Annual Report

for the year ended 30 June 2019

pioneer credit

Pioneer Credit Limited ABN 44 103 003 505
Annual Report - 30 June 2019

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 10 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 29 September 2019. 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 2019
(previous corresponding period 30 June 2018)

Results for announcement to the market

Key information	30 June 2019 $'000	30 June 2018 $'000	Change $'000	%
Revenue from ordinary activities	74,717	80,656	(5,939)	(7.36)%
Profit from ordinary activities after tax attributable to members	4,281	17,600	(13,319)	(75.68)%
Net profit for the period attributable to members	4,281	17,600	(13,319)	(75.68)%

Dividends per ordinary share / distributions

	Amount per security (cents)	Franked amount per security	Record date	Paid / Payable date
Final 2018 ordinary	7.71	100%	28/09/2018	26/10/2018
Interim 2019 ordinary	4.31	100%	01/04/2019	26/04/2019

There is no provision for a final dividend in respect of the year ended 30 June 2019. 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.

Financial Statements

Released with this Appendix 4E are the following statements:

- 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

Commentary

In this financial year, Purchased Debt Portfolio financial assets have been measured at amortised cost. This transition from fair value (FY18) is effective 1 July 2018.

Key ratios

	30 June 2019 (cents)	30 June 2018 (cents)
Net tangible assets per fully paid ordinary share	161.28	163.62
Basic earnings per fully paid ordinary share	6.88	28.88

No audit dispute or qualification on the financial statements

The Consolidated Financial Statements at 30 June 2019 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.

Basis of preparation

Material Uncertainty Related to Going Concern

The financial statements have been prepared on a going concern basis.

On 26 August 2019, Pioneer advised the market that it was not in a position to confirm its financial results under the amortised cost classification adopted for the year ended 30 June 2019 and noted it was possible that there would be a material difference in the expected Net Profit after Taxation (“NPAT”) previously disclosed to the market. Due to the complexities of the change in classification and measurement method of its Purchased Debt Portfolios (“PDPs”) and the development of its financial model to calculate the value of its PDPs under amortised cost (“AC”), the Company had not yet determined an appropriate carrying value and its auditors were not yet able to complete their audit.

During the completion of the financial statements for issue, the material difference in NPAT also flowed to the calculation of Earnings before Interest and Tax (“EBIT”) for the period. The reported NPAT, and as a result this difference in EBIT caused a breach of the interest cover financial covenant under the Company's Senior Financing Facility and resulted in a cross default under the Medium Term Notes (“Notes”).

The Company’s securities have remained voluntarily suspended from the ASX for more than 5 consecutive trading days, commencing 28 August 2019.

As a result, events of default have occurred and are subsisting under the Senior Financing Facility and the Notes.

While the Company has complied with the financial covenants of its Senior Financing Facility during FY19 except for the interest cover financial covenant as previously disclosed, while a default subsists, the Senior Financiers may (subject to the Standstill Agreement noted below) by notice to the Company do one or more of the following:

- declare that the secured money is immediately due and payable;
- declare that all or part of the outstanding amount is payable on demand;
- terminate the Senior Financiers’ obligations; and/or
- cancel all or any part of the facility limit with immediate effect.

The terms and conditions of the Notes (“Conditions”) provide that the rights of the Note Trustee, the Security Trustee and each Noteholder to take action against the Company as the Note Issuer upon the occurrence of an event of default are subject to the restrictions set out in the Finance Documents. The Intercreditor Deed between the Company's Senior Financiers and the Noteholders provides that no Note Trustee or Noteholder is entitled to take any Enforcement Action prior to the discharge date of the Senior Financing Facility. The Note Trust Deed similarly provides that the Note Trustee must not take Enforcement Action unless, amongst other things, the action is permitted under the Finance Documents. The Intercreditor Deed also provides for a drag-along mechanism binding the Noteholders in relation to amendments, waivers, consents or approvals given under a Senior Finance Document, subject to certain exceptions. Under the current circumstances outlined above, in the event the Senior Financiers take no action and the existing default is continuing, the Noteholders are not able to take any Enforcement Action other than in a limited set of circumstances where various conditions must first be satisfied. However, these conditions are largely dependent on the action of the Senior Financiers. One instance where the Noteholders are able to take Enforcement Action is where a period of at least 180 days has elapsed after an initial junior enforcement notice is issued plus at least a further 10 business days during which the default can be remedied or waived.

Under the Note Trust Deed, Enforcement Action means any action to enforce the Notes or the Trust Note Deed and, among other things, includes:

- declaring amounts due and payable; and
- taking action to wind-up the Issuer.

On 23 September 2019, the Company and various subsidiaries entered into a Standstill Agreement ("SA") with its Senior Financiers and the Security Trustee.

The Company continues to trade in the ordinary course of business, including the continued investment in its forward flow debt portfolio programme from free cash flow.

The purpose of the SA includes providing time for the parties to continue their work together to agree a way forward for Pioneer. Pioneer has engaged corporate advisors to seek and assess proposals which include:

- a sale of the Company as a going concern;
- pursuing financing options; and/or
- realisation of value by way of sale of some of the assets.

The SA provides, among other things, that subject to compliance with its terms, the Senior Financiers will not take any action in relation to the existing defaults, and will allow Pioneer to trade in the ordinary course of business, for a standstill period that will conclude, unless extended, on 14 October 2019. In the lead up to this date, the parties intend to continue discussions regarding the standstill period, including the time needed to implement the preferred solution(s) of the Company.

Pioneer also confirms that during the present term of the SA, no principal repayments or default interest are required to be paid to the Senior Financiers.

As noted above, following the voluntary ASX suspension of its securities for 5 consecutive trading days, an event of default occurred on the Notes issued in March 2018. As there is no reason to believe that the Company will not be able to meet its financial payment obligations under the Notes as and when they fall due, there is no expectation that any penalty interest will be payable.

At 30 June 2019 the Group had net current liabilities of $64.9m (FY18: net current assets of $72.4m). The working capital deficit was primarily caused by the classification of $169.4m of borrowings as current liabilities, due to the Senior Debt Facility expiring on 31 March 2020 and Medium Term note event of default.

The Company has net assets of $102.7m which include $92.7m of current balance of PDPs ($249.8m in total carrying amount) due from customers which are intended to be realised in cash over the next 12 months.

There can be no assurance that the Senior Financiers will extend the standstill period beyond 14 October 2019 in which case the Company will remain in default of the Senior Financing Facility and subject to notice of the exercise of the rights outlined.

There can be no assurance that the Noteholders do not exercise their Enforcement Rights as outlined above, provided such rights are able to be exercised subject to the restrictions in the Finance Documents, which may result in the declaration with required notice that the Notes become payable on demand.

Were this to occur, the cash flow forecast for the next 12 months demonstrates that without the ongoing successful operational and financial performance and completion of a restructuring of its Senior Financing Facility and Notes and / or recapitalisation through an equity capital raising and/or realisation of value by way of sale of some of the assets, the Company would be unable to repay its commitments under the Senior Financing Facility and Notes.

The above matters represent a material uncertainty that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that, as at the date of signing the financial statements, there are reasonable grounds to believe that the Group will be able to achieve a restructuring of its debt and/or recapitalisation through an equity raising or realisation of value by way of sale of some of the assets so that it will have sufficient funds to repay the Senior Financing Facility and the Notes, interest and creditors and to meet the long term funding needs of the business.

Taking into account the underlying assumptions from the cash flow projections of the Group, as well as the Group's ongoing discussions with its major stakeholders, the Directors believe it is likely to achieve the outcomes stated above to enable the Group and the Company to continue operations for the foreseeable future, and that the going concern basis of preparation of the accompanying consolidated financial statements remains appropriate.

For completeness, the accompanying consolidated financial statements do not include any adjustments relating to positive outcomes that may eventuate in connection with the assessment of proposals outlined above and nor do they include adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern. If the going concern assumption is no longer appropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments have not been made to these financial statements.

The attached annual financial statements contain an independent auditor's report which includes a reference to the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Pioneer Credit Limited ABN 44 103 003 505
Annual Report
for the year ended 30 June 2019

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 Monday 25 November 2019 at Exchange Tower Level 8, 2 The Esplanade Perth WA	
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

Key financial highlights for the year ended 30 June 2019 compared to the prior period equivalent[1] are:

- Cash receipts of $120.8m, up 14.7%
- Net Profit after Taxation of $4.3m down 75.7%
- Purchased Debt Portfolios (PDPs) held at Amortised Cost of $249.8m up 11.23% on prior year PDPs held at Fair Value through Profit or Loss (FVTPL)
- EBIT[2] of $13.2m down 54.1%
- EBITDA[3] of $63.4m up 16.7%

[1] Prior period is measured under the Fair Value through Profit or Loss classification ("FVTPL")
[2] Pioneer reports EBIT, calculated as earnings before interest and tax, a non-IFRS measure, as by excluding interest and tax the measure focuses directly on operating earnings. This alternative performance measure is reported in addition to, but not as a substitute for the performance measures reported in accordance to IFRS.
[3] Pioneer uses cash EBITDA, a non-IFRS measure, as an alternative cash based operating performance measure to better reflect its operational business performance and to enhance comparability between financial periods. This alternative performance measure is reported in addition to, but not as a substitute for the performance measures reported in accordance to IFRS. EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation (including Amoritisation of PDPs). The prior period cash EBITDA equivalent is measured using the net profit (earnings) reported under FVTPL with the Change in Value as an adjustment item.

The Net Profit after Taxation for the year ended 30 June 2019 was $4.3m (when classified and measured using amortised cost (AC)), compared to $17.6m (when classified and measured using fair value through profit or loss (FVTPL) for the prior period equivalent).

The non-IFRS measures of EBITDA and EBIT annotated above are reconciled as follows:

	2019 $000	**2018 $000**
Profit for the period from continuing operations	4,281	17,600
Interest earned on cash and cash equivalents	(38)	(33)
Interest paid/payable	6,673	3,860
Income tax expense	2,316	7,390
EBIT	13,232	28,817
Amortisation of PDPs	47,257	-
Change in value of PDPs at FVTPL	-	23,893
Depreciation and amortisation	2,937	1,625
EBITDA	63,426	54,335

Implementation of AASB 9 – *Financial Instruments*

AASB 9 – *Financial Instruments* replaced AASB 139 *Financial Instruments: Recognition and Measurement* effective for the year ended 30 June 2019. Under AASB 139 Pioneer measured its PDPs at fair value through profit or loss ("FVTPL"). As a result of the Company's program to prepare for the implementation of AASB 9, the Company determined that pursuant to AASB 9 PDP assets will continue to be designated at FVTPL. This was noted in our financial statements for the year ended 30 June 2018.

For our half-year report for 31 December 2018, our auditors issued a qualified review opinion noting that at "…*the date of this report, sufficient and appropriate information is not yet available for us to determine whether the Group's accounting judgement to apply an accounting policy to recognise and subsequently measure PDPs at fair value through profit or loss is appropriate or to assess the impact on the half year financial report of any adjustments that would be required if PDPs were initially recognised at fair value and subsequently measured at amortised cost*".

Further to this, and following the receipt of further technical advice, the Company announced that pursuant to AASB 9 it would adopt amortised cost (“AC”) for the classification and subsequent measurement of its PDPs.

Given the complexity of transitioning from one classification to another for purchased or credit impaired assets such as PDPs the Company engaged Deloitte to advise with respect to its interpretation of AASB 9 in the application and approach to the calculations of AC, both at transition and on an ongoing basis (including statistical applications), and in preparing our models to calculate AC.

Due to the complexities of the application of AC to our portfolio, in consultation with our auditors, further refinements to our calculations were deemed appropriate at year end.

While the outcome at a statutory level is disappointing, the Company advises that there has been no diminution in the Total Expected Liquidations which captures the expected timing and receipt of forecast cash flows from PDPs, but rather is a result of an increase in the discount rates used to calculate the present value of the cash flows for the purposes of determining the carrying amount (across both FVTPL and AC).

Our cash collections for the year remained strong and the growth metrics outlined below were not impacted by the change in accounting classification of PDPs:

- Cash Liquidations of $118.5m (up 16.5%) and representing a Cumulative Annual Growth Rate of 26%
- EBITDA of $63.9m (up 17.6%) and representing a Cumulative Annual Growth Rate of 27%

Operations

Since the commencement of its business, the Company has been focussed on building a differentiated servicing platform staffed with exceptional people, trying to achieve great outcomes for our customers. This approach has never wavered.

Over the past 10 years the Company has introduced a range of programmes into its business to increase the focus on customer outcomes, including our Pioneer Principles and the measurement of NPS or Net Promoter Score. And during the past few years we have noticed a change in community expectations where there is now greater emphasis and demand on all businesses, and particularly those in the financial services industry, to have a customer-first focus.

This change in expectations, which was enforced in the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, has been good for Pioneer.

We have been engaged with more vendors through FY19 than ever before. We acquired customer accounts from several different originators and we have had significant enquiry and engagement with potential new partners, which we expect will provide further opportunities in FY20 and beyond. More so, we acquired these customer accounts at the lowest price point in 8 years.

Capital management

The Company has net assets of $102.7m which include $92.7m of current PDPs (total carrying amount $249.8m) due from customers which will be realised in cash over the next 12 months.

The Company increased its banking facilities during the year by $10m, on terms that were unchanged. At 30 June 2019 the Group had a cash advance facility limit of $130m with borrowings drawn of $129.7m.

The Group issued $40m 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.

The basis of preparation note included in this report provides additional disclosures with respect the finance facilities.

Culture and people

Pioneer’s culture is the foundation of its success. Not just in the way we clearly, honestly and openly communicate with our stakeholders, but also with our vendors who know what we are doing as a business, how we perform and what they can expect from us.

The Pioneer Principles form the core of what we expect from every one of our team. They are enacted in every interaction and represent the behaviours and qualities used to recruit, recognise and retain our team.

The Net Promoter Score (NPS) system is used to measure our customer engagement and alignment to the Pioneer Principles. NPS is measured on a customer’s willingness to recommend Pioneer to a friend or family member. This survey is sent to customers at three key stages of their journey, including:-

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

This is our Pioneer Promise to customers and is used to improve our service offering to our customers and to recognise our team members. With a positive score of +14 we consistently demonstrate that our customers genuinely value their experience with Pioneer.

The Pioneer Principles

Employee Engagement

In August 2018 Pioneer introduced an Employee Wellness program. This program focusses on creating a thriving workplace by encouraging our team to prioritise overall wellbeing and lead healthier lives. The program provides key insights into employee wellbeing and the data obtained from this is being used to provide targeted wellbeing and engagement programs for our team. We are also now starting to understand the data collected from these programmes and their correlation between our NPS and customer satisfaction, compliance outcomes and operational performance.

Quality compliance and development framework

Pioneer’s compliance and development framework provides our team members with a clear path to producing positive outcomes for our customer. This framework, our collegiate and respectful culture and our well established Pioneer Principles, have been the key contributor to our unique 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 Company's compliance team acts as a key business partner and support service centre to the business. It seeks to ensure that best practice is achieved in the Operations area and its initiatives ensures that coaching opportunities are identified and high quality outcomes for all stakeholders are delivered.

Community engagement

Pioneer continues its long term commitment to making a positive contribution to the community.

Pioneer is a Gold Partner of the Starlight Children's Foundation. Starlight's mission is 'to brighten the lives of seriously ill children and their families'. In addition to corporate sponsorship, Pioneer raises awareness among our team members and facilitates volunteering opportunities.

In FY19 Pioneer entered a partnership with LifelineWA, who offer critical crisis support and suicide prevention services in Western Australia. Our team receive specialist training from Lifeline counsellors which enables us to better assist our customers, team mates and loved ones who may be experiencing mental health issues.

Pioneer sponsors the cancer fundraiser CAN4CANCER's Tour de Cure cycling event. Since the Tour de Cure's inception in 2007, it has raised over $40m for cancer research, support and prevention projects.

Pioneer is also the proud naming rights supporter of 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 FY19 Pioneer invested almost $500,000 in its community engagement programme, along with the investment of employee time, more than double its contributions in the previous year. Since listing the Company has now invested over $1m directly in the charitable organisations it supports.

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.

Basis of preparation

Material Uncertainty Related to Going Concern

The financial statements have been prepared on a going concern basis.

On 26 August 2019, Pioneer advised the market that it was not in a position to confirm its financial results under the amortised cost classification adopted for the year ended 30 June 2019 and noted it was possible that there would be a material difference in the expected Net Profit after Taxation ("NPAT") previously disclosed to the market. Due to the complexities of the change in classification and measurement method of its Purchased Debt Portfolios ("PDP's") and the development of its financial model to calculate the value of its PDPs under amortised cost ("AC"), the Company had not yet determined an appropriate carrying value and its auditors were not yet able to complete their audit.

During the completion of the financial statements for issue, the material difference in NPAT also flowed to the calculation of Earnings before Interest and Tax ("EBIT") for the period. The reported NPAT, and as a result this difference in EBIT caused a breach of the interest cover financial covenant under the Company's Senior Financing Facility and resulted in a cross default under the Medium Term Notes ("Notes").

The Company's securities have remained voluntarily suspended from the ASX for more than 5 consecutive trading days, commencing 28 August 2019.

As a result, events of default have occurred and are subsisting under the Senior Financing Facility and the Notes.

While the Company has complied with the financial covenants of its Senior Financing Facility during FY19 except for the interest cover financial covenant as previously disclosed, while a default subsists, the Senior Financiers may (subject to the Standstill Agreement noted below) by notice to the Company do one or more of the following:

- declare that the secured money is immediately due and payable;
- declare that all or part of the outstanding amount is payable on demand;
- terminate the Senior Financiers' obligations; and/or
- cancel all or any part of the facility limit with immediate effect.

The terms and conditions of the Notes ("Conditions") provide that the rights of the Note Trustee, the Security Trustee and each Noteholder to take action against the Company as the Note Issuer upon the occurrence of an event of default are subject to the restrictions set out in the Finance Documents. The Intercreditor Deed between the Company's Senior Financiers and the Noteholders provides that no Note Trustee or Noteholder is entitled to take any Enforcement Action prior to the discharge date of the Senior Financing Facility. The Note Trust Deed similarly provides that the Note Trustee must not take Enforcement Action unless, amongst other things, the action is permitted under the Finance Documents. The Intercreditor Deed also provides for a drag-along mechanism binding the Noteholders in relation to amendments, waivers, consents or approvals given under a Senior Finance Document, subject to certain exceptions. Under the current circumstances outlined above, in the event the Senior Financiers take no action and the existing default is continuing, the Noteholders are not able to take any Enforcement Action other than in a limited set of circumstances where various conditions must first be satisfied. However, these conditions are largely dependent on the action of the Senior Financiers. One instance where the Noteholders are able to take Enforcement Action is where a period of at least 180 days has elapsed after an initial junior enforcement notice is issued plus at least a further 10 business days during which the default can be remedied or waived.

Under the Note Trust Deed, Enforcement Action means any action to enforce the Notes or the Trust Note Deed and, among other things, includes:

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- taking action to wind-up the Issuer.

On 23 September 2019, the Company and various subsidiaries entered into a Standstill Agreement ("SA") with its Senior Financiers and the Security Trustee.

The Company continues to trade in the ordinary course of business, including the continued investment in its forward flow debt portfolio programme from free cash flow.

The purpose of the SA includes providing time for the parties to continue their work together to agree a way forward for Pioneer. Pioneer has engaged corporate advisors to seek and assess proposals which include:

- a sale of the Company as a going concern;
- pursuing financing options; and/or
- realisation of value by way of sale of some of the assets.

The SA provides, among other things, that subject to compliance with its terms, the Senior Financiers will not take any action in relation to the existing defaults, and will allow Pioneer to trade in the ordinary course of business, for a standstill period that will conclude, unless extended, on 14 October 2019. In the lead up to this date, the parties intend to continue discussions regarding the standstill period, including the time needed to implement the preferred solution(s) of the Company.

Pioneer also confirms that during the present term of the SA, no principal repayments or default interest are required to be paid to the Senior Financiers.

As noted above, following the voluntary ASX suspension of its securities for 5 consecutive trading days, an event of default occurred on the Notes issued in March 2018. As there is no reason to believe that the Company will not be able to meet its financial payment obligations under the Notes as and when they fall due, there is no expectation that any penalty interest will be payable.

At 30 June 2019 the Group had net current liabilities of $64.9m (FY18: net current assets of $72.4m). The working capital deficit was primarily caused by the classification of $169.4m of borrowings as current liabilities, due to the Senior Debt Facility expiring on 31 March 2020 and Medium Term note event of default.

The Company has net assets of $102.7m which include $92.7m of current balance of PDPs ($249.8m in total carrying amount) due from customers which are intended to be realised in cash over the next 12 months.

There can be no assurance that the Senior Financiers will extend the standstill period beyond 14 October 2019 in which case the Company will remain in default of the Senior Financing Facility and subject to notice of the exercise of the rights outlined.

There can be no assurance that the Noteholders do not exercise their Enforcement Rights as outlined above, provided such rights are able to be exercised subject to the restrictions in the Finance Documents, which may result in the declaration with required notice that the Notes become payable on demand.

Were this to occur, the cash flow forecast for the next 12 months demonstrates that without the ongoing successful operational and financial performance and completion of a restructuring of its Senior Financing Facility and Notes and / or recapitalisation through an equity capital raising and/or realisation of value by way of sale of some of the assets, the Company would be unable to repay its commitments under the Senior Financing Facility and Notes.

The above matters represent a material uncertainty that may cast a significant doubt on the Group’s and the Company’s ability to continue as a going concern, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that, as at the date of signing the financial statements, there are reasonable grounds to believe that the Group will be able to achieve a restructuring of its debt and/or recapitalisation through an equity raising or realisation of value by way of sale of some of the assets so that it will have sufficient funds to repay the Senior Financing Facility and the Notes, interest and creditors and to meet the long term funding needs of the business.

Taking into account the underlying assumptions from the cash flow projections of the Group, as well as the Group’s ongoing discussions with its major stakeholders, the Directors believe it is likely to achieve the outcomes stated above to enable the Group and the Company to continue operations for the foreseeable future, and that the going concern basis of preparation of the accompanying consolidated financial statements remains appropriate.

For completeness, the accompanying consolidated financial statements do not include any adjustments relating to positive outcomes that may eventuate in connection with the assessment of proposals outlined above and nor do they include adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern. If the going concern assumption is no longer appropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments have not been made to these financial statements.

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 2019.

Directors

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

Mr Michael Smith (Chairperson)
Mr Keith John
Mr Mark Dutton
Ms Andrea Hall
Ms Ann Robinson

Principal activities

Pioneer is a financial services provider that specialises in acquiring and servicing unsecured retail debt portfolios.

Pioneer provides high quality, flexible financial services support to help everyday Australians out of financial difficulty. Pioneer has the trust of long-term vendor partners to do the right thing and respectfully support customers to achieve their financial independence. Pioneer focuses on driving customer loyalty through our organisational values - the Pioneer Principles.

Dividends

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

Ordinary shares – Declared and paid during the year 2019	Total	Date of payment
Dividend on fully paid ordinary shares held at 28 September 2018	$4,752,521	26/10/2018
Dividend on fully paid ordinary shares held at 1 April 2019	$2,723,619	26/04/2019

Since the end of the financial year the Directors have not declared a final dividend.

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

Sale of Consumer Loan Portfolio

During the second half of the financial year Pioneer made the decision to cease lending under the Consumer Loan product offering given the regulatory uncertainty emerging late 1H19 and determined to manage the portfolio of customers to their loan maturities as contracted. Subsequent to 30 June 2019, Pioneer has made the decision to sell the Consumer Loan portfolio and has initiated a formal sales process with an Information Memorandum released on 18 September 2019. This decision to sell the Consumer Loan portfolio means that subsequent to year end, the portfolio is no longer held within a business model to collect contractual cash flows or held within a business model to collect contractual cash flows and sell financial assets. For this change in business model, the Consumer Loans portfolio would no longer meet the criteria to be measured at amortised cost or at fair value through other comprehensive income and would be reclassified to fair value through profit or loss. At 30 June 2019 the carrying value of the portfolio under amortised cost is $8.2m. As the outcomes arising are indicative of conditions that arose after reporting date there is no reclassification recognised at 30 June 2019 and the impact will be reported in the 2020 financial year.

The Basis of Preparation note outlines the events and impacts arising with respect to the Groups financing facility and the Directors' assessment of the going concern basis of preparation.

No other matter has arisen since 30 June 2019 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. 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 Automotive Holdings Group Ltd	19 Sep 2007 to 7 Sep 2015 6 May 2010 to 20 Nov 2015
Special responsibilities	Chairman of the Board Chairman of Nomination Committee Member of Remuneration Committee Member of Audit and Risk Management Committee	
Interests in shares and options	Ordinary Shares	695,940

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	5,236,624
	Indeterminate rights	1,022,500
	Medium Term Notes	40,000

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	122,330

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 Football Club and C-Wise. 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	18 Oct 2016 to 31 Jan 2018
	Evolution Mining Limited	from 1 October 2017
	Automotive Holdings Group Limited	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 overseas. She also has extensive experience in mergers and acquisitions, post-merger integration, commercial management and governance, from her executive roles at Wesfarmers Limited. Ms Robinson is a director of the Lionel Samson Sadleir Group, a member of the Rottnest Island Authority Board and a member of the Curtin University Audit, Risk and Compliance Committee.. Ms Robinson holds a Bachelor of Arts, Bachelor of Psychology and Graduate Diploma in Applied Finance and Investment, and is a graduate of the AICD.	
Listed Company Directorships including those held at any time in the previous 3 years	Nil	
Special responsibilities	Member of Nomination Committee Chair 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 2019 was:

Name	Board Meetings		Committee Meetings					
			Audit and Risk		Remuneration		Nomination	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Michael Smith	24	26	5	5	2	2	2	2
Mr Keith John	26	26	5	5	2	2	2	2
Mr Mark Dutton	26	26	5	5	2	2	2	2
Ms Andrea Hall	25	26	5	5	2	2	2	2
Ms Ann Robinson	26	26	5	5	2	2	2	2

Number of meetings held during the year, in the time the Director held office or was a committee member

Company Secretary

Ms Susan Symmons joined Pioneer as 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 2019.

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
Senior Executives	
Ms Lisa Stedman[2]	Chief Operating Officer
Mr Leslie Crockett	Chief Financial Officer
Mr Anthony Bird[1]	Chief Risk Officer
Ms Susan Symmons	Company Secretary

[1] Anthony Bird resigned as Chief Risk Officer effective 28 September 2018
[2] Lisa Stedman resigned as Chief Operating Officer effective 9 July 2019

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.

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.

To achieve this, the Board has determined that the Company will not award Short Term Incentives ("STIs") to any part of the management group, with the exception of Pioneer's Operations team.

The Operations team are still required to comply with the Pioneer Principles and strategic goals as part of ongoing employment. This part of the Pioneer team is particularly focused on the effective liquidation of our customer portfolios on a daily basis and given this operational time frame it is appropriate that they are incentivised with STIs reflecting annual targets. These annual targets are set to support the achievement of strong returns across Pioneer's portfolio and business.

These terms of the Rights are as follows:

1. Rights vest on service conditions only, to align with the life of the assets Pioneer acquired
2. Rights vest over a period of 3 to 5 years
3. Rights are issued for Nil consideration
4. Performance Rights convert to ordinary shares in the capital of Pioneer on a one-for-one basis
5. Indeterminate Rights may convert to ordinary shares in the capital of Pioneer on a one-for-one basis or, alternatively, the Board may determine in its absolute discretion that a vested Indeterminate Right will be satisfied by the Company making a cash payment in lieu of allocating Shares at the 5 days Volume Weighted Average Price ("VWAP") prior to each vesting date.

The following table shows the statutory key performance indicators of the group over the last five years

	2019 $000	2018 $000	2017 $000	2016 $000	2015 $000
Profit for the year attributable to owners of the Group	4,281	17,600	10,753	9,450	7,441
Basic earnings per share (cents)	6.88	28.88	20.77	20.36	16.40
Dividend payments paid in financial year	7,476	7,273	5,169	4,736	2,201
- Paid and relating to prior years 2H performance	4,752	3,219	3,071	3,085	1,407
- Paid and relating to current year 1H performance	2,724	4,054	2,098	1,651	794
Dividend payout ratio[1]	N/A	50%	49%	50%	52%
Increase/(decrease) in share price	(14.8)%	33.2%	38.1%	8.1%	1.3%

[1] Dividend payout ratio for FY18 and prior is calculated based on dividends paid as a ratio to the reported profit for the financial year performance from which the dividend was declared.

For FY19 the dividend payment of $2.7m was declared based on the half year reported profit of $5.5m. The dividend payout ratio was therefore 50% for this payment and it is not meaningful to present this for the full year profit as now reported.

2. Remuneration governance

2.1. Role of the Remuneration Committee

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

a) Base salaries for executives and Board and Committee fees for non-executive Directors;
b) Short term incentives for senior executives; and
c) 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.

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 nor that of their peers.

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.

The Company sought external remuneration advice for senior executive remuneration during the financial year.

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 days trading window period commencing 7 days after the release of the final and half yearly financial results and after the Annual General Meeting.

During this financial year there was no trading window period after the release of the half year financial results and a trading policy prohibition on trading the Company's securities remained in place.

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.

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. In that regard, executives and senior management are primarily incentivised with long term performance or indeterminate rights and no executive was paid any Short term incentive (STI).

Structuring employee remuneration to 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 team that is focused on making decisions for the long-term health and growth of the Company.

Executives 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 commencing at 3 years after the grant of the award and up to five years from that date. This structure ensures executives are incentivised to continue delivering sustainable long-term earnings of the business.

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 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 executives is reviewed at least annually. There is no guaranteed increase in any executive's employment contract. Any remuneration reviews are determined independent of any performance review.

3.3. Short term incentive

No executive was paid a Short term incentive during FY19.

3.4. Long term incentives

At the Annual General Meeting held on 29 October 2014, shareholders approved the Pioneer Credit Equity Incentive Plan ('the Plan'). At the 2017 Annual General Meeting the Company refreshed the Plan under ASX Listing Rule 7.2 (Exception 9(b)) with minor referencing amendments made.

Objective

The Plan provides participants with an equity incentive that recognises their contribution to the achievement by the Company of its strategic goals and to provide a means of attracting, rewarding and retaining skilled employees. Proposed grants of LTI are awarded retrospectively after considering the performance of the executives over the previous 12 months and then considered with the executives' relative value to the business in the future.

Participation

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

Assessment of performance

The Board reviews and approves the performance assessment and any LTI award for each eligible executive. The grant approved in the financial year recognised performance and contribution of the participants in delivering shareholder value for FY19 evidenced by sustainable earnings growth through disciplined PDP purchasing 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 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 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.

3.4.1. Long term incentive awards in place during the year

LTI awards were made under the Plan on 28 September 2018 and 29 November 2018 as follows:

Instrument	**Performance rights for ordinary shares**		
Quantum	380,000 performance rights		
Grant Date	28 September 2018		
Key performance measures	Employment at vesting date		
Performance period	28 September 2018 to 1 July 2023		
Dividends	No dividends are paid on performance rights yet to vest		
Fair value, vesting date and vesting period schedule	$2.83	1 July 2021	15%
	$2.69	1 July 2022	25%
	$2.55	1 July 2023	60%

Instrument	**Indeterminate rights for ordinary shares**		
Quantum	500,000 indeterminate rights		
Grant Date	29 November 2018		
Key performance measures	Employment at vesting date		
Performance period	29 November 2018 to 1 July 2023		
Dividends	No dividends are paid on indeterminate rights yet to vest		
Fair value, vesting date and vesting period schedule	$2.53	1 July 2021	25%
	$2.40	1 July 2022	60%
	$2.27	1 July 2023	15%

Performance rights and indeterminate rights by their nature do not have an exercise price. None of the above performance or indeterminate rights have vested during FY19.

500,000 Indeterminate rights were awarded following shareholder approval at the 27 October 2017 AGM. None of those Indeterminate Rights have vested to date.

150,000 Indeterminate rights were awarded following shareholder approval at the 29 October 2014 AGM. All of these rights have vested as follows:

- 90,000 vested on 1 July 2017 and the Board, in their absolute discretion made a cash payment to Mr John at the 5 day VWAP prior to 1 July 2017, which was $2.2864/share.
- 37,500 vested on 1 July 2018 and the Board, in their absolute discretion issued fully paid ordinary shares.
- 22,500 vested on 1 July 2019 and the Board, in their absolute discretion issued fully paid ordinary shares.

4. Non-Executive Director arrangements

On appointment to the Board each Non-Executive Director enters 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 and no increase was recommended for FY19. Non-Executive Directors fees for FY19 were:

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

No committee fees were 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.

The maximum pool of non-executive director fees approved by shareholders at the AGM was $800,000.

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								
2019	160,000	-	-	15,200	-	-	-	175,200
2018	150,000	-	-	14,250	-	-	-	164,250
Mr Mark Dutton								
2019	100,000	-	-	9,500	-	-	-	109,500
2018	92,500	-	-	8,788	-	-	-	101,288
Ms Andrea Hall								
2019	100,000	-	-	9,500	-	-	-	109,500
2018	94,625	-	-	8,989	-	-	-	103,614
Ms Ann Robinson								
2019	100,000	-	-	9,500	-	-	-	109,500
2018	34,231	-	-	3,252	-	-	-	37,483
Total								
2019	460,000	-	-	43,700	-	-	-	503,700
2018	371,356	-	-	35,279	-	-	-	406,635

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	Indeterminate Rights	Total
Mr Keith John								
2019	671,119	11,844	87,996	25,000	-	-	576,358	1,372,317
2018	585,050	11,820	30,398	25,000	-	-	264,296	916,564

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	Performance Rights	Total
Ms Lisa Stedman[1]								
2019	339,711	11,844	25,100	25,000	-	-	20,576	422,231
2018	324,178	11,820	13,065	22,150	90,000	2,850	297,562	761,625
Mr Leslie Crockett								
2019	411,779	11,844	23,773	25,000	-	-	382,095	854,491
2018	374,999	11,820	37,035	24,607	-	-	293,216	741,677
Mr Anthony Bird[2]								
2019	110,625	-	-	5,743	-	-	-	116,368
2018	308,000	6,642	13,202	25,000	-	-	80,053	432,897
Ms Susan Symmons								
2019	244,788	11,844	5,107	22,485	-	-	187,489	471,713
2018	233,923	5,178	6,688	22,227	-	-	190,585	458,601
Total								
2019	1,778,022	47,376	141,976	103,228	-	-	1,166,518	3,237,120
2018	1,826,150	47,280	100,388	118,984	90,000	2,850	1,125,712	3,311,364

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	Indeterminate and performance Rights	Total
2019	2,238,022	47,376	141,976	146,928	-	-	1,166,518	3,740,820
2018	2,197,506	47,280	100,388	154,263	90,000	2,850	1,125,712	3,717,999

[1] Lisa Stedman resigned as Chief Operating Officer effective 9 July 2019
[2] Anthony Bird resigned as Chief Risk Officer effective 28 September 2018

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	2019	58%	-	42%
Executive Key Management Personnel				
Ms Lisa Stedman	2019	95%	0%	5%
Mr Leslie Crockett	2019	55%	-	45%
Ms Susan Symmons	2019	60%	-	40%

5.3. Contractual arrangements with senior executives

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

Employee	Position	Salary	Term of agreement and notice period
Mr Keith John	Managing Director	$672,807 per annum plus superannuation	Continuing agreement with 12 months' notice by either party
Ms Lisa Stedman[1]	Chief Operating Officer	$340,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Leslie Crockett	Chief Financial Officer	$412,500 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Ms Susan Symmons	Company Secretary	$245,000 per annum plus superannuation	Continuing agreement with 3 months' notice by either party
Mr Anthony Bird[2]	Chief Risk Officer	$308,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party

[1] Lisa Stedman resigned as Chief Operating Officer effective 9 July 2019
[2] Anthony Bird resigned as Chief Risk Officer effective 28 September 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	250,000	-	250,000	(250,000)	-	-	-

On 7 February 2014, the company established a share option scheme that entitled the holder to purchase 300,000 shares in the company at an exercise price of $1.92. 50,000 Options, with a vesting date of 4 April 2016, were exercised in FY18, the remaining 250,000 options, with a vesting date of 4 April 2017, were exercised during the period. The share price on 4 April 2016 was $1.69 and on 4 April 2017 was $2.10.

Performance rights or indeterminate rights

Name	Issued balance at the start of the year	Granted as compensation	Vested and exercised	Balance at the end of the year	Unvested
Indeterminate Rights Executive Director					
Mr Keith John	560,000	500,000	(37,500)	1,022,500	1,022,500
Performance Rights Executive Key Management Personnel					
Ms Lisa Stedman	310,000	100,000	(67,500)	342,500	342,500
Mr Leslie Crockett	310,000	250,000	(50,000)	510,000	510,000
Mr Anthony Bird	7,500	-	(7,500)	-	-
Ms Susan Symmons	150,000	30,000	(12,500)	167,500	167,500
Total - Performance rights	777,500	380,000	(137,500)	1,020,000	1,020,000
Total	1,337,500	880,000	(175,000)	2,042,500	2,042,500

No performance or indeterminate rights are held nominally.
Performance rights and indeterminate rights by their nature do not have an exercise price.

Refer to 3.4.1 for additional information with regards to vesting dates and fair value.

Executive Share Plan

Name	Issued balance at the start of the year	Granted as compensation	Repaid during the year	Balance at the end of the year
Executive Share Plan Executive Key Management Personnel				
Ms Lisa Stedman	250,000	-	-	250,000
Mr Leslie Crockett	250,000	-	-	250,000
Mr Anthony Bird	250,000	-	(250,000)	-
Ms Susan Symmons	250,000	-	-	250,000
Total	1,000,000	-	(250,000)	750,000

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	415,634	280,306	695,940	382,282
Mr Mark Dutton	117,003	5,327	122,330	122,330
Ms Ann Robinson	15,000	-	15,000	15,000
Total – Non-Executive Directors	547,637	285,633	833,270	519,612
Executive Director				
Mr Keith John	5,199,124	37,500	5,236,624	5,199,124
Executive Key Management Personnel				
Ms Lisa Stedman[1]	323,080	67,500	390,580	-
Mr Leslie Crockett	509,417	50,000	559,417	404,684
Mr Anthony Bird[2]	307,767	(307,767)	-	-
Ms Susan Symmons	275,063	12,894	287,957	9,058
Total – Executive Key Management Personnel	1,415,327	(177,373)	1,237,954	413,742
Total	7,162,088	145,760	7,307,848	6,132,478

[1] Lisa Stedman resigned as Chief Operating Officer effective 9 July 2019
[2] Anthony Bird resigned as Chief Risk Officer effective 28 September 2018

7. Terms and conditions of share-based payment arrangements

Unlisted options

250,000 options vested during FY19.

No options were on issue at 30 June 2019.

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 ("Loan"). 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.

One executive left the Company in FY19 and settled their share purchase facility. 750,000 shares remain on issue under the Loan.

On 18 March 2019 the Loan Facility Agreement was modified by the Board for one Executive who had resigned, to extend the term of their Loan given the circumstances which had resulted in no trading windows being available to Restricted Persons. On 29 May 2019 the Loan Facility Agreement was amended by the Board to clarify its intention that annual loan repayment requirements would be satisfied by the dividends paid on the shares during the term of the loan.

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 2022, is at arm's length terms and for the year ended 30 June 2019 the total amount of $78,912 was paid to JFPIT in respect of the lease. No amount was owing to the related party at 30 June 2019.

Shares issued on the exercise of options

250,000 shares were issued to KMP during the reporting period on the exercise of options at the exercise price of $1.92.

The Company has no further options on issue.

Insurance of officers

During the year the Company paid a premium of $65,988 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.

	2019 $	2018 $
Taxation services		
PricewaterhouseCoopers Australia		
Tax compliance services	-	1,683
Total remuneration for taxation services	-	1,683
Other services		
PricewaterhouseCoopers Australia		
Compliance and accounting advice	-	110,000
International Network firms of PricewaterhouseCoopers Australia		
Payroll and registration services	11,345	56,785
Total remuneration for other services	11,345	166,785
Total remuneration for non-audit services	11,345	168,468

A copy of the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is on page 25.

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
29 September 2019

Auditor's Independence Declaration

As lead auditor for the audit of Pioneer Credit Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
29 September 2019

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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 (4th edition) published by the ASX Corporate Governance Council.

The 2019 Corporate Governance Statement is dated 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year and was approved by the Board on 29 July 2019. The Group's Corporate Governance Statement can be viewed at: https://corporate.pioneercredit.com.au/wp-content/uploads/2019/07/Corporate-Governance-Statement-Final.pdf.

Financial Statements

Pioneer Credit Limited ABN 44 103 003 505
Annual Report - 30 June 2019

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 29 September 2019. The Directors have the authority to amend and reissue the financial statements.

Consolidated statement of comprehensive income

	Note	2019 $'000	2018 $'000
Interest income at amortised cost	3	**58,072**	45
Fair value gain on PDPs at FVTPL	3	**-**	77,780
Net impairment gains / losses on PDPs at amortised cost	3	**12,014**	-
Net gains on derecognition of assets at amortised cost	3	**2,154**	-
Other income	3	**3,072**	3,722
		75,312	81,547
Employee expenses		**(39,916)**	(35,441)
Finance expenses	4	**(8,422)**	(5,236)
Information technology and communications		**(4,235)**	(3,276)
Direct expenses		**(3,515)**	(3,679)
Rental expenses		**(3,340)**	(2,892)
Depreciation and amortisation	4	**(2,937)**	(1,625)
Other expenses		**(2,578)**	(1,828)
Professional expenses		**(2,114)**	(1,563)
Impairment of intangible assets		**(855)**	-
Travel and entertainment		**(650)**	(670)
Net impairment losses on financial assets		**(153)**	(287)
Share of net loss of associate accounted for using the equity method		**-**	(60)
Profit before income tax		**6,597**	24,990
Income tax expense	5	**(2,316)**	(7,390)
Profit for the period from continuing operations		**4,281**	17,600
Total comprehensive income for the year is attributable to:			
Owners of Pioneer Credit Limited		**4,281**	17,600
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	22(a)	**6.88**	28.88
Diluted earnings per share	22(b)	**6.54**	27.72

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

Consolidated balance sheet

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**11,184**	3,410
Trade and other receivables	7(a)	**2,185**	3,065
Consumer loans	7(a)	**1,472**	747
Other current assets	7(a)	**762**	1,328
Assets classified as held for sale		**-**	704
Current tax asset		**5,404**	-
PDP Financial assets	7(b)	**92,711**	76,461
Total current assets		**113,718**	85,715
Non-current assets			
Consumer loans	7(a)	**6,738**	2,065
Property, plant and equipment	8(a)	**4,054**	4,785
Deferred tax assets	8(b)	**212**	1,319
Intangible assets	8(c)	**1,502**	2,296
Other non-current assets	7(a)	**720**	518
PDP Financial assets	7(b)	**157,065**	148,100
Total non-current assets		**170,291**	159,083
Total assets		**284,009**	244,798
LIABILITIES			
Current liabilities			
Trade and other payables	7(c)	**4,356**	3,935
Borrowings	7(d)	**169,394**	2,172
Current tax liabilities		**-**	2,109
Provisions	8(d)	**373**	278
Accruals and other liabilities	7(c)	**4,586**	4,854
Total current liabilities		**178,709**	13,348
Non-current liabilities			
Borrowings	7(d)	**-**	126,862
Provisions	8(d)	**841**	716
Other liabilities		**1,720**	2,158
Total non-current liabilities		**2,561**	129,736
Total liabilities		**181,270**	143,084
Net assets		**102,739**	101,714
EQUITY			
Contributed equity	9(a)	**78,131**	71,779
Reserves	9(g)	**4,032**	2,969
Retained earnings	9(h)	**20,576**	26,966
Capital and reserves attributable to the owners of Pioneer Credit Limited		**102,739**	101,714
Total equity		**102,739**	101,714

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 2018		**71,779**	**2,969**	**26,966**	**101,714**
Impact of adopting AASB 9 (net of tax)		**-**	**-**	**(3,195)**	**(3,195)**
Total comprehensive income for the year		**-**	**-**	**4,281**	**4,281**
		71,779	**2,969**	**28,052**	**102,800**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	9(a)	**166**	**-**	**-**	**166**
Acquisition of treasury shares	9(a)	**(550)**	**-**	**-**	**(550)**
Employee share scheme	9(a)	**61**	**-**	**-**	**61**
Dividend reinvestment plan	9(a)	**4,830**	**-**	**-**	**4,830**
Treasury shares and share based payments	9(g)	**-**	**1,856**	**-**	**1,856**
Issue of treasury shares to employees	9(g)	**793**	**(793)**	**-**	**-**
Equity plans	9(a)	**1,052**	**-**	**-**	**1,052**
Dividends declared and paid	13(b)	**-**	**-**	**(7,476)**	**(7,476)**
		6,352	**1,063**	**(7,476)**	**(61)**
Balance at 30 June 2019		**78,131**	**4,032**	**20,576**	**102,739**
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	9(a)	138	-	-	138
Acquisition of treasury shares	9(a)	(1,650)	-	-	(1,650)
Employee share scheme	9(a)	104	-	-	104
Dividend reinvestment plan	9(a)	1,017	-	-	1,017
Treasury shares and share based payments	9(g)	-	1,394	-	1,394
Issue of treasury shares to employees	9(g)	819	(819)	-	-
Options exercised	9(a)	96	-	-	96
Dividends declared and paid	13(b)	-	-	(7,273)	(7,273)
		524	575	(7,273)	(6,174)
Balance at 30 June 2018		71,779	2,969	26,966	101,714

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

Consolidated statement of cash flows

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from liquidations of PDPs and services (inclusive of goods and services tax)		**120,842**	105,328
Payments to suppliers and employees (inclusive of goods and services tax)		**(55,271)**	(47,296)
		65,571	58,032
Interest received	3	**38**	33
Interest paid		**(6,678)**	(3,584)
Net income taxation paid		**(7,353)**	(5,972)
Net cash inflow from operating activities before changes in operating assets	10(a)	**51,578**	48,509
Changes in operating assets arising from cash flow movements			
Net consumer loans advanced		**(5,455)**	(3,058)
Interest received on consumer loans		**963**	33
		(4,492)	(3,025)
Net cash inflow from operating activities		**47,086**	45,484
Cash flows from investing activities			
Payments for property, plant and equipment		**(524)**	(1,756)
Receipts for property, plant and equipment		**782**	-
Payments for intangible assets		**(1,724)**	(1,743)
Acquisitions of PDP financial assets		**(76,643)**	(84,431)
Net receipts from other investments		**937**	2,007
Net cash outflow from investing activities		**(77,172)**	(85,923)
Cash flows from financing activities			
Payments for shares acquired by the Incentive Plan Trust	9(a)	**(550)**	(1,650)
Proceeds from borrowings		**40,923**	87,265
Repayment of borrowings		**(1,053)**	(37,612)
Bond transaction costs		**(17)**	(1,278)
Dividends paid to Company's shareholders	13(b)	**(7,476)**	(7,273)
Proceeds from issue of ordinary shares and DRP		**5,312**	1,258
Treasury shares and KMP loan repayments		**721**	-
Net cash inflow from financing activities		**37,860**	40,710
Net increase in cash and cash equivalents		**7,774**	271
Cash and cash equivalents at the beginning of the financial year		**3,410**	3,139
Cash and cash equivalents at the end of the year		**11,184**	3,410

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. 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).

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.

At 30 June 2019 the Group had net current liabilities of $64.9m (FY18: net current assets of $72.4m). The working capital deficit was primarily caused by the classification of $169.4m of borrowings as current liabilities, due to the Senior Debt Facility expiring on 31 March 2020 and Medium Term note event of default.

Material Uncertainty Related to Going Concern

The financial statements have been prepared on a going concern basis.

On 26 August 2019, Pioneer advised the market that it was not in a position to confirm its financial results under the amortised cost classification adopted for the year ended 30 June 2019 and noted it was possible that there would be a material difference in the expected Net Profit after Taxation ("NPAT") previously disclosed to the market. Due to the complexities of the change in classification and measurement method of its Purchased Debt Portfolios ("PDPs") and the development of its financial model to calculate the value of its PDPs under amortised cost ("AC"), the Company had not yet determined an appropriate carrying value and its auditors were not yet able to complete their audit.

During the completion of the financial statements for issue, the material difference in NPAT also flowed to the calculation of Earnings before Interest and Tax ("EBIT") for the period. The reported NPAT, and as a result this difference in EBIT caused a breach of the interest cover financial covenant under the Company's Senior Financing Facility and resulted in a cross default under the Medium Term Notes ("Notes").

The Company's securities have remained voluntarily suspended from the ASX for more than 5 consecutive trading days, commencing 28 August 2019.

As a result, events of default have occurred and are subsisting under the Senior Financing Facility and the Notes.

While the Company has complied with the financial covenants of its Senior Financing Facility during FY19 except for the interest cover financial covenant as previously disclosed, while a default subsists, the Senior Financiers may (subject to the Standstill Agreement noted below) by notice to the Company do one or more of the following:

- declare that the secured money is immediately due and payable;
- declare that all or part of the outstanding amount is payable on demand;
- terminate the Senior Financiers' obligations; and/or
- cancel all or any part of the facility limit with immediate effect.

The terms and conditions of the Notes ("Conditions") provide that the rights of the Note Trustee, the Security Trustee and each Noteholder to take action against the Company as the Note Issuer upon the occurrence of an event of default are subject to the restrictions set out in the Finance Documents. The Intercreditor Deed between the Company's Senior Financiers and the Noteholders provides that no Note Trustee or Noteholder is entitled to take any Enforcement Action prior to the discharge date of the Senior Financing Facility. The Note Trust Deed similarly provides that the Note Trustee must not take Enforcement Action unless, amongst other things, the action is permitted under the Finance Documents. The Intercreditor Deed also provides for a drag-along mechanism binding the Noteholders in relation to amendments, waivers, consents or approvals given under a Senior Finance Document, subject to certain exceptions. Under the current circumstances outlined above, in the event the Senior Financiers take no action and the existing default is continuing, the Noteholders are not able to take any Enforcement Action other than in a limited set of circumstances where various conditions must first be satisfied. However, these conditions are largely dependent on the action of the Senior Financiers. One instance where the Noteholders are able to take Enforcement Action is where a period of at least 180 days has elapsed after an initial junior enforcement notice is issued plus at least a further 10 business days during which the default can be remedied or waived.

Under the Note Trust Deed, Enforcement Action means any action to enforce the Notes or the Trust Note Deed and, among other things, includes:

- declaring amounts due and payable; and
- taking action to wind-up the Issuer.

On 23 September 2019, the Company and various subsidiaries entered into a Standstill Agreement ("SA") with its Senior Financiers and the Security Trustee.

The Company continues to trade in the ordinary course of business, including the continued investment in its forward flow debt portfolio programme from free cashflow.

The purpose of the SA includes providing time for the parties to continue their work together to agree a way forward for Pioneer. Pioneer has engaged corporate advisors to seek and assess proposals which include:

- a sale of the Company as a going concern;
- pursuing financing options; and/or
- realisation of value by way of sale of some of the assets.

The SA provides, among other things, that subject to compliance with its terms, the Senior Financiers will not take any action in relation to the existing defaults, and will allow Pioneer to trade in the ordinary course of business, for a standstill period that will conclude, unless extended, on 14 October 2019. In the lead up to this date, the parties intend to continue discussions regarding the standstill period, including the time needed to implement the preferred solutions of the Company.

Pioneer also confirms that during the present term of the SA, no principal repayments or default interest are required to be paid to the Senior Financiers.

As noted above, following the voluntary ASX suspension of its securities for 5 consecutive trading days, an event of default occurred on the Notes issued in March 2018. As there is no reason to believe that the Company will not be able to meet its financial payment obligations under the Notes as and when they fall due, there is no expectation that any penalty interest will be payable.

At 30 June 2019 the Group had net current liabilities of $64.9m (FY18: net current assets of $72.4m). The working capital deficit was primarily caused by the classification of $169.4m of borrowings as current liabilities, due to the Senior Debt Facility expiring on 31 March 2020 and Medium Term note event of default.

The Company has net assets of $102.7m which include $92.7m of current balance of PDPs ($249.8m in total carrying amount) due from customers which are intended to be realised in cash over the next 12 months.

There can be no assurance that the Senior Financiers will extend the standstill period beyond 14 October 2019 in which case the Company will remain in default of the Senior Financing Facility and subject to notice of the exercise of the rights outlined.

There can be no assurance that the Noteholders do not exercise their Enforcement Rights as outlined above, provided such rights are able to be exercised subject to the restrictions in the Finance Documents, which may result in the declaration with required notice that the Notes become payable on demand.

Were this to occur, the cashflow forecast for the next 12 months demonstrates that without the ongoing successful operational and financial performance and completion of a restructuring of its Senior Financing Facility and Notes and / or recapitalisation through an equity capital raising and/or realisation of value by way of sale of some of the assets, the Company would be unable to repay its commitments under the Senior Financing Facility and Notes.

The above matters represent a material uncertainty that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that, as at the date of signing the financial statements, there are reasonable grounds to believe that the Group will be able to achieve a restructuring of its debt and/or recapitalisation through an equity raising or realisation of value by way of sale of some of the assets so that it will have sufficient funds to repay the Senior Financing Facility and the Notes, interest and creditors and to meet the long term funding needs of the business.

Taking into account the underlying assumptions from the cash flow projections of the Group, as well as the Group's ongoing discussions with its major stakeholders, the Directors believe it is likely to achieve the outcomes stated above to enable the Group and the Company to continue operations for the foreseeable future, and that the going concern basis of preparation of the accompanying consolidated financial statements remains appropriate.

For completeness, the accompanying consolidated financial statements do not include any adjustments relating to positive outcomes that may eventuate in connection with the assessment of proposals outlined above and nor do they include adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern. If the going concern assumption is no longer appropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments have not been made to these financial statements.

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 11.

Changes to presentation

Certain classifications on the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New standards and interpretations adopted

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* is applicable to annual reporting periods commencing on or after 1 January 2018, and has been adopted by the Group with effect from 1 July 2018.

AASB 9 replaces AASB 139 and addresses classification, measurement and derecognition of financial assets and liabilities, the impairment of financial assets measured at amortised cost or fair value through other comprehensive income, expected credit loss ("ECL") provisions for loan commitments and financial guarantee contracts and general hedge accounting.

AASB 9 requires financial assets to be classified into one of the following measurement categories: fair value through profit or loss, fair value through other comprehensive income or amortised cost. Classification is made on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. The standard also retains most of the requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income.

AASB 9 replaces the AASB 139 'incurred loss' impairment approach with an 'expected credit loss' approach. The revised approach applies to financial assets recorded at amortised cost or fair value through other comprehensive income. The expected credit loss approach requires an allowance to be established upon initial recognition of an asset reflecting the level of losses anticipated after having regard to, amongst other things, expected future economic conditions. Subsequently the amount of the allowance is affected by changes in the expectations of loss driven by changes in associated credit risk. Purchased or originated credit-impaired financial assets ("POCI") are financial assets classified at amortised cost that are purchased or originated at a deep discount that reflects incurred credit losses. At initial recognition, POCI assets do not carry a separate impairment allowance; instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. All changes in lifetime expected credit losses subsequent to the assets' initial recognition are recognised as an impairment change.

In adopting AASB 9, the Group has reclassified purchased debt portfolios from financial assets at fair value through profit or loss to financial assets measured at amortised cost, resulting in a corresponding decrease in the carrying value recorded at 1 July 2018 of $4.6m compared to the amount previously reported at 30 June 2018. In accordance with the transition requirements of AASB 9, comparative information for FY18 has not been restated and transitional adjustments have been accounted for through retained earnings as at 1 July 2018, the date of initial application; and as a result shareholders' equity decreased by $3.2m and deferred tax assets increased by $1.4m, following the reclassification of purchased debt portfolios to be measured at amortised cost. The adoption of AASB 9 also impacts income tax and deferred tax, both at transition and ongoing.

PDP assets are considered to be 'purchased or originated credit impaired' under AASB 9 and, as such, the impairment charge on these assets is, on initial recognition, captured within the carrying amount of the asset. Any additional impairment movement is recognised only for the cumulative changes in lifetime expected credit losses since initial recognition against the asset's carrying amount.

In calculating the carrying value of the assets based on expected future cash flows, inclusive of an impairment charge, Pioneer make a probability-weighted estimate by evaluating a range of possible outcomes and taking into account the time value of money, past events, current and future economic conditions. All PDP assets are considered at a tranche level as these are relatively homogoneous based on shared credit risk characteristics exhibited by purchased credit-impaired debt.

The carrying value of an asset incorporates credit risk factors to project future cash flows of each future month of the exposure's expected life. There are a number of key risk characteristics that are considered in forecasting future cash flows. The impact of these variables on forecasted cash flows is based upon observed and analysed historical data that has been used in the development of internal models. Management incorporates forward-looking macroeconomic calibration in calculating the forecast cash flows. Management, is responsible for the identification and determination of the impact of economic factors which are approved by the ARMC and Board. Research material is drawn from multiple sources with key material made available to Pioneer by the CBA Economics Research team as well as Westpac Economics team, including the extensive material made available through the Westpac IQ research forum. The Westpac-Melbourne Institute of Economic Research continues to be an important source of commentary and supporting statistics on the highly relevant consumer sentiment index.

Write-off policy

When the Group has exhausted all practical recovery methods, and there is no reasonable expectation of recovering cash flows from the financial asset, the financial asset is written off, either partially or in full. Recovery methods include implementation and management of payment plans and mutliple attempted communication with the customer to tailor an appropriate outcome. The portfolio is regularly reviewed for accounts that have become statute barred and these are written off. Recovery methods are considered to be exhausted when all methods have been attempted without success. The majority of assets are unsecured, where possible consideration is given to collateral recovery.

The Group holds preference shares which are not traded in an active market. The shares, which were convertible notes at 30 June 2018, were previously accounted for at cost consistent with the application of the requirements of AASB 139. Under AASB 9, the preference shares have been reassessed and the asset does not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Consequently as an equity instrument it is now measured at fair value through profit or loss.

Consumer Loan products are carried at amortised cost under AASB 9.

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 has been based on an expected loss model based on unbiased forward looking information replacing the previous incurred loss model which only recognised impairment if there was objective evidence that a loss had incurred.

The Group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- receivables from consumer loans; and
- trade receivables from the provision of services.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date.

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. Based on the assessment performed, no adjustment is required to the Group's opening equity.

	Consumer loans[1] $'000	Trade and other receivables $'000	Total $'000
Closing loss allowance as at 30 June 2018 – AASB 139	258	89	347
Amounts restated through opening retained earnings	-	-	-
Opening loss allowance as at 1 July 2018 – AASB 9	258	89	347
Increase in loss allowance recognised in profit or loss during the year	144	65	209
Recoveries	-	(89)	(89)
Closing loss allowance as at 30 June 2019 – AASB 9	402	65	467

[1] A consumer loan is in default when the counterparty fails to make a contractual payment within 90 days of when they fall due.

The impairment methodology is described below

Receivables from consumer loans

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of default and loss given default as per the requirements of AASB 9. For consumer loans the Group recognises a lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months of the expected credit loss. The assessment of whether a lifetime expected credit loss should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group uses internal credit risk gradings that reflect its assessment of probability of default of individual counterparties. Borrower and loan specific information collected at the time of application (such as disposable income) is captured by this rating model. The credit grades are calibrated such that the risk of default increase exponentially at each higher risk grade.

The Group has performed historical analysis and identified economic variables such as unemployment rate as well as various external sources of actual and forecast economic information, impacting credit risk and expected losses for each portfolio

The assumption that a significant increase in credit risk occurs after 30 days past due has not been applied. This is because historical payments have proved that 30 days past due of non-payment is mainly due to administrative oversight rather than resulting from financial difficulty of the borrowers. As such there is no indication of a significant increase in credit risk based on 30 days past due presumption.

Definition of default

A consumer loan is in default when the counterparty fails to make a contractual payment within 90 days of when they fall due.

Trade receivables from the provision of services

The Group recognises a lifetime expected credit loss for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance policy as at 30 June 2019 relies on two grids, where grid one represents a group of customers with a higher credit risk profile than the latter.

	Current $'000	> 30 days past due $'000	>60 days past due $'000	>90 days past due $'000	>120 days past due $'000	Total
Grid 1[1]	1.1%	1.1%	37.9%	39.6%	100%	
Grid 2[2]	1.1%	1.1%	7.2%	26.9%	26.9%	
Gross carrying amount – Grid 1	965	4	3	29	28	1,030
Gross carrying amount – Grid 2	736	11	3	1	20	771
Total Loss allowance	18	-	1	12	34	65

[1] Grid 1 contains those assets with a poor repayment history, with repeated incidents of defaults experienced.
[2] Grid 2 contains those assets that have a positive repayment history, with very low levels of late payments experienced.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Sensitivity analysis

The most significant assumptions affecting the ECL allowances are as follows:

Personal loan portfolio
(i) Unemployment rate, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

Account receivables
(i) Interest rate, given its impact on companies' likelihood of default.

Set out below are the changes to the ECL as at 30 June 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.

Consumer loan portfolio

	Unemployment		
	[-5%][1] $'000	No change $'000	[+5%][1] $'000
Expected credit loss	397	402	407

Trade receivables

	Interest rates		
	[-50%][2] $'000	No change $'000	[+50%][2] $'000
Expected credit loss	63	65	67

[1] Average unemployment rate in FY19 is 5.1% (FY18: 5.5%). If the probability of occurrence of unemployment rate were to change by ±5%, the expected credit loss would change by $5,484 in a downside scenario and $5,484 in an upside scenario.
[2] Average interest rate in FY19 is 1.48% (FY18: 1.5%). If interest rate forecasts were to change by ±50%, the expected credit loss would change by $1,851 in a downside scenario and $1,851 in an upside scenario.

Consumer loan	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 July 2018	258	-	-	258
Movement with P&L impact				
New Financial assets originated or purchased	261	-	-	261
Changes in PDs/LGDs/EADs	(117)	-	-	(117)
Total net P&L charge during the period	402	-	-	402

There has been no significant change in the estimation techniques or significant assumptions made from the initial application of revised impairment methodology and during the current reporting period.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations.

The Group implemented the new standard on 1 July 2018. Based on assessments performed, the Group has determined there to be no impact on the Group's accounting or its current business activities. The effect of initially applying the standard was that no adjustments are required to net profit or opening retained earnings at 1 July 2018.

New standards and interpretations not yet adopted

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 has not early adopted 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 Group has set up a team to review all of the Group's leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting of the Group's non-cancellable operating leases, see note 17(a).

The Group has performed a preliminary assessment and has estimated that on 1 July 2019, leases will impact the balance sheet with approximately $10m additional assets and liabilities if an option to extend one of the leases is not exercised or $23m if the option to extend is exercised, opening reserves will be adjusted by approximately $0.414m or $0.223m depending on the option selected.

The Group has calculated the incremental borrowing rate for each material class of operating leases and has applied these rates in the AASB 16 calculations.

Amendments to References to Conceptual Framework in IFRS Standards

The *Conceptual Framework for Financial Reporting* is the foundation on which the IASB develops new accounting standards. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. The *Conceptual Framework* may be used as a reference for selecting accounting policies in the absence of specific IFRS requirements.

The changes are applicable to annual reporting periods commencing on or after 1 January 2020 and would be effective for the 30 June 2021 year end. The potential impacts to the Group have not yet been determined.

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

2. 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.

3. Revenue

	2019 $'000	2018 $'000
From continuing operations		
Interest income from PDPs and consumer loans at amortised cost	58,072	45
Net impairment gain / loss from PDPs at amortised cost	12,014	-
Gains on derecognition of assets at amortised cost	4,565	-
Losses on derecognition of assets at amortised cost	(2,411)	-
Liquidations of PDPs at FVTPL	-	101,673
Change in value of PDPs at FVTPL	-	(23,893)
Revenue from operations	72,240	77,825

Revenue recognition

Revenue from purchased debt portfolios represents the yield from acquired portfolio investments.

Interest income on PDPs is measured using the credit-adjusted effective interest rate method. The credit-adjusted 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 after considering all contractual terms of the financial asset and expected credit losses.

Interest income on consumer loans 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.

Impairment gains / losses are the net changes to the carrying value of purchased debt portfolios, discounted at the credit-adjusted effective interest rate as a result of reassessments of their estimated future cash flows and are recognised in the line item 'Net impairment gain / loss from PDPs at amortised cost.

During the period, the Group derecognised non-core and other PDPs for strategic reasons that contributed a net $2.2m to revenue from operations, comprising gains of $4.6m and losses of $2.4m.

Other income

	2019 $'000	2018 $'000
Legal and broking services	2,477	2,876
Interest earned on cash and cash equivalents	38	33
Profit on sale of asset held for sale	233	813
Other income and FVTPL movement	324	-
	3,072	3,722

Services income and interest on cash and cash equivalents

Revenue from services is recognised as income when the service performance obligation is fulfilled.

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.

4. Other expense items

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

	2019 $'000	2018 $'000
Finance expenses		
Bank fees and borrowing expenses	1,749	1,376
Interest and finance charges paid / payable for financial liabilities not at fair value through profit and loss	6,673	3,860
	8,422	5,236
Employee benefits expense		
Share based payments	1,874	1,492
	1,874	1,492
Depreciation and amortisation		
Depreciation	1,274	817
Amortisation	1,663	808
	2,937	1,625

5. 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

	2019 $'000	2018 $'000
Current tax on profits for the year	(119)	7,699
Adjustments for current tax of prior periods	(41)	7
Deferred tax expense (income)	2,476	(316)
Income tax expense	2,316	7,390
Income tax is attributable to:		
Profit from continuing operations	6,597	24,990
Deferred income tax expense / (income) included in income tax expense comprises:		
Increase / (decrease) direct to equity	1,369	(186)
Increase / (decrease) in deferred tax assets of prior years	49	-
Increase / (decrease) in deferred tax assets	1,058	(130)
	2,476	(316)

See note 11 for critical accounting estimates and judgements on the taxation estimation related to PDPs under amortised cost.

Numerical reconciliation of income tax expense to prima facie tax payable

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	6,597	24,990
Tax at the Australian tax rate of 30.0% (FY18: 30.0%)	1,979	7,497
Non-deductible entertainment costs	21	34
Non-deductible share based payments	562	448
Employee share trust funding contribution	(165)	(495)
Under / (over) provision for prior year taxation	(41)	7
Employee share scheme	(50)	(41)
Indeterminate rights settled	-	(60)
Other non-deductible expenses and assessable income	10	-
Income tax expense	2,316	7,390

Amounts recognised directly in equity

	2019 $'000	2018 $'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
Deferred tax – credited / (debited) directly to equity	1,369	(186)
Net current and deferred tax – credited directly to equity	1,369	-

6. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	11,184	3,410

7. 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
2019				
Cash and cash equivalents		-	11,184	11,184
Trade and other receivables[1]	7(a)	-	2,185	2,185
Consumer loans	7(a)	-	8,210	8,210
Investment at FVTPL[2]	7(a)	667	-	667
Financial assets at amortised cost	7(b)	-	249,776	249,776
		667	271,355	272,022
2018				
Cash and cash equivalents		-	3,410	3,410
Trade and other receivables[1]	7(a)	-	3,065	3,065
Consumer loans	7(a)	-	2,812	2,812
Convertible note	7(a)	-	500	500
Financial assets at FVTPL[2]	7(b)	224,561	-	224,561
		224,561	9,787	234,348

[1]excluding prepayments

[2] fair value through profit or loss

Financial liabilities

	Note	Financial Liabilities at amortised cost $'000	Total $'000
2019			
Trade and other payables[3]	7(c)	4,356	4,356
Borrowings	7(d)	169,394	169,394
Accruals, provisions and other liabilities		5,342	5,342
		179,092	179,092
2018			
Trade and other payables[3]	7(c)	3,935	3,935
Borrowings	7(d)	129,034	129,034
Accruals, provisions and other liabilities		5,410	5,410
		138,379	138,379

[3]excluding non-financial liabilities

The Group's exposure to risks associated with financial instruments is discussed in note 12.

7.a) Trade and other receivables

	2019 Current $'000	2019 Non-current $'000	2019 Total $'000	2018 Current $'000	2018 Non-current $'000	2018 Total $'000
Trade receivables	1,704	-	1,704	2,529	-	2,529
Other receivables	481	-	481	536	-	536
Consumer loans	1,472	6,738	8,210	747	2,065	2,812
Prepayments	762	53	815	995	18	1,013
Investment at FVTPL	-	667	667	-	500	500
Other lease asset	-	-	-	333	-	333
	4,419	7,458	11,877	5,140	2,583	7,723

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 held with the objective to collect the contractual cash flows and are therefore measured at amortised cost under AASB 9, which is consistent with their treatment in prior years. 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 12(c) and 26(d) 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.

Loans and other receivables are presented net of impairment losses, with increases or decreases in the provision amount recognised in the Statement of Comprehensive Income. At 30 June 2019, a loss provision of $402,658 (FY18: $258,050) has been recognised. The amount is equivalent to 4.9% of the balance outstanding.

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. Their carrying amount approximates their fair value (Level 3).

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 (Level 3) and for the majority of the non-current receivables, the fair values (Level 3) 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 12(a) to 12(c).

None of the receivables are overdue.

7.b) Financial assets at amortised cost (previously FVTPL)

Financial assets at amortised cost (comparative is at FVTPL) include the following:

	2019 $'000	2018 $'000
PDPs		
Current	92,711	76,461
Non-current	157,065	148,100
	249,776	224,561

Movement on financial assets at amortised cost (comparative is at FVTPL) is as follows:

	2019 $'000	2018 $'000
Current and non-current		
At beginning of period	224,561	164,461
Impact of adopting AASB 9 on 1 July 2018	(4,564)	-
Brought forward after AASB 9 opening adjustment	219,997	164,461
Additions for the period	77,036	83,993
Liquidations of PDPs	(118,466)	(101,673)
Net gain on financial assets from PDPs	71,209	77,780
Interest accrual	57,041	
Net impairment gain	12,014	
Gains on derecognition of assets	4,565	
Losses on derecognition of assets	(2,411)	
	249,776	224,561

The impact of adopting AASB 9 *Financial Instruments* shown above is pre-tax. The post-tax impact can be seen in the statement of changes in equity.

i) Classification of financial assets at amortised cost

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Group assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency and significance of asset sales. Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets measured at amortised cost at reporting period date include purchased debt portfolios and consumer loans.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Purchased debt portfolios are recognised initially at fair value at the date of purchase and are subsequently measured at amortised cost according to the credit-adjusted effective interest method. Purchased debt portfolios are reported in accordance with the rules for purchased or originated credit–impaired assets, that is, at amortised cost applying the credit-adjusted effective interest method with the expected credit loss established at inception included in the calculation. This credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash receipts of the purchased portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the portfolio). Cash flow projections are made at the portfolio level, since each portfolio of receivables consists of a small number of homogeneous amounts.

The carrying amount of each portfolio is determined at each reporting period by discounting projecting future cash flows to present value using the credit-adjusted effective interest rate as at the date the portfolio was acquired. Changes in expected cash flow are adjusted in the carrying amount and are recognised in the profit or loss as income or expense in 'Net impairment gain / loss from PDPs at amortised cost'.

The weighted average credit-adjusted effective interest rate (weighted by investment values at initial recognition) on the date of initial application is 22.71%.

The weighted average credit-adjusted effective interest rate (weighted by investment values at initial recognition) at 30 June 2019 is 30.75%.

Fair value comparative disclosure

PDPs are classified and measured at amortised cost.

The comparative disclosure of the fair value of PDPs at 30 June 2019 is $275.6m (Level 3). The net FVTPL gain on PDP financial assets that would have been recognised in profit or loss if PDPs had not been reclassified for 2019 is $92.5m.

The weighted average discount rate (weighted by investment values at initial recognition) applied to future expected cash flows to estimate fair value is 20.73% (FY18: 20.11%).

Under both methods, the requirement to estimate cash flows including the estimation of their timing is the same. However the two approaches differ in how discount rates are determined which will result in different recognition patterns of returns.

During FY19, the Group purchased several significant portfolios at prices lower than the long term historical average (percentages of debt face value), and expects these portfolios to deliver returns on the customer accounts at least in line with long term historical averages. Under AC, the CAEIRs set in the manner outlined above are higher on these portfolios than as determined using FVTPL.

Consistent with the treatment applied and disclosed in prior years under the FVTPL classification the discount rates to determine the comparative fair value disclosed here are derived from observed rates of return for comparable assets that are informed by observed PDP transactions in the market and reviewed at each reporting period. The Group believes that these best represent the discount rates that market participants would use at the reporting dates to estimate the fair value.

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

During the prior period, under AASB 139 *Financial Instruments: Recognition and Measurement*, purchased debt portfolios (PDPs) were classified as financial assets at fair value through profit or loss ("FVTPL").

During the current period comparative disclosure of the fair value of PDPs by way of note is provided and is reported consistent with the fair value methodology required under AASB 13 *Fair Value Measurement,* as was applied in prior years and as is described below.

For the prior period, 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 was classified as a current asset, with the remainder included as a non-current asset.

During the current period under AASB 9 the Group holds preference shares which are not traded in an active market. The shares, which were convertible notes at 30 June 2018, were previously accounted for at cost consistent with the application of the requirements of AASB 139. Under AASB 9, the preference shares have been reassessed and the asset does not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Consequently as an equity instrument it is now measured at fair value through profit or loss.

iii) Amounts recognised in profit or loss

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

iv) 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 2019				
Financial assets at FVTPL	-	-	667	667
30 June 2018				
Financial assets at FVTPL	-	-	224,561	224,561

There were no transfers between levels in 2019 or 2018.

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 was classified at Level 3 and valuation techniques were used based on current market conditions. The valuation techniques maximised the use of relevant observable inputs and minimised the use of unobservable inputs.

The valuation techniques used to determine the fair value measurement reflected 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* utilised 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 in FY18 were 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.
Discount rate	Incorporates a risk free rate and appropriate credit risk adjustment and is derived from observed rates of return for comparable assets that are traded in the market	The weighted average discount rate used to calculate fair value is 20.73% (FY18: 20.11%)
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 mitigated and controlled 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 performed 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 affirmed 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 validated 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.

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 in relation to FY18:

Description	30 June 2018 Fair value $'000	Valuation technique	Unobservable inputs	Range of inputs	Relationship to Fair Value
30 June 2018					
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% resulted in a decrease in fair value by $2.4m, an increase resulted in an increase in fair value of $2.4m
			Expected liquidation rate	3% change in liquidation rate	A reduction in liquidation rate by 3% resulted in a decrease in fair value by $7.3m, an increase resulted in an increase in fair value of $7.3m
			Cash flow liquidation period	Impact of a nine year liquidation period versus a ten year liquidation period	Reducing the cap applied to expected liquidations resulted in a decrease in fair value of $0.4m
			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 resulted in an increase in fair value by $4.4m, an increase resulted in a decrease in fair value of $4.2m
			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 resulted in an increase in fair value by $12.2m, an increase resulted in a decrease in fair value of $13.8m

7.c) Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	4,356	3,935
Payroll tax and other statutory liabilities	496	640
Other payables	4,090	4,214
	8,942	8,789

Risk exposure

Information about the Group's exposure is provided in note 12.

Fair Value

The carrying amounts of trade and other liabilities are assumed to be the same as their fair values (Level 3), due to their short term nature.

7.d) Borrowings

	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	129,725	-	129,725	-	87,718	87,718
Medium term notes	39,128	-	39,128	-	39,144	39,144
Lease liabilities	-	-	-	464	-	464
Other loans	342	-	342	1,575	-	1,575
	169,195	-	169,195	2,039	126,862	128,901
Unsecured						
Other loans	199	-	199	133	-	133
	169,394	-	169,394	2,172	126,862	129,034

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 $284,009,000 (FY18: $244,798,000).

See note 12(d) for details of the financing arrangements available to the Group to which the security relates.

Accrued interest on borrowings, included in other payables, is $477,051 at 30 June 2019 (FY18: $481,938)

Medium term notes

The Group issued $40m 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.

Compliance with bank loan and medium term note covenants

Note 1 provided additional disclosures with respect to compliance with bank loan and medium term note covenants.

Fair Value

For all of the borrowings, the fair values (Level 3) 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 12.

Finance lease

	2019 $'000	2018 $'000
Commitments in relation to the finance lease are payable as follows:		
Within one year	-	476
Later than one year but not later than two years	-	-
Minimum lease payments	-	476
Future finance charges	-	(12)
Total lease liabilities	-	464
The present value of finance lease liabilities is as follows:		
Within one year	-	464
Later than one year but not later than two years	-	-
Minimum lease payments	-	464

8. 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.

8.a) Property, plant and equipment

2019	Plant and equipment $'000	Furniture, fittings & equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 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
Year ended 30 June 2019				
Opening net book amount	812	386	3,587	4,785
Additions	396	78	69	543
Depreciation charge	(419)	(120)	(735)	(1,274)
Closing net book amount	789	344	2,921	4,054
At 30 June 2019				
Cost	2,834	665	5,663	9,162
Accumulated depreciation	(2,045)	(321)	(2,742)	(5,108)
Net book amount	789	344	2,921	4,054
2018				
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

Non-current assets pledged as security

Refer to note 7(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%

See note 26(f) for the other accounting policies relevant to property, plant and equipment.

8.b) Deferred tax balances

Deferred tax assets

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Employee benefits (annual leave)	327	269
Retirement benefit obligations (superannuation payable)	63	59
	390	328
Other		
Other expenses (audit, accounting, payroll tax)	280	500
Share issue expenses	123	191
Other (formation costs, black hole costs, fixed and intangible timings)	593	319
Prepayments	(18)	(19)
Provision for impairment (PDPs)	(3,605)	-
Revenue tax losses	2,449	-
	(178)	991
Net deferred tax assets	212	1,319

Movements

	Employee benefits $'000	Retirement Benefit Obligation $'000	Other $'000	Provision for impairment (PDPs) $'000	Revenue tax losses $'000	Total $'000
At 1 July 2018	269	59	991	-	-	1,319
(Charged) / credited						
- To profit or loss	58	4	(13)	(3,605)	1,080	(2,476)
- Directly to equity	-	-		-	1,369	1,369
At 30 June 2019	327	63	978	(3,605)	2,449	212
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

8.c) Intangible assets

2019	Goodwill $'000	Software and licenses $'000	Total $'000
At 1 July 2018			
Cost	140	3,891	4,031
Accumulated amortisation	-	(1,735)	(1,735)
Net book amount	140	2,156	2,296
Year ended 30 June 2019			
Opening net book amount	140	2,156	2,296
Additions	-	1,724	1,724
Impairment charge	(140)	(715)	(855)
Amortisation charge	-	(1,663)	(1,663)
Closing net book amount	-	1,502	1,502
At 30 June 2019			
Cost	-	4,900	4,900
Accumulated amortisation and impairment	-	(3,398)	(3,398)
Net book amount	-	1,502	1,502
2018			
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

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 26(g) for other accounting policies relevant to intangible assets and the policy regarding impairments.

Finance lease

See note 7(d) for information on the finance lease with respect to software licences acquired. The finance lease was settled during the year.

Goodwill

Goodwill was attributable to the acquisition of Switchmyloan Pty Limited in March 2016 and has been impaired at 30 June 2019.

8.d) Provisions

	2019 Current $'000	2019 Non-current $'000	2019 Total $'000	2018 Current $'000	2018 Non-current $'000	2018 Total $'000
Employee benefits	373	383	756	278	278	556
Lease make good	-	458	458	-	438	438
	373	841	1,214	278	716	994

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, 30 June 2023. 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 2018				
Carrying amount at start of year		556	438	994
Charged to profit or loss		200	20	220
Capitalised to balance sheet	10(b)	-	-	-
At 30 June 2019		756	458	1,214
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	10(b)	-	103	103
At 30 June 2018		556	438	994

9. Equity

9.a) Contributed equity

Share capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares – fully paid (Treasury shares see note 9(c))	62,370,655	60,362,442	78,131	71,779

Movements in ordinary share capital

Date		Number of shares	$'000
1 July 2018	**Opening balance**	60,362,442	71,779
	Dividend reinvestment plan	1,597,309	4,830
	Employee share scheme	76,404	227
	Acquisition of treasury shares	(200,000)	(550)
	Treasury shares issued to employees	284,500	793
	Options exercised	250,000	480
	Executive share plan	-	572
30 June 2019	**Closing balance**	62,370,655	78,131
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

9.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.

9.c) Treasury shares

Date		Number of shares	$'000
1 July 2018	**Opening balance**	1,028,556	3,297
	Receipt on treasury shares	-	148
	Treasury shares acquired	200,000	550
	Treasury shares issued to employees	(284,500)	(793)
30 June 2019	**Closing balance**	944,056	3,202
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

Treasury shares acquired in 2019 and 2018 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. Included within the balance of treasury shares are 400,000 management shares that were initially recognised in March 2014.

9.d) Employee share scheme

On 30 November 2018 the Company issued 76,404 fully paid ordinary shares to eligible employees under the $1,000 exempt plan and the $5,000 salary sacrifice scheme.

56,802 ordinary shares were issued to eligible employees for no consideration and 19,602 ordinary shares were acquired by eligible employees by way of salary sacrifice. The employee offer shares were valued at $3.1114 each and the shares issued for no consideration are an expense to the Company.

9.e) Options

Information relating to Options is set out in note 20(a).

9.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 vested; 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 and assumptions used to determine fair value, 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

4,500 Performance rights lapsed during FY19. 112,500 Performance rights had not vested at the end of the period.

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 vested;
• 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 and assumptions used to determine fair value, 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

65,000 Performance rights lapsed during FY19. 165,500Performance rights had not vested at the end of the period.

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 and assumptions used to determine fair value, 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

310,000 Performance rights lapsed during FY19. 860,000 Performance rights had not vested at the end of the period.

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

No Indeterminate rights lapsed during FY19. 500,000 Indeterminate rights had not vested at the end of the period.

Scheme 4

On 11 September 2018, 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.

710,000 Performance Rights were granted on 28 September 2018 which will vest in accordance with the following schedule (each a "Vesting Date"):

• 1 July 2021: 15% Rights will vest;
• 1 July 2022: 25% Rights will vest; and
• 1 July 2023: 60% 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 and assumptions used to determine fair value, are summarised in the table below.

	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$2.8300	$2.6900	$2.5500
Grant date	28-Sep-18	28-Sep-18	28-Sep-18
Share price at grant date	$3.28	$3.28	$3.28
Expiration period (years)	2.76	3.76	4.76
Dividend yield	5.30%	5.30%	5.30%
Vesting date	1-Jul-21	1-Jul-22	1-Jul-23
Exercise price	Nil	Nil	Nil

30,000 Performance rights lapsed during FY19. 680,000 Performance rights had not vested at the end of the period.

500,000 Indeterminate Rights were granted on 29 November 2018 (following AGM approval) which will vest in accordance with the following schedule (each a "Vesting Date"):

• 1 July 2021: 25% Rights will vest;
• 1 July 2022: 60% Rights will vest; and
• 1 July 2023: 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 and assumptions used to determine fair value, are summarised in the table below.

	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$2.5300	$2.4000	$2.2700
Grant date	29-Nov-18	29-Nov-18	29-Nov-18
Share price at grant date	$2.90	$2.90	$2.90
Expiration period (years)	2.59	3.59	4.59
Dividend yield	5.30%	5.30%	5.30%
Vesting date	1-Jul-21	1-Jul-22	1-Jul-23
Exercise price	Nil	Nil	Nil

No Indeterminate rights lapsed during FY19. 500,000 Indeterminate rights had not vested at the end of the period.

9.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

	2019 $'000	2018 $'000
At 1 July		
Opening balance	2,969	2,394
Share based payment expense	1,708	1,149
Treasury shares loan repayments	148	245
Performance rights vested	(793)	(819)
At 30 June	4,032	2,969

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 2019 the Trust held 544,056 shares (2018: 628,556 shares) acquired at an average price of $2.75 per share (2018: $3.37 per share).

9.h) Retained earnings

Movements in retained earnings were as follows:

	2019 $'000	2018 $'000
Balance 1 July	26,966	16,639
Impact of adopting AASB 9 (net of tax)	(3,195)	-
Net profit for the year	4,281	17,600
Dividends	(7,476)	(7,273)
Balance 30 June	20,576	26,966

10. Cash flow information

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

	Note	2019 $'000	2018 $'000
Profit for the period		4,281	17,600
Profit on non-current asset held for sale		(233)	(813)
Depreciation and amortisation	4	2,937	1,625
Non-cash employee benefits expense – share-based payments	20(c)	1,874	1,492
Non-cash rental expense		302	56
Consumer loan loss provision		145	258
Consumer loan interest accrual		(1,051)	(45)
Increase in value of investment		(167)	-
Impairment of intangible assets		855	-
Share of loss of associate accounted for using the equity method		-	60
Change in value of PDPs at FVTPL	3	-	23,893
Amortisation of PDPs[1]		47,257	-
Foreign currency translation		(99)	100
Non-cash financing amortisation		507	264
Change in operating assets and liabilities:			
(Increase) / decrease in trade receivables		(237)	824
Decrease / (increase) in deferred tax assets through profit or loss		1,089	(96)
Increase in trade payables		706	241
(Decrease) / increase in income tax payable		(6,115)	1,515
(Decrease) / increase in accruals and other liabilities		(473)	1,535
Net cash flow inflow from operating activities before changes in operating assets		51,578	48,509

[1] Amortisation of PDPs is the excess of Liquidations of PDPs over the net gain on financial assets from PDPs.

	Note	2019 $'000	2018 $'000
Liquidations of PDPs	7(b)	118,466	-
Revenue from operations (net of consumer loans)	3	(71,209)	-
Amortisation of PDPs		47,257	-

10.b) Non-cash investing and financing activities

	2019 $'000	2018 $'000
Make good provision	-	103

10.c) Net debt reconciliation

	Opening balance at 1 July 2018	Cash flow	Other non-cash flow	Closing Balance at 30 June 2019
Cash and cash equivalents	3,410	7,774	-	11,184
Borrowings	(128,570)	(40,317)	(507)	(169,394)
Lease liabilities	(464)	464	-	-
	(125,624)	(32,079)	(507)	(158,210)

	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.

11. 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. The Group also exercises judgement in applying the Group's accounting policies.

Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Purchased debt portfolios

Classifying purchased debt portfolios at amortised cost and the use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from purchased debt portfolios loans at purchase date and at each balance sheet date.

Estimating the timing and amount of cash flows for both the calculation of credit-adjusted effective interest rates ("CAEIRs") and subsequent remeasurement of the carrying amount of PDPs requires significant management judgement regarding key assumptions. The underlying estimates that form the basis for amortised cost accounting depends on variables including such as how the customer accounts were originated and managed 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 accounts; amounts due; the time elapsed since acquisition and the personal circumstances and character of the customers. As described in the financial assets note 7(b), the Group adjusts the carrying amount of the portfolios to reflect the revised estimated cash flows. Events or changes in assumptions and management's judgement will affect the recognition of revenue in the period.

The Group uses information and data obtained from vendors at acquisition and observation of PDP attributes in the month of acquisition to determine expected cash flow forecasts for the calculation of CAEIRs. These cash flow forecasts are reviewed by management, with model overlays used to address modelling anomalies observed. Any changes to PDP attributes following the determination of CAEIRs when additional information and data is sourced or becomes available, will result in changes to cash flow forecasts and impairment gains or losses. The Group has a policy of continually reviewing its estimation of CAEIRs and cash flow forecasts.

Cash flow forecasts are generated using statistical models incorporating a number of factors, including predictions of probability to pay, which is informed by customer and account level data, credit agency data and our historical experience with accounts which have similar key attributes. Operational factors, that may impact future estimated cash flows, are also considered such as improved collections processes and systems.

Management also review the model on a portfolio basis to take into account external factors, which have impacted historical, or will impact future performance and where necessary portfolios are calibrated to take into account these known factors. The assumptions and estimates made are specific to the particular characteristics of each portfolio.

If cash flow forecasts forecasts were to change by ±5%, the carrying value of PDPs at 30 June 2019 of $249.8m would change by $12.5m in a downside scenario and $12.5m in an upside scenario. If resolution of any uncertainty results in an increase or decrease in carrying value of PDPs, this is recognised in the income statement at that point in time. The estimated future cash flows are most sensitive to observed payment history, as well as timing of future cash flow receipt.

Total undiscounted expected credit losses at initial recognition of PDPs recognised during the period is $425.6m. This figure is the difference between the outstanding debt amount of PDPs acquired by the Group and the Total Expected Liquidations of those portfolios at 30 June 2019.

Accounting for taxation

Following the adoption of AASB 9 *Financial Instruments* from 1 July 2018, the income tax treatment of purchased debt portfolios may change. Previously, gains and losses for both accounting and tax purposes were treated in a similar manner under the Taxation of Financial Arrangement rules contained within the Income *Tax Assessment Act 1997*. From 1 July 2018, these rules may require that interest income accrued under the amortised cost methodology and impairment gains and losses from purchased debt portfolios are included in the calculation of income tax when received or realised.

The Group is required to exercise judgement in the determination of income tax payable in accordance with the changed rules. Deferred tax assets and liabilities attributable to differences in the tax and accounting cost bases of purchased debt portfolios also arise as a consequence of the changes brought by the rules.

12. 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.

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 financial assets and liabilities.

During the previous 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. Lending ceased in January 2019.

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.

12.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 2019			
Financial liabilities			
Borrowings	168,853	1,501	(1,501)
At 30 June 2018			
Financial liabilities			
Borrowings	126,862	1,282	(1,282)

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.

12.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, purchased debt portfolios 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 2019 Weighted average interest rate %	Balance $'000	30 June 2018 Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	3.77%	129,725	3.71%	87,718
Bond (before transaction costs)	7.80%	40,000	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.

12.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.

Purchased debt portfolios in the balance sheet, consists of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses.

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 2019 there were no material trade receivables that were past due and there are no trade receivables that are in default. The Group's trade receivables and consumer loans are subject to AASB 9's expected credit loss ("ECL") model for recognising and measuring impairment of financial assets. The Group's impairment and other accounting policies for trade and other receivables is outlined in note 26(d).

12.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 $138,500,000 at the end of the financial year (30 June 2018: $128,500,000) comprising a cash advance facility of $130,000,000 to partially fund the acquisition of PDPs, a bank guarantee facility of $3,250,000, an overdraft facility of $2,500,000, a direct debit authority facility of $2,500,000 and a credit card facility of $250,000.

The overdraft facility was unused at 30 June 2019 and the undrawn limit on the cash advance facility was $274,505 (30 June 2018: $32,200,405). The facility will expire on 30 March 2020.

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.

These financing arrangements are subject to the Group meeting a number of financial undertakings, included in note 1 are additional disclosures with respect the financing arrangements at reporting date.

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 fact that the facilities were extended subsequent to the end of the financial year.

	Within 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Carrying amount $'000
At 30 June 2019				
Trade payables	4,356	-	-	4,356
Borrowings	177,024	-	-	169,394
Provisions	373	-	841	1,214
Accruals and other liabilities	4,586	-	-	4,586
	186,339	-	841	179,550
At 30 June 2018				
Trade payables	3,935	-	-	3,935
Borrowings	8,884	92,097	45,149	129,034
Provisions	278	-	716	994
Accruals and other liabilities	4,416	-	-	4,416
	17,513	92,097	45,865	138,379

13. Capital management

13.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.

13.b) Dividends

Ordinary shares

	2019 $'000	2018 $'000
2H18 dividend on fully paid ordinary shares held on 28 September 2018 of 7.71 cents per share (2H17: 5.28 cents per share) paid on 26 October 2018	4,752	3,219
1H19 dividend on fully paid ordinary shares held on 1 April 2019 of 4.31 cents per share (1H18: 6.62 cents per share) paid on 26 April 2019	2,724	4,054
	7,476	7,273

Dividends not recognised at the end of the reporting period

	2019 $'000	2018 $'000
For the current financial year, the Directors have not recommended a divided since year end.	-	4,745

Franking dividends

The franked portions of the final dividends recommended after 30 June 2019 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 2020.

	2019 $'000	2018 $'000
Franking credits available for subsequent reporting periods on a tax rate of 30.0%	14,382	10,234

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

13.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.

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 12(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.

14. 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 26(a).

Name of entity		Country of incorporation	Class of shares	Equity holding 2019 %	Equity holding 2018 %
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		New Zealand	Ordinary	100	100
Pioneer Credit Connect (Fund 1) Pty Ltd	2	Australia	Ordinary	100	100
Pioneer Credit Connect (Personal Loans) Pty Ltd	3	Australia	Ordinary	100	100
Pioneer Credit Limited Equity Incentive Plan Trust		Australia	N/A	100	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 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.
3 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.

15. 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 was classified as an asset held for sale at 30 June 2018.

During the year the Group sold the remaining holding in GMY for $0.98m (FY18: $2.5m) and a profit before tax of $0.2m (FY18: $0.8m) was recognised in the statement of comprehensive income.

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

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.

16. Contingencies

The Group had contingent liabilities at 30 June 2019 in respect of:

A claim for unspecified damages was lodged against the Group in relation to alleged non-performance under a software service agreement contract. The Group has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

17. Commitments

17.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.

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,755	2,303
Later than one year but not later than five years	8,741	11,360
Later than five years	-	-
	11,496	13,663

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.

17.b) Service contract

The Group has a services contract for the operation of its Philippines facility that ends August 2022 and a WAN services contract that ends October 2021. The minimum contractual commitments resulting from this agreement are outlined below.

	2019 $'000	2018 $'000
Commitments for minimum service payments in relation to non-cancellable contracts are payable as follows:		
Within one year	2,207	1,734
Later than one year but not later than five years	4,739	291
	6,946	2,025

18. Events occurring after the reporting period

Sale of Consumer Loan Portfolio

During the second half of the financial year Pioneer made the decision to cease lending under the Consumer Loan product offering given the regulatory uncertainty emerging late 1H19 and determined to manage the portfolio of customers to their loan maturities as contracted. Subsequent to 30 June 2019, Pioneer has made the decision to sell the Consumer Loan portfolio and has initiated a formal sales process with an Information Memorandum released on 18 September 2019. This decision to sell the Consumer Loan portfolio means that subsequent to year end, the portfolio is no longer held within a business model to collect contractual cash flows or held within a business model to collect contractual cash flows and sell financial assets. For this change in business model, the Consumer Loans portfolio would no longer meet the criteria to be measured at amortised cost or at fair value through other comprehensive income and would be reclassified to fair value through profit or loss. At 30 June 2019 the carrying value of the portfolio under amortised cost is $8.2m. As the outcomes arising are indicative of conditions that arose after reporting date there is no reclassification recognised at 30 June 2019 and the impact will be reported in the 2020 financial year.

The Basis of Preparation note outlines the events and impacts arising with respect the Groups financing facility and the Directors' assessment of the going concern basis of preparation.

No other matter has arisen since 30 June 2019 that significantly affects the Group's operations, results or state of affairs or that may do so in future years.

19. Related party transactions

19.a) Parent entity

The Parent entity within the Group is Pioneer Credit Limited.

19.b) Subsidiaries

Interests in subsidiaries are set out in note 14.

19.c) Key Management Personnel

	2019 $	2018 $
Short-term employee benefits	2,285,398	2,334,786
Post-employment benefits	146,928	157,113
Long-term benefits	141,976	100,388
Share-based payments	1,166,518	1,125,712
	3,740,820	3,717,999

19.d) Transactions with other related parties

The following transactions occurred with related parties:

	2019 $	2018 $
Rental expenses and other services		
Entities owned or controlled by KMP	78,912	137,320
Superannuation contributions		
Contributions to superannuation funds on behalf of Directors	68,700	60,279
Other transactions		
Remuneration paid to Directors of the ultimate Australian parent entity	1,707,477	1,220,702

19.e) Loans from related parties

	2019 $	2018 $
Loans from key management personnel		
Beginning of the year	500,000	-
Loans advanced	-	500,000
Loan repayments received	-	-
Interest charged	36,367	9,118
Interest paid	(36,367)	(9,118)
End of year	500,000	500,000

The loan comprises participation in the medium term note issue described in note 7(d) all of which has occurred on an arm's length basis.

19.f) 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.

19.g) Terms and conditions

See note 9(b) for general terms and conditions on ordinary shares.

20. Share-based payments

20.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. 250,000 Options were exercised during the year.

The Options have been fully expensed by the Company at 30 June 2019.

	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

20.b) Equity Incentive Plan

See note 9(d) and 9(f) for details of the Equity Incentive Plan.

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

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

	2019 $'000	2018 $'000
Employee equity incentive plan	1,874	1,492
	1,874	1,492

21. 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:

	2019 $	2018 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	518,393	224,444
Total remuneration of PricewaterhouseCoopers Australia	518,393	224,444
Network firms of PricewaterhouseCoopers Australia		
Other services		
Other compliance and accounting advice	11,345	168,468
Total remuneration of Network firms of PricewaterhouseCoopers Australia	11,345	168,468
	529,738	392,912

Amounts disclosed for auditor's remuneration are inclusive of GST that is not recoverable from the tax authority. See note 26(n).

22. Earnings per share

22.a) Basic earnings per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	6.88	28.88
Total basic earnings per share attributable to the ordinary equity holders of the Company	6.88	28.88

22.b) Diluted earnings per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	6.54	27.72
Total diluted earnings per share attributable to the ordinary equity holders of the Company	6.54	27.72

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

	2019 $'000	2018 $'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	4,281	17,600
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating diluted earnings per share	4,281	17,600

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

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	62,210,718	60,945,086
Weighted average number of ordinary and potential shares used as the denominator in calculating diluted earnings per share	65,438,218	63,497,086

23. 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 14.

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 2019:

- Pioneer Credit Solutions (NZ) Limited has assets of $2.435m, liabilities of $1.342m of which $1.331m relates to amounts due to Group entities and contributed $0.420m 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.

24. Assets pledged as security

The carrying amount of assets pledged as security is disclosed in note 7(d).

25. Parent entity financial information

25.a) Summary financial information

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

	2019 $'000	2018 $'000
Balance sheet		
Current assets	6,292	2,895
Total assets	263,567	224,390
Current liabilities[1]	176,775	7,841
Total liabilities	179,335	137,660
Shareholders' equity		
Issued capital	79,821	73,712
Share based payment reserve	2,339	1,033
Accumulated profits	2,072	11,985
	84,232	86,730
Profit for the year	5,859	6,762
Total comprehensive income	5,859	6,762

[1]Current liabilities exceed current assets – refer to Note 1 on basis of preparation.

25.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.

25.c) Contingent liabilities of the Parent entity

A claim for unspecified damages was lodged against the Parent entity in relation to alleged non-performance under a software service agreement contract. The Group has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

25.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 2019.

26. 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

26.a) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pioneer Credit Limited as at 30 June 2019. 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% to 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 26(p).

26.b) 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. Judgement has been applied on the uncertain tax treatment resulting from the transition of PDP financial assets from fair value to classified as measured at amortised cost. Tax advice has been commissioned to gain certainty on tax treatment for the FY19 tax return.

26.c) 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 three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

26.d) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less loss allowance. 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.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles over a period before 30 June 2019 and the corresponding credit losses experienced within this period. The historical loss rates are adjusted to reflect the current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The closing loss allowances for trade receivables as at 30 June 2018 in accordance with AASB 139 is significantly the same as the opening balance at 1 July 2018 in accordance with AASB 9 and therefore no additional disclosure is made in this regard.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

26.e) 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 impairment losses.

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.

26.f) 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 8(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.

26.g) 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 8(c) for details about amortisation methods and periods used by the Group for intangible assets.

Goodwill

Goodwill is measured as described in note 8(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.

26.h) 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.

26.i) 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.

26.j) 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.

26.k) 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.

26.l) 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.

26.m) 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; and
- 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.

26.n) 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.

26.o) 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.

26.p) 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.

26.q) 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 17. 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.

26.r) 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 27 to 88 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 2019 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 23 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 23.

Note 1 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
29 September 2019

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) 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 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- 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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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which discloses that the Group's current liabilities exceeded its current assets by $64,991,000 following the reclassification of all the Group's borrowings to current liabilities following a breach of a financing facility covenant resulting in events of default as at 30 June 2019. The Group is consequently dependent on extending, refinancing or otherwise restructuring its financing facilities and/or capital structure in order to meet its ongoing financial commitments. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 $766,000 (2018:$1,208,000) which represents approximately 5% of the three year average profit before tax of the Group for the current and two previous years.
- 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 applied a three year average to address the potential volatility that arises as a consequence of changes in the accounting method for purchased debt portfolios.
- 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.

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 Committee.

In addition to the matters described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Classification and measurement of purchased debt portfolios (PDPs) *(Refer to Note 7) [$249,776,000]* As set out in Note 7 of the financial report, Pioneer Credit has adopted the amortised cost method of accounting for PDPs following the adoption of Australian Accounting Standard AASB 9 Financial Instruments (AASB 9), effective 1 July 2018. The Group had previously accounted for these assets at fair value under the previous Australian Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). The measurement of the PDPs is estimated by the Group using internally-developed statistical regression analysis and cash flow models (the models). Complexity arises in respect of the accounting for PDPs due to the following: • consideration of the appropriate accounting method for PDPs requires significant judgement in interpreting the requirements of AASB 9 relating to the classification and measurement of these assets	The focus of our audit procedures, assisted in selected aspects by PwC actuarial experts, included, amongst others: • *Accounting method* - evaluation of the Group's assessment of the appropriate accounting method for PDPs in accordance with AASB 9 • *Model design* - whether the structure of the model is appropriate for determining both CAEIRs and subsequent cash flow forecasts • *Model inputs* - testing the reasonableness of the information used within the model • *Model outputs* - assessing whether the model outputs met our expectations and were appropriately recognised in the financial report, and • *Transition adjustments* - whether the calculations and disclosures included in the financial report appropriately reflected the transition from fair value to amortised cost accounting.

Key audit matter	How our audit addressed the key audit matter
• the requirement to calculate credit-adjusted effective interest rates (CAEIRs) when PDPs are acquired involves significant judgement in estimating the amount and timing of future expected cash flows. In particular, judgement is required in estimating the credit risk attributes of PDPs that underpin modelled cash flow forecasts on acquisition • re-estimating future cash flows for PDPs at the end of each period results in impairment gains/losses which also require significant judgement and reliance on internally-developed statistical regression analysis and cash flow models, and • the requirement to calculate the CAEIRs at inception for existing PDPs and the amortised cost in accordance with AASB 9 and recognising the adjustments required on transition from fair value under AASB 139. The carrying amount of PDPs and related interest income and impairment gains/losses are material to the financial statements and involve significant judgement and complexity, meaning it is a key audit matter.	Our detailed procedures included: *Accounting method* We performed the following procedures, amongst others: • evaluated external advice received by the Group in respect of the classification and subsequent measurement of PDPs • considered the Group's assessment of the classification of PDPs based on the business model for managing PDPs and their contractual cash flow characteristics, and • considered alternative methods for the recognition and measurement of PDPs. *Model design* We performed the following procedures, amongst others: • developed an understanding and critically assessed 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 significant factors that impact the amounts and timing of cash flows from customers • assessed the reasonableness of model parameters such as the period of cash flow forecasts and adjustments to reflect model risk • re-performed a selection of mathematical calculations in the models, and • considered the adequacy of the scope of work and qualifications of the Group's external experts who assisted in the design of the models. *Model inputs* We performed the following procedures, amongst others: • assessed the reasonableness of the assumptions and predictive factors used in the model with reference to historical experience

Key audit matter	*How our audit addressed the key audit matter*
	• tested a sample of customer account characteristics to source documentation or system information to assess the existence, accuracy and completeness of the model data • recalculated a sample of CAEIRs produced by the model, and • performed sensitivity analysis and challenged the Group on cash flow forecast assumptions having a significant impact on model outputs, such as liquidations, settlements and sales. *Model outputs* We performed the following procedures, amongst others: • considered the reasonableness of PDP interest income and impairment gains/losses calculated by the Group's models and whether these were consistent with our expectations • tested the mathematical accuracy of the model output for a sample of customer account tranches, and • agreed the model outputs to accounting entries recorded in the Group's financial report. *Transition adjustments* We performed the following procedures, amongst others: • evaluated the adjustments to transition from fair value to amortised cost with reference to the Group's models used to calculate CAEIRs, and opening amortised cost balances for PDPs recognised at 1 July 2018, and • assessed whether the disclosures included in the financial report were in accordance with the requirements of AASB 9 We noted that the models used by the Group remain sensitive to the inherent uncertainty of predicting future cash flows, both at acquisition date (for the calculation of CAEIRs) and at period end. In some instances, these cash flow forecasts are based on historical information that is for periods shorter than those modelled.

Key audit matter	*How our audit addressed the key audit matter*
Taxation of financial arrangements *(Refer to Note 11)* As set out in Note 11, the change in accounting for PDPs from fair value to amortised cost has changed the way in which income, gains and losses derived from PDPs are treated for income tax purposes. Previously, fair value gains and losses arising from PDPs were treated consistently for both accounting and tax purposes. Following the transition to amortised cost accounting from 1 July 2018, the Group has determined that gains and losses on PDPs (ie. interest income and impairment gains/losses) are now recognised when received or realised for tax purposes in accordance with the Taxation of Financial Arrangement rules contained within the Income Tax Assessment Act 1997. This gives rise to changes in the way tax expense, tax payable and deferred tax balances are calculated in the financial report. The significance of these balances and the complexity and judgment needed to interpret the taxation requirements results in this being a key audit matter.	We developed an understanding of the Group's processes for identifying and assessing the impact of changes to the taxation arrangements for PDPs. We considered, with assistance from PwC taxation experts, external advice received by the Group relating to the change in taxation method and transition arrangements, as well as assessing whether the external adviser was appropriately qualified to provide the advice. We re-performed selected calculations and assessed the overall reasonableness of the tax expense, tax payable and deferred tax amounts recorded in the financial report. For adjustments relating to the transitional arrangements associated with the changes in taxation treatment for PDPs, we considered whether these adjustments had been calculated in accordance with the external advice received and using methods that we considered reasonable in these circumstances.

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 2019, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors 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 the *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 14 to 23 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Pioneer Credit Limited for the year ended 30 June 2019 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

Justin Carroll
Partner

Perth
29 September 2019

Shareholder information

The shareholder information set out below was applicable as at 28 August 2019.

Distribution of securities

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

Holding	Holders	Ordinary shares
1 – 1,000	779	354,171
1,001 – 5,000	963	2,682,675
5,001 – 10,000	439	3,414,372
10,001 – 100,000	663	18,629,045
100,001 and over	78	38,317,986
	2,922	63,398,249

There were 158 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
Mr Keith R John	5,259,124	8.30%
OC Funds Mgt	4,675,000	7.37%
Australian Capital Equity	3,389,298	5.35%
State Street Global Markets	2,022,086	3.19%
Private Clients of HUB 24 Custodial Services	1,868,344	2.95%
Regal Funds Mgt	1,245,153	1.96%
Mr & Mrs Rodney M Jones	1,155,228	1.82%
USB Securities	965,988	1.52%
PNC Employee Sub Register	898,545	1.42%
Mr Steve Lambert	825,000	1.30%
MicroEquities	745,000	1.18%
Dimensional Fund Advisors	714,158	1.13%
Mr Michael J Smith	695,940	1.10%
Katana Capital	692,131	1.09%
Mr Leslie Crockett	661,917	1.04%
JPMorgan Securities Australia	647,600	1.02%
Bank of America Merrill Lynch	567,681	0.90%
Totus Capital	531,586	0.84%
Me Kelvin E Flynn	474,612	0.75%
Ms Carole Vines	450,574	0.71%

c) Unquoted equity securities

Name	Number held	Number of holders
	Indeterminate rights	
Mr Keith R John	1,000,000	1

Name	Number held	Number of holders
	Performance rights	
Employee Incentive Plan	1,723,000	12

d) Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage of issued shares
Mr Keith R John	5,259,124	8.30%
OC Funds Mgt	4,675,000	7.37%
Australian Capital Equity	3,389,298	5.35%

Securities subject to voluntary escrow

Escrow ends	Class	Number of shares
30 November 2019	Ordinary shares	17,031
18 July 2020	Ordinary shares	38,032
30 November 2021	Ordinary shares	47,908

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.