Annual Report

for the year ended 30 June 2018

Pioneer Credit Limited ABN 44 103 003 505
Annual Report - 30 June 2018

Lodged with the ASX under Listing Rule 4.3A.

Contents

These are the consolidated financial statements of Pioneer Credit Limited and its subsidiaries and are presented in Australian currency. Pioneer Credit Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 6, 108 St Georges Terrace
Perth WA 6000

A description of the Company's principal activities is included in the Review of Operations on page 3 and in the Directors' Report on page 7 of this Annual Report, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 August 2018. The directors have the authority to amend and reissue the financial statements.

Pioneer Credit Limited ABN 44 103 003 505
Appendix 4E
Preliminary Final Report
for the year ended 30 June 2018
(previous corresponding period 30 June 2017)

Results for announcement to the market

Key information	30 June 2018 $'000	30 June 2017 $'000	Change $'000	%
Revenue from ordinary activities	80,656	56,266	24,390	43.35
Profit from ordinary activities after tax attributable to members	17,600	10,753	6,847	63.68
Net profit for the period attributable to members	17,600	10,753	6,847	63.68

Dividends per ordinary share / distributions

	Amount per security (cents)	Franked amount per security	Record date	Paid / Payable date
Final 2017 ordinary	5.28	100%	30/08/2017	04/10/2017
Interim 2018 ordinary	6.62	100%	29/03/2018	27/04/2018
Final 2018 ordinary	7.71	100%	28/09/2018	26/10/2018

There is no provision for a final dividend in respect of the year ended 30 June 2018. Provisions for dividends to be paid by the Company are recognised in the Consolidated Balance Sheet as a liability and a reduction in retained earnings once the dividend has been declared.

A Dividend Reinvestment Plan (DRP) was in operation from the final dividend for 2015 and applies for all subsequent dividends unless notice is given for its suspension or termination. The last date for receipt of an election notice for participation in the Final 2018 ordinary DRP is 1 October 2018.

Financial Statements

Full commentary on the results for the period and other significant information is provided in the 2018 Media Release, Results Presentation and Consolidated Financial Statements - 30 June 2018, released today which include:

- Consolidated Statement of Comprehensive Income together with notes to the Statement
- Consolidated Balance Sheet together with notes to the Balance Sheet
- Consolidated Statement of Changes in Equity, showing movements
- Consolidated Statement of Cash Flows together with notes to the Statement

Key ratios

	30 June 2018 (cents)	30 June 2017 (cents)
Net tangible assets per fully paid ordinary share	163.62	149.87
Basic earnings per fully paid ordinary share	28.88	20.77

Entities over which control has been gained

Pioneer Credit Limited incorporated two 100% owned subsidiaries, Pioneer Credit Connect (Fund 1) Pty Ltd and Pioneer Credit Connect (Personal Loans) Pty Ltd on 15 January 2018.

No audit dispute or qualification on the financial statements

The Consolidated Financial Statements at 30 June 2018 and accompanying notes ('the Statements') have been audited and are not subject to any qualifications. The Independent Auditor's Report has been provided with the Statements released today.

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Annual Report
for the year ended 30 June 2018

Contents

Corporate Directory

Directors	Mr Michael Smith (Chairperson) Mr Keith John Mr Mark Dutton Ms Andrea Hall Ms Ann Robinson
Company Secretary	Ms Susan Symmons
Notice of Annual General Meeting	The Annual General Meeting of Pioneer Credit Limited will be held at 10am on Friday 26 October 2018 at the Conference Centre 108 St Georges Terrace Perth WA 6000
Principal Registered Office	Level 6 108 St Georges Terrace Perth WA 6000
Share Registrar	Link Market Services Limited Level 12 250 St Georges Terrace Perth WA 6000 +61 1300 554 474
Auditor	PricewaterhouseCoopers Brookfield Place 125 St Georges Terrace Perth WA 6000 +61 8 9238 3000
Solicitors	K&L Gates Level 32 44 St Georges Terrace Perth WA 6000 +61 8 9216 0900
Bankers	Bankwest 300 Murray Street Perth WA 6000 +61 8 9369 5966 Westpac 109 St Georges Terrace Perth WA 6000 +61 8 9426 2580
Stock Exchange Listings	Pioneer Credit Limited shares are listed on the Australian Securities Exchange (ASX).
Website	www.pioneercredit.com.au

Review of Operations

Operating and financial review

The Net Profit after Taxation for the year ended 30 June 2018 was $17.60 million, up 63.68% on 2017.

Key financial highlights for the year ended 30 June 2018 compared to the prior period equivalent are:

- Cash receipts of $105.33m up 50.25%
- Statutory Net Profit after Taxation of $17.60m up 63.68%
- EBITDA[1] of $54.34m up 55.06%
- EBIT of $28.82m up 65.25%
- Purchased Debt Portfolios (PDPs) held at fair value of $224.56m up 36.54%

[1] EBITDA is before Change in Value

Pioneer Credit Limited reported record results for the 2018 financial year, with Liquidations of PDPs growing by 43.90% to $101.67m, exceeding $100m for the first time. Net revenue grew by 44.74% to $81.50m and continues to grow, driven by our historical and continued strict investment discipline. Net Profit after Taxation grew by 63.68% to $17.60m, ahead of the Company's guidance, which was upgraded during the period to at least $17m, while at the same time the Company continues to invest heavily in positioning for future opportunities.

The results demonstrate the strength of the Company's business model and disciplined approach to every aspect of its operations, our PDP investment programme and our recently commenced personal lending business.

Importantly, Pioneer's differentiated strategy, delivered through its engagement with vendors and its unique and valued treatment of consumers means we are regularly dealing with institutions on a level that we don't believe others are. In an environment where there is focus on the social licence of banks and financial institutions, institutions are increasingly interested in the treatment of consumers and how brands are being portrayed. The recognition of these customer centric operational elements and business obligations has further highlighted Pioneer's approach. Building long term relationships and through active differentiation, Pioneer is established as a preferred partner resulting in PDP investment for FY18 of $84m at continued and sustainable long term prices (and at an average price slightly lower than the prior year).

Capital management

The Company extended its banking facilities during the year by $20m, on terms that are unchanged and now has a cash advance facility limit of $120m with borrowings drawn of $87.80m and a remaining undrawn capacity of $32.20m as at 30 June 2018.

In March 2018 Pioneer strengthened its balance sheet further by raising $40m under a medium term notes issue. The issue was oversubscribed, the first of its kind in Australia for a business of our type, diversifying our funding sources and increasing the tenor of our funding in a manner that is complimentary to the assets we own.

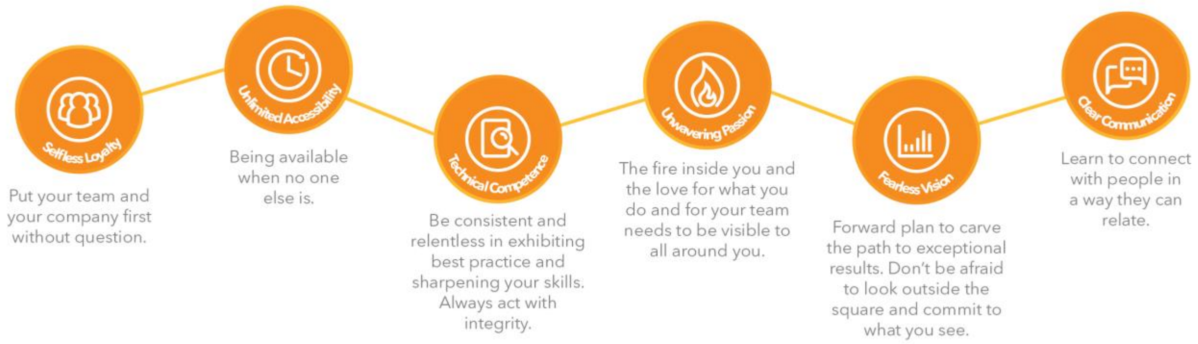
Culture and people

Underpinning Pioneer's business is its inclusive and empowered organisational culture. Long before culture became a 'business buzzword', and from the outset, Pioneer prioritised its people and the environment in which they contribute and is defined by the Company's Leadership Principles. These principles are a set of values that form the core of what we expect from every one of our people. They are embedded throughout the organisation, enacted in every interaction and represent the behaviours and qualities used to recruit, recognise and retain our team.

During the year our customer service team grew by over 100 people and Ms Ann Robinson was appointed to the Board as an Independent Non-executive Director. Ann brings extensive experience in mergers and acquisitions, finance, strategy, performance improvement and innovation.

We will continue to focus on our culture as the primary differentiating feature of Pioneer.

The Leadership Principles



New product offering

During the year, Pioneer launched a value-based personal loan. This offer expands on Pioneer's commitment to help customers get their finances back on track and progress to achieve their financial goals.

The personal loan is segmented into three key offerings:

1. Pathway Personal Loan
2. Progress Personal Loan
3. Peak Personal Loan

These personal loans are simple and transparent and at a fixed interest rate between 9.99% and 20.99%.

All customers are assessed as individuals, through a comprehensive discovery process so we understand their financial story and determine if our product is suitable for them. Each assessment is compliant with responsible lending legislation and includes credit bureau checks, asset and liability validation and a rigorous servicing calculation against the customer's bank statements. As a result, a loan is only offered to customers that will get real value from the product and who demonstrate a strong ability and willingness to repay.

Pioneer Promise - going above and beyond customer expectations

At Pioneer we talk about Net Promoter Score (NPS) on a regular basis. This is our Pioneer Promise to customers. NPS is measured on a customer's willingness to recommend Pioneer to a friend or family member. We survey our customers at three key stages on their journey:

1. At the completion of their first conversation with Pioneer;
2. When a customer first enters a payment arrangement; and/or
3. When a customer has finalised their account with Pioneer.

NPS is used to improve our service offering and to recognise our team members. With a positive score of +16 (which is higher than many in the banking and finance sector) we demonstrate that our customers genuinely value their experience with Pioneer.

Employee Engagement

As a measure and check on culture and employee engagement we survey our people annually. Most recently conducted in March 2018, the survey had an overall participation rate of 93%, with >95% of team members saying they would recommend Pioneer as a place to work.

Other key highlights are:

- 99% of team members agreed that they are working for a company that is constantly improving
- 95% of team members feel a sense of loyalty and commitment to Pioneer
- 95% of our team agreed with the statement ‘Pioneer consistently delivers excellent service to its customers’

To support our employee offering, in August 2018 Pioneer introduced an Employee Wellness program. This program focusses on making healthier and more productive workplaces by utilising real-time employee health data. We expect to take learnings from this program over the course of the coming periods to improve our understanding of our employees and how to make them more productive and happier in the workplace.

Quality compliance and development framework

Pioneer’s compliance and development framework provides our team members with a clear path to excellent customer outcomes. This framework, coupled with our Leadership Principles, has been the key contributor to our unique and unblemished compliance record of:

- no negative outcomes at an Ombudsman level;
- no reportable systemic issues; and
- no regulatory enforceable undertakings.

This framework includes a three-month induction program, including two weeks in a classroom environment, followed by on-the-job training and support. Employee progress is measured and assessed throughout this period to ensure that our people are strongly aligned to Pioneer and that our customers continue to experience exceptional levels of service.

Following completion of a six month probation period, every member of the team receives monthly development opportunities, including the opportunity to participate in two nationally accredited programs; Certificate IV in Customer Engagement, and/or Certificate IV in Leadership and Management.

The delivery of solid professional development ensures an engaged team and one which continues to deliver high quality outcomes for all stakeholders.

Community engagement

Pioneer has strong partnerships that make a positive contribution to the communities we live in.

During the 2017 Tour de Cure, a cycling event that supports cancer research, Pioneer provided two team members to volunteer as part of the support crew and another to complete a three day cycling tour across NSW. 150 people in the Perth office volunteered their time by taking part in a challenge event on stationary bikes to raise additional funds for the cause.

Pioneer is also in proud partnership with the Starlight Children’s Foundation, the SF Super Series supporting Sanfilippo families and ToyBox International, a Western Australian charity supporting families of disadvantaged children.

Pioneer runs an internal volunteer community group called, Pioneer Hearts. This group of like minded team members offer their time to a range of volunteering opportunities including event support, support phone calls, administration and much more.

In FY18 Pioneer committed more than $250,000 dollars to its community engagement programme, along with over 350 hours of employee time. The Company is proud to have committed to at least doubling its community contributions, both financially and in kind in the coming financial year.

Outlook

Over the course of the past 12 months Pioneer has been disciplined in its allocation of capital. We invested slightly more than our PDP purchasing target, but materially less than we were able to, generally because those portfolios did not meet our quality expectations.

In FY19 Pioneer will maintain its discipline and expects to invest at least $80m in PDPs. We are also pleased to provide guidance that we expect EBITDA growth to at least $65m and growth in Net Profit after Taxation of at least 14% to at least $20m.

Business risk statement

Like all businesses, Pioneer faces uncertainties in the future. The ability to understand, manage and mitigate risk is a source of Pioneer's competitive advantage.

For example, there is the risk that our Solutions customers may not meet the expected level of repayments as they manage their financial commitments.

Our success in working with these customers over time is based on a number of factors that mitigates default risk with customers who have experienced financial difficulty. These include:

- Treating them with empathy, understanding and respect;
- Offering expert help in getting over financial challenges;
- A high investment in analytics to match effort and engagement method to a customer profile;
- Investing only in quality account portfolios from leading financial institutions; and
- Our people, who are here to help, rather than chase, work in a culture of strong values where a premium is placed on customer service and empathy.

In our Connect business, the risk is that the repayment capacity of customers might change. While our responsible lending policies and customer first approach aim to minimise risk, credit risk is influenced by many factors such as the unemployment rate, relative income growth, consumer confidence and interest rates. The risk of default is ever-present. Pioneer has an advantage in offering credit products to customers that they have grown to know well. In many cases, we have been working with these customers for a number of years before offering them an appropriate lending solution.

We remain conscious that Pioneer needs to be able to purchase debt portfolios at appropriate prices and the risk is influenced by a number of factors. Again, while acknowledging this risk, Pioneer's investment approach is a source of advantage:

- Pioneer has been successfully buying quality portfolios for a long period of time;
- Pioneer's sympathetic approach to customers makes us a preferred buyer with major banks who are sensitive to how their customers are treated;
- Pioneer's analytics operating with a combination of leading data scientists and a large statistical base informs disciplined investment decisions; and
- Pioneer's success is evidenced by standing out of markets during periods of relatively high prices.

Overlaying this are the usual risks of regulatory changes, the impact of a strategy that is not well executed, the potential failure to respond appropriately to changes in technology and the threat posed through competitor behaviours.

These are the source of regular attention and review by Pioneer's leadership and Board of Directors.

Directors' Report

The Board of Directors present their report on the Consolidated Entity ('the Group' or 'the Company') consisting of Pioneer Credit Limited and the entities it controlled at or during the year ended 30 June 2018.

Directors

The following people were Directors of Pioneer Credit Limited during the financial year and at the date of this report:

Mr Michael Smith
Mr Keith John
Mr Mark Dutton
Ms Andrea Hall
Ms Ann Robinson (appointed 27 February 2018)

Principal activities

Pioneer is a financial services provider that specialises in acquiring and servicing unsecured retail debt portfolios and the origination of consumer loans.

Pioneer's purpose is to help people get their finances back on track and achieve their financial goals. Pioneer focuses on driving customer loyalty through our organisational values - the Leadership Principles.

Dividends

Dividends or distributions paid to members during the year were as follows:

Ordinary shares – Declared and paid during the year 2018	Total	Date of payment
Dividend on fully paid ordinary shares held at 30 August 2017	$3,218,994	04/10/2017
Dividend on fully paid ordinary shares held at 29 March 2018	$4,054,128	27/04/2018

Since the end of the financial year the Directors have declared a final dividend of 7.71 cents per fully paid ordinary share with a record date of 28 September 2018 to be paid on 26 October 2018.

Review of operations

The Review of Operations is set out on page 3 of this Annual Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

No matter has arisen since 30 June 2018 that significantly affects the Group's operations, results or state of affairs or that may do so in future years.

Environmental regulation

The Company is not affected by any significant environmental regulations.

Information on Directors

Mr Michael Smith	**Independent Non-Executive Chairman**	
Experience and expertise	Mr Smith was appointed Chairman of Pioneer in February 2014. Mr Smith is the Managing Director of strategic marketing consultancy Black House, Non-Executive Chairman of 7-Eleven Stores Pty Ltd, Lionel Samson Sadleir Group and Starbucks Australia and a Non-Executive Director of Creative Partnerships Australia. Mr Smith is a Fellow of AICD and a D. Litt. (Hon) from UWA for his contribution to business and the arts. Mr Smith's previous roles include Deputy Chairman of Automotive Holdings Group Limited and Chairman of iiNet Limited, Synergy, Verve, Perth International Arts Festival, West Coast Eagles and Scotch College.	
Listed Company Directorships including those held at any time in the previous 3 years	iiNet Limited	19 Sep 2007 to 7 Sep 2015
	Automotive Holdings Group Ltd	6 May 2010 to 20 Nov 2015
Special responsibilities	Chairman of the Board Chairman of Nomination Committee Chairman of Remuneration Committee Member of Audit and Risk Management Committee	
Interests in shares and options	Ordinary Shares	415,634
	Unlisted Options	250,000

Mr Keith John	**Managing Director**	
Experience and expertise	Mr John has over 25 years experience in the financial services industry, is the founder of Pioneer Credit and is widely regarded as an expert in the impaired credit sector in Australia.	
Listed Company Directorships including those held at any time in the previous 3 years	Goldfields Money Limited	27 May 2016 to 13 March 2018
Special responsibilities	Managing Director	
Interests in shares and rights	Ordinary Shares	5,199,124
	Indeterminate Rights	560,000
	Medium Term Notes	500

Mr Mark Dutton	Independent Non-Executive Director	
Experience and expertise	Mr Dutton was appointed a Director of Pioneer in May 2010. The founder of Banksia Capital, Mr Dutton was previously a Director of Mineral Resources Limited, Foundation Capital, BancBoston Capital, and a partner at Navis Capital. Mr Dutton has also worked in Audit and Corporate Finance at PricewaterhouseCoopers in the UK and Russia. Mr Dutton is a chartered accountant and a member of the Institute of Chartered Accountants of England & Wales. Mr Dutton holds an MA in Management Studies and Natural Sciences from Cambridge.	
Listed Company Directorships including those held at any time in the previous 3 years	Nil	
Special responsibilities	Member of Nomination Committee Member of Remuneration Committee Member of Audit and Risk Management Committee	
Interests in shares	Ordinary Shares	117,003

Ms Andrea Hall	Independent Non-Executive Director	
Experience and expertise	Ms Hall was appointed a Director of Pioneer in November 2016. Ms Hall is a director of Evolution Mining Limited, Automotive Holdings Group Limited, Insurance Commission of WA, Fremantle Dockers Football Club, C-Wise and Chamber of Commerce & Industry of WA. Ms Hall has a Bachelor of Commerce from UWA, a Masters of Applied Finance, is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a former chair of the WA Council of Chartered Accountants Australia and New Zealand. Ms Hall was a Risk Consulting Partner at KPMG and has over 20 years experience in governance and risk management, financial management, internal audit and external audit.	
Listed Company Directorships including those held at any time in the previous 3 years	Tap Oil Limited Evolution Mining Limited Automotive Holdings Group Limited	18 Oct 2016 to 31 Jan 2018 from 1 October 2017 from 3 May 2018
Special responsibilities	Member of Nomination Committee Member of Remuneration Committee Chair of Audit and Risk Management Committee	
Interests in shares	Ordinary Shares	Nil

Ms Ann Robinson	Independent Non-Executive Director	
Experience and expertise	Ms Robinson was appointed a Director of Pioneer in February 2018. Ms Robinson's experience includes management consulting to clients in Australia and internationally, guiding clients through strategic reviews and performance improvement projects across a variety of industries. She also has extensive experience in mergers & acquisitions and post-merger integration, from her roles at Wesfarmers Limited as an executive in the Business Development team. Ms Robinson has worked in commercial leadership roles in retail and industrial businesses, including as Chief Financial Officer for Wesfarmers Chemicals Energy & Fertilisers, where she served as an Executive Director for five years. Ms Robinson was responsible for creating a new innovation function for that division, with a focus on outcomes-based use of technology to solve business and customer challenges, supported by cultural change and building the organisation's capability to accelerate projects. Ms Robinson holds a Bachelor of Arts from UWA, Bachelor of Psychology from Murdoch University and Graduate Diploma in Applied Finance & Investment from FINSIA.	
Listed Company Directorships including those held at any time in the previous 3 years	Nil	
Special responsibilities	Member of Nomination Committee Member of Remuneration Committee Member of Audit and Risk Management Committee	
Interests in shares	Ordinary Shares	15,000

Meeting of Directors

The number of meetings held, and attended, by the Directors during the year ended 30 June 2018 was:

Name	Board Meetings		Committee Meetings					
			Audit and Risk		Remuneration		Nomination	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Michael Smith	13	13	4	4	3	3	1	1
Mr Keith John	13	13	*	*	*	*	*	*
Mr Mark Dutton	13	13	4	4	3	3	1	1
Ms Andrea Hall	13	13	4	4	3	3	1	1
Ms Ann Robinson +	4	4	1	1	0	0	0	0

Held Number of meetings held during the year, during the time the Director held office or was a committee member
* Not a member of the committee
\+ Ms Ann Robinson appointed 27 February 2018

Company Secretary

Ms Susan Symmons joined Pioneer as General Counsel and Company Secretary on 1 October 2015. Ms Symmons has over 25 years' corporate experience including positions with Heytesbury Pty Ltd, Evans & Tate Limited, Automotive Holdings Group Limited and Helloworld Limited. Ms Symmons holds a Bachelor of Commerce from Curtin University and a Master of Business Law from UNSW and is a member of the Institute of Company Directors and Governance Institute of Australia.

Remuneration Report

This Remuneration Report explains the Board's approach to executive remuneration and the remuneration outcomes for the Company's Key Management Personnel for the year ended 30 June 2018.

1. Overview

1.1. Key Management Personnel ('KMP')

KMP includes all directors and executives who have responsibility for planning, directing and controlling material activities of the Company. In this report 'senior executives' refers to KMP excluding Non-Executive Directors.

The information in this remuneration report has been audited under the *Corporations Act 2001* S 308(3C).

List of KMP

Directors	
Mr Michael Smith	Independent Non-Executive Chairman
Mr Keith John	Managing Director
Mr Mark Dutton	Independent Non-Executive Director
Ms Andrea Hall	Independent Non-Executive Director
Ms Ann Robinson	Independent Non-Executive Director (appointed 27 February 2018)
Senior Executives	
Ms Lisa Stedman	Chief Operating Officer
Mr Leslie Crockett	Chief Financial Officer
Mr Anthony Bird	Chief Risk Officer
Ms Susan Symmons	General Counsel and Company Secretary

1.2. Remuneration policy and link to performance

In setting the Company's remuneration strategy, the Remuneration Committee makes recommendations which:

a) motivate senior executives to deliver long term sustainable growth within an appropriate control framework;
b) demonstrate a clear and strong correlation between performance and remuneration; and
c) align the interests of senior executives with those of the Company's shareholders.

2. Remuneration governance

2.1. Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board primarily responsible for making appropriate recommendations to the Board on:

a) remuneration packages for Directors and senior executives; and
b) incentive and equity-based remuneration plans.

The Corporate Governance Statement and the Remuneration Committee Charter provide further information on the role of this Committee. These documents are available on the Company's website at: *http://corporate.pioneercredit.com.au/investor-centre/corporate-governance/.*

The Committee reviews its remuneration strategy at least annually to ensure that the Company's remuneration structures are fair and support the attraction and retention of quality people who are aligned to the Company's goal of sustainable long-term earnings growth.

The Managing Director and senior executives do not participate in any decision relating to their own remuneration.

2.2. Use of remuneration consultants

To ensure the Remuneration Committee is fully informed when making decisions it will periodically seek external advice. Any appointment is made in accordance with the ASX Corporate Governance Principles and Recommendations and is made free from influence from KMP.

2.3. Pioneer Credit's securities trading policy

The Securities Trading Policy imposes trading restrictions on all employees, contractors and consultants who are considered to be in possession of market sensitive information and restrictions in the form of closed periods for KMP who are prohibited from trading in the Company's securities, except in a 30 day trading window period commencing 7 days after the release of the final and half yearly financial results and after the Annual General Meeting.

KMP are prohibited from entering into contracts to hedge their exposure to any securities held in the Company.

3. Executive remuneration

3.1. Executive remuneration strategy

The Board recognises that satisfying appropriate remuneration expectations is important in attracting and retaining quality people and does this through its remuneration strategy. During the year, the Company updated its executive remuneration strategy and incentive plan. From 1 July 2017 executives and senior management will primarily be incentivised with long term performance or indeterminate rights.

Due to the nature of Pioneer's business, as an acquirer of assets that typically liquidate over a period of up to 10 years, the Board recognises the importance of appropriately incentivising employees such that they are accountable for the most significant part of tenure of acquired assets.

Structuring employee remuneration to better align with the life of the assets Pioneer acquires is consistent with Pioneer's differentiated approach and reflects the Board's commitment to maintaining an executive and senior management team that is focused on making decisions for the long-term health and growth of the Company. For the year ended 30 June 2018 no executive (except for the Chief Operating Officer) was eligible for or was awarded or paid any Short Term Incentive (STI).

The award of an STI to the Chief Operating Officer (COO) is aligned to Pioneer's half yearly reporting periods with a 'hard' gate opener/closer built on compliance outcomes achieved. The COO's team is most particularly focused on the effective liquidation of customer portfolios on a daily basis and given this operational time frame, it is appropriate that an incentive is available recognising appropriate achievement of annual outcomes which are set to support the achievement of strong returns across Pioneer's portfolio and business.

Executives and senior management (including the Chief Operating Officer) are provided Long Term Incentives (LTIs) through the issue of performance and indeterminate rights in the Company, vesting on service conditions only, over a period of up to five years. This structure ensures executives and senior management are incentivised to continue delivering sustainable long-term earnings of the business.

Consistent with driving sustainable long term earnings for the Company and ensuring shareholder alignment, for the year ended 30 June 2018, the Board approved a loan facility, with recourse only to the value of any Pioneer shares held, to senior executives (excluding the Managing Director) so that they each could acquire, at market rates, up to 250,000 fully paid ordinary shares each in the Company.

3.2. Fixed remuneration

Fixed remuneration consists of base salary and superannuation as per the *Superannuation Guarantee (Administration) Act 1992*.

The Managing Director reviews the performance of his senior executives by meeting each at least quarterly to discuss their performance and then separately assesses the performance of the executive team as a whole. The review process is consultative in nature and contains a subjective assessment of the executive's performance and responsibilities and the setting of future expectations.

The Chair of the Remuneration Committee meets regularly with the Managing Director to discuss a number of objectives including individual performance, strategy, leadership, management and financial performance. The Chair also obtains feedback from other Directors on the performance of the Managing Director, at least twice per year and provides that feedback back to him. The Nomination Committee completes a formal performance evaluation of the Managing Director at least annually against the stated objectives.

Remuneration for all senior executives is reviewed at least annually and there are no guaranteed increases in any executive's employment contract. Any remuneration reviews are determined independent of any performance review, however will not contradict each other.

3.3. Short term incentive

In accordance with the remuneration strategy outlined above, the Chief Operating Officer is eligible for a STI to a maximum of $120,000. The award of the incentive requires that, in addition to adherence with the Leadership Principles and adherence to the compliance quality outcomes described above that quarterly, half yearly and annual targets for liquidation of customer portfolios are met.

During the financial year all targets with the exception of the 1QFY18 liquidations target were met and the Chief Operating Officer achieved 75% of the STI award.

3.4. Long term incentives

3.4.1. About Pioneer's long term incentive

At the Annual General Meeting held on 29 October 2014, shareholders approved the Pioneer Credit Equity Incentive Plan ('the Plan'). Shareholders further approved the Plan at the 2017 Annual General Meeting.

Objective

The Plan provides participants with an equity incentive that recognises ongoing contribution to the achievement by the Company of its strategic goals and to provide a means of attracting, rewarding and retaining skilled employees.

Participation

Participation in the Plan is at the discretion of the Board.

Assessment of performance

The Board reviews and approves the performance assessment and LTI awards for the senior executives. The grant approved in the financial year recognised performance and contribution of the participants in delivering shareholder value evidenced by sustainable earnings growth through disciplined capital management and operational excellence in customer service.

Sustained performance is required by senior executives over the life of the assets the Company acquires and is consistent with the Board's commitment to maintaining an executive team that is focused on making decisions for the long term health and growth of the Company.

Payment method

LTI awards are provided in grants of performance rights, which vest into shares on the achievement of service conditions. Indeterminate rights exist where the Board, in their absolute and unfettered discretion, determine for the rights to vest into shares on the achievement of service conditions or to make a cash payment equivalent to the value of vested rights.

3.4.2. Long term incentive awards in place during the year

An LTI award was made under the Plan on 1 July 2017 as follows:

Instrument	Performance rights for ordinary shares		
Quantum	500,000 performance rights		
Grant Date	1 July 2017		
Key performance measures	Employment at vesting date		
Performance period	1 July 2017 to 1 July 2021		
Dividends	No dividends are paid on performance rights		
Fair value, vesting date and vesting period schedule	$2.1317	1 July 2019	28%
	$2.0171	1 July 2020	49%
	$1.9092	1 July 2021	23%

Instrument	Indeterminate rights for ordinary shares		
Quantum	500,000 indeterminate rights		
Grant Date	27 October 2017		
Key performance measures	Employment at vesting date		
Performance period	27 October 2017 to 1 July 2022		
Dividends	No dividends are paid on indeterminate rights		
Fair value, vesting date and vesting period schedule	$2.5300	1 July 2020	25%
	$2.4200	1 July 2021	60%
	$2.3100	1 July 2022	15%

4. Non-Executive Director arrangements

On appointment to the Board all Non-Executive Directors enter into an agreement with the Company which sets out the policy to remunerate Non-Executive Directors at a fixed fee for time and responsibilities not linked to individual performance.

Fees paid to Non-Executive Directors were considered during the year. Noting that Non-Executive Directors' fees had not increased since the Company listed on the ASX in 2014, the Company was in a growth phase, increased demands are being made on Non-Executive Directors and participation from all Non-Executive Directors in every Board sub-committee is required, the Board agreed to increase fees to:

Non-Executive Director Fee	$100,000 (plus Superannuation)
Chairman Fee	$160,000 (plus Superannuation)

No committee fees are payable under the above structure.

A Non-Executive Director is not entitled to receive performance based remuneration. They may be entitled to fees or other amounts, as the Board determines, where they perform duties outside the scope of the ordinary duties of a Director. They may also be reimbursed for out of pocket expenses incurred.

5. Statutory remuneration disclosures

The following table details KMP remuneration in accordance with applicable accounting standards.

5.1. Statutory remuneration tables

Non-Executive Directors

Year	Fixed remuneration				Variable remuneration			
	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Options	Total
Mr Michael Smith								
2018	150,000	-	-	14,250	-	-	-	164,250
2017	120,461	-	-	11,444	-	-	19,872	151,777
Mr Mark Dutton								
2018	92,500	-	-	8,788	-	-	-	101,288
2017	70,269	-	-	6,676	-	-	-	76,945
Ms Andrea Hall								
2018	94,625	-	-	8,989	-	-	-	103,614
2017	51,327	-	-	4,876	-	-	-	56,203
Ms Ann Robinson [1]								
2018	34,231	-	-	3,252	-	-	-	37,483
2017	-	-	-	-	-	-	-	-
Ms Anne Templeman-Jones [2]								
2018	-	-	-	-	-	-	-	-
2017	33,269	-	-	3,161	-	-	-	36,430
Mr Rob Bransby [3]								
2018	-	-	-	-	-	-	-	-
2017	52,769	-	-	5,013	-	-	-	57,782
Total								
2018	371,356	-	-	35,279	-	-	-	406,635
2017	328,095	-	-	31,170	-	-	19,872	379,137

Executive Directors

Year	Fixed remuneration				Variable remuneration			
	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Rights	Total
Mr Keith John								
2018	585,050	11,820	30,398	25,000	-	-	264,296	916,564
2017	465,985	11,796	49,775	32,922	-	-	107,093	667,571

Executive Key Management Personnel

Year	Fixed remuneration				Variable remuneration			
	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Rights	Total
Ms Lisa Stedman								
2018	324,178	11,820	13,065	22,150	90,000	2,850	297,562	761,625
2017	322,435	11,796	7,999	29,450	-	-	138,189	509,869
Mr Leslie Crockett								
2018	374,999	11,820	37,035	24,607	-	-	293,216	741,677
2017	309,185	11,796	18,345	29,870	-	-	133,250	502,446
Mr Anthony Bird								
2018	308,000	6,642	13,202	25,000	-	-	80,053	432,897
2017	274,050	-	5,974	28,889	-	-	21,567	330,480
Ms Susan Symmons								
2018	233,923	5,178	6,688	22,227	-	-	190,585	458,601
2017	215,268	-	1,323	20,502	-	-	26,157	263,250
Total								
2018	1,826,150	47,280	100,388	118,984	90,000	2,850	1,125,712	3,311,364
2017	1,586,923	35,388	83,416	141,633	-	-	426,256	2,273,616

Total KMP remuneration expensed

Year	Fixed remuneration				Variable remuneration			
	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Options/ Rights	Total
2018	2,197,506	47,280	100,388	154,263	90,000	2,850	1,125,712	3,717,999
2017	1,915,018	35,388	83,416	172,803	-	-	446,128	2,652,753

[1] Ms Ann Robinson was appointed as Director on 27 February 2018
[2] Ms Anne Templeman-Jones resigned as Director on 7 November 2016
[3] Mr Rob Bransby resigned as Director on 31 March 2017

5.2. Proportion of fixed and variable remuneration

The following table shows the proportion of remuneration that is fixed and that which is linked to performance.

Name		Fixed remuneration	At risk – STI	At risk – LTI
Executive Director				
Mr Keith John	2018	71%	-	29%
Executive Key Management Personnel				
Ms Lisa Stedman	2018	49%	12%	39%
Mr Leslie Crockett	2018	60%	-	40%
Mr Anthony Bird	2018	82%	-	18%
Ms Susan Symmons	2018	58%	-	42%

5.3. Contractual arrangements with senior executives

The terms of employment for the Company's senior executives are formalised in service agreements. There are no benefits payable to any executive on termination. The significant provisions of each service agreement during FY18 are set out below.

Employee	Position	Salary	Term of agreement and notice period
Mr Keith John	Managing Director	$585,050 per annum plus superannuation	Continuing agreement with 12 months' notice by either party
Ms Lisa Stedman	Chief Operating Officer	$325,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Leslie Crockett	Chief Financial Officer	$375,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Anthony Bird [1]	Chief Risk Officer	$308,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Ms Susan Symmons	General Counsel and Company Secretary	$233,973 per annum plus superannuation	Continuing agreement with 3 months' notice by either party

[1.] Mr Anthony Bird has resigned effective 6 December 2018

6. Equity instruments held by KMP

The tables below show the number of options over ordinary shares, performance rights or indeterminate rights and shares in the Company held during the financial year by KMP, including their close family members and entities related to them.

There were no shares or options granted during the reporting period as compensation.

Option holdings

Name	Issued balance at the start of the year	Granted as compensation	Vested	Exercised	Balance at the end of the year	Vested and exercise-able	Unvested
Mr Michael Smith	300,000	-	300,000	50,000	250,000	250,000	-

Performance rights or indeterminate rights

Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year	Held nominally
Executive Director				
Mr Keith John	150,000	410,000	560,000	-
Executive Key Management Personnel				
Ms Lisa Stedman	200,000	110,000	310,000	-
Mr Leslie Crockett	200,000	110,000	310,000	-
Mr Anthony Bird	50,000	(42,500)	7,500	-
Ms Susan Symmons	50,000	100,000	150,000	-

Shareholdings

Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year	Held nominally
Non-Executive Directors				
Mr Michael Smith	350,455	65,179	415,634	365,634
Mr Mark Dutton	112,145	4,858	117,003	117,003
Ms Andrea Hall	-	-	-	-
Ms Ann Robinson	-	15,000	15,000	15,000
Executive Director				
Mr Keith John	7,625,585	(2,426,461)	5,199,124	5,199,124
Executive Key Management Personnel				
Ms Lisa Stedman	3,080	320,000	323,080	-
Mr Leslie Crockett	169,417	340,000	509,417	354,684
Mr Anthony Bird	55,580	252,187	307,767	52,500
Ms Susan Symmons	22,516	252,547	275,063	8,664

7. Terms and conditions of share-based payment arrangements

Unlisted options

There are 250,000 vested options on issue for which in FY18 no share based payment has been recognised.

The key terms (now existing) of the options are:

a) Each option entitles the holder to purchase one share for the exercise price (refer clause d));
b) Options may be forfeited upon termination of the holder's position as a Director of the Company;
c) Unexercised options will expire two years after vesting;
d) The exercise price of each option is $1.92;
e) The holder may not sell, assign, transfer or otherwise deal with, or grant a security interest over an option except with the written consent of the Company;
f) In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the issued capital of the Company, the rights attaching to the options will be varied to comply with ASX Listing Rules;
g) Subject to the terms of the options and the ASX Listing Rules, the Board may at any time by written instrument, amend all or any of the provisions of terms of the options.

8. Executive share plan

1,000,000 shares were issued to executives (excluding the Managing Director) under a share purchase facility on 18 July 2017. The key terms are:

a) The price of each share issued was equal to the 5 day VWAP as at 1 July 2017 (namely $2.2864);
b) The facility accrues interest at normal commercial rates;
c) The shares are secured for the benefit of the Company;
d) All dividends paid on any shares owned by the executive will be applied in full against the facility;
e) If the executive is not employed by Pioneer, the facility balance is payable immediately; and
f) The facility is not recognised as a loan as the Company only has recourse to the value of the shares.

9. Other transactions with KMP

Leases entered into with related parties

Mr Keith John is the Sole Director and Secretary of Avy Nominees Pty Limited, the trustee of The John Family Primary Investments Trust (JFPIT). JFPIT is the owner of 190 Bennett Street, East Perth which is leased by the Company. The lease expires on 1 January 2019, is at arm's length terms and for the year ended 30 June 2018 the total amount of $82,320 was paid to JFPIT in respect of the lease.

Contracting Services with Alana John Design

During the year, the Company leased an additional floor at 108 St Georges Terrace, Perth. Alana John Design, a design firm owned by the Managing Director's wife was appointed to design and project manage the fit out of the new floor.

The firm has designed and managed each of the Company's three other floors in 108 St Georges Terrace, Perth. Significant efficiencies were gained in appointing the firm given their previous experience and knowledge with respect to the Company's requirements and ensuring that the look and feel of the new floor is consistent with that of the company's other floors.

Alana John Design was paid at arm's length terms for a total of $55,000 (incl GST).

Shares issued on the exercise of options

50,000 shares were issued to KMP during the reporting period on the exercise of options.

Insurance of officers

During the year the Company paid a premium of $56,734 to insure its Directors and Secretaries.

The exposures insured include legal costs that may be incurred in defending proceedings that may be brought against people in their capacity as officers of the Group, and any other payments arising from liabilities incurred in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors

The Company has agreed to indemnify its auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from its breach of their audit engagement agreement. The indemnity stipulates that the Company will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to engage the auditor for matters additional to their statutory audit duties.

The Board has considered advice received from the Audit and Risk Management Committee, and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* because:

a) all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services.

	2018 $	2017 $
Taxation services		
PricewaterhouseCoopers Australia		
Tax compliance services	1,683	4,713
Total remuneration for taxation services	1,683	4,713
Other services		
PricewaterhouseCoopers Australia		
Compliance and accounting advice	110,000	7,380
International Network firms of PricewaterhouseCoopers Australia		
Payroll and registration services	56,785	11,792
Total remuneration for other services	166,785	19,172
Total remuneration for non-audit services	168,468	23,885

A copy of the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is on page 21.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Keith John
Managing Director

Perth
24 August 2018

Auditor's Independence Declaration

As lead auditor for the audit of Pioneer Credit Limited 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pioneer Credit Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
24 August 2018

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Corporate Governance Statement

The Board of Directors is committed to achieving the highest standards of corporate governance and has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 Corporate Governance Statement is dated 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year and was approved by the Board on 21 August 2018. The Group's Corporate Governance Statement can be viewed at: *http://corporate.pioneercredit.com.au/investor-centre/corporate-governance/*

Financial Statements

Pioneer Credit Limited ABN 44 103 003 505
Annual Report - 30 June 2018

Contents

These are the consolidated financial statements of Pioneer Credit Limited and its subsidiaries and are presented in Australian currency. Pioneer Credit Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 6, 108 St Georges Terrace
Perth WA 6000

The financial statements were authorised for issue by the Board of Directors on 24 August 2018. The Directors have the authority to amend and reissue the financial statements.

Consolidated statement of comprehensive income

	Note	2018 $'000	2017 $'000
Revenue from operations	2	**80,656**	56,266
Other income	2	**846**	42
		81,502	56,308
Employee expenses		**(35,441)**	(25,046)
Finance expenses	3	**(5,236)**	(3,311)
Direct expenses		**(3,731)**	(2,345)
Information technology and communications		**(3,276)**	(2,351)
Rental expenses		**(2,892)**	(2,549)
Other expenses		**(2,018)**	(1,632)
Depreciation and amortisation	3	**(1,625)**	(1,335)
Professional expenses		**(1,563)**	(1,899)
Travel and entertainment		**(670)**	(458)
Share of net loss of associate accounted for using the equity method		**(60)**	(135)
Profit before income tax		**24,990**	15,247
Income tax expense	4	**(7,390)**	(4,494)
Profit for the period from continuing operations		**17,600**	10,753
Total comprehensive income for the year is attributable to:			
Owners of Pioneer Credit Limited		**17,600**	10,753
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	20(a)	**28.88**	20.77
Diluted earnings per share	20(b)	**27.72**	20.30

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	Note	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**3,410**	3,139
Trade and other receivables	5(a)	**3,065**	3,732
Consumer loans	5(a)	**747**	-
Other current assets	5(a)	**1,328**	350
Assets classified as held for sale	13	**704**	-
Financial assets at fair value through profit or loss	5(b)	**76,461**	65,901
Total current assets		**85,715**	73,122
Non-current assets			
Investments accounted for using the equity method	13	**-**	2,458
Consumer loans	5(a)	**2,065**	-
Property, plant and equipment	6(a)	**4,785**	3,456
Deferred tax assets	6(b)	**1,319**	1,189
Intangible assets	6(c)	**2,296**	1,339
Other non-current assets	5(a)	**518**	36
Financial assets at fair value through profit or loss	5(b)	**148,100**	98,560
Total non-current assets		**159,083**	107,038
Total assets		**244,798**	180,160
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**3,935**	3,638
Borrowings	5(d)	**2,172**	6,410
Current tax liabilities		**2,109**	561
Accruals and other liabilities	5(c)	**5,132**	3,138
Total current liabilities		**13,348**	13,747
Non-current liabilities			
Borrowings	5(d)	**126,862**	73,984
Provisions and other liabilities		**2,874**	2,141
Total non-current liabilities		**129,736**	76,125
Total liabilities		**143,084**	89,872
Net assets		**101,714**	90,288
EQUITY			
Contributed equity	7(a)	**71,779**	71,255
Reserves	7(g)	**2,969**	2,394
Retained earnings	7(h)	**26,966**	16,639
Capital and reserves attributable to the owners of Pioneer Credit Limited		**101,714**	90,288
Total equity		**101,714**	90,288

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Note	Contributed Equity $'000	Share Based Payment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2017		**71,255**	**2,394**	**16,639**	**90,288**
Total comprehensive income for the year		**-**	**-**	**17,600**	**17,600**
		71,255	**2,394**	**34,239**	**107,888**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	7(a)	**138**	**-**	**-**	**138**
Acquisition of treasury shares	7(a)	**(1,650)**	**-**	**-**	**(1,650)**
Employee share scheme	7(a)	**104**	**-**	**-**	**104**
Dividend reinvestment plan	7(a)	**1,017**	**-**	**-**	**1,017**
Treasury shares and share based payments	7(g)	**-**	**1,394**	**-**	**1,394**
Issue of treasury shares to employees	7(g)	**819**	**(819)**	**-**	**-**
Options exercised	7(a)	**96**	**-**	**-**	**96**
Dividends declared and paid	11(b)	**-**	**-**	**(7,273)**	**(7,273)**
		524	**575**	**(7,273)**	**(6,174)**
Balance at 30 June 2018		**71,779**	**2,969**	**26,966**	**101,714**
Balance at 1 July 2016		52,091	1,611	11,055	64,757
Total comprehensive income for the year		-	-	10,753	10,753
		52,091	1,611	21,808	75,510
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	7(a)	19,258	-	-	19,258
Acquisition of treasury shares	7(a)	(1,105)	-	-	(1,105)
Dividend reinvestment plan	7(a)	740	-	-	740
Treasury shares and share based payments	7(g)	-	783	-	783
Current tax and deferred tax through equity	7(a)	271	-	-	271
Dividends declared and paid	11(b)	-	-	(5,169)	(5,169)
		19,164	783	(5,169)	14,778
Balance at 30 June 2017		71,255	2,394	16,639	90,288

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from liquidations of PDPs and services (inclusive of goods and services tax)		**105,328**	70,101
Payments to suppliers and employees (inclusive of goods and services tax)		**(47,296)**	(36,835)
		58,032	33,266
Interest received	2	**33**	42
Interest paid		**(3,584)**	(2,026)
Net income taxation paid		**(5,972)**	(4,605)
Net cash inflow from operating activities	8(a)	**48,509**	26,677
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,756)**	(88)
Payments for intangible assets		**(1,743)**	(27)
Net Consumer Loans advanced		**(3,025)**	-
Acquisitions of financial assets at fair value through profit or loss		**(84,431)**	(68,711)
Net receipts from other investments		**2,007**	-
Net cash outflow from investing activities		**(88,948)**	(68,826)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**200**	20,007
Transaction costs on issue of ordinary shares		**-**	(904)
Payments for shares acquired by the Incentive Plan Trust	7(a)	**(1,650)**	(1,105)
Proceeds from borrowings	10(d)	**87,265**	96,344
Repayment of borrowings	10(d)	**(37,612)**	(69,560)
Bond transaction costs	10(d)	**(1,278)**	-
Dividends paid to Company's shareholders	11(b)	**(7,273)**	(5,169)
Proceeds from issue of ordinary shares from DRP and treasury shares		**1,058**	781
Net cash inflow from financing activities		**40,710**	40,394
Net increase / (decrease) in cash and cash equivalents		**271**	(1,755)
Cash and cash equivalents at the beginning of the financial year		**3,139**	4,894
Cash and cash equivalents at the end of the year		**3,410**	3,139

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

- accounting policies that are relevant for an understanding of the items recognised in the financial statements;
- analysis and sub-totals; and
- information about estimates and judgements made in relation to particular items.

1. Segment information

The Group is organised into business segments for which discrete financial information is produced to allow regular review of operating results by key management personnel and to provide a basis for allocation of resources and assessment of performance.

While the current financial thresholds of these segments are quantitatively too low to provide meaningful disclosure to evaluate their nature and financial effect in the context of the economic environment in which they operate, the Group will continue to monitor the appropriateness of segment reporting particularly with the introduction of on-balance sheet consumer lending during the financial period.

2. Revenue from operations

	2018 $'000	2017 $'000
From continuing operations		
Liquidations of PDPs	101,673	70,656
Change in value of PDPs	(23,893)	(16,268)
Net gain on financial assets from PDPs	77,780	54,388
Legal services, broking services and interest on consumer loans	2,876	1,878
	80,656	56,266

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when an amount can be reliably measured and it is probable that future economic benefits will flow to it. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

Liquidations of purchased debt portfolios (PDPs)

Net gains on financial assets are disclosed in the consolidated statement of comprehensive income as liquidations of PDPs, net of any change in fair value of the portfolios and are recognised to the extent that it is probable that a benefit will flow to the Group and can be reliably measured. The Group recognises PDPs as financial assets at fair value through profit or loss. The net gain on these assets is disclosed as revenue in the consolidated statement of comprehensive income.

Services income and interest in consumer loans

Revenue from services is recognised to the extent that it is probable that benefits will flow to the Group and can be reliably measured.

Interest income is measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument and allocates the interest income over the expected life of the financial instrument. Fees, transaction costs and issue costs integral to the financial assets are capitalised and included in the interest recognised over the expected life of the instrument.

Other income

	2018 $'000	2017 $'000
Interest earned on cash and cash equivalents	33	42
Profit on sale of asset held for sale	813	-
	846	42

Interest earned on cash and cash equivalents is measured using the effective interest method. The profit on sale of the asset held for sale is recognised based on the reliably measured economic benefits that have flowed to the Group.

3. Other expense items

This note provides a breakdown of specific costs included in profit before income tax.

	2018 $'000	2017 $'000
Finance expenses		
Bank fees and borrowing expenses	1,376	1,078
Interest and finance charges paid / payable for financial liabilities not at fair value through profit and loss	3,860	2,233
	5,236	3,311
Employee benefits expense		
Options	-	20
Share based payments	1,492	877
	1,492	897
Depreciation and amortisation		
Depreciation	817	800
Amortisation	808	535
	1,625	1,335

4. Income tax expense

This note provides an analysis of the Group's income tax expense, what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

Income tax expense

	2018 $'000	2017 $'000
Current tax on profits for the year	7,699	4,459
Adjustments for current tax of prior periods	7	(27)
Deferred tax income	(316)	62
Income tax expense	7,390	4,494
Income tax is attributable to:		
Profit from continuing operations	24,990	15,247
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Decrease) / increase direct to equity	(186)	86
(Decrease) / increase in deferred tax assets	(130)	(24)
	(316)	62

Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit from continuing operations before income tax expense	24,990	15,247
Tax at the Australian tax rate of 30.0% (2017 30.0%)	7,497	4,574
Non-deductible entertainment costs	34	46
Non-deductible provision for fringe benefits	-	10
Non-deductible share based payments	448	269
Employee share trust funding contribution	(495)	(332)
Under (over) provision for prior year taxation	7	(27)
Employee share scheme	(41)	(46)
Indeterminate rights settled	(60)	-
Income tax expense	7,390	4,494

Amounts recognised directly in equity

	2018 $'000	2017 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax – credited directly to equity	186	185
Deferred tax – (debited) / credited directly to equity	(186)	86
Net current and deferred tax – credited directly to equity	-	271

5. Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group;
- specific information about each type of financial instrument;
- accounting policies; and
- information on determining the fair value of instruments, including estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets

	Note	Assets at FVTPL[1] $'000	Financial assets at amortised cost $'000	Total $'000
2018				
Cash and cash equivalents		-	3,410	3,410
Trade and other receivables *	5(a)	-	3,065	3,065
Consumer loans	5(a)	-	2,812	2,812
Convertible note	5(a)	-	500	500
Financial assets at FVTPL[1]	5(b)	224,561	-	224,561
		224,561	9,787	234,348
2017				
Cash and cash equivalents		-	3,139	3,139
Trade and other receivables *	5(a)	-	3,732	3,732
Financial assets at FVTPL[1]	5(b)	164,461	-	164,461
		164,461	6,871	171,332

*excluding prepayments
[1] fair value through profit or loss

Financial liabilities

	Note	Financial Liabilities $'000	Total $'000
2018			
Trade and other payables **	5(c)	3,935	3,935
Borrowings	5(d)	129,034	129,034
Accruals, provisions and other liabilities		5,410	5,410
		138,379	138,379
2017			
Trade and other payables **	5(c)	3,638	3,638
Borrowings	5(d)	80,394	80,394
Accruals, provisions and other liabilities		3,820	3,820
		87,852	87,852

**excluding non-financial liabilities

The Group's exposure to risks associated with financial instruments is discussed in note 10.

5.a) Trade and other receivables

	2018 Current $'000	2018 Non-current $'000	2018 Total $'000	2017 Current $'000	2017 Non-current $'000	2017 Total $'000
Trade receivables	2,529	-	2,529	3,360	-	3,360
Other receivables	536	-	536	372	-	372
Consumer loans	747	2,065	2,812	-	-	-
Prepayments	995	18	1,013	350	36	386
Convertible note	-	500	500	-	-	-
Other lease asset	333	-	333	-	-	-
	5,140	2,583	7,723	4,082	36	4,118

Classification as trade and other receivables

Trade receivables are amounts due for services performed in the ordinary course of business. Consumer loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If recovery of an amount is expected in one year or less it is classified as a current asset. If not, it is presented as a non-current asset. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 10(c) and 24(e) respectively.

Consumer loans

In February 2018 the Group commenced issuing secured and unsecured Consumer loans. These loans and other receivables are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and other receivables are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment.

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans is considered necessary. The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment.

While the size and quality of the loan book at this reporting period did not materially warrant individual assessment of impairment, a cautious collective provision has been assessed in an evaluation process requiring estimates and judgement based on the risk appetite statement of the Group.

Loans and other receivables are presented net of provisions for loan impairment, with increases or decreases in the provision amount recognised in the Statement of Comprehensive Income. At 30 June 2018, a loss provision of $258,050 has been recognised. The amount is equivalent to 8.4% of the balance outstanding, against which the Company has no loans greater than 30 days overdue.

The loan balance is categorised into current and non-current loans according to the due date within the contracted loan terms. Amounts due within 12 months are classified as current assets, with the remainder classified as non-current assets.

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value and for the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 10(a) to 10(c).

None of the receivables are impaired.

5.b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	2018 $'000	2017 $'000
PDPs		
Current	76,461	65,901
Non-current	148,100	98,560
	224,561	164,461

Movement on financial assets at fair value is as follows:

	Note	2018 $'000	2017 $'000
Current and non-current			
At beginning of period		164,461	111,109
Additions for the period		83,993	69,620
Liquidations of PDPs	2	(101,673)	(70,656)
Net gain on financial assets from PDPs	2	77,780	54,388
		224,561	164,461

i) Classification of financial assets at fair value through profit or loss

Under AASB 139 *Financial Instruments: Recognition and Measurement*, purchased debt portfolios (PDPs) are classified as financial assets at fair value through profit or loss (FVTPL) because:

- At initial recognition the Group designates PDPs acquired at fair value through profit or loss
  - PDPs are initially recorded at acquisition cost, which is on the basis of the investment transaction being at arm's length and is considered to be fair value, and thereafter at fair value through profit or loss
- PDPs are managed and their performance regularly evaluated on a fair value basis in accordance with our documented risk management and investment strategy
  - The performance management emphasis is focused on growth in the payment arrangement portfolio and evaluation of financial performance on a total return basis. The disclosed remuneration and incentive strategy is aligned with this approach
  - The investment strategy is to provide an overall return at the entire portfolio level, as opposed to any particular individual customer contract. Management reports express results in terms of overall portfolio return multiples on investment and internal rate of return
- Management information about the PDPs is collated on a fair value basis and provided to KMP and this relevant information is reported in the comprehensive disclosures provided.

Fair value net gains or losses on PDPs are disclosed in the consolidated statement of comprehensive income as Liquidations of PDPs, net of any change in value. Liquidations of PDPs are the recognised flow of economic benefits from the acquisition and servicing of PDPs including all cash flow sources from each portfolio's respective purchase agreement.

The present value of the amount of the PDPs that are expected to be realised within 12 months is classified as a current asset, with the remainder included as a non-current asset.

The Group has determined that PDPs will continue to be classified and measured at FVTPL under AASB 9 *Financial Instruments* which is effective from 1 July 2018. See note 24(a).

ii) Amounts recognised in profit or loss

Changes in the fair value of financial assets at fair value through profit or loss are recorded as part of revenue.

iii) Fair value and fair value measurements

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified PDPs into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2018				
Financial assets at FVTPL	-	-	224,561	224,561
30 June 2017				
Financial assets at FVTPL	-	-	164,461	164,461

There were no transfers between levels in 2018 or 2017.

Level 1:

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3:

If one or more of the significant inputs is not based on observable market data (unobservable inputs), the instrument is included in Level 3.

Fair value is best evidenced as a quoted market price in an active market. As there is not a quoted active market for PDPs and because one or more of the significant inputs is not based on observable market data, the PDP valuation is classified at Level 3 and valuation techniques are used based on current market conditions. The valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The valuation techniques used to determine the fair value measurement reflect the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date under current market conditions.

The Group, under AASB 13 *Fair Value Measurement* utilise the income valuation approach, a technique that converts forecasted cash flows to a present value amount (also known as a discounted cash flow). Forecast cash flows are actuarially determined using predictive models based on evidenced historical performance.

The fair value of PDPs requires estimation of:

a) the expected future cash flows;
b) the expected timing of receipt of those cash flows; and
c) discount rates derived from observed rates of return for comparable assets that are traded in the market and reviewed at each reporting period.

Valuation inputs are derived and extrapolated where possible from observable characteristics that market participants would take into account when pricing the asset at the measurement date. Assumptions used are those that market participants would use when pricing, assuming that market participants act in their economic best interest. Inputs are calibrated against current market assumptions, historic transactions and economic models, where available. Unobservable inputs for which market data is not available are developed using the best information available about the assumptions that market participants would use when pricing the asset, as can be the case for PDPs.

The main inputs used by the Group in measuring the fair value of financial instruments are evaluated as follows:

Description	Variable incorporated	Application to fair value
Face value	Sum of contractual customer account value of the PDPs	Determined at the date the PDP was acquired based on amounts contractually assigned in full to Pioneer
Expected liquidation rate	Expressed as a percentage of the face value over time and represents the assessment of most likely forecast cash flows	Predictive analysis considers product characteristics, liquidation history, evidenced experience with comparable portfolios and directly relevant market observable inputs
Cash flow liquidation period	The period over which cash flows liquidate	Cash flow forecast period capped at up to ten years depending on liquidation history. The weighted average liquidation period is 2.8 years (30 June 2017: 2.7 years), indicating that the liquidation curve is front ended
Discount rate	Incorporates a risk free rate and appropriate credit risk adjustment	The weighted average discount rate used to calculate fair value is 20.11% (30 June 2017: 20.09%) The weighted average discount rate for original customer accounts, representing observed rates of return for comparable credit cards and personal loans, has fluctuated within a range of 17.60% to 20.90% over the last five years
Cost	Acquisition cost of acquired PDPs (transaction costs expensed as incurred)	Cost is considered to best represent fair value at initial recognition

Model Risk

Valuation model risk arises where key judgements may impact on the appropriateness of model outputs and reports used. Commensurate with the complexity, materiality and business use of the model, the Group mitigates and controls model risk through:

- effective challenge and critical analysis involving objective, qualified and experienced parties in the line of business in which the model is used; and
- output verification to ensure that the model performs as expected in line with design objectives and business use.

Additional analysis is performed through back testing, stability testing and sensitivity analysis. The results, outcomes and actions affirm the conceptual soundness of the models.

Given that unobservable inputs are those where market data is not available, and the inherent limitations of historic information predicting future liquidations, additional model risk mitigation is achieved through appropriate cautious downward calibration of the expected future cash flows.

The Group validates the valuation outcome by reviewing the key elements contributing to movements in value including an analysis of the quantum, tenure and qualitative characteristics of the payment arrangements portfolio and an assessment of other key portfolio performance characteristics.

Continuous improvement

The Group continues to refine the model, with the continued use of characteristics analysis to ascertain the most informative predictive indicators and has applied logistic regression statistical techniques to generate the key assumptions that determine the expected liquidation rate over time. The evolution of time and expansion of the business has enriched the internally developed and externally obtained data included in the valuation process. In addition independent expertise in analytics continues to further evolve the statistical methodology incorporated.

Valuation inputs, relationship to fair value and sensitivity

The following table summarises the quantitative impact on those elements of the valuation that are sensitive to the significant unobservable inputs used in Level 3 fair value measurements:

Description	Fair value $'000	Valuation technique	Unobservable inputs	Range of inputs	Relationship to Fair Value
Financial Assets at Fair Value Through Profit or Loss	$224,561	Discounted cash flow	Expected liquidation rate	1% change in liquidation rate	A reduction in liquidation rate by 1% results in a decrease in fair value by $2.445m, an increase results in an increase in fair value of $2.445m
			Expected liquidation rate	3% change in liquidation rate	A reduction in liquidation rate by 3% results in a decrease in fair value by $7.336m, an increase results in an increase in fair value of $7.336m
			Cash flow liquidation period	Impact of a nine year liquidation period versus a ten year liquidation period	Reducing the cap applied to expected liquidations results in a decrease in fair value of $0.43m
			Discount rate	Variance in risk-adjusted discount rate by 100 bps	The higher the risk-adjusted rate the lower the fair value. A reduction in rate by 100 bps results in an increase in fair value by $4.402m, an increase results in a decrease in fair value of $4.220m
			Discount rate	Variance in risk-adjusted discount rate by 300 bps	The higher the risk-adjusted rate the lower the fair value. A reduction in rate by 300 bps results in an increase in fair value by $12.157m, an increase results in a decrease in fair value of $13.794m

iv) Valuation method and comparison

The Group classifies PDPs on a fair value basis as it considers this more relevant to the users of the financial statements and is consistent with managing value on a whole of portfolio basis.

As described above, the fair value of PDPs requires estimation of:

a) the expected future cash flows;
b) the expected timing of receipt of those cash flows; and
c) discount rates derived from observed rates of return for comparable assets that are traded in the market and reviewed at each reporting period

Under AASB 139 *Financial Instruments: Recognition and Measurement*, the other potential method for recognition and measurement is 'loans and receivables' measured using the effective interest rate method at amortised cost.

The effective interest rate method similarly requires estimation of:

a) the expected future cash flows;
b) the expected timing of receipt of those cash flows; and
c) utilises the original effective interest rate (as nominated by the purchaser) and this rate would not change over time.

The effective interest rate is the implicit interest rate based on forecast cash flows extrapolated at the investment date of an individual PDP and equates to the Internal Rate of Return (IRR) of those forecast cash flows.

The requirement to estimate cash flows including the estimation of their timing is the same under both methods, and in both methods fair value is used at inception. Assumptions about this liquidation rate are based on customer, operational and product characteristics, payment history, market conditions and management experience.

At the end of each reporting period, under the effective interest rate method, an entity is required to assess whether there is any objective evidence of impairment. If any such evidence exists, the entity shall determine the amount of any impairment. Similarly, if expectations of future cash flows were to subsequently increase, a gain would be recognised, up to the original amortised cost, calculated by discounting these incremental cash flows at the original effective interest rate.

The valuation technique applied by Pioneer to determine fair value uses an appropriately risk-adjusted discount rate and the assessed most likely forecast cash flows. By carrying the PDPs at fair value there is no further impairment consideration as it is implicit within the fair value.

5.c) Trade and other payables

	2018 $'000	2017 $'000
Current		
Trade payables	3,935	3,638
Payroll tax and other statutory liabilities	640	340
Other payables	4,492	2,798
	9,067	6,776

See note 6(d) for detail on current provisions.

Risk exposure

Information about the Group's exposure is provided in note 10.

Fair Value

The carrying amounts of trade and other liabilities are assumed to be the same as their fair values, due to their short term nature.

5.d) Borrowings

	2018 Current $'000	2018 Non-current $'000	2018 Total $'000	2017 Current $'000	2017 Non-current $'000	2017 Total $'000
Secured						
Bank loans	-	87,718	87,718	-	73,543	73,543
Medium term notes	-	39,144	39,144	-	-	-
Lease liabilities	464	-	464	384	441	825
Other loans	1,575	-	1,575	5,934	-	5,934
	2,039	126,862	128,901	6,318	73,984	80,302
Unsecured						
Other loans	133	-	133	92	-	92
	2,172	126,862	129,034	6,410	73,984	80,394

Secured liabilities and assets pledged as security

Security over all the assets and undertakings of each of Pioneer Credit Limited, Pioneer Credit Solutions Pty Limited, Sphere Legal Pty Limited, Pioneer Credit (Philippines) Pty Limited, Pioneer Credit Connect Pty Ltd, Pioneer Credit Broking Services Pty Ltd, Credit Place Pty Ltd and Switchmyloan Pty Ltd and unlimited cross guarantees and indemnities from each of these entities.

All property of the Group comprises the Group total assets of $244,798,000 (2017 $180,160,000).

See note 10(d) for details of the financing arrangements available to the Group to which the security relates.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during FY18, see note 11(c) for details.

Medium term notes

The Group issued $40 million in medium term notes on 22 March 2018. The notes have a maturity date of 22 March 2022 with the option to repay the bond at 101% of par plus any accrued interest one year prior to maturity.

Fair Value

For all of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable is either close to current market rates or the borrowings are of a short-term nature.

Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 10.

Finance lease

	2018 $'000	2017 $'000
Commitments in relation to the finance lease are payable as follows:		
Within one year	476	394
Later than one year but not later than two years	-	476
Minimum lease payments	476	870
Future finance charges	(12)	(45)
Total lease liabilities	464	825
The present value of finance lease liabilities is as follows:		
Within one year	464	384
Later than one year but not later than two years	-	441
Minimum lease payments	464	825

6. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability;
- accounting policies; and
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

6.a) Property, plant and equipment

	Plant and equipment $'000	Furniture, fittings & equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2017				
Cost	1,962	306	4,205	6,473
Accumulated depreciation	(1,398)	(150)	(1,469)	(3,017)
Net book amount	564	156	2,736	3,456
Year ended 30 June 2018				
Opening net book amount	564	156	2,736	3,456
Additions	476	281	1,389	2,146
Depreciation charge	(228)	(51)	(538)	(817)
Closing net book amount	812	386	3,587	4,785
At 30 June 2018				
Cost	2,438	587	5,594	8,619
Accumulated depreciation	(1,626)	(201)	(2,007)	(3,834)
Net book amount	812	386	3,587	4,785
At 1 July 2016				
Cost	1,904	285	4,143	6,332
Accumulated depreciation	(1,110)	(107)	(1,000)	(2,217)
Net book amount	794	178	3,143	4,115
Year ended 30 June 2017				
Opening net book amount	794	178	3,143	4,115
Additions	58	21	62	141
Depreciation charge	(288)	(43)	(469)	(800)
Closing net book amount	564	156	2,736	3,456
At 30 June 2017				
Cost	1,962	306	4,205	6,473
Accumulated depreciation	(1,398)	(150)	(1,469)	(3,017)
Net book amount	564	156	2,736	3,456

Non-current assets pledged as security

Refer to note 5(d) for information on assets pledged as security by the Group.

Depreciation methods and useful lives

Depreciation of property, plant and equipment is calculated using the diminishing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Certain leasehold improvements and leased plant and equipment are depreciated on a straight line basis over the term of the lease.

Plant and equipment	15% - 66.7%
Furniture, fittings and equipment	15% - 50%
Leasehold improvements	20% - 50%
Lease incentive	Over the term of the lease

See note 24(g) for the other accounting policies relevant to property, plant and equipment.

6.b) Deferred tax balances

Deferred tax assets

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Employee benefits (annual leave)	269	207
Retirement benefit obligations (superannuation payable)	59	65
	328	272
Other		
Other expenses (audit, accounting, payroll tax)	500	202
Share issue expenses	191	478
Other (formation costs, black hole costs)	319	249
Prepayments	(19)	(12)
	991	917
Net deferred tax assets	1,319	1,189

Movements

	Employee benefits $'000	Retirement Benefit Obligation $'000	Other $'000	Total $'000
At 1 July 2017	207	65	917	1,189
(Charged) / credited				
- To profit or loss	62	(6)	260	316
- Directly to equity	-	-	(186)	(186)
At 30 June 2018	269	59	991	1,319
At 1 July 2016	170	60	933	1,163
(Charged) / credited				
- To profit or loss	37	5	(102)	(60)
- Directly to equity	-	-	86	86
At 30 June 2017	207	65	917	1,189

6.c) Intangible assets

	Goodwill $'000	Software and licenses $'000	Total $'000
At 1 July 2017			
Cost	140	2,126	2,266
Accumulated amortisation	-	(927)	(927)
Net book amount	140	1,199	1,339
Year ended 30 June 2018			
Opening net book amount	140	1,199	1,339
Additions	-	1,765	1,765
Amortisation charge	-	(808)	(808)
Closing net book amount	140	2,156	2,296
At 30 June 2018			
Cost	140	3,891	4,031
Accumulated amortisation	-	(1,735)	(1,735)
Net book amount	140	2,156	2,296
At 1 July 2016			
Cost	140	2,099	2,239
Accumulated amortisation	-	(392)	(392)
Net book amount	140	1,707	1,847
Year ended 30 June 2017			
Opening net book amount	140	1,707	1,847
Additions	-	27	27
Amortisation charge	-	(535)	(535)
Closing net book amount	140	1,199	1,339
At 30 June 2017			
Cost	140	2,126	2,266
Accumulated amortisation	-	(927)	(927)
Net book amount	140	1,199	1,339

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over:

Software and licenses	1-3 years

See note 24(h) for other accounting policies relevant to intangible assets and the policy regarding impairments.

Finance lease

See note 5(d) for information on the finance lease with respect to software licences acquired.

Goodwill

Goodwill is attributable to the acquisition of Switchmyloan Pty Limited in March 2016.

6.d) Provisions

	2018 Current $'000	2018 Non-current $'000	2018 Total $'000	2017 Current $'000	2017 Non-current $'000	2017 Total $'000
Employee benefits	278	278	556	-	345	345
Lease make good	-	438	438	-	337	337
	278	716	994	-	682	682

Employee benefits - Long service leave

The liabilities for long service leave are not generally expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates published in the 'Group of 100 Discount Rate Report and Discount Curve'. Re-measurement as a result of experience, adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Lease make good

The Group is required to make good each of its leased premises to their original condition at the end of each lease. A provision has been recognised for the present value of the estimated expenditure required. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Movements in provisions

		Employee benefits $'000	Lease make good $'000	Total $'000
At 1 July 2017				
Carrying amount at start of year		345	337	682
Charged to profit or loss		211	(2)	209
Capitalised to balance sheet	8(b)	-	103	103
At 30 June 2018		556	438	994
At 1 July 2016				
Carrying amount at start of year		248	312	560
Charged to profit or loss		97	(10)	87
Capitalised to balance sheet	8(b)	-	35	35
At 30 June 2017		345	337	682

7. Equity

7.a) Contributed equity

Share capital

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares – fully paid (Treasury shares see note 7(c))	60,362,442	58,950,198	71,779	71,255

Movements in ordinary share capital

Date		Number of shares	$'000
1 July 2017	**Opening balance**	58,950,198	71,255
	Dividend reinvestment plan	375,201	1,017
	Employee share scheme	105,599	242
	Acquisition of treasury shares	(496,556)	(1,650)
	Treasury shares issued to employees	378,000	819
	Options exercised	50,000	96
	Executive share plan	1,000,000	-
30 June 2018	**Closing balance**	60,362,442	71,779
1 July 2016	**Opening balance**	48,971,621	52,091
	Capital raise and rights issue, net of transaction costs	9,944,877	18,986
	Dividend reinvestment plan	384,253	740
	Employee share scheme	159,447	272
	Acquisition of treasury shares	(510,000)	(1,105)
	Current tax and deferred tax through equity	-	271
30 June 2017	**Closing balance**	58,950,198	71,255

7.b) Ordinary shares

All authorised ordinary shares have been issued, have no par value and the Company does not have a limited amount of authorised capital.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

At a general meeting of shareholders; every shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands every shareholder who is present has one vote; and on a poll every shareholder who is present has one vote for every share held, but, in respect of partly-paid shares, shall have a fraction of a vote for each partly-paid share.

7.c) Treasury shares

Date		Number of shares	$'000
1 July 2017	**Opening balance**	910,000	2,221
	Receipt on treasury shares	-	245
	Treasury shares acquired	496,556	1,650
	Treasury shares issued to employees	(378,000)	(819)
30 June 2018	**Closing balance**	1,028,556	3,297
1 July 2016	**Opening balance**	400,000	1,075
	Receipt on treasury shares	-	41
	Treasury shares acquired	510,000	1,105
30 June 2017	**Closing balance**	910,000	2,221

Treasury shares acquired in 2018 and 2017 are shares in Pioneer Credit Limited that are held by the Pioneer Credit Limited Equity Incentive Plan Trust for the purpose of issuing shares under the Pioneer Credit Limited Equity Incentive Plan. Shares issued to employees are recognised on a first-in-first-out basis. The shares are acquired on market and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, Pioneer Credit Limited is required to provide the trust with the necessary funding for the acquisition of the shares.

7.d) Employee share scheme

On 18 July 2017 the Company issued 105,599 fully paid ordinary shares to eligible employees under the $1,000 exempt plan and the $5,000 salary sacrifice scheme.

60,112 ordinary shares were issued to eligible employees for no consideration and 45,487 ordinary shares were acquired by eligible employees by way of salary sacrifice. The employee offer shares were valued at $2.2864 each and the shares issued for no consideration are an expense to the Company.

7.e) Options

Information relating to Options is set out in note 18(a).

7.f) Equity Incentive Plan

Scheme 1

At the Annual General Meeting on 29 October 2014, the Company approved an employee incentive plan whereby certain eligible employees would be granted performance rights. Each Right entitles the holder to one fully paid ordinary share for no consideration, subject to vesting conditions being met.

The performance conditions for these Rights were met on the 20 August 2015 and 780,000 Rights were granted on 1 September 2015 which will vest in accordance with the following schedule (each a 'Vesting Date'):

- 1 July 2017: 60% Rights vested;
- 1 July 2018: 25% Rights will vest; and
- 1 July 2019: 15% Rights will vest,

provided the holder of the Rights remains employed by the Group at the Vesting Date.

The terms of each tranche of Rights are summarised in the table below.

	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$1.6009	$1.5155	$1.4347
Grant date	1-Sep-15	1-Sep-15	1-Sep-15
Share price at grant date	$1.77	$1.77	$1.77
Expiration period (years)	1.83	2.83	3.83
Dividend yield	5.48%	5.48%	5.48%
Vesting date	1-Jul-17	1-Jul-18	1-Jul-19
Exercise price	Nil	Nil	Nil

Scheme 2

On 1 July 2016, the Board approved a grant of Performance Rights with a tenure based vesting condition. Each Right entitles the holder to one fully paid ordinary share for no consideration, subject to vesting conditions being met.

320,000 Performance Rights were granted on 1 July 2016 which will vest in accordance with the following schedule (each a "Vesting Date"):

• 1 July 2018: 28% Rights will vest;
• 1 July 2019: 46% Rights will vest; and
• 1 July 2020: 26% Rights will vest,

provided the holder of the Rights remains employed by the Group at the Vesting Date.

The terms of each tranche of Rights are summarised in the table below.

	Tranche 1	**Tranche 2**	**Tranche 3**
Fair value at grant date	$1.51	$1.42	$1.33
Grant date	1-Jul-16	1-Jul-16	1-Jul-16
Share price at grant date	$1.71	$1.71	$1.71
Expiration period (years)	2	3	4
Dividend yield	6.2%	6.2%	6.2%
Vesting date	1-Jul-18	1-Jul-19	1-Jul-20
Exercise price	Nil	Nil	Nil

Scheme 3

On 1 July 2017, the Board approved the grant of Rights with a tenure based vesting condition. Each Right entitles the holder to one fully paid ordinary share for no consideration, subject to vesting conditions being met.

1,170,000 Performance Rights were granted on 1 July 2017 which will vest in accordance with the following schedule (each a "Vesting Date"):

• 1 July 2019: 22% Rights will vest;
• 1 July 2020: 43% Rights will vest; and
• 1 July 2021: 35% Rights will vest,

provided the holder of the Rights remains employed by the Group at the Vesting Date.

The terms of each tranche of Rights are summarised in the table below.

	Tranche 1	**Tranche 2**	**Tranche 3**
Fair value at grant date	$2.1317	$2.0171	$1.9092
Grant date	1-Jul-17	1-Jul-17	1-Jul-17
Share price at grant date	$2.38	$2.38	$2.38
Expiration period (years)	2	3	4
Dividend yield	5.5%	5.5%	5.5%
Vesting date	1-Jul-19	1-Jul-20	1-Jul-21
Exercise price	Nil	Nil	Nil

500,000 Indeterminate Rights were granted on 27 October 2017 (following AGM approval) which will vest in accordance with the following schedule (each a "Vesting Date"):

• 1 July 2020: 25% Rights will vest;
• 1 July 2021: 60% Rights will vest; and
• 1 July 2022: 15% Rights will vest,

provided the holder of the Rights remains employed by the Group at the Vesting Date.

The terms of each tranche of Rights are summarised in the table below.

	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$2.5300	$2.4200	$2.3100
Grant date	27-Oct-17	27-Oct-17	27-Oct-17
Share price at grant date	$2.86	$2.86	$2.86
Expiration period (years)	2.68	3.68	4.68
Dividend yield	4.58%	4.58%	4.58%
Vesting date	1-Jul-20	1-Jul-21	1-Jul-22
Exercise price	Nil	Nil	Nil

7.g) Other reserves

The following table shows a breakdown of the Statement of Changes in Equity line item Share Based Payments Reserve and the movements in this reserve during the period under review. A description of the nature and purpose of the reserve is provided below the table.

Share based payment reserve

	2018 $'000	2017 $'000
At 1 July		
Opening balance	2,394	1,611
Options	-	20
Share based payment expense	1,149	722
Treasury shares	245	41
Performance rights vested	(819)	-
At 30 June	2,969	2,394

Nature and purpose of the share-based payments reserve

The share based payments reserve is used to recognise the grant date fair value of options and rights issued but not exercised, over the vesting period.

Employee share trust funding

On 12 April 2017 the Company commenced funding the Pioneer Credit Limited Equity Incentive Plan Trust ('the Trust') for the purpose of acquiring fully paid ordinary shares on market to satisfy rights that vest on or after 1 July 2017 under the Pioneer Credit Limited Equity Incentive Plan. As at 30 June 2018 the Trust held 628,556 shares (2017: 510,000 shares) acquired at an average price of $3.37 per share (2017: $2.15 per share).

7.h) Retained earnings

Movements in retained earnings were as follows:

	2018 $'000	2017 $'000
Balance 1 July	16,639	11,055
Net profit for the year	17,600	10,753
Dividends	(7,273)	(5,169)
Balance 30 June	26,966	16,639

8. Cash flow information

8.a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Note	2018 $'000	2017 $'000
Profit for the period		17,600	10,753
Profit on non-current asset held for sale		(813)	-
Depreciation and amortisation	3	1,625	1,335
Non-cash employee benefits expense – share-based payments	18(c)	1,492	897
Non-cash rental expense		56	-
Consumer loan loss provision		258	-
Consumer loan interest accrual		(45)	-
Share of loss of associate accounted for using the equity method		60	135
Change in value of PDPs	2	23,893	16,268
Foreign currency translation		100	-
Non-cash financing amortisation		264	194
Change in operating assets and liabilities:			
Decrease/(increase) in trade receivables		824	(2,433)
Increase in deferred tax assets through profit or loss		(96)	(26)
Increase/(decrease) in trade payables		241	(679)
Increase/(decrease) in income tax payable		1,515	(85)
Increase in accruals and other liabilities		1,535	318
Net cash flow inflow from operating activities		48,509	26,677

8.b) Non-cash investing and financing activities

	2018 $'000	2017 $'000
Make good provision	103	35

8.c) Net debt reconciliation

	Opening balance at 1 July 2017	Cash flow	Other non-cash flow	Closing Balance at 30 June 2018
Cash and cash equivalents	3,139	271	-	3,410
Borrowings	(79,569)	(48,737)	(264)	(128,570)
Lease liabilities	(825)	361	-	(464)
	(77,255)	(48,105)	(264)	(125,624)

Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

9. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercises judgement in applying the Group's accounting policies.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value measurement of financial instruments

The fair value of financial instruments that are not traded in a sufficiently active market are determined using valuation techniques. The Group uses judgement to select valuation methods and make assumptions, including considering market conditions existing at the end of each reporting period and as to the allocation of PDPs between current and non-current asset allocations. For details of the key assumptions used and the impact of changes to these assumptions see note 5(b).

10. Financial risk management

The Group's activities expose it to a variety of risks and its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is the responsibility of Key Management Personnel. Policies approved by the Board ensure that total risk exposure is consistent with the Group strategy, is in line with covenants and is within internal risk tolerance guidelines. To manage interest rate and credit risk arising from the investment in PDPs, the Group undertakes pricing analysis prior to committing to any investment. This analysis includes consideration of information supplied under due diligence, as well as macro and micro economic elements to which senior executives' experience and judgement is applied. In many instances there is knowledge of the performance of portfolios with similar characteristics. PDPs are managed and performance is evaluated on a fair value basis.

The Group uses different methods to measure the different types of risk to which it is exposed which include sensitivity analysis of interest rates, preparation and review of ageing analysis for credit risk and projected cash flow analysis across the portfolio to manage the risk associated with the PDP.

During the financial year the Group commenced originating consumer loans. Under the Board approved Risk Appetite Statement regular reporting and review of key lending metrics ensures visibility is maintained over the credit framework including highlighting any emerging trends indicating a need to revisit and amend the risk appetite.

The Group periodically considers the need to make use of derivative financial instruments and hedging arrangements to manage interest rate risk. There are currently no such arrangements in place.

10.a) Summarised sensitivity analysis – interest rate risk

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	Carrying amount $'000	-100 bps Profit $'000	+100 bps Profit $'000
At 30 June 2018			
Financial liabilities			
Borrowings	126,862	1,282	(1,282)
At 30 June 2017			
Financial liabilities			
Borrowings	73,543	623	(623)

Financial assets sensitive to interest rate risk comprise cash and cash equivalents only and their sensitivity to interest rate risk has not been included as the impact on profit is not significant.

10.b) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises:

Foreign exchange risk

New Zealand operations expose the Group to foreign exchange risk. This may result in the fair value of financial assets and liabilities fluctuating due to movements in exchange rates. Fluctuations in the New Zealand dollar relative to the Australian dollar may impact the Group's financial results, though the impact of reasonably foreseeable exchange rate movements are unlikely to be material.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term loans and borrowings issued at variable interest rates. The Group's fixed rate consumer loans, borrowings and receivables are carried at amortised cost and not subject to interest rate risk.

As at the end of the reporting period the Group had the following variable rate loans and borrowings outstanding:

Instruments used by the Group

	30 June 2018 Weighted average interest rate %	Balance $'000	30 June 2017 Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	3.71%	87,718	3.57 %	73,543
Bond (before transaction costs)	7.36%	40,000	-	-

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a half yearly basis to verify that the maximum loss potential is within the limit given by management.

Price risk

The Group has no financial instruments exposed to market prices and as such there is no risk associated with fluctuations in market prices. Financial assets at fair value through profit and loss relate entirely to the PDPs.

10.c) Credit risk

Credit risk arises from cash and cash equivalents, credit exposure to customers, including outstanding receivables and committed transactions.

Risk management

Credit risk is managed on a Group basis. For corporate customers management assesses the credit quality of the customer. Individual risk limits are set by the Board.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and / or regions. The Group is exposed to investment credit risk from the significant investment in PDPs. Risk limits are set based on internal ratings in accordance with limits set by the Board which is regularly monitored by management.

Credit risk related to Consumer Loans is monitored in relation to Pioneer's Risk Appetite Statement. A loss provision has been recognised at year end.

Impaired trade receivables

As at 30 June 2018 there were no material trade receivables that were past due and there are no trade receivables that are impaired.

10.d) Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash reserves and debt funding to meet obligations when due and through maintaining a reputable credit profile.

Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flow. Cash flow is forecast on a day-to-day basis to ensure that sufficient funds are available to meet requirements.

Financing arrangements

The Group had access to a Senior Debt Facility of $128,500,000 at the end of the financial year (30 June 2017: $110,000,000) comprising a cash advance facility to partially fund the acquisition of PDPs, a bank guarantee facility, an overdraft facility, a direct debit authority facility and a credit card facility.

The overdraft facility was unused at 30 June 2018 and the undrawn limit on the cash advance facility was $32,200,405 (30 June 2017: $26,258,435). The facility is subject to the Group meeting a number of financial undertakings, all of which have been met to date. The facility will expire on 30 November 2019. Management has no reason to believe that the facility will not be renewed and / or extended beyond this date.

In March 2018 the Company raised $40,000,000 by way of a medium term notes issue to diversify Pioneer's funding sources and to focus on the medium term growth requirements of the Company. The notes have a maturity date of 22 March 2022.

Maturities of financial liabilities

The following table reflects an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows represented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect the Group's expectation that the facilities will be extended.

	Within 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Carrying amount $'000
At 30 June 2018				
Trade payables	3,935	-	-	3,935
Borrowings	8,884	92,097	45,149	129,034
Accruals, provisions and other liabilities	4,694	-	716	5,410
	17,513	92,097	45,865	138,379
At 30 June 2017				
Trade payables	3,638	-	-	3,638
Borrowings	9,195	3,110	74,839	80,394
Accruals, provisions and other liabilities	3,138	-	682	3,820
	15,971	3,110	75,521	87,852

11. Capital management

11.a) Risk management

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern; and
- maintain an optimal capital structure to reduce the cost of capital.

11.b) Dividends

Ordinary shares

	2018 $'000	2017 $'000
2H17 dividend on fully paid ordinary shares held on 30 August 2017 of 5.28 cents per share paid on 4 October 2017	3,219	3,071
1H18 dividend on fully paid ordinary shares held on 29 March 2018 of 6.62 cents per share paid on 27 April 2018	4,054	2,098
	7,273	5,169

Dividends not recognised at the end of the reporting period

	2018 $'000	2017 $'000
Since year end the Directors have recommended the payment of a final fully franked dividend of 7.71 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 26 October 2018, but not recognised as a liability at year end is	4,745	3,219

Franking dividends

The franked portions of the final dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2019.

	2018 $'000	2017 $'000
Franking credits available for subsequent reporting periods on a tax rate of 30.0%	10,234	7,386

The above amounts are calculated from the balance of the franking account as at the end of the reporting period.

11.c) Capital risk management

Although the Group is not subject to any externally imposed regulatory requirement with respect to its capital position, it maintains a conservative and proactive capital management strategy which includes taking a prudent approach to gearing with the significant sources of funding being supplied by shareholder equity and variable rate financier borrowings, as well as appropriate trade working capital arrangements.

The Board monitor key balance sheet ratios as part of the strategy as well as to demonstrate compliance with the financier covenant requirements. Three year rolling capital forecast analysis is regularly reviewed to assess the impact of growth and future opportunity on funding requirements with a focus on determining adequacy of short to medium term requirements.

Arrangements with the Group's financiers are in place to ensure that there is sufficient undrawn credit available to meet reasonably unforeseen circumstances should they arise. Financing facilities are renegotiated on a regular basis to ensure that they are sufficient for the Group's projected growth.

As far as possible, asset purchases are funded from operational cash flow, allowing undrawn balances to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements are met.

Details of financing facilities are set out in note 10(d).

Group Structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole.

12. Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 24(b).

Name of entity		Country of incorporation	Class of shares	Equity holding 2018 %	Equity holding 2017 %
Pioneer Credit Solutions Pty Limited		Australia	Ordinary	100	100
Sphere Legal Pty Limited		Australia	Ordinary	100	100
Pioneer Credit (Philippines) Pty Limited		Australia	Ordinary	100	100
Pioneer Credit Connect Pty Limited		Australia	Ordinary	100	100
Pioneer Credit Broking Services Pty Limited		Australia	Ordinary	100	100
Switchmyloan Pty Limited		Australia	Ordinary	100	100
Credit Place Pty Limited		Australia	Ordinary	100	100
Pioneer Credit Acquisition Services (UK) Limited	1	United Kingdom	Ordinary	100	100
Pioneer Credit Solutions (NZ) Limited	2	New Zealand	Ordinary	100	100
Pioneer Credit Connect (Fund 1) Pty Ltd	3	Australia	Ordinary	100	-
Pioneer Credit Connect (Personal Loans) Pty Ltd	4	Australia	Ordinary	100	-

1 Pioneer Credit Acquisition Services (UK) Limited is an entity incorporated in the United Kingdom and has not conducted any business since inception to the date of this report
2 Pioneer Credit Solutions (NZ) Limited was incorporated in New Zealand on 5 July 2016
3 Pioneer Credit Connect (Fund 1) Pty Ltd was incorporated on 15 January 2018 and has not conducted any business since inception to the date of this report
4 Pioneer Credit Connect (Personal Loans) Pty Ltd was incorporated on 15 January 2018 and has not conducted any business since inception to the date of this report

13. Associates

Investment in associate

In December 2017 management committed to a plan to sell the shares held in an associate of the Group. The investment in associate is now classified as an asset held for sale.

Set out below is the investment in an associate of the Group as at 30 June 2017. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business / country of incorporation	% of ownership interest	Nature of relationship	Measurement method
Goldfields Money Limited (GMY)	Australia			
At 30 June 2018		N/A	Asset held for sale	Carrying amount
At 30 June 2017		11.28	Associate	Equity method

The Group acquired the shareholding in GMY in 2015.

At 30 June 2017, the Group's share of the quoted market value of GMY was $2.553m while the carrying value, inclusive of transaction costs and equity method accounting was $2.458m.

At 31 December 2017 the asset was classified as held for sale. The entire holding in GMY has been sold as at the date of this report.

At 30 June 2018 the asset held for sale is stated at its carrying value of $0.704m in accordance with AASB 5 *Non-current assets held for sale and disposal groups.*

During the year the Group sold shares in GMY for $2.5m and a profit before tax of $0.813m was recognised in the statement of comprehensive income.

There were no significant transactions with the associate during the financial year.

Summarised financial information for the associate
GMY is a publically traded entity.

Summarised statement of financial position

	2017 $'000
Total assets	215,201
Total liabilities	(194,994)
Net assets	20,207
Movement in net assets	
Opening net assets	16,868
Loss for the period	(996)
Capital raise	4,288
Equity raising costs	(187)
Other comprehensive income	147
Movement in reserves	87
Closing net assets	20,207
Group's share of net assets in %	11.28%
Group's share of net assets in $	2,279

Summarised statement of comprehensive income

	2017 $'000
Interest revenue	6,546
Interest expense	(3,789)
Non-interest revenue	1,476
Other expenses	(5,569)
Income tax benefit	340
Loss from continuing operations	(996)
Other comprehensive income	147
Total comprehensive loss	(849)
Dividends received from associates	-

Summarised commitments

	2017 $'000
Capital commitments	141
Outstanding loan commitments	14,306
Outstanding overdraft commitments	956
Lease commitments	
Due not later than one year	69
Due later than one year and not later than five years	82
	151

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

14. Contingencies

The Directors are of the opinion that no contingent liabilities or contingent assets exist as at the date of this report.

15. Commitments

15.a) Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,303	2,109
Later than one year but not later than five years	11,360	8,968
Later than five years	-	2,408
	13,663	13,485

Some lease agreements include a financial incentive which is generally used to fund premise fitouts. The assets acquired under these incentives have been recognised as Leasehold Improvements and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities and is reversed on a straight line basis over the lease term.

15.b) Service contract

The Group has a services contract for the operation of its Philippines facility that ends August 2019. The minimum contractual commitments resulting from this agreement are outlined below.

	2018 $'000	2017 $'000
Commitments for minimum service payments in relation to non-cancellable contracts are payable as follows:		
Within one year	1,734	1,592
Later than one year but not later than five years	291	1,944
	2,025	3,536

16. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

17. Related party transactions

17.a) Parent entity

The Parent entity within the Group is Pioneer Credit Limited.

17.b) Subsidiaries

Interests in subsidiaries are set out in note 12.

17.c) Associates

Interests in associates are set out in note 13.

17.d) Key Management Personnel

	2018 $	2017 $
Short-term employee benefits	2,334,786	1,950,406
Post-employment benefits	157,113	172,803
Long-term benefits	100,388	83,416
Share-based payments	1,125,712	446,128
	3,717,999	2,652,753

Detailed remuneration disclosures are provided in the Remuneration Report on pages 11 to 19.

17.e) Transactions with other related parties

The following transactions occurred with related parties:

	2018 $	2017 $
Rental expenses and other services		
Entities owned or controlled by KMP	137,320	82,320
Superannuation contributions		
Contributions to superannuation funds on behalf of Directors	60,279	64,092
Other transactions		
Remuneration paid to Directors of the ultimate Australian parent entity	1,220,702	921,045

17.f) Loans from related parties

	2018 $	2017 $
Loans from key management personnel		
Beginning of the year	-	-
Loans advanced	500,000	-
Loan repayments received	-	-
Interest charged	9,118	-
Interest paid	(9,118)	-
End of year	500,000	-

The loan comprises participation in the medium term note issue described in note 5 (d) all of which has occurred on an arm's length basis.

17.g) Executive Share Plan

1,000,000 shares were issued to executives (excluding the Managing Director) under a share purchase facility on 18 July 2017. The key terms are:

- The price of each share issued was equal to the 5 day VWAP as at 1 July 2017 (namely $2.2864);
- The facility accrues interest at normal commercial rates;
- The shares are secured for the benefit of the Company;
- All dividends paid on any shares owned by the executive will be applied in full against the facility;
- If the executive is not employed by Pioneer, the facility balance is payable immediately; and
- The facility is not recognised as a loan as the Company only has recourse to the value of the shares.

17.h) Terms and conditions

See note 7(b) for general terms and conditions on ordinary shares.

18. Share-based payments

18.a) Options

On 7 February 2014, the Company established a share option scheme that entitles the holder to purchase 300,000 shares in the Company at an exercise price of $1.92. 50,000 Options were exercised during the year.

The Options have been fully expensed by the Company at 30 June 2018.

	Tranche 1	Tranche 2
Fair value at grant date	$0.28	$0.31
Expected IPO price at grant date	$1.60	$1.60
Exercise price	$1.92	$1.92
Date vested	4 April 2016	4 April 2017
Vesting expiry date (2 years after vesting)	4 April 2018	4 April 2019

18.b) Equity Incentive Plan

See note 7(d) and 7(f) for details of the Equity Incentive Plan.

18.c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the period were:

	2018 $'000	2017 $'000
Chairman's options	-	20
Employee equity incentive plan	1,492	877
	1,492	897

19. Remuneration of auditors

During the year the following fees were paid or are payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2018 $	2017 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	224,444	278,316
Total remuneration of PricewaterhouseCoopers Australia	224,444	278,316
Network firms of PricewaterhouseCoopers Australia		
Other services		
Other compliance and accounting advice	168,468	23,885
Total remuneration of Network firms of PricewaterhouseCoopers Australia	168,468	23,885
Non-PricewaterhouseCoopers Australia related audit firms		
Other services		
Other tax, compliance and accounting advice	145,211	148,174
Total remuneration of non-PricewaterhouseCoopers Australia related firms	145,211	148,174
	538,123	450,375

Amounts disclosed for auditor's remuneration are inclusive of GST that is not recoverable from the tax authority. See note 24 (o).

20. Earnings per share

20.a) Basic earnings per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	28.88	20.77
Total basic earnings per share attributable to the ordinary equity holders of the Company	28.88	20.77

20.b) Diluted earnings per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	27.72	20.30
Total diluted earnings per share attributable to the ordinary equity holders of the Company	27.72	20.30

20.c) Reconciliation of earnings used in calculating earnings per share

	2018 $'000	2017 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	17,600	10,753
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating diluted earnings per share	17,600	10,753

20.d) Weighted average number of shares used as the denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,945,086	51,772,980
Weighted average number of ordinary and potential shares used as the denominator in calculating diluted earnings per share	63,497,086	52,982,569

21. Deed of cross guarantee

Pioneer Credit Limited, Pioneer Credit Solutions Pty Limited, Sphere Legal Pty Limited, Pioneer Credit (Philippines) Pty Limited, Pioneer Credit Connect Pty Limited, Switchmyloan Pty Limited, Pioneer Credit Broking Services Pty Limited and Credit Place Pty Limited are parties to a deed of cross guarantee, entered into on 25 June 2015. Credit Place Pty Limited was joined to this deed of cross guarantee on 26 June 2017. Under the deed each company guarantees the debts of the others. By entering into the deed, these entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The consolidated financial statements of Pioneer Credit Limited include the subsidiaries as set out in note 12.

Pioneer Credit Solutions (NZ) Limited, Pioneer Credit Acquisition Services (UK) Limited, Pioneer Credit Connect (Fund 1) Pty Ltd and Pioneer Credit Connect (Personal Loans) Pty Ltd are not party to the deed of cross guarantee. They are stand-alone wholly-owned companies. The Directors have determined that Pioneer Credit Solutions (NZ) Limited, Pioneer Credit Acquisition Services (UK) Limited, Pioneer Credit Connect (Fund 1) Pty Ltd and Pioneer Credit Connect (Personal Loans) Pty Ltd are not reporting entities.

As at 30 June 2018:

- Pioneer Credit Solutions (NZ) Limited has assets of $2.391m, liabilities of $1.780m of which $1.715m relates to amounts due to Group entities and contributed $0.320m to Group profit before income tax; and
- Pioneer Credit Acquisition Services (UK) Limited has assets of $6 and no liabilities. The UK entity generates no revenue.

22. Assets pledged as security

The carrying amount of assets pledged as security is disclosed in note 5(d).

23. Parent entity financial information

23.a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Balance sheet		
Current assets	2,895	370
Total assets	224,390	167,280
Current liabilities	7,841	4,850
Total liabilities	137,660	81,135
Shareholders' equity		
Issued capital	73,712	72,360
Share based payment reserve	1,033	1,289
Accumulated profits	11,985	12,496
	86,730	86,145
Profit for the year	6,762	6,592
Total comprehensive income	6,762	6,592

23.b) Guarantees entered into by the Parent entity

The Parent entity is bound by an unlimited guarantee and indemnity as part of the Group, with security held over all property.

23.c) Contingent liabilities of the Parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2018.

23.d) Contractual commitments for the acquisition of property, plant or equipment

The Parent entity has no contractual commitments for the acquisition of property, plant or equipment at 30 June 2018.

24. Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements and have been consistently applied to all the years presented, unless otherwise stated.

Contents of the summary of significant accounting policies

24.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 and the *Corporations Act 2001*. Pioneer Credit Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Pioneer Credit Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The consolidated financial statements have been prepared on a going concern basis.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 9.

Changes to presentation

Certain classifications on the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and notes to the consolidated financial statements have been reclassified. The Group believes that this will provide more relevant information to stakeholders. The comparative information has been reclassified accordingly.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period and have not been early adopted by the Group. The Group's assessment, including known or reasonably estimable information relevant to assessing the possible impact of standards not yet adopted and being introduced for future financial years and interpretations is set out below.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* is applicable to annual reporting periods commencing on or after 1 January 2018, and would be effective for the 30 June 2019 year end. The Group does not currently intend, as is permitted, to early adopt the new standard but has completed a review program to assess the requirements of the new standard and ensure that new provisions are complied with.

AASB 9 *Financial Instruments* will replace AASB 139 *Financial Instruments: Recognition and Measurement* and introduces changes in three areas:

Classification, measurement and de-recognition of financial assets and financial liabilities

All financial assets that do not meet certain restrictive conditions are measured at fair value through profit and loss.

If the relevant restrictive conditions are met, financial assets are measured at either amortised cost or fair value through other comprehensive income.

Determination of classification of financial assets will be based on the:

- assessment of whether the contractual cash flows solely represent the payment of principal and interest; and
- objective of the entity's business model for managing the financial assets.

The Group's most significant assets are PDPs classified at fair value through profit or loss. The result of the Group's review program is that these assets will continue to be designated in this manner upon implementation of the new standard.

The Group's emerging Consumer Loan products are carried at amortised cost under AASB 139. The result of the Group's review program is that these assets will continue to be designated in this manner upon implementation of the new standard.

The accounting for financial liabilities remains largely unchanged.

Impairment

Where a financial asset is measured at either amortised cost or fair value through other comprehensive income, an entity shall recognise an allowance for expected credit losses.

Impairment of these types of financial assets will be based on an expected loss model that requires entities to recognise expected credit losses based on unbiased forward looking information replacing the existing incurred loss model which only recognises impairment if there is objective evidence that a loss has incurred. The new standard outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition.

The new impairment requirements are unlikely to have a material impact upon the Group's accounting or its current business activities. An expected loss allowance on the emerging Consumer Loan products book is not expected to be significantly different to the loss provision already provided for.

Hedge accounting

Preliminary assessment under the new standard is that the standard introduces a more principles-based approach to hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group does not currently utilise hedge arrangements and the impact to the existing financial statements of the new standard is considered low.

Currently there is no further known or reasonably estimable information relevant to assessing the possible impact of the new standard in the period of initial application.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* is applicable to annual reporting periods commencing on or after 1 January 2018 and will be effective for the 30 June 2019 year end. The Group does not currently intend, as is permitted, to early adopt the new standard but has commenced a preliminary review program to assess the requirements of the new standard and ensure that new provisions are complied with.

The new standard replaces AASB 118 *Revenue* and introduces a single model for the recognition of revenue based on the satisfaction of performance obligations. It does not apply to financial instruments revenue.

The impact to the financial statements of the new standard is unlikely to have a material impact upon the Group's accounting or its current business activities.

AASB 16 *Leases*

AASB 16 *Leases* is applicable to annual reporting periods commencing on or after 1 January 2019, and unless early adopted will be effective for the 30 June 2020 year end. The Group does not intend to early adopt the new standard and will follow the modified retrospective approach when the new standard becomes applicable.

AASB 16 amends the accounting for leases and will replace AASB 117 *Leases*. Lessees will be required to bring both operating and finance leases on balance sheet as a right of use asset along with the associated lease liability. The only exceptions are short-term and low-value leases. Interest expense will be recognised in profit or loss using the effective interest rate method and the right of use asset will be depreciated.

The potential financial impacts of the above to the Group have not yet been determined. Lessees can choose either a full retrospective approach or a modified retrospective approach to transition to the new standard. Under the modified retrospective approach, a lessee does not restate comparative information.

The new standard will affect primarily the Group's accounting for non-cancellable operating leases, see note 15(a). The new standard may also result in additional leases being recognised as a result of review of the Group's existing contracts and service agreements.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

24.b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pioneer Credit Limited as at 30 June 2018. Pioneer Credit Limited and its subsidiaries together are referred to in this financial report as the Group or the Company.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations undertaken by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights or otherwise demonstrates significant influence. Investments in associates are accounted for using the equity method of accounting (described below), after initially being recognised at cost.

Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, of the investee, in profit or loss, and the Group's share of movements in other comprehensive income of the investee, in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at the end of each reporting period whether there is any objective evidence that the equity-accounted investment is impaired. Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the investee operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost may also be objective evidence of impairment. Where there is objective evidence based on observable data that there may be an impairment, the carrying amount of the equity accounted investment is tested in accordance with the policy described in note 24(q).

24.c) Income tax

The income tax expense for the period is the tax payable on the current period's income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group has implemented the tax consolidation legislation and its entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

24.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, other short-term, highly liquid investments with original maturities of four months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

24.e) Trade and other receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Trade receivables are generally due for settlement within 30 days, apart from certain Legal customers on extended terms not exceeding 120 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

24.f) Consumer loans

Consumer loans are initially recognised at fair value. Subsequent to initial recognition, consumer loans are measured at amortised cost and are presented net of provisions for impairment.

Interest is calculated using the effective interest method and is recognised in the statement of profit or loss as part of revenue from continuing operations.

24.g) Property, plant and equipment

All property, plant and equipment acquired are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The depreciation methods and periods used by the Group are disclosed in note 6(a).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period and an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

24.h) Intangible assets

Software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Amortisation methods and periods

Refer to note 6(c) for details about amortisation methods and periods used by the Group for intangible assets.

Goodwill

Goodwill is measured as described in note 6(c). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

24.i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

24.j) Borrowings

All borrowings are initially recognised at fair value which is usually their principal amount, net of directly attributable transaction costs incurred. Subsequent to initial recognition borrowings and interest are measured at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

24.k) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

24.l) Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits such as annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Share-based payments

The grant date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

24.m) Contributed equity

Ordinary shares are classified as equity.

Where Pioneer Credit Limited purchases the Company's equity instruments as a result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Pioneer Credit Limited as treasury shares. Shares held in Pioneer Credit Limited Equity Incentive Plan Trust are disclosed as treasury shares and deducted from contributed equity.

24.n) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

24.o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority in which case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis.

24.p) Rounding of amounts

The Company is 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 off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

24.q) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

24.r) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases as described in note 15. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

24.s) Foreign Currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all significant resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income.

Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 23 to 77 are in accordance with the *Corporations Act 2001*, including:

    i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are, or may become, liable by virtue of the deed of cross guarantee described in note 21.

Note 24(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Keith John
Managing Director

Perth
24 August 2018

Independent auditor's report

To the members of Pioneer Credit Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pioneer Credit Limited (the Company) and its controlled entities (together the Group or Pioneer Credit) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 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 Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated 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 Group 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.

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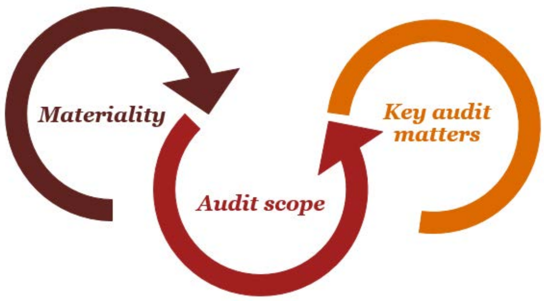
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $1,208,000 which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose profit before tax as the benchmark because, in our view, it is the metric against which the performance of the Group is most commonly measured, and is a generally accepted benchmark.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly accepted quantitative thresholds for audit purposes.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- As described in the Directors' report, the Group is a financial services provider to customers across Australia, specialising in acquiring and servicing retail debt portfolios as well as brokering, introducing and issuing retail credit products. The accounting processes are performed by a group finance function at the head office in Perth. We performed most of our audit procedures at the Group head office.
- We ensured the audit team included the appropriate skills and competencies required for the audit. We also utilised experts in actuarial sciences and valuations in the course of the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Management Committee.

Key audit matter	*How our audit addressed the key audit matter*
Estimating the fair value of purchased debt portfolios (PDPs) *(Refer to note 5b) [$224,561k]* As explained in note 5.b) of the financial report, Pioneer Credit's accounting policy is to account for PDPs at fair value, with movements in fair value recognised as revenue in the consolidated statement of comprehensive income. Complexity arises in estimating the fair value of PDPs due to the following: • the nature of unsecured debt portfolios, which have many factors impacting value, such as: how the debt was originated and by which financial institution; the quality and depth of information on the customer; how much time has elapsed since a payment was made against the account; amount due; the time elapsed since the PDP was acquired; the personal circumstances and character of the customer; the current and forecast economic environment; and the quality of the operational model and servicing platform; and • the lack of quoted market prices meaning there is a need to use alternative techniques, including sophisticated models, to estimate fair value. The estimation of fair value of PDPs has a material impact on the profit and balance sheet and is inherently subjective, meaning it is a key audit matter. The Group uses statistical regression analysis and discounted cash flow modelling to determine the fair value of PDPs.	The focus of our audit procedures, assisted in selected aspects by PwC actuarial experts, included, amongst others: • *Model design* – whether the structure of the models is appropriate for determining the fair value of the PDPs • *Model inputs* – testing the accuracy and completeness of the information used within the models • *Evaluating model outputs* – tested the accuracy of the model output and considered whether the fair value met our expectations. Our detailed procedures included: *Model design* We performed the following procedures, amongst others: • developed an understanding, critically assessed and independently re-performed the statistical and actuarial analysis used by the Group to determine the construction of the cash flow models • considered if the model design appropriately included the factors that impact the amounts and timing of cash flows from customers • re-performed a selection of mathematical calculations in the models • considered the adequacy of the scope of work of the external consultant who assisted in the design of the models and whether the external consultant was appropriately qualified to perform the work.

Key audit matter	*How our audit addressed the key audit matter*
Pioneer Credit engaged an external consultancy firm with expertise in statistical regression and predictive analysis modelling to assist them in developing the current models. As explained in note 5.b) of the financial report, the models use regression analysis to predict the timing and amount of future uncertain cash flows across PDPs based on analysis of historic data. The output from Pioneer Credit's statistical regression analysis model is a series of estimated future monthly cash flows from each category of customer. The estimated cash flows are calculated based on a customer's statistically determined likelihood of making payments. These cash flows are then adjusted for the Group's assessment of modelling risk before being discounted to present value to determine the fair value of the purchased debt portfolio. Modelling risk is explained in note 5.b) to the financial report. It is significant to the Group due to the inherent uncertainty of predicting future cash flows based on limited historic information. The key judgements involved in estimating fair value under this method are the discount rate and the timing and amount of cash flows from customers.	*Model inputs* We performed the following procedures, amongst others: • tested whether the assumptions and predictive factors within the models were consistent with historical experience and wider economic trends • tested a sample of customer account characteristics within the models to source documentation or systems information to assess the accuracy and existence of the model data. Tested a sample of customer accounts from supporting documentation to the models to assess completeness of the information within the models. • assessed whether the discount rate used reflected the risks of the PDPs, including comparison of the discount rates used to externally available interest rates for similar products (e.g personal loans, credit cards). • performed sensitivity analysis on assumptions and challenged the Group on the assumptions that had a significant impact on the valuations such as expected liquidations and discount rate. *Evaluating model outputs* These procedures were performed to evaluate the model outputs, subsequent to the Group's risk adjustments. We performed the following procedures, amongst others: • considered if the movement in fair value of the PDPs over the year was consistent with our knowledge of the business and industry • compared the actual PDP liquidations for the financial year to the liquidations predicted by the model and considered whether the impact on fair value was appropriately considered • for PDP tranches previously valued using an alternative fair value approach, assessed the Group's consideration for inclusion in the statistical regression analysis and discounted cash flow models

Key audit matter	How our audit addressed the key audit matter
	• compared the fair value of PDPs to recent PDP purchases and sale values. Where there were differences in value, determined whether the reasons were consistent with our knowledge of the business and the industry • considered the impact of operational and strategic initiatives upon fair value. Considered the Group's future plans and the intent and ability to achieve these plans. The models remain sensitive to the inherent uncertainty of predicting future cash flows based on limited historical information.
Borrowings *(Refer to note 5.d) [$129,034k]* The purchase of new PDPs is typically funded through a combination of available cash generated through operations, capital raising and borrowings from financial institutions. During the year ended 30 June 2018, additional financing was obtained through the issue of $40m medium term notes. At 30 June 2018, Pioneer Credit had a borrowing liability (current and non-current) of $129.0 million representing 90.2% of total liabilities. Borrowings as a percentage of the total PDP asset is 57.46% at 30 June 2018. During the financial year, Pioneer Credit increased the funds available under the Senior Debt Facility to $128.5 million and raised $40 million through medium term notes. The terms and conditions of the borrowings are detailed in note 10.d) of the financial report. The borrowing agreements contain financial covenants that Pioneer must comply with. Borrowings is a key number in the balance sheet and will remain an important funding mechanism for continued growth. Therefore, in our view, borrowings is important to the readers understanding of the financial report. As a result of these items we consider accounting for borrowings to be a key audit matter at 30 June 2018.	We obtained independent confirmations from the Group's banks for the Senior Debt Facility to test the amounts recorded in the financial statements. We read the most up-to-date agreements between Pioneer Credit and its financiers to obtain an understanding of the terms associated with the facilities and the amount of facility available for drawdown. For the medium term notes, we obtained the executed agreement and assessed the amount of the issue. We also verified the funds received to bank statements. Where debt is regarded as non-current, we tested the Group's assessment that they had the unconditional right to defer payment such that there were no repayments required within 12 months from the balance date.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Corporate Directory, Review of operations, Director's report, Corporate Governance Statement and Shareholder information, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company 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 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 are responsible for assessing the ability of the Group 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 either intend to liquidate the Group 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/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Pioneer Credit Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
24 August 2018

Shareholder information

The shareholder information set out below was applicable as at 10 August 2018.

Distribution of securities

a) Analysis of numbers of equity security holders by size of holding

Holding	Holders	Ordinary shares
1 – 1,000	625	302,890
1,001 – 5,000	1,031	2,906,713
5,001 – 10,000	415	3,187,177
10,001 – 100,000	596	16,141,968
100,001 and over	69	39,002,250
	2,736	61,540,998

There were zero holders of less than a marketable parcel of ordinary shares.

b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted securities are:

	Ordinary shares	
Name	Number held	Percentage of issued shares
JP Morgan Nominees Australia Limited	4,058,348	6.59%
Avy Nominees Pty Ltd	3,360,656	5.46%
HSBC Custody Nominees (Australia) Limited	3,327,565	5.41%
National Nominees Limited	3,242,845	5.27%
Wroxby Pty Ltd	2,689,298	4.37%
Citicorp Nominees Pty Limited	2,109,803	3.43%
BNP Paribas Nominees Pty Ltd	1,897,414	3.08%
BNP Paribas Noms Pty Ltd	1,384,037	2.25%
Midbridge Investments Pty Ltd	1,067,492	1.73%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	1,033,037	1.68%
Coolah Holdings Pty Ltd	725,000	1.18%
Wroxby Pty Ltd	700,000	1.14%
Niribi Pty Limited	693,164	1.13%
Neweconomy Com AU Nominees Pty Limited	647,749	1.05%
Citicorp Nominees Pty Limited	526,000	0.85%
Sharlin Nominees Pty Limited	453,944	0.74%
Ms Carole Vines	450,574	0.73%
UBS Nominees Pty Ltd	420,217	0.68%
James Arthur Singh & Kristy Nicole Milward	406,567	0.66%
Leslie Crockett	404,684	0.66%

c) Unquoted equity securities

	Options	
Name	Number held	Number of holders
Mr Michael Smith	100,000	1

	Indeterminate rights	
Name	Number held	Number of holders
Mr Keith R John	522,500	1

	Performance rights	
Name	Number held	Number of holders
Employee Incentive Plan	1,445,001	14

d) Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage of issued shares
Mr Keith R John	5,199,124	8.50%
Copia Investment Partners Limited	4,575,000	7.48%
Wroxby Pty Ltd	3,189,298	5.21%

Securities subject to voluntary escrow

Escrow ends	Class	Number of shares
6 July 2019	Ordinary shares	62,702
18 July 2020	Ordinary shares	49,837

e) Voting rights

At a general meeting of shareholders: every shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands every shareholder who is present in person or by proxy, attorney or representative has one vote; and on a poll every shareholder who is present in person or by proxy, attorney or representative has one vote for every share held, but, in respect of partly-paid shares, shall have a fraction of a vote for each partly-paid share.