounting estimate: Fair value measurement*

From 1 July 2018, the Fund changed its valuation inputs for the fair value of listed financial assets and liabilities recognised in the financial statements from bid and ask to last traded prices. The Fund considers the last traded price as a more representative estimate of the instruments' fair value. Consequently, there is no difference between the valuation of Fund's assets for unit pricing and financial reporting for 2019 year onwards.

This change is treated as a change in accounting estimate and applied prospectively. The change did not have a material impact on the fair value of financial instruments, nor have a material impact on the Fund financial position or performance.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

- Financial assets

The Funds classify their financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Funds classify their financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Funds' portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The Funds make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers, distributions payable, management fees payable, applications received in advance, audit and tax fees payable, administration fees payables and custodian fees payable).

#### (ii) Recognition and 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 the 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 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 statement 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 statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' 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 of loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement (continued)

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

#### (iv) Impairment

At each reporting date, the Funds shall measure the loss allowance on financial assets at amortised cost (cash and cash equivalents, due from brokers and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement 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 statement 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, which is equal to a proportionate share of the Funds' net asset value attributable to the unit holders.

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 statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less 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 of these securities represent the Funds' main income generating activity.

### (e) Investment income

#### (i) Interest income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.



## 2 Summary of significant accounting policies (continued)

### (e) Investment income (continued)

#### (i) Interest income (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income, included in the net gains/(losses) on financial instruments at fair value through profit or loss. Changes in fair value of financial instruments at fair value through profit or loss 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 statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

### (f) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual 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. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded net of withholding taxes in the statements of comprehensive income. Withholding taxes are included in the statements of comprehensive income within dividend and distribution income.

### (h) Distributions

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

## 2 Summary of significant accounting policies (continued)

### (j) Foreign currency translation

#### (i) Functional and presentation currency

Balances included in the Funds' 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.

#### (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 statement 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 for equities normally settled within two business days. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

### (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.

### (m) Payables

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

A separate distribution payable is recognised in the statement 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 28 June of the current 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

## 2 Summary of significant accounting policies (continued)

### (o) Goods and services tax (GST) (continued)

recognised in the statement 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 statement of financial position. Cash flows relating to GST are included in the statement 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 the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Funds. Please see Note 3 for more information on credit risk.

### (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. It also seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects on the Funds' financial performance. The Funds' policy allows them to use derivative financial instruments in managing their financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on unit trusts 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 (the "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.

### 3 Financial risk management (continued)

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' financial assets and liabilities to price risk. The analysis is based on a reasonably possible change that the markets in which the Funds invest move by +/-5% (2018: +/-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.

#### (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.

<b>Paradice Australian Small Cap Fund</b>	<b>Impact on operating profit/net assets attributable to unit holders</b>	
	<b>Price risk</b>	
	<b>-5%</b>	<b>+5%</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>As at 30 June 2019</b>	<b>(9,208)</b>	<b>9,208</b>
As at 30 June 2018	(8,811)	8,811

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis (continued)

Paradice Australian Mid Cap Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	-5%	+5%
	\$ '000	\$ '000
As at 30 June 2019	(11,842)	11,842
As at 30 June 2018	(14,607)	14,607

#### (c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay their 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.

The Funds determine credit risk and measure expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2019 and 30 June 2018, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

#### (d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their 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 Responsible Entity did not reject or withhold any redemptions during 2019 and 2018.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (i) Maturities 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.

#### Paradice Australian Small Cap Fund

	Less than 1 month \$ '000	1-6 months \$ '000	6-12 months \$ '000	Over 12 months \$ '000	Total \$ '000
<b>As at 30 June 2019</b>					
Distributions payable	204	-	-	-	204
Payables	381	-	-	-	381
Due to brokers - payable for securities purchased	436	-	-	-	436
Net assets attributable to unit holders - liability	<u>192,307</u>	-	-	-	<u>192,307</u>
<b>Contractual cash flows (excluding derivatives)</b>	<u>193,328</u>	-	-	-	<u>193,328</u>
<b>As at 30 June 2018</b>					
Distributions payable	11,983	-	-	-	11,983
Payables	315	-	-	-	315
Due to brokers - payable for securities purchased	87	-	-	-	87
Net assets attributable to unit holders - liability	<u>178,076</u>	-	-	-	<u>178,076</u>
Contractual cash flows (excluding derivatives)	<u>190,461</u>	-	-	-	<u>190,461</u>

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

(i) *Maturities of non-derivative financial liabilities (continued)*

#### Paradice Australian Mid Cap Fund

	Less than 1 month \$ '000	1-6 months \$ '000	6-12 months \$ '000	Over 12 months \$ '000	Total \$ '000
<b>As at 30 June 2019</b>					
Distributions payable	2,793	-	-	-	2,793
Payables	658	-	-	-	658
Due to brokers - payable for securities purchased	1,405	-	-	-	1,405
Net assets attributable to unit holders - liability	<u>241,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,911</u>
<b>Contractual cash flows (excluding derivatives)</b>	<u>246,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,767</u>
<b>As at 30 June 2018</b>					
Distributions payable	22,338	-	-	-	22,338
Payables	526	-	-	-	526
Due to brokers - payable for securities purchased	3,993	-	-	-	3,993
Net assets attributable to unit holders - 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>

### 4 Fair value measurement

The Funds measure and recognise financial assets and financial liabilities 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 their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

## 4 Fair value measurement (continued)

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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 Funds or their underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

### (c) Recognised fair value measurements

The table below presents the Funds' financial assets and financial liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

#### Paradice Australian Small Cap Fund

	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Total \$ '000
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Equity securities	142,805	-	-	142,805
Listed unit trusts	17,301	-	-	17,301
Unlisted managed investment schemes	-	24,059	-	24,059
<b>Total financial assets</b>	<b>160,106</b>	<b>24,059</b>	-	<b>184,165</b>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Equity securities	154,494	-	-	154,494
Unlisted managed investment schemes	-	21,721	-	21,721
<b>Total financial assets</b>	<b>154,494</b>	<b>21,721</b>	-	<b>176,215</b>



#### 4 Fair value measurement (continued)

##### (c) Recognised fair value measurements (continued)

###### Paradice Australian Mid Cap Fund

	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Total \$ '000
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Equity securities	225,279	-	-	225,279
Listed unit trusts	<u>11,566</u>	-	-	<u>11,566</u>
<b>Total financial assets</b>	<u>236,845</u>	-	-	<u>236,845</u>
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Equity securities	281,635	-	-	281,635
Listed unit trusts	<u>10,510</u>	-	-	<u>10,510</u>
<b>Total financial assets</b>	<u>292,145</u>	-	-	<u>292,145</u>

##### (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 the fair value hierarchy at the end of the reporting period.

##### (e) Financial instruments not carried at fair value

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

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

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

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	Year ended		Year ended	
	30 June 2019 \$ '000	30 June 2018 \$ '000	30 June 2019 \$ '000	30 June 2018 \$ '000
<b>Financial assets</b>				
Net realised gain/(loss) on financial assets at fair value through profit or loss	7,712	3,848	13,992	632
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>(17,979)</u>	<u>29,916</u>	<u>(26,870)</u>	<u>36,679</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>(10,267)</u>	<u>33,764</u>	<u>(12,878)</u>	<u>37,311</u>
<b>Financial liabilities</b>				
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>(10,267)</u>	<u>33,764</u>	<u>(12,879)</u>	<u>37,311</u>

## 6 Financial assets at fair value through profit or loss

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2019 \$ '000	30 June 2018 \$ '000	30 June 2019 \$ '000	30 June 2018 \$ '000
Equity securities	142,805	154,494	225,279	281,635
Unit trusts	<u>41,360</u>	<u>21,721</u>	<u>11,566</u>	<u>10,510</u>
<b>Total financial assets at fair value through profit or loss*</b>	<u>184,165</u>	<u>176,215</u>	<u>236,845</u>	<u>292,145</u>

\*The Funds' investments in equity securities and unit trusts were previously designated at fair value through profit or loss. On adoption of AASB 9, all above investments are mandatorily classified as financial assets at fair value through profit or loss.

## 7 Net assets attributable to unit holders

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

	Paradice Australian Small Cap Fund			
	Year ended			
	30 June 2019 Units '000	30 June 2019 \$ '000	30 June 2018 Units '000	30 June 2018 \$ '000
<b>Class A</b>				
Opening balance	80,468	154,405	70,872	115,840
Applications	11,223	20,002	7,050	11,802
Redemptions	(4,600)	(8,628)	(846)	(1,439)
Reinvestment of distributions	10,244	18,765	3,392	5,742
Increase/(decrease) in net assets attributable to unit holders	-	(15,416)	-	22,460
<b>Closing balance</b>	<b>97,335</b>	<b>169,128</b>	<b>80,468</b>	<b>154,405</b>
<b>Class B</b>				
Opening balance	21,018	23,671	13,366	12,838
Applications	4,742	5,301	7,098	7,531
Redemptions	(5,242)	(5,605)	-	-
Reinvestment of distributions	1,945	2,098	554	552
Increase/(decrease) in net assets attributable to unit holders	-	(2,286)	-	2,750
<b>Closing balance</b>	<b>22,463</b>	<b>23,179</b>	<b>21,018</b>	<b>23,671</b>
<b>Closing balance</b>		<b>192,307</b>		<b>178,076</b>

## 7 Net assets attributable to unit holders (continued)

	Paradice Australian Mid Cap Fund			
	Year ended			
	30 June 2019 Units '000	30 June 2019 \$ '000	30 June 2018 Units '000	30 June 2018 \$ '000
<b>Class A</b>				
Opening balance	117,620	194,511	115,147	176,545
Applications	140	227	108	181
Redemptions	(51,339)	(80,893)	-	-
Reinvestment of distributions	12,447	20,075	2,365	3,798
Increase/(decrease) in net assets attributable to unit holders	-	(12,925)	-	13,987
<b>Closing balance</b>	<b>78,868</b>	<b>120,995</b>	<b>117,620</b>	<b>194,511</b>
<b>Class B</b>				
Opening balance	67,230	72,356	39,269	39,214
Applications	11,697	12,478	27,450	28,714
Redemptions	(7,349)	(7,635)	(504)	(550)
Reinvestment of distributions	5,765	5,993	1,015	1,069
Increase/(decrease) in net assets attributable to unit holders	-	(5,198)	-	3,909
<b>Closing balance</b>	<b>77,343</b>	<b>77,994</b>	<b>67,230</b>	<b>72,356</b>
<b>Class C</b>				
Opening balance	13,137	12,946	-	-
Applications	34,898	33,499	13,137	13,694
Redemptions	(3,523)	(3,287)	-	-
Reinvestment of distributions	1,564	1,461	-	-
Increase/(decrease) in net assets attributable to unit holders	-	(1,697)	-	(748)
<b>Closing balance</b>	<b>46,076</b>	<b>42,922</b>	<b>13,137</b>	<b>12,946</b>
<b>Closing balance</b>		<b>241,911</b>		<b>279,813</b>

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 two separate classes of units for Paradice Australian Small Cap Fund and three separate classes of units for Paradice Australian Mid Cap 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 unit holders as capital, notwithstanding that 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.

## 7 Net assets attributable to unit holders (continued)

### Capital risk management (continued)

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' Constitution, 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.

## 8 Distributions to unit holders

The distributions declared during the year were as follows:

	Paradice Australian Small Cap Fund				Paradice Australian Mid Cap Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2019 \$ '000	30 June 2019 CPU	30 June 2018 \$ '000	30 June 2018 CPU	30 June 2019 \$ '000	30 June 2019 CPU	30 June 2018 \$ '000	30 June 2018 CPU
<b>Distributions - Class A</b>								
December	1,094	1.34	1,131	1.42	1,419	1.16	1,720	1.48
June	7,271	7.80	-	-	4,300	5.65	-	-
June (payable)	-	-	10,461	13.00	545	0.72	15,588	13.25
<b>Total distributions</b>	<b>8,365</b>	<b>9.14</b>	<b>11,592</b>	<b>14.42</b>	<b>6,264</b>	<b>7.53</b>	<b>17,308</b>	<b>14.73</b>
<b>Distributions - Class B</b>								
December	186	0.85	143	0.75	782	1.00	731	1.20
June	694	3.19	-	-	1,832	2.42	-	-
June (payable)	204	0.94	1,522	7.24	1,244	1.65	5,657	8.42
<b>Total distributions</b>	<b>1,084</b>	<b>4.98</b>	<b>1,665</b>	<b>7.99</b>	<b>3,858</b>	<b>5.07</b>	<b>6,388</b>	<b>9.62</b>
<b>Distributions - Class C</b>								
December	-	-	-	-	438	1.01	-	-
June	-	-	-	-	734	1.62	-	-
June (payable)	-	-	-	-	1,004	2.22	1,093	8.32
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,176</b>	<b>4.85</b>	<b>1,093</b>	<b>8.32</b>
<b>Total distributions</b>	<b>9,449</b>		<b>13,257</b>		<b>12,298</b>		<b>24,789</b>	

## 9 Cash and cash equivalents

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2019 \$ '000	30 June 2018 \$ '000	30 June 2019 \$ '000	30 June 2018 \$ '000
Cash at bank	1,242	10,840	3,591	11,946
Call deposits	6,035	-	5,122	-
<b>Total cash and cash equivalents</b>	<b>7,277</b>	<b>10,840</b>	<b>8,713</b>	<b>11,946</b>

These accounts are earning a floating interest rate of 1.00% as at 30 June 2019 (30 June 2018: 1.20%).

## 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 2019 \$ '000	30 June 2018 \$ '000	30 June 2019 \$ '000	30 June 2018 \$ '000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Profit/(loss) for the year	-	-	-	-
Increase/(decrease) in net assets attributable to unit holders	(17,702)	25,210	(19,820)	17,148
Distributions to unit holders	9,449	13,257	12,298	24,789
Proceeds from sale of financial instruments at fair value through profit or loss	183,310	119,346	266,257	175,955
Purchase of financial instruments at fair value through profit or loss	(201,670)	(135,051)	(224,470)	(215,449)
Net (gains)/losses on financial instruments at fair value through profit or loss	10,267	(33,764)	12,879	(37,311)
Net foreign exchange (gain)/loss	35	13	-	4
Net change in receivables	2,682	(450)	124	(148)
Net change in payables	66	166	132	318
Dividend and distribution income reinvested	(670)	(3,456)	(708)	(983)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(14,233)</b>	<b>(14,729)</b>	<b>46,692</b>	<b>(35,677)</b>
<b>(b) Non-cash operating and financing activities</b>				
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	20,863	6,294	27,529	4,867
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	670	3,456	708	983
<b>Total non-cash operating and financing activities</b>	<b>21,533</b>	<b>9,750</b>	<b>28,237</b>	<b>5,850</b>

## 11 Receivables

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	\$ '000	\$ '000	\$ '000	\$ '000
Interest receivable	11	-	7	-
Dividends and distributions receivable	660	3,246	391	522
GST receivable	53	160	89	89
<b>Total receivables</b>	<b>724</b>	<b>3,406</b>	<b>487</b>	<b>611</b>

## 12 Payables

	Paradice Australian Small Cap Fund		Paradice Australian Mid Cap Fund	
	As at		As at	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	\$ '000	\$ '000	\$ '000	\$ '000
Management fees payable	346	302	572	513
Withholding tax payable	-	-	4	-
Other payables	35	13	82	13
<b>Total payables</b>	<b>381</b>	<b>315</b>	<b>658</b>	<b>526</b>

### 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 2019	30 June 2018	30 June 2019	30 June 2018
	\$	\$	\$	\$
<b>PricewaterhouseCoopers Australian Firm</b>				
<i>Audit and other assurance services</i>				
Audit and review of financial statements	19,400	19,000	19,400	19,000
Audit of compliance plan	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Total remuneration for audit and other assurance services	<u>22,400</u>	<u>22,000</u>	<u>22,400</u>	<u>22,000</u>
<i>Taxation services</i>				
Tax compliance services	<u>12,448</u>	<u>9,000</u>	<u>12,448</u>	<u>9,000</u>
Total remuneration for taxation services	<u>12,448</u>	<u>9,000</u>	<u>12,448</u>	<u>9,000</u>
<b>Total remuneration of PricewaterhouseCoopers Australian Firm</b>	<u>34,848</u>	<u>31,000</u>	<u>34,848</u>	<u>31,000</u>

The auditor's remuneration is borne by the Funds. Fees are stated exclusive of GST.

### 14 Related party transactions

The Responsible Entity of the 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 State Street Australia 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.



## 14 Related party transactions (continued)

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2019 (30 June 2018: 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.

The transactions during the year and amounts payable as 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 2019	30 June 2018	30 June 2019	30 June 2018
	\$	\$	\$	\$
Investment management fees for the year	1,400,268	1,310,761	2,678,528	2,366,798
Performance fees for the year	88,897	54,597	125,478	59,951
Total fees payable to the Investment Manager at year end	339,743	282,128	568,439	488,489
Responsible Entity fees for the year	69,229	67,125	113,324	103,738
Total fees payable to the Responsible Entity at year end	6,093	-	3,904	-

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

### (h) Related party unit holdings

Parties related to the Funds (including Equity Trustees Limited, their related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Funds as at 30 June 2019 (2018: nil).

## 14 Related party transactions (continued)

### (i) Investments

Paradice Australian Small Cap Fund held investments in the following schemes which are also managed by Paradice Investment Management or their related parties:

#### Paradice Australian Small Cap Fund

As at 30 June 2019	Fair value of investment \$	Interest held %	Distributions received \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
<b>Paradice Micro Investment Fund*</b>	<b>24,059,464</b>	<b>9.91</b>	<b>195,111</b>	<b>188,272</b>	<b>7,395,748</b>	<b>(1,692,359)</b>

\*Paradice Investment Management Pty Ltd is the Responsible Entity of the Paradice Micro Investment Fund.

## 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 statement of financial position as at 30 June 2019 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 2019 and 30 June 2018.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 33 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 2019 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 Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
23 September 2019



## *Independent auditor's report*

To the unit holders of:

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

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

---

### *Our opinion*

In our opinion:

The accompanying financial report of 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 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### ***What we have audited***

The financial report comprises:

- the statements of financial position as at 30 June 2019
- 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 directors' declaration.

---

### *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.

---

### *Other information*

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

---

**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](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



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

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

If, based on the work we have performed on the other information that we 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 the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines 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 intends 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

  
PricewaterhouseCoopers



George Sagonas  
Partner

Melbourne  
23 September 2019