Appendix 4E and Annual Report

For the year ended 30 June 2020

pioneer credit

Contents

Pioneer Credit Limited ABN 44 103 003 505
Appendix 4E
Preliminary Final Report
for the year ended 30 June 2020
(previous corresponding period 30 June 2019)

Appendix 4E - Results for announcement to the market

Key information	30 June 2020 $'000	30 June 2019 $'000	Change $'000	%
Revenue from ordinary activities	55,889	74,717	(18,828)	(25)
(Loss) / Profit from ordinary activities after tax attributable to members	(40,084)	4,281	(44,365)	(1,036)
Net (loss) / profit for the period attributable to members	(40,084)	4,281	(44,365)	(1,036)

Revenue from ordinary activities excludes bank interest income and the profit on sale / revaluation of other assets in the comparative period.

ASIC Relief

ASIC Corporations (Extended Reporting and Lodgement Deadlines – Listed Entities) Instrument 2020/451

Pioneer Credit Limited is applying the ASIC Relief to extend the lodgement date for its audited accounts.

Dividends per ordinary share / distributions

There is no provision for a final dividend in respect of the year ended 30 June 2020.

Financial Statements

Released with this Appendix 4E report are the following statements:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income together with notes to the Statement
- Consolidated Statement of Financial Position together with notes to the Statement
- Consolidated Statement of Changes in Equity, showing movements
- Consolidated Statement of Cash Flows together with notes to the Statement

This report is based on financial statements which have been audited.

Key ratios

	30 June 2020 (cents)	30 June 2019 (cents)
Net tangible assets per fully paid ordinary share	87.85	161.28
Basic (loss) earnings per fully paid ordinary share	(63.36)	6.88

The Right of Use Asset under AASB 16 *Leases* ($7.4m) has been excluded from tangible assets, while the lease liability has been included in liabilities.

Review of operations and results

The Company experienced a challenging operating environment over the past year, with the impacts of an extensive refinancing process, and the terminated change of control transaction, imposing constraints on the Company's ability to fully operationalise its business and portfolio. These events, together with the impacts of the COVID-19 pandemic, have seen revenue from ordinary activities decrease by 25%. This was driven in part by a 25% decrease in new purchased debt portfolios ("PDPs") compared to prior year as major debt vendors suspended their debt sale programmes. This decreased investment in PDPs contributed materially to receipts from liquidations decreasing 15% to $101.0m.

The results for the period were also adversely impacted by a number of significant one-off costs related to the terminated scheme of arrangement and subsequent refinancing process. An overview of these events is outlined below with additional details provided in note 3 of the accompanying Financial Statements.

Scheme Implementation Agreement and Refinancing Overview

In December 2019, the Company entered into a Scheme Implementation Agreement with Robin BidCo Pty Ltd and Robin HoldCo Holdings Limited, entities part of the Carlyle Group ("Carlyle"). Under the Scheme Implementation Agreement, it was agreed that Carlyle would acquire all of the Pioneer ordinary shares ("Scheme").

Carlyle, through their entity Project Robin, L.P. ("Senior Financier") also acquired the debt outstanding under Pioneer's senior secured debt facility from its then senior financiers ("Carlyle Facility").

From December 2019 to March 2020 the Company worked to finalise the Scheme booklet for lodgement with ASIC, however by April 2020 it became apparent that Carlyle would not proceed with the Scheme.

In April 2020, Carlyle issued a notice alleging a range of defaults under its syndicated facility agreement and that the secured money owed to it by the Company was immediately due and payable. The Company refuted the existence of any default, terminated the Scheme, and the dispute became the subject of legal proceedings.

In May 2020 the parties entered into a Standstill Agreement providing the Company time to refinance its debt facilities. As part of the Standstill Agreement the Company, amongst other things, discontinued its legal proceedings against the Senior Financier.

On 16 September 2020, the Group entered into a new syndicated facility agreement ("SFA") for $189,000,000 providing for the refinancing of the Carlyle Facility and funding for future growth. The SFA comprises:

- $169,000,000 term facility;
- $20,000,000 acquisition facility, for up to 50% of the value of portfolio debt purchases ("Acquisition Facility"); and
- 15,750,626 zero cost detachable warrants to be issued to the syndicate ("Warrants")

and contains the following terms:

- Weighted average interest rate of BBSY +11% p.a.;
- Commitment fee of 2.5% on the undrawn commitment under the Acquisition Facility;
- Exit fee of 2.0% per annum on actual amounts drawn and outstanding;
- Top-up fee to achieve an IRR of 14.5%, including the value of warrants issued to the Syndicate;
- Maturity date of 30 September 2022, with the ability, subject to conditions, to extend this to 1 July 2023; and
- Financial covenants to be tested quarterly from 31 December 2020.

The Warrants have a nil exercise price, are detachable and expire 4 years from 16 September 2020. The Warrants will be issued in two tranches to the Syndicate as follows:

- 9,509,737 Warrants issued immediately; and
- 6,240,889 Warrants to be issued subject to Shareholder approval.

With the successful completion of the refinancing, together with the current cash flow forecasts that make allowance for uncertain macroeconomic conditions (including the potential impacts of COVID-19), the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

Impacts of COVID-19

At the onset of the COVID-19 pandemic in mid-March 2020, and through April 2020, the Company experienced a reduction in its average payment instalments and lump sum settlements, consistent with the expectation that customers would naturally become more cautious about their finances. The Company expected that the reduction in payments would behave in a manner representing deferrals of customer payments rather than hard defaults. This has, to date, proven to be the case with noticeable growth coming through payment arrangements each month since May 2020. The Company's customer centric approach, combined with the high quality of its debt portfolio, being predominantly Australian bank products with a strict origination process, has contributed to minimising any material adverse impacts of the COVID-19 pandemic on liquidations. However as noted above, this was not the case for the purchasing of new debt portfolios which were significantly impacted as major debt vendors suspended their debt sale programmes. Some of these debt programs have now resumed and the Company recommenced purchasing in July 2020. There remains a level of uncertainty as to the future economic outlook and potential impacts to the Company's future performance.

Business risk statement

Like all businesses, Pioneer faces uncertainties in the future. The ability to understand, manage and mitigate risk is a source of the Company's competitive advantage. No period has bought to light the need to appropriately manage risk than the onset of COVID-19 in early 2020.

For Pioneer, generally the most significant immediate financial risk is that our customers may not meet the expected level of repayments as they manage their financial commitments.

Our success in working with our customers over time is based on a number of factors that mitigates default risk with people 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's financial capability;
- Investing only in quality account portfolios from leading financial institutions; and
- Our people, who are here to help, rather than chase, and who work in a culture of strong values where a premium is placed on customer service and empathy.

These aspects to the Pioneer business were critical in guiding it through the onset of COVID-19, and the Directors Report contained herein references performance through this period specifically.

We are also conscious that the Company needs to be able to purchase debt portfolios at appropriate prices, and that risk is influenced by a number of factors. The availability of debt portfolios for acquisition is at the sole discretion of the debt vendors and there exists the risk that debt vendors will stop or delay selling portfolios in response to their own operating strategy or as a result of any potential changes in government policy. While acknowledging this risk, the Company's investment approach is a source of advantage:

- Pioneer has been successfully buying quality portfolios for over ten consecutive years, and has consistently been one of the largest participants in this market in Australia;
- Pioneer's empathetic approach to customers makes us a preferred partner for major financial institutions who are sensitive to how their customers are treated;
- Pioneer's analytics is driven by a professional team of analysts and data scientists using a large, growing and relevant statistical base to inform 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 change, the importance of our people complying with regulations and our own internal policies, 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 the Company's Executive and Board of Directors

Sale of Consumer Loan Book

The Consumer Loan portfolio was sold during the year at a loss of $2.3m.

Corporate Directory

Directors	Mr Michael Smith (Chairperson) Mr Keith John Ms Andrea Hall Ms Ann Robinson Mr Mark Dutton (resigned effective 4 March 2020)
Company Secretary	Ms Susan Symmons
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	Deloitte Touche Tohmatsu Brookfield Place Tower 2 123 St Georges Terrace Perth WA 6000 +61 8 9365 7000
Solicitors	K&L Gates Level 32 44 St Georges Terrace Perth WA 6000 +61 8 9216 0900
Bankers	Nomura Australia Ltd 1 Farrer Place Level 25 Governor Philip Tower Sydney NSW 2000 +61 2 9321 3531
Stock Exchange Listings	Pioneer Credit Limited shares are listed on the Australian Securities Exchange (ASX).
Website	www.pioneercredit.com.au

About Pioneer

Pioneer Credit in an ASX listed company (ASX:PNC) providing high quality, flexible, financial services support to help everyday Australians out of financial difficulty. We have the trust of long-term vendor partners to do the right thing and respectfully support customers to achieve their financial independence.

With more than 250,000 customers throughout Australia and New Zealand, our focus is on providing them with exceptional levels of customer service along with a range of products and solutions to help them achieve their financial goals.

We specialise in acquiring and servicing retail debt portfolios. These portfolios consist of individuals with financial obligations to us and are the cornerstone of our customer relationships. We value and respect our customers greatly, and we work with our customers over time so that they can meet their obligations and progress toward financial recovery, and through this process evolve as a 'new consumer'.

We work with Australia's major banks and financial institutions. Our success has been built on long-lasting relationships, and while we have grown rapidly, we remain small and agile enough to meet our clients' business requirements.

Our key focus is on providing commercial solutions to our financial sector partners. We never forget that the reputation of our partners is paramount, and that how we approach the servicing of portfolios can directly impact both our own brand and that of our partners – either positively or negatively.

A focus on customer service

We invest in the ongoing training and development of our staff to ensure we provide a consistent customer service-oriented approach to our customer engagement. We also monitor all customer contact and are at the forefront of compliance best practice. This approach means we are confident of delivering an industry-leading service to our partners.

Strong corporate culture

Pioneer Credit has a strong corporate culture, built around six Pioneer Principles. These are a very well defined set of values that our people work and live by. They form the core of what we expect in terms of behaviour from our people; they are embedded throughout the organisation and underpin every interaction we have with our customers and our stakeholders.

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 2020.

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
Ms Andrea Hall
Ms Ann Robinson
Mr Mark Dutton (Resigned effective 4 March 2020)

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

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

Review of operations

As has been well disclosed by the Company over the past year, Pioneer has experienced a challenging operating environment that persisted throughout the year to 30 June 2020. The period was one where the Board and Management were heavily engaged on a range of processes to ensure maximum value was both preserved and potentially realised for shareholders. This included the running of an extensive refinancing and change of control process during a period that saw the Company's securities voluntarily suspended from trading and the operation of lengthy Standstill Arrangements with its senior financiers.

As previously reported, in December 2019 the Company entered into a Scheme Implementation Agreement with Robin BidCo Pty Ltd and Robin HoldCo Holdings Limited, entities part of the Carlyle Group ("Carlyle") to acquire all of the Company's ordinary shares. Unfortunately, this did not eventuate and the business found itself in a position that required a refinancing of its senior debt facility. The impacts of an extensive refinancing process, including a lengthy Standstill Arrangement, imposed constraints on the Company's ability to fully operationalise its business and portfolio.

A new Syndicated Facility Agreement was executed on 16 September 2020.

At a statutory level, and prior to adjusting the effect of one-off items, for the year ended 30 June 2020, Pioneer incurred a loss after tax of $40.1m. Receipts from Liquidations of Purchased Debt Portfolios were $101.0m, down 15% on the prior period.

Pioneer's core business, investment discipline and our inclusive and empowering culture remains solid and resilient.

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

On 16 September 2020, the Company entered into a new syndicated facility agreement to refinance its senior debt facility.

The notes provided in the accompanying financial statements outline the events and impacts arising with respect to the Company's financing facility and the Directors' assessment of the going concern basis of preparation.

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

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	• Appointed Chairman of Pioneer in February 2014 • Managing Director of strategic marketing consultancy Black House, Non-Executive Chairman of 7-Eleven Stores Pty Ltd and Starbucks Australia • Fellow of AICD, D. Litt. (Hon) from UWA for his contribution to business and the arts • Previous roles include Deputy Chairman of Automotive Holdings Group Limited and Chairman of iiNet Limited, Lionel Samson Sadleirs Group, 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	Nil	
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 options	Ordinary Shares Indeterminate rights Medium Term Notes	5,259,124 1,000,000 500

Ms Andrea Hall	Independent Non-Executive Director	
Experience and expertise	• Appointed a Director of Pioneer in November 2016 • A director of Parenti Global Limited, Evolution Mining Limited, Insurance Commission of WA and Fremantle Football Club • Bachelor of Commerce from UWA, a Masters of Applied Finance, is a Fellow of the Institute of Chartered Accountants Australia and New Zealand • Previously director of Automotive Holdings Group Limited, C-Wise, Lottery Wise and Tap Oil Limited, chair of the WA Council of Chartered Accountants Australia and New Zealand and a Risk Consulting Partner at KPMG with 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 October 2016 to 31 January 2018
	Automotive Holdings Group Limited	3 May 2018 to 30 September 2019
Special responsibilities	Member of Nomination Committee Member of Remuneration Committee Chair of Audit and Risk Management Committee	
Interests in shares and options	Ordinary Shares	Nil

Ms Ann Robinson	Independent Non-Executive Director	
Experience and expertise	• Appointed a Director of Pioneer in February 2018 • Experience includes management consulting to clients in Australia and overseas. She also has extensive experience in mergers and acquisitions, post-merger integration and commercial management and governance, from her executive roles at Wesfarmers Limited • A director of the Lionel Samson Sadleirs Group, Rottnest Island Authority Board and a member of the Curtin University Audit, Risk and Compliance Committee • 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 and options	Ordinary Shares	15,000

Meeting of Directors

The number of meetings held, and attended, by the Directors during the year ended 30 June 2020 was:

Name	Board Meetings		Committee Meetings					
			Audit and Risk		Remuneration		Nomination	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Michael Smith	65	66	7	7	3	3	1	1
Mr Keith John	60	65	n/a	n/a	n/a	n/a	0	1
Ms Andrea Hall	61	66	7	7	3	3	1	1
Ms Ann Robinson	65	66	7	7	3	3	1	1
Mr Mark Dutton [1]	38	40	4	6	3	3	1	1

[1] Mr Mark Dutton resigned effective 4 March 2020

Company Secretary

Ms Susan Symmons joined Pioneer as Company Secretary and General Counsel 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 2020.

1. Overview

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	
Ms Andrea Hall	Independent Non-Executive Director	
Ms Ann Robinson	Independent Non-Executive Director	
Mr Mark Dutton	Independent Non-Executive Director	Resigned effective 4 March 2020
Senior Executives		
Ms Susan Symmons	Company Secretary	
Ms Andrea Hoskins	Chief Operating Officer	Commenced effective 8 June 2020
Mr Jason Musca	Chief Financial Officer	Commenced effective 25 May 2020
Mr Barry Hartnett	Chief Development Officer	Commenced effective 8 June 2020[1]
Ms Lisa Stedman	Chief Operating Officer	Ceased effective 9 July 2019
Mr Leslie Crockett	Chief Financial Officer	Ceased effective 3 April 2020

[1] Mr Barry Hartnett has been employed by the Company since 29 May 2013 and commenced as a member of KMP from 8 June 2020.

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 executive and senior management teams that are 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, with the exception of Pioneer's Operations team.

The Operations team are 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.

Senior executives are incentivised based on Long Term Incentives ("LTIs") through the issue of performance and indeterminate rights ("Rights") under the Pioneer Credit Limited Equity Incentive Plan ("Plan"). The terms of these Rights are as follows:

a) Rights vest over a period of 3 to 5 years
b) Rights are issued for Nil consideration
c) Performance Rights convert to ordinary shares in the capital of Pioneer on a one-for-one basis
d) 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

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
(Loss) Profit for the year attributable to owners of the Group	(40,781)	4,281	17,600	10,753	9,450
Basic earnings (loss) per share (cents)	(64.46)	6.88	28.88	20.77	20.36
Dividend payments paid in financial year	-	7,476	7,273	5,169	4,736
Paid and relating to prior years 2H performance	-	4,752	3,219	3,071	3,085
Paid and relating to current year 1H performance	-	2,724	4,054	2,098	1,651
Dividend payout ratio	N/A	N/A	50%	49%	50%
(Decrease) / Increase in share price	(89.44)%	(14.8)%	33.2%	38.1%	8.1%

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. It is not meaningful to present this ratio for the full year given the final full year result. No dividend has been declared since HY19.

2. Remuneration governance

Overview

Following The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, remuneration governance has come under increased scrutiny. Commissioner Hayne observed that remuneration policy sits within a broader cultural ecosystem that includes culture, ethics, people-oriented processes and risk controls.

The Company's Remuneration Committee is a committee of the Board which has clear responsibilities and a documented role. To support them, there is a robust internal framework, which includes:-

- a strong and embedded corporate culture, built around the Pioneer Principles;
- a controls register that provides visibility on the adequacy of controls in place;
- policies and procedures around key processes; and
- a Delegation of Authority that specifies delegations from the Board to the Managing Director and from the Managing Director to management.

The elements of this framework are regularly reviewed and well understood throughout the Company.

Role of the Remuneration Committee

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

a) Base salaries for executives, and Board and Committee fees for non-executive Directors; and
b) The adequacy and structure of any short term and long term incentives including equity-based remuneration plans and the quantum provided to executives.

The Corporate Governance Statement and the Remuneration Committee Charter provide further information on the role of this Committee.

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.

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 and considered external remuneration advice from expert advisors familiar with Pioneer's industry and scale for senior executive remuneration during the financial year.

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. For FY20, trading 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 were imposed.

On 1 September 2020, the Company amended its Securities Trading Policy to replace share trading windows with prohibited trading periods. These prohibited periods include the 30 day period prior to and 3 day period from release of the full year and half year results to the ASX and the 30 day period prior to and 3 day period from the AGM.

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

3. Executive remuneration

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 equity.

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 that is focused on making decisions for the long-term health and growth of the Company.

Executives are provided LTIs through the issue of Rights in the Company, vesting over a period commencing at 3 years after the grant of the award and up to 5 years from that date. This structure ensures executives are incentivised to continue delivering sustainable long-term earnings of the business.

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.

Short term incentive

No executive was paid a short term incentive during FY20.

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)).

A further refresh will be sought at the 2020 Annual General Meeting.

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 generally awarded retrospectively after considering the performance of the executive over the previous 12 months, and then considered with the executive's 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.

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.

Long term incentive awards in place during the year

LTI awards were made under the Plan on 31 July 2019 as follows:

Instrument	Performance rights for ordinary shares		
Quantum	150,000 performance rights		
Grant Date	31 July 2019		
Key performance measures	Employment at vesting date		
Performance period	31 July 2019 to 1 July 2024		
Dividends	No dividends are paid on performance rights yet to vest		
Fair value, vesting date and vesting period schedule	$2.08	1 July 2022	15%
	$1.98	1 July 2023	25%
	$1.89	1 July 2024	60%

Rights by their nature do not have an exercise price. The above Rights' vesting was accelerated on 3 April 2020 as part of the resignation of Mr Leslie Crockett.

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, with an increase in the Audit and Risk Management Committee Chair Fee applied during July 2019. Non-Executive Directors fees for FY20 were:

Chairman Fee	$160,000 (plus Superannuation)
Audit and Risk Management Committee Chair	$120,000 (plus Superannuation)
Non-Executive Director	$100,000 (plus Superannuation)

No fees were payable for any Board Committee other than the Chair of Audit and Risk Management.

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 29 November 2018 AGM was $800,000.

5. Statutory remuneration disclosures

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

Statutory remuneration tables

Non-Executive Directors

	Fixed remuneration				Variable remuneration			
Year	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Options	Total
Mr Michael Smith								
2020	160,000	-	-	15,200	-	-	-	175,200
2019	160,000	-	-	15,200	-	-	-	175,200
Ms Andrea Hall								
2020	119,615	-	-	11,363	-	-	-	130,978
2019	100,000	-	-	9,500	-	-	-	109,500
Ms Ann Robinson								
2020	100,000	-	-	9,500	-	-	-	109,500
2019	100,000	-	-	9,500	-	-	-	109,500
Mr Mark Dutton [1]								
2020	75,000	-	-	7,125	-	-	-	82,125
2019	100,000	-	-	9,500	-	-	-	109,500
Total								
2020	454,615	-	-	43,188	-	-	-	497,803
2019	460,000	-	-	43,700	-	-	-	503,700

[1] Mr Mark Dutton resigned effective 4 March 2020

Executive Directors

		Fixed remuneration			Variable remuneration			
Year	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Indeterminate Rights	Total
Mr Keith John								
2020	692,604	14,268	35,573	25,000	-	-	712,223	1,479,668
2019	671,119	11,844	87,996	25,000	-	-	576,358	1,372,317

Executive Key Management Personnel

	Fixed remuneration				Variable remuneration			
Year	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Cash bonus	Post-employment benefits	Performance Rights	Total
Ms Susan Symmons								
2020	246,885	11,844	36,025	23,438	-	-	69,580	387,772
2019	244,788	11,844	5,107	22,485	-	-	187,489	471,713
Ms Andrea Hoskins [1]								
2020	20,923	926	1,665	1,988	-	-	-	25,502
2019	-	-	-	-	-	-	-	-
Mr Jason Musca [2]								
2020	19,569	-	1,759	1,859	-	-	-	23,187
2019	-	-	-	-	-	-	-	-
Mr Barry Hartnett [3]								
2020	14,601	926	1,123	1,387	-	-	9,301	27,338
2019	-	-	-	-	-	-	-	-
Ms Lisa Stedman [4]								
2020	70,027	381	-	1,236	-	-	-	71,644
2019	339,711	11,844	25,100	25,000	-	-	20,576	422,231
Mr Leslie Crockett [5]								
2020	769,918	10,892	-	24,831	-	610,422	324,701	1,740,764
2019	411,779	11,844	23,773	25,000	-	-	382,095	854,491
Total								
2020	1,834,527	39,237	76,145	79,739	-	610,422	1,115,805	3,755,875
2019	1,778,022	47,376	141,976	103,228	-	-	1,166,518	3,237,120

[1] Andrea Hoskins commenced effective 8 June 2020
[2] Jason Musca commenced effective 25 May 2020
[3] Barry Hartnett has been employed by the Company since 29 May 2013, and commenced as a member of KMP from 8 June 2020
[4] Lisa Stedman resigned effective 9 July 2019
[5] Leslie Crockett resigned effective 3 April 2020. Cash salary includes all termination benefits including payment of outstanding leave balances. Under the terms of the Plan, all performance rights have vested and his benefits will be paid in accordance with the original vesting schedule. The Company has determined that Leslie Crockett will receive a cash equivalent payment at the relevant vesting date based on the value of the underlying shares at that time. For accounting purposes, it is necessary to include the full grant date fair values associated with the rights at the date Leslie Crockett resigned notwithstanding payment will not occur for a number of years. A provision of $158,889 (at a share price of $0.285 per share) has been recognised at 30 June 2020.

Total KMP remuneration expensed

Year	Fixed remuneration: Cash salary	Fixed remuneration: Non-monetary benefits	Fixed remuneration: Annual and long service leave	Fixed remuneration: Post-employment benefits	Variable remuneration: Cash bonus	Variable remuneration: Post-employment benefits	Variable remuneration: Indeterminate and Performance Rights	Total
2020	2,289,142	39,237	76,145	122,927	-	610,422	1,115,805	4,253,678
2019	2,238,022	47,376	141,976	146,928	-	-	1,166,518	3,740,820

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	2020	52%	-	48%
Executive Key Management Personnel				
Ms Susan Symmons	2020	82%	-	18%
Ms Andrea Hoskins	2020	100%	-	0%
Mr Jason Musca	2020	100%	-	0%
Mr Barry Hartnett	2020	65%	-	35%
Ms Lisa Stedman	2020	100%	-	0%
Mr Leslie Crockett	2020	100%	-	0%

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	$692,992 per annum plus superannuation	Continuing agreement with 12 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
Ms Andrea Hoskins [1]	Chief Operating Officer	$320,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Jason Musca [2]	Chief Financial Officer	$320,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Barry Hartnett [3]	Chief Development Officer	$206,000 per annum plus superannuation	Continuing agreement with 3 months' notice by either party
Ms Lisa Stedman [4]	Chief Operating Officer	$340,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Leslie Crockett [5]	Chief Financial Officer	$424,875 per annum plus superannuation	Continuing agreement with 6 months' notice by either party

[1] Andrea Hoskins commenced effective 8 June 2020
[2] Jason Musca commenced effective 25 May 2020
[3] Barry Hartnett has been employed by the Company since 29 May 2013 and commenced as a member of KMP from 8 June 2020
[4] Lisa Stedman resigned effective 9 July 2019
[5] Leslie Crockett resigned effective 3 April 2020

6. Equity instruments held by KMP

The table below show the number of 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.

Performance rights or indeterminate rights

Name	Issued balance at the start of the year	Granted	Vested	Forfeit	Balance at the end of the year	Unvested
Indeterminate Rights						
Executive Director						
Mr Keith John	1,022,500	-	(22,500)	-	1,000,000	1,000,000
Performance Rights						
Executive Key Management Personnel						
Ms Susan Symmons	167,500	-	(55,000)	-	112,500	112,500
Mr Barry Hartnett [1]	289,500	-	-	-	289,500	289,500
Ms Lisa Stedman [2]	342,500	-	(101,600)	(240,900)	-	-
Mr Leslie Crockett [3]	510,000	150,000	(660,000)	-	-	-
Total	2,332,000	150,000	(839,100)	(240,900)	1,402,000	1,402,000

[1] Mr Barry Hartnett rights at date of commencement as KMP effective 8 June 2020
[2] Ms Lisa Stedman resigned effective 9 July 2019
[3] Mr Leslie Crockett resigned effective 3 April 2020

Performance rights and indeterminate rights by their nature do not have an exercise price.

Executive Share Plan

500,000 shares remain from the shares issued to executives (excluding the Managing Director) under a share purchase facility of 18 July 2017. The key terms are:

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

Name	Issued balance at the start of the year	Granted as compensation	Repaid during the year	Balance at the end of the year
Executive Key Management Personnel				
Ms Susan Symmons	250,000	-	-	250,000
Ms Lisa Stedman [1]	250,000	-	(250,000)	-
Mr Leslie Crockett [2]	250,000	-	-	250,000
Total	750,000	-	(250,000)	500,000

[1] Ms Lisa Stedman resigned effective 9 July 2019
[2] Mr Leslie Crockett resigned effective 3 April 2020

Shareholdings

Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Non-Executive Directors			
Mr Michael Smith	695,940	-	695,940
Ms Ann Robinson	15,000	-	15,000
Mr Mark Dutton [1]	122,330	(122,330)	-
Total – Non-Executive Directors	833,270	(122,330)	710,940
Executive Director			
Mr Keith John	5,236,624	22,500	5,259,124
Executive Key Management Personnel			
Ms Susan Symmons	287,957	55,000	342,957
Mr Barry Hartnett [2]	138,491	-	138,491
Ms Lisa Stedman [3]	390,580	(390,580)	-
Mr Leslie Crockett [4]	559,417	(309,417)	250,000
Total – Executive Key Management Personnel	6,613,069	(622,497)	5,990,572
Total held by the Board and KMP	7,446,339	(744,827)	6,701,512

[1] Mr Mark Dutton resigned effective 4 March 2020
[2] Mr Barry Hartnett rights at date of commencement as KMP effective 8 June 2020
[3] Ms Lisa Stedman resigned effective 9 July 2019
[4] Mr Leslie Crockett resigned effective 3 April 2020

7. 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 2020 the total amount of $75,504 was paid to JFPIT in respect of the lease. No amount was owing to the related party at 30 June 2020.

Loans from related parties

The loan comprises participation by Mr Keith John in the medium term note issued which occurred on an arm's length basis.

Mr Keith John holds 500 medium term notes with a face value of $500,000. $30,522 in interest was paid on these notes during the financial year.

Insurance of officers

During the year the Company paid a premium to insure its Directors and Officers.

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, Deloitte Touche Tohmatsu, 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

Deloitte Touche Tohmatsu ("Deloitte") were appointed auditors on 25 November 2019. Prior to that PricewaterhouseCoopers ("PwC") were the appointed auditors.

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.

A copy of the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is on page 29. During the year the following fees were paid or payable for non-audit services.

	2020 $	2019 $
Deloitte Touche Tohmatsu [1]		
Total remuneration for non-audit services	118,272	-
PricewaterhouseCoopers Australia		
International Network firms of PricewaterhouseCoopers Australia		
Payroll and registration services	28,527	11,345

[1] Deloitte Touche Tohmatsu were appointed as the external auditors on 25 November 2019, these services were provided prior to their appointment as auditors.

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
23 September 2020

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Pioneer Credit Limited
Level 6, 108 St Georges Terrace
Perth WA 6000

23 September 2020

Dear Directors

Pioneer Credit Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Pioneer Credit Limited.

As lead audit partner for the audit of the financial statements of Pioneer Credit Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

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 2020 Corporate Governance Statement is dated 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year and was approved by the Board on 19 August 2020. The Group's Corporate Governance Statement can be viewed at:
https://pioneercredit.com.au/documents/corporate/governance/Corporate-Governance-Statement-Aug20.pdf

Risk Management Framework

In managing Pioneer's risk exposure and in promoting a consistent manner in which activities and processes are being undertaken across the business, the following are in place to facilitate this alignment:

Policies, Procedures & Guidelines

In addition to those policies recommended by the ASX Corporate Governance Council Guidelines (e.g. Board and Committee Charters, Code of Conduct, Conflict of Interest Policy, Risk Management Policy and Whistleblower Policy), policies, procedures & guidelines are in place across all key processes and business areas to facilitate the following:

- Consistency in the manner processes are undertaken and controls adopted, leading to predictable / repeatable results;
- Continuity in the process being performed from one individual to the next, especially where processes / controls are being performed by one or a handful of individuals (i.e. to reduce exposure to key dependency risk); and
- Efficiency in executing a process by reducing (where possible) uncertainty and ambiguity.

Management Level Controls

As part of Pioneer's Line of Defence (LOD) model, management level controls (i.e. preventative and detective manual / system controls) are implemented to provide internal / external stakeholders with a level of comfort that key processes are being undertaken as intended (i.e. 1st LOD). These controls are captured within Pioneer's Controls Register.

Controls Register

Pioneer has a Controls Register that documents existing key controls and corresponding risk / obligations, in providing visibility on the adequacy of controls in place to mitigating existing / emerging key risks, or in complying with applicable regulatory and contractual obligations. The Controls Register establishes accountabilities and facilitates monitoring and reporting activities, as part of Pioneer's risk governance framework and LOD model.

Compliance Obligations Register

Pioneer's Compliance Obligations Register is a tool that management and the Audit & Risk Management Committee monitor compliance obligations throughout the business and ensure that these obligations are met.

Compliance Calendar

Pioneer's Compliance Calendar is a tool that the Pioneer Audit & Risk Management Committee uses to ensure that its obligation to review and consider Compliance related matters is maintained. The Calendar sets out the Committee's timetable for the coming year and allocates time to review various areas of compliance and their frequency.

Risk Monitoring

In ensuring that Pioneer's activities are conducted in a manner that is consistent with its risk appetite, the following forums and monitoring initiatives have been implemented:

- Audit & Risk Management Committee
- Operational Risk Management Committee
- Executive Leadership Committee,
- Information Technology Governance Group

Independent Controls Assessment

In assessing if the controls captured with the Controls Register described above continues to be effectively designed (in mitigating key risks and complying with obligations), and effectively operated (i.e. being conducted in the manner and frequency required), periodic control assessments are undertaken by independent personnel (i.e. Operational Risk Management team). This forms part of Pioneer's LOD model (i.e. 2nd LOD).

The scope, frequency and approach of these periodic control assessments are clearly defined on the Controls Register against each respective control.

Internal Audit

The Company has an Internal Audit & Risk Manager who objectively and independently reviews the Company's business processes, evaluates risk management procedures and conducts internal audit and risk management reviews. This initiative forms part of Pioneer's LOD model (i.e. 3rd LOD).

Financial Statements

Contents

Consolidated statement of profit or loss and other comprehensive income

	Note	2020 $'000	2019 $'000
Continuing operations			
Interest income at amortised cost		60,122	58,072
Net impairment (loss) gain on PDPs		(6,320)	14,168
Other revenue		2,133	3,072
	11	55,935	75,312
Employee expenses		(34,816)	(39,916)
Finance expenses	12	(38,472)	(8,422)
Information technology and communications		(4,251)	(4,235)
Direct liquidation expenses		(4,057)	(3,515)
Office facility outgoings expenses		(1,348)	(3,340)
Depreciation and amortisation	12	(4,345)	(2,937)
Other expenses		(2,281)	(2,578)
Professional expenses		(6,322)	(2,114)
Impairment of tangible and intangible assets		(405)	(855)
Travel and entertainment		(526)	(650)
Fair value write down and impairment losses on financial assets		(682)	(153)
Loss on sale Consumer loans		(2,263)	-
(Loss) / Profit before income tax		(43,833)	6,597
Income tax benefit (expense)	13	3,749	(2,316)
(Loss) / Profit for the period from continuing operations		(40,084)	4,281
Total comprehensive (loss) / income for the year is attributable to:			
Owners of Pioneer Credit Limited		(40,084)	4,281
(Loss) / Earnings per share			
Basic (cents per share)	30	(63.36)	6.88
Diluted (cents per share)	30	(63.36)	6.54

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

	Note	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	14	11,019	11,184
Trade and other receivables		1,844	2,185
Consumer loans		-	1,472
Other current assets		1,182	762
Current tax asset		634	5,404
Purchased Debt Portfolios	7	87,255	92,711
Total current assets		101,934	113,718
Non-current assets			
Consumer loans		-	6,738
Property, plant and equipment	16	1,070	4,054
Deferred tax assets	18	2,761	212
Intangible assets	17	932	1,502
Other non-current assets		-	720
Right of use assets	15	7,440	-
Purchased Debt Portfolios	7	172,792	157,065
Total non-current assets		184,995	170,291
Total assets		286,929	284,009
LIABILITIES			
Current liabilities			
Trade and other payables		2,849	4,356
Borrowings	8	206,292	169,871
Provisions	20	521	373
Lease liabilities	15	2,568	-
Accruals and other liabilities		4,099	4,109
Total current liabilities		216,329	178,709
Non-current liabilities			
Lease liabilities	15	5,722	-
Provisions	20	919	841
Other liabilities		-	1,720
Total non-current liabilities		6,641	2,561
Total liabilities		222,970	181,270
Net assets		63,959	102,739
EQUITY			
Contributed equity	21	80,049	78,131
Reserves	21	3,870	4,032
Retained earnings (deficit)		(19,960)	20,576
Capital and reserves attributable to owners of Pioneer Credit Limited		63,959	102,739
Total equity		63,959	102,739

The consolidated statement of financial position 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 2019		78,131	4,032	20,576	102,739
Deferred tax through equity		-	-	(1,369)	(1,369)
Total comprehensive (loss) income for the year		-	-	(40,084)	(40,084)
		78,131	4,032	(20,877)	61,286
Transactions with owners in their capacity as owners					
Employee share scheme		229	-	-	229
Treasury shares and share based payments		-	1,106	917	2,023
Equity plans		421	-	-	421
Issue of treasury shares to employees		1,268	(1,268)	-	-
		1,918	(162)	917	2,673
Balance at 30 June 2020	21	80,049	3,870	(19,960)	63,959
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		166	-	-	166
Acquisition of treasury shares		(550)	-	-	(550)
Employee share scheme		61	-	-	61
Dividend reinvestment plan		4,830	-	-	4,830
Treasury shares and share based payments		-	1,856	-	1,856
Issue of treasury shares to employees		793	(793)	-	-
Equity plans		1,052	-	-	1,052
Dividend declared and paid		-	-	(7,476)	(7,476)
		6,352	1,063	(7,476)	(61)
Balance at 30 June 2019		78,131	4,032	20,576	102,739

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

Consolidated statement of cash flows

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from liquidations[1] of PDPs and services (inclusive of goods and services tax)		102,985	120,842
Payments to suppliers and employees (inclusive of goods and services tax)		(50,704)	(55,271)
		52,281	65,571
Interest received [2]		46	38
Interest paid		(5,134)	(6,678)
Net income taxation refund (paid)		4,601	(7,353)
Net cash inflow from operating activities before Consumer Loans	19	51,794	51,578
Cash flows from Consumer Loans			
Proceeds on sale of Personal Loan book		5,344	-
Net consumer loans recovered / (advanced)		846	(4,492)
		6,190	(4,492)
Net cash inflow from operating activities		57,984	47,086
Cash flows from investing activities			
Payments for property, plant and equipment		(179)	(524)
Proceeds on the sale of property, plant and equipment		-	782
Payments for intangible assets		(483)	(1,724)
Acquisitions of purchased debt portfolios - financial assets		(60,225)	(76,643)
Net receipts from other investments		-	937
Net cash outflow from investing activities		(60,887)	(77,172)
Cash flows from financing activities			
Proceeds from borrowings		141,725	40,923
Repayment of borrowings		(132,604)	(1,053)
Dividends paid to Company's shareholders		-	(7,476)
Proceeds from issue of ordinary shares and DRP		-	5,312
Financing transaction costs		(4,380)	(17)
Lease payments		(2,424)	-
Treasury shares and KMP loan repayments		421	721
Payment for shares acquired by the Incentive Plan Trust		-	(550)
Net cash inflow from financing activities		2,738	37,860
Net (decrease) / increase in cash and cash equivalents		(165)	7,774
Cash and cash equivalents at the beginning of the financial year		11,184	3,410
Cash and cash equivalents at the end of the financial year	14	11,019	11,184

[1] Liquidations of PDPs are the recognised flow of economic benefits from the acquiring and servicing of PDPs including all cash-flow sources from each portfolio's respective purchase agreement.
[2] Interest received represents interest earned on cash and cash equivalents.

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

Contents of the notes to the consolidated financial statements

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.

i) Compliance with IFRS

The consolidated financial statements of the Pioneer Credit Limited (Group) ("Pioneer", the "Company", "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.

ii) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars.

2. Going Concern

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2020, the Group has a net working capital deficiency of $114.4m (2019: $65.0m deficiency) and incurred a loss after tax of $40.1m (2019 profit: $4.3m). The working capital deficiency is primarily caused by the classification of all borrowings ($206.9m) as current liabilities due to the Standstill Agreement at the reporting date with the current Senior Financier.

As detailed in note 3, on 16 September 2020 the Company entered into a binding agreement for a new senior Syndicated Facility Agreement ("SFA") with a facility limit of $189.0m for the purpose of refinancing the Company's Senior Debt facility and to finance future acquisitions. The key terms of the SFA are outlined in note 3. Funds are expected to be drawn down on 23 September 2020 and will be used to repay the full amount owing to the current Senior Financier.

The Directors consider that the expected liquidity from forecasted PDP liquidations and acquisitions as well as the available funding under the SFA will be adequate to enable the Group to meet its debts and obligations as and when they fall due for the twelve-month period from signing this financial report, subject to the matters described below.

Management have prepared a cash flow forecast using best estimate assumptions. The Directors have assessed the cash flow forecast based on their expectation of PDP drivers including liquidations and acquisitions. In making their assessment the Directors have considered the impact of the Standstill Agreements and COVID-19 on the Group's performance in the financial year ended 30 June 2020. In particular, PDP acquisitions were negatively impacted as most debt vendors suspended selling for a period from April to June 2020. The Company's customer centric approach combined with the quality of its debt portfolio meant that any material adverse impacts of COVID-19 pandemic were minimised.

The Standstill Agreements reached with the Senior Financier significantly reduced the ability to acquire and liquidate PDPs, hence the acquisition and liquidations were lower than previous years.

The Group's ability to meet its ongoing operational and financial obligations is primarily dependent on:

i) Achieving the cash flow forecast for the period through to September 2021 which is dependent on achieving the key assumptions on EBITDA, including those in respect of PDP acquisitions, liquidations and sales; and

ii) The ongoing compliance with the financial debt covenants and other undertakings under the SFA and the Medium Term Notes.

The key assumptions underpinning the cash flow forecast are inherently uncertain and are subject to variation due to factors which are outside the control of the Group. For example, Government or debt vendor policy changes as a result of COVID-19 could impact on the ability to acquire or liquidate PDPs. Notwithstanding this, the Directors believe that it is appropriate to continue to adopt the going concern basis of preparation.

3. Events occurring after the reporting period

Standstill Agreements

On 18 May 2020, the Company entered into a Standstill Agreement ("Standstill Agreement") with Project Robin, L.P. ("Senior Financier") for the period 18 May 2020 to 17 July 2020. The Standstill Agreement provided that the Senior Financier will not, subject to the Company's compliance with its terms, take any action during the term of the Standstill Agreement in relation to any anticipated or subsisting defaults under the Senior Facility Agreement.

All interest and the make-whole payable under the Senior Debt Facility has been included in Borrowings as at 30 June 2020.

On 20 July 2020, the Standstill Agreement entered into on 18 May 2020 was extended to 14 August 2020 by means of an Amendment Deed.

The amended and extended standstill provided amongst others that:

- The Senior Financier would not, subjected to the Company's compliance with its terms, take any action during the term of the extended standstill agreement in relation to any anticipated or subsisting defaults on the Company's senior facility agreement;
- Allow for the orderly refinancing of all monies owed to the Senior Financier; and
- Allows the ability for the Company to recommence its debt purchasing program within agreed parameters.

In consideration for the Financier agreeing to the amendment of the Standstill Agreement, the Company paid the Financier a non-refundable extension fee of $2,500,000. The Company agreed to the reimbursement of certain legal, accounting, tax, financial advisory and other costs and out of pocket expenses of the Financier and an increase in the Default interest rate from 10% to 15% effective 7 April 2020 to 17 July 2020.

New Senior Syndicated Facility Agreement

On 16 September 2020, the Company entered into a syndicated facility agreement ("SFA") of $189,000,000 providing for the refinancing of its existing Senior Facilities. The SFA comprises:

- $169,000,000 term facility;
- $20,000,000 acquisition facility, for up to 50% of the value of portfolio debt purchases ("Acquisition Facility"); and
- 15,750,626 zero cost detachable warrants to be issued to the syndicate ("Warrants")

and contains the following terms:

- Weighted average interest rate of BBSY +11% p.a.;
- Commitment fee of 2.5% on the undrawn commitment under the Acquisition Facility;
- Exit fee of 2.0% per annum on actual amounts drawn and outstanding;
- Top-up fee to achieve an IRR of 14.5%, including the value of warrants issued to the Syndicate;
- Maturity date of 30 September 2022 with the ability, subject to conditions, to extend this to 1 July 2023; and
- Financial covenants to be tested on a quarterly basis from 31 December 2020.
- The financial covenants included are:
  - Senior Leverage Ratio (Debt to Adjusted EBITDA) (net senior secured debt to EBITDA)
  - Interest Cover Ratio (EBITDA to senior interest expense)
  - Senior LBV (net senior secured debt to amortised cost portfolio value)
  - Total LBV (total net secured debt to amortised cost portfolio value)

The Warrants will have a nil exercise price, are detachable and expire 4 years from 16 September 2020. The Warrants will be issued in two tranches to the Syndicate as follows:

- 9,509,737 Warrants issued immediately; and
- 6,240,889 Warrants to be issued subject to Shareholder approval ("Second Tranche Warrants").

The notice for the Annual General Meeting for Shareholder approval of the Second Tranche Warrants is expected to be despatched in October 2020. If the Second Tranche Warrants are not issued by 8 October 2021, a warrant fee set at a premium to the prevailing share price would be paid to the syndicate members at the time.

Medium Term Notes

On 10 July 2020, Noteholders for the Medium Term Notes ("Notes") approved a series of modifications to the Notes, subject to completion being achieved under the SFA. Given that this occurred on 16 September 2020, the key changes to the terms of the Notes which came into effect include:

- An increase in the margin from 5.25% p.a. to 7.25% p.a.;
- An increase in maturity by 12 months to 22 March 2023; and
- An increase in frequency of optional redemption dates (by Pioneer Credit Limited as the issuer), to the end of each quarter.

Noteholders will receive a consent fee of 0.5% of the outstanding principal amount of each Note held if they had voted in favour of the changes.

Service Contract for the operation of the Philippines facility

The Philippines has been in one of the world's toughest COVID-19 lockdowns since April 2020 and Pioneer has been operating on a skeleton staff since that date. From the shutdown, the majority of Pioneer's Philippines operations were immediately diverted to its Australian operations. This process has had an immaterial impact on the Company's overall business.

Subsequent to 30 June 2020 the Company has terminated its contract with the third party contractor and is operating on a flexible basis, committing from September 2020 onwards on a month to month basis only until conditions improve. The Company will revisit the long term recommencement of its Philippine operations once the pandemic has subsided and the Philippines returns to normal.

4. Significant changes in the current reporting period

Significant events and transactions that have affected the Group's financial position and performance during the period under review since the last annual financial statement are as follows:

New Syndicated Facility Agreement

Pioneer has been operating under constraints due to Standstill Agreements entered into over the past year with Senior Financiers. Without access to additional funding and with requirements that limited its operational flexibility, Pioneer's growth strategy including the acquisition of PDPs has been impeded and this has been reflected in the performance as reported in this report. The new Syndicated Facility Agreement is expected to release these constraints. The new Syndicated Facility Agreement was executed on 16 September 2020. Further information has been provided in note 3.

Sale of Consumer Loan Book

The Consumer Loan portfolio was sold during the year at a loss of $2.3m. Proceeds from the sale of the Consumer Loan book amounted to $5.3m.

5. Critical accounting estimates and judgements

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 Company's accounting policies.

The Group makes estimates and assumptions concerning the future. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

Purchased debt portfolios ("PDPs")

Classifying PDPs at amortised cost and the use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from PDPs 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 re-measurement 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; 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 characteristics of the customers. 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 has used information and data obtained from debt vendors at acquisition and observation of PDP attributes in the month of acquisition to determine expected cash flow forecasts for the calculation of CAEIRs. In addition, the Group applies judgement and considers long term expectations of performance informed by historic analysis to ensure the setting of CAEIRs is based on the best estimates that incorporate the lifetime expectation of credit losses for the PDP. These cash flow forecasts are reviewed by management, with model overlays used to address any modelling anomalies observed. Once the CAEIR is determined it is locked in and not revised. Any changes to PDP attributes from that point on, 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 cash flow forecasts.

Cash flow forecasts are generated using models incorporating a number of factors which are informed by customer and account level data, credit agency data and the Company's historical experience with accounts which have similar key attributes.

Management also review the model on a portfolio basis to take into account 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.

The model has been enhanced during the year with several changes incorporated, in particular:

- Disaggregating the recovery curve from a single portfolio average to curves based on specific emergence patterns;
- Increasing the granularity of prediction level from portfolio to tranche level;
- The use of the most recent cash flow experience has removed the requirement for a general scaling factor; and
- The separation of the model overlay adjustments into a scenario based macroeconomic overlay and a model risk overlay.

If total forecasted cash flow projections were to change by ±5%, the carrying value of PDPs at 30 June 2020 of $260.0m would change by $13.0m in a downside scenario and $13.0m 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 statement of profit or loss at that point in time as an impairment gain or loss. Further details including details of the potential impact of the uncertain macroeconomic environment are outlined in note 7.

COVID-19 pandemic

The COVID-19 pandemic has resulted in significant health, societal and economic impacts across the globe. The full effects of COVID-19 on the Australian economy are not yet known or quantifiable and the impacts on specific industries and businesses will vary widely.

At the onset of the COVID-19 pandemic the Company experienced a drop in its average payment instalments and lump sum settlements, consistent with the expectation that customers would naturally become more cautious about their finances. The reduction in payments has generally been treated as deferrals of customer payments rather than hard defaults.

As at 30 June 2020 the future impacts of COVID-19 remain unclear, and while particular parts of Australia have seen restrictions eased and some businesses reopened, the current government support is scheduled to commence an orderly wind back from October 2020 to March 2021. This could result in increased unemployment levels in the future and, there is a risk that a reduction in a customer's disposable income could impact estimated future cash flows, both in timing and quantum.

See note 7 for an analysis of the impacts of the uncertain macroeconomic environment.

Accounting for taxation

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating the Company's ability to recover our deferred tax assets, we consider all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, the results of recent operations and events occurring after reporting date. The assumptions about future taxable income, including PDP liquidations, require the use of significant judgment and may ultimately vary from management's best estimate.

Lease standard

AASB 16 *Leases* is applicable to annual reporting periods commencing on or after 1 January 2019 and has been adopted effective 1 July 2019, utilising the modified retrospective approach of paragraph C8(b)(ii).

Judgement has been applied in determining the lease terms, term of the leases and incremental borrowing rates.

6. Financial Instruments

The Group has the following financial instruments

As at 30 June 2020

	Note	Measurement	Current $'000	Non-current $'000	Total $'000
Financial assets					
Cash and cash equivalents	14	Amortised cost	11,019	-	11,019
Trade receivables		Amortised cost	1,844	-	1,844
Purchased Debt Portfolios	7	Amortised cost	87,255	172,792	260,047
			100,118	172,792	272,910
Financial liabilities					
Trade and other payables		Amortised cost	7,434	436	7,870
Borrowings	8	Amortised cost	206,292	-	206,292
			213,726	436	214,162

As at 30 June 2019

	Measurement	Current $'000	Non-current $'000	Total $'000
Financial assets				
Cash and cash equivalents	Amortised cost	11,184	-	11,184
Trade receivables	Amortised cost	2,185	-	2,185
Consumer loans	Amortised cost	1,472	6,738	8,210
Purchased Debt Portfolios	Amortised cost	92,711	157,065	249,776
Investment	Fair Value – P/L	-	667	667
		107,552	164,470	272,022
Financial liabilities				
Trade and other payables	Amortised cost	8,838	383	9,221
Borrowings	Amortised cost	169,871	-	169,871
		178,709	383	179,092

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.

Fair value of trade and other receivables, trade and other payables

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

Impairment and risk exposure

Information about the impairment of trade receivables can be found in note 22.

7. Purchased Debt Portfolios

	2020 $'000	2019 $'000
Current	87,255	92,711
Non-current	172,792	157,065
	260,047	249,776

Movement on purchased debt portfolios at amortised cost is as follows:

	2020 $'000	2019 $'000
Current and non-current		
At beginning of period	-	224,561
Impact of adopting AASB 9 on 1 July 2018	-	(4,564)
Brought forward after AASB 9 opening adjustment	249,776	219,997
Additions for the period	57,651	77,036
Liquidations of PDPs	(100,924)	(118,466)
Net gain on financial assets from PDPs	53,544	71,209
Interest accrual	59,864	57,041
Net impairment (loss) gain	(6,320)	14,168
	260,047	249,776

PDPs are recognised at fair value at the date of purchase and are subsequently measured at amortised cost. The fair value of PDPs at 30 June 2020 approximates the carrying value measured under amortised cost as the discount rate applied to determine fair value would be similar to the CAEIR.

PDPs 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 life time expected credit losses incorporated into the calculation of the CAEIR at inception. This CAEIR 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). All changes in lifetime expected credit losses subsequent to the assets' initial recognition are recognised as an impairment change (gain or loss).

Cash flow projections are made at the portfolio level, which are assumed to have a maximum life of 10 years. For a small segment of the PDP assets (less than 2.5% of the carrying value) that have been part of the portfolio for at least 4 years, the maximum expected life (and therefore future expected cashflows) is now extended based on demonstrated consistency in customer payment behaviour. This extension in the cash flow projection period to a maximum of up to 11 years was implemented in the current financial year and increases the carrying value of the asset by $5.7m.

The carrying amount of each portfolio is determined at each reporting period by discounting projected future cash flows to present value using the CAEIR as at the date the portfolio was acquired.

A detailed analysis of the critical accounting estimates and judgements in note 5 outlines the elements considered in the application of judgement to estimate future cash flows at the time the CAEIR is determined and at each subsequent reporting date, including the key underlying variables that are analysed.

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

Recovery methods include implementation and management of payment plans and multiple attempted communication with the customer to tailor an appropriate outcome. 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.

Impacts of an Uncertain Macroeconomic Environment

The estimating of future cash flows for the purposes of assessing the carrying value of the PDP portfolio involves significant management judgement. The uncertain macroeconomic environment (including COVID-19) and its potential impact on the operational performance of the Company has the potential to impact forecast future cash flows and thereby impairment of the carrying value of the PDP portfolio.

Given the uncertainty surrounding the future outlook, the Company adopted a generally accepted approach and included a probability weighted overlay that delayed or reduced the forecasted future cashflows by taking into account a number of different scenario outcomes. The scenarios modelled consider the potential impacts of a deferral in cashflows and the subsequent recovery of these cashflows, together with the impacts of non-recovery of a portion of those deferred cashflows. In determining a suitable timeframe for modelling these potential impacts, forward looking economic assumptions have been considered including unemployment rates, the Consumer Price Index and the RBA cash rate.

The overlay has been determined by considering the following current and forecast macroeconomic assumptions:

- Unemployment at 7% at June 2020, increasing to 10% in December 2020, and recovering to 7% by December 2022;
- Consumer price index of -0.3% in June 2020, increasing to 1.5% in June 2022; and
- RBA cash rate at 0.25% in December 2020 and remaining at 0.25% at June 2022.

The Company has applied a probability-weighted view capturing the different scenarios which is a generally accepted method of producing a macroeconomic overlay, particularly where uncertainty about the near-term economic environment is prevalent. This has resulted in the inclusion of a negative macroeconomic overlay of $4.4m.

	Weighting	Deferred Cashflows	Period of Impact	Recovery Rate	Recovery Period	Weighted Impact $'000
Low Impact Scenario	35%	(5%)	12 months	100%	12 months	434
Medium Impact Scenario	60%	(10%)	24 months	100%	18 months	3,171
Severe Downside Scenario	5%	(15%)	24 months	50%	36 months	840

Model Risk

Valuation model risk arises where key judgements may impact on the appropriateness of model outputs. Commensurate with the complexity, materiality and business use of the model, the Group mitigated 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;
- the engagement of suitability qualified external third parties to consult on, advise and challenge the development of the models during any model development phase; 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 model. However, given 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, resulting in a model risk overlay of negative $3.3m.

8. Borrowings

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Secured						
Senior debt facilities	140,986	-	140,986	129,725	-	129,725
Medium term notes	39,452	-	39,452	39,128	-	39,128
Interest and make-whole payable	25,621	-	25,621	477	-	477
Other loans	233	-	233	342	-	342
	206,292	-	206,292	169,672	-	169,672
Unsecured						
Other loans	-	-	-	199	-	199
	206,292	-	206,292	169,871	-	169,871

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 $286,929,000 (FY19: $284,009,000).

Medium term notes

The Group issued $40.0m in medium term notes on 22 March 2018. The notes have a maturity date of 22 March 2022 with the option to repay the notes at 101% of par plus any accrued interest one year prior to maturity. The notes have been classified as current due to the Standstill Agreement at the reporting date with the Senior Financier.

Subsequent to 30 June 2020, Noteholders for the Medium Term Notes approved a series of modifications. These are outlined in note 3.

Fair value

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

Changes in liabilities arising from the financing activities

	Opening balance at 1 July 2019 $'000	Cash flow $'000	Other non-cash flow $'000	Closing Balance at 30 June 2020 $'000
Borrowings	169,871	(393)	36,814	206,292
Lease liabilities	10,135	(2,424)	579	8,290
	180,006	(2,817)	37,393	214,582

	Opening balance at 1 July 2018 $'000	Cash flow $'000	Other non-cash flow $'000	Closing Balance at 30 June 2019 $'000
Borrowings	128,570	40,317	984	169,871
	128,570	40,317	984	169,871

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 2020				
Trade payables	2,849	-	-	2,849
Borrowings (incl. interest and make-whole)	207,537	-	-	206,292
Provisions	521	19	900	1,440
Accruals and other liabilities	4,099	-	-	4,099
Lease liabilities	3,016	3,075	2,973	8,290
	218,022	3,094	3,873	222,970
At 30 June 2019				
Trade payables	4,356	-	-	4,356
Borrowings	169,871	-	-	169,871
Provisions	373	-	841	1,214
Accruals and other liabilities	4,109	-	-	4,109
	178,709	-	841	179,550

9. 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 16 *Leases*

The Group adopted AASB 16 effective 1 July 2019. The new standard has resulted in changes in accounting policy which, along with the impact on the financial statements, are disclosed in note 15.

The Group has adopted the modified retrospective approach as allowed by the standard, paragraph C8(b)(ii). As such, comparative information has not been restated.

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Group adopted AASB Interpretation 23 *Uncertainty over Income Tax Treatment* effective 1 July 2019. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

10. Segment information

For management purposes, the Company is organised into one main business segment, which is the provisions of financial services specialising in acquiring and servicing unsecured debt portfolios. All significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

11. Revenue

From continuing operations

	2020 $'000	2019 $'000
Interest income from PDPs	59,864	57,041
Interest income from Consumer loans	258	1,031
Net impairment (loss) gain from PDPs	(6,320)	14,168
	53,802	72,240
Other revenue	2,133	3,072
Revenue	55,935	75,312

Revenue recognition

Interest income includes revenue from PDPs representing the effective interest rate from acquired portfolio investments. Interest income on PDPs is measured using the Credit-Adjusted Effective Interest Rate ("CAEIR").

Impairment gains and losses are the changes to the expected future cashflows coming from the PDPs, subsequent to their initial recognition and discounted at the CAEIR. This also includes losses from PDPs closed during the period whose expected future cashflows are nil at the date of valuation.

Other revenue includes revenue from services and is recognised as income when the service performance obligation is fulfilled. It primarily consists of legal services provided to external parties and income from the supply of resources to the Government of Western Australia's State COVID-19 response unit.

Interest earned on cash and cash equivalents is measured using the effective interest method.

12. Other expense items

This note provides a breakdown of specific costs included in profit before income tax, from continuing operations.

	2020 $'000	2019 $'000
Finance expenses		
Bank fees and borrowing expenses	7,615	1,749
Interest and finance charges paid / payable for financial liabilities not at fair value through profit or loss	25,225	6,673
Right of use liability interest	579	-
Senior financier make whole	5,053	-
	38,472	8,422
Depreciation and amortisation		
Depreciation	1,110	1,274
Amortisation	719	1,663
Right of use asset amortisation	2,516	-
	4,345	2,937

13. 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.

	2020 $'000	2019 $'000
Current tax on profits for the year	-	(119)
Adjustments for current tax and deferred tax of prior periods	169	(41)
Deferred tax (benefit) expense	(3,918)	2,476
Income tax (benefit) expense	(3,749)	2,316
Income tax is attributable to:		
(Loss) Profit from operations	(43,833)	6,597
Deferred income tax expense / (income) included in income tax expense comprises:		
(Increase) / decrease direct to equity	(1,369)	1,369
(Increase) / decrease in deferred tax assets of prior years	(127)	49
(Increase) / decrease in deferred tax assets	(2,422)	1,058
	(3,918)	2,476

See note 5 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.

	2020 $'000	2019 $'000
(Loss) / profit from operations before income tax expense	(43,833)	6,597
Tax at the Australian tax rate of 30.0% (FY19: 30.0%)	(13,150)	1,979
Non-deductible entertainment costs	59	21
Non-deductible share based payments	722	562
Employee share trust funding contribution	-	(165)
Under / (over) provision for prior year current and deferred taxation	42	(41)
Employee share scheme	(69)	(50)
Fair value write down of investment	203	-
Other non-deductible expenses and assessable income	20	10
Tax losses not recognised as a deferred tax asset [1]	8,424	-
Income tax (benefit) / expense	(3,749)	2,316

[1] Deferred tax assets have only been recognised in relation to deductible temporary differences. No deferred tax assets have been recognised in relation to unused tax losses.

Amounts recognised directly in equity

	2020 $'000	2019 $'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	-	-
Deferred tax – (debited) / credited directly to equity	(1,369)	1,369
Net current and deferred tax – credited directly to equity	(1,369)	1,369

14. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	11,019	11,184

15. Right of Use Assets and Lease Liabilities

The right-of-use assets and lease liabilities are disclosed on adoption of AASB 16 *Leases* from 1 July 2019.

Impact of adoption of AASB 16 as at 1 July 2019

	$'000
Operating lease commitments at 30 June 2019 (as previously reported)	11,496
Effect of discounting the above amounts	(1,361)
Lease liabilities recognised at 1 July 2019	10,135
Right-of-use assets recognised at 1 July 2019	10,135
Amount recognised in retained earnings	-

	30 June 20 $'000
Right-of-use assets	
Initial right-of-use assets recognised on adoption of AASB 16 *Leases*	10,135
Leasehold improvements and lease incentive	(179)
Depreciation charge	(2,516)
Closing right-of-use assets as at 30 June 2020	7,440
Cost	9,956
Accumulated depreciation	(2,516)
Closing right-of-use assets as at 30 June 2020	7,440

	30 June 20 $'000
Lease liabilities	
Current lease liabilities	2,568
Non-current lease liabilities	5,722
Total lease liabilities	8,290

Accounting policy

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the lease term.

The recognised right-of-use assets relate to commercial property leases. The Group did not enter into any new leases during the period.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases (less than 12 months) and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. The Group did not have any short-term or low value leases during the period.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to exercise, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

The non-cancellable lease terms are for periods up to 30 June 2023.

Adjustments recognised on adoption of AASB 16 Leases

The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019, and has not restated comparatives for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard (paragraph C8(b)(ii)).

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases, which had previously been classified as ‘operating leases’ under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.45%.

Maturity analysis - undiscounted

	$'000
Lease commitments (principal and interest) at 30 June 2020	
Within one year	3,016
Later than one year but no later than five years	6,048
	9,064

Practical expedients applied

In applying AASB 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The timing of certain lease payments have changed as a result of COVID-19 rent deferrals, these changes have not been treated as a lease modification.

16. Property, plant and equipment

	Plant and equipment $'000	Furniture, fittings and equipment $'000	Leasehold improvements $'000	Total $'000
2020				
At 1 July 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
Year ended 30 June 2020				
Opening net book amount	789	344	2,921	4,054
Additions	179	-	-	179
Impairment charge	(71)	-	-	(71)
Depreciation charge	(597)	(137)	(376)	(1,110)
Lease incentive asset [1]	-	-	(1,982)	(1,982)
Closing net book amount	300	207	563	1,070
At 30 June 2020				
Cost	2,914	665	3,477	7,056
Accumulated depreciation	(2,614)	(458)	(2,914)	(5,986)
Net book amount	300	207	563	1,070
2019				
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

[1] This amount represents leasehold improvements that have been presented together with the ROU Asset, the ROU Asset and the leasehold improvements have the same depreciation profile.

Non-current assets pledged as security

Refer to note 8 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%

During the year the Group identified certain assets that were no longer expected to be used in the operations of the business and were therefore considered to be impaired.

See note 33 for the other accounting policies relevant to property, plant and equipment.

17. Intangible assets

	Goodwill	Software and licenses	Total
	$'000	$'000	$'000
2020			
At 1 July 2019			
Cost	-	4,900	4,900
Accumulated amortisation	-	(3,398)	(3,398)
Net book amount	-	1,502	1,502
Year ended 30 June 2020			
Opening net book amount	-	1,502	1,502
Additions	-	483	483
Impairment charge	-	(334)	(334)
Amortisation charge	-	(719)	(719)
Closing net book amount	-	932	932
At 30 June 2020			
Cost	-	5,049	5,049
Accumulated amortisation and impairment	-	(4,117)	(4,117)
Net book amount	-	932	932
2019			
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

Indicators of impairment

The Company assesses, at each reporting date, whether there are any indicators that assets may be impaired. The Company considers information from both external sources (such as market interest rates, significant adverse changes in the technological, market, economic or legal environment in which the Company operates, market capitalisation being lower than net assets) and internal sources (such as internal restructurings, evidence of obsolescence or physical damage to the asset).

During the year the Group identified certain software that was no longer expected to be used in the operations of the business and was therefore considered to be impaired.

Amortisation methods and useful lives

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. The Group amortises these intangible assets with a limited useful life using the straight-line method over 1 to 3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

See note 33 for other accounting policies relevant to intangible assets and the policy regarding impairments.

18. Deferred tax balances

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Employee benefits (annual leave)	343	327
Retirement benefit obligations (superannuation payable)	77	63
	420	390
Other		
Other accrued expenses (audit, accounting, payroll tax)	2,179	280
Share issue expenses	54	123
Other temporary differences (formation costs, legal and other professional costs, fixed and intangible timings)	1,829	593
Prepayments	(13)	(18)
Provision for impairment (PDPs)	(1,708)	(3,605)
Revenue tax losses	-	2,449
	2,341	(178)
Net deferred tax assets	2,761	212

Movements

	Employee benefits $'000	Retirement Benefit Obligation $'000	Other $'000	Provision for impairment (PDPs) $'000	Revenue tax losses $'000	Total $'000
At 1 July 2019	327	63	978	(3,605)	2,449	212
(Charged) / credited						
To profit or loss	16	14	3,071	1,897	(1,080)	3,918
Directly to equity	-	-	-	-	(1,369)	(1,369)
At 30 June 2020	343	77	4,049	(1,708)	-	2,761
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

19. Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 $'000	2019 $'000
(Loss) Profit for the period	(40,084)	4,281
Foreign currency translation	63	(99)
Other non-cash expenses	158	-
Fair value write down and Impairment of assets	1,087	855
Lease Liability Interest accrual	579	-
Non-cash employee benefits expense – share-based payments	2,411	1,874
Loss on sale of Consumer loan book	2,263	-
Non-cash financing amortisation	6,536	507
Depreciation and amortisation	4,345	2,937
Interest and make-whole	25,144	-
Non-cash rental expense	-	302
Consumer loan loss provision	-	145
Profit on non-current asset held for sale	-	(233)
Increase in value of investment	-	(167)
Consumer loan interest accrual	(258)	(1,051)
Amortisation of PDPs	47,380	47,257
Change in operating assets and liabilities:		
(Increase) / decrease in trade receivables	(26)	(237)
(Increase) / decrease in deferred tax assets through profit or loss	(3,918)	1,089
Decrease in income tax receivable	4,770	-
Increase in trade payables	1,067	706
(Decrease) in income tax payable	-	(6,115)
Increase / (Decrease) in accruals and other liabilities	277	(473)
Net cash flow inflow from operating activities before changes in operating assets	51,794	51,578

Non-cash investing and financing activities

	2020 $'000	2019 $'000
Fair value write down on financial assets	(667)	-
Capitalised syndicate arrangement fee	(2,370)	-
Non-cash financing amortisation	(2,363)	(507)

20. Provisions

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	450	313	763	373	383	756
Lease make good	35	483	518	-	458	458
Share Based Payments	36	123	159	-	-	-
	521	919	1,440	373	841	1,214

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 which is 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.

Share Based Payments

A provision has been recognised for the current value of the obligation to settle in future periods, at the then market value, the long term incentive rights that have been converted into a cash obligation.

Movements in provisions

	Employee benefits $'000	Lease make good $'000	Share Based Payments $'000	Total $'000
At 1 July 2019				
Opening carrying amount	756	458	-	1,214
Charged to profit or loss	7	60	-	67
Charged to share based payment reserve	-	-	159	159
At 30 June 2020	763	518	159	1,440
At 1 July 2018				
Opening carrying amount	556	438	-	994
Charged to profit or loss	200	20	-	220
At 30 June 2019	756	458	-	1,214

21. Equity

Contributed equity

Share capital

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares – fully paid Excluding Treasury shares	62,878,293	62,370,655	80,049	78,131

Movement

	Number of shares	$'000
2020		
Opening balance 1 July 2019	62,370,655	78,131
Employee share scheme (note 28)	83,538	229
Treasury shares issued to employees	424,100	1,268
Executive share plan	-	421
Closing balance 30 June 2020	62,878,293	80,049
2019		
Opening balance 1 July 2018	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
Closing balance 30 June 2019	62,370,655	78,131

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.

Treasury shares

	Number of shares	$'000
2020		
Opening balance 1 July 2019	944,056	3,202
Treasury shares issued to employees	(424,100)	(1,268)
Closing balance 30 June 2020	519,956	1,934
2019		
Opening balance 1 July 2018	1,028,556	3,297
Receipt on treasury shares	-	148
Treasury shares acquired	200,000	550
Treasury shares issued to employees	(284,500)	(793)
Closing balance 30 June 2019	944,056	3,202

No treasury shares were acquired in the current financial year.

Shares issued to employees are recognised on a first-in-first-out basis. The shares may be 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.

Options

There are no outstanding options at 30 June 2020 and no options were granted, vested, exercised or had expired during the financial year. During the 2019 financial year 250,000 options were exercised and had been fully expensed by 30 June 2019.

Share based payment reserve

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.

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.

	2020 $'000	2019 $'000
At 1 July		
Opening balance	4,032	2,969
Share based payments and Executive share plan [1]	1,106	1,708
Treasury shares loan repayments	-	148
Performance rights issued	(1,268)	(793)
At 30 June	3,870	4,032

[1] Includes accelerated vesting of Performance Rights that will be paid out in line with the original vesting dates, at the market value at that date.

22. 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.

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.

The main risks the Group is exposed to through its financial instruments are market risk, liquidity risk and credit risk.

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.

The following table lists financial assets and liabilities, interest rate type and carrying value.

	Interest rate	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	Variable	11,019	11,184
Trade receivables	Variable	1,844	2,185
Consumer loans	Fixed	-	8,210
Purchased Debt Portfolios	Fixed	260,047	249,776
Investment	N/A	-	667
Financial liabilities			
Trade and other payables (excluding interest payable)	Variable	2,849	4,356
Borrowings – before transaction costs			
Bank loans	Variable	-	130,153
Senior financier	Fixed	166,560	-
Medium term notes	Variable	39,499	39,177
Other loans	Variable	233	541

Market risk management

Interest Rate Risk

Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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.

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.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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.

Price Risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market process.

Liquidity risk management

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 does not have an overdraft facility or undrawn facilities as at 30 June 2020.

See note 8 on Borrowing facilities available to the Group as at 30 June 2020, and note 3 for Borrowing facilities subsequent to 30 June 2020. See note 8 for a maturity analysis of Borrowings.

Credit risk management

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and / or regions.

As at 30 June 2020 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.

Impairment of trade and other receivables

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.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. 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 ratio.

Judgement has been applied on a forward-looking basis to assess the expected credit losses associated with its financial assets carried at amortised cost.

The following table details the loss allowance balance and movement.

	Consumer loans		Trade and other receivables	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Opening loss allowance as at 1 July	402	258	65	89
Increase in loss allowance recognised in profit or loss during the year	-	144	32	65
Loss allowance utilised during the year	(402)	-	-	-
Unused amount reversed	-	-	-	(89)
Closing loss allowance at 30 June	-	402	97	65

Following the decision to cease lending under the Consumer Loan product offering, the performing Consumer Loan portfolio was sold during year.

Impairment methodology

Trade and other receivables

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.

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.

23. Capital 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.

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 at 30 June 2020 are set out in note 8, and post 30 June 2020 in note 3.

Dividends

No dividends were declared or paid during the financial year. No dividends have been declared subsequent to the financial year end. In the comparative period, the 2H18 final dividend of $4.8m and 1H19 interim dividend of $2.7m were paid.

Franking Account

The balance of the franking account at year end is, on a tax rate of 30.0%, $9.8m (FY19: $14.4m).

24. Group structure

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 33.

Name of entity		Country of incorporation	Class of shares	Equity holding 2020 %	Equity holding 2019 %
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 30 June 2020.
2 Pioneer Credit Connect (Fund 1) Pty Ltd was incorporated on 15 January 2018 and has not conducted any business since inception to 30 June 2020.
3 Pioneer Credit Connect (Personal Loans) Pty Ltd was incorporated on 15 January 2018 and has not conducted any business since inception to 30 June 2020.

25. Contingencies

The Group had contingent liabilities at 30 June 2020 in respect of:

An external supplier commenced proceedings against the Company in January 2019 in respect of unpaid invoices in relation to a software service agreement, claiming approximately $220,000 plus interest. Pioneer counterclaimed for $591,000 for misleading or deceptive conduct and breach of contract. The Company has received advice that it has reasonable prospects of successfully defending the claim and prosecuting its counter claim.

26. Commitments

Service Contract

The Group has a services contract for the operation of its Philippines facility that ends September 2020 and a WAN services contract that ends October 2021. The minimum contractual commitments resulting from these agreements are outlined below.

	2020 $'000	2019 $'000
Commitments for minimum service payments in relation to non-cancellable contracts are payable as follows:		
Within one year	732	2,207
Later than one year but not later than five years	155	4,739
	887	6,946

Subsequent to 30 June 2020 the Company has terminated its contract with the third party contractor for the services of the Philippines operations, providing the necessary notice period, and is operating on a flexible basis, committing on a month to month basis. There were no termination fees payable. A commitment of $0.3m has been recognised within the number above as at 30 June 2020.

Non-cancellable operating leases

The right-of-use assets and lease liabilities are disclosed on adoption of AASB 16 *Leases* from 1 July 2019. See note 15.

The Group has, in previous periods, leased various offices under non-cancellable operating leases. The leases had varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2020 $'000	2019 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	2,755
Later than one year but not later than five years	-	8,741
	-	11,496

27. Related party transactions

Key Management Personnel

	2020 $	2019 $
Short-term employee benefits	2,328,379	2,285,398
Post-employment benefits [1]	733,349	146,928
Long-term benefits	76,145	141,976
Share-based payments	1,115,805	1,166,518
	4,253,678	3,740,820

[1] Includes accelerated vesting of Performance Rights

Transactions with other related parties

	2020 $	2019 $
Rental expenses and other services		
Entities owned or controlled by KMP	75,504	78,912
Superannuation contributions		
Contributions to superannuation funds on behalf of Directors	68,466	68,700
Other transactions		
Remuneration paid to Directors of the ultimate Australian parent entity	1,867,695	1,707,477

Loans from related parties

The loan comprises participation in the medium term note issue described in note 8 all of which has occurred on an arm's length basis.

	2020 $	2019 $
Loans from key management personnel		
Beginning of the year	500,000	500,000
Interest charged	30,522	36,367
Interest paid	(30,522)	(36,367)
End of year	500,000	500,000

28. Share-based payments

Employee share scheme

On 14 August 2019 the Company issued 83,538 fully paid ordinary shares under an Employee Offer which gifted up to $1,000 worth of shares to eligible employees. The employee offer shares were valued at $2.7442 each. The shares were issued for no consideration.

Shares issued for no consideration are an expense to the Company.

Equity incentive plan

The Company operates a Pioneer Credit Limited Equity Incentive Plan whereby certain eligible employees are granted performance or indeterminate rights. Each Right entitles the holder to one fully paid ordinary share for no consideration, subject to vesting conditions being met.

The cost of the equity settled transaction is determined by the fair value at the date when the grant is made using an appropriate valuation model. Inputs to the valuation model include Spot price, Exercise price, Vesting period, Expected future volatility, risk free rate and Dividend yield.

The cost is recognised in employee expenses together with a corresponding increase in equity (reserves) over the vesting period.

On 31 July 2019, 570,000 Performance Rights were granted to eligible employees. Each Right entitles the holder to one fully paid ordinary share for no consideration, provided the holder of the Right remains employed by the Group at the Vesting Date.

The terms of each tranche of Rights and assumptions used to determine fair value

	Tranche 1	Tranche 2	Tranche 3
% Rights that vest	15%	25%	60%
Grant date	31-Jul-19	31-Jul-19	31-Jul-19
Fair value at grant date	$2.08	$1.98	$1.89
Share price at grant date	$2.40	$2.40	$2.40
Expiration period - years	2.92	3.92	4.92
Dividend yield	4.89%	4.89%	4.89%
Vesting date	1-Jul-22	1-Jul-23	1-Jul-24
Exercise price	Nil	Nil	Nil

Summary of Rights Granted

	2020 Number of rights	2019 Number of rights
Equity settled rights issued during the year	570,000	1,180,000
Unvested Rights at the end of the period	2,020,000	2,818,000

Pioneer Credit Limited Equity Incentive Plan Trust

The Trust acquires shares on market for the purpose of satisfying rights that vest under the Pioneer Credit Limited Equity Incentive Plan.

The Trust did not acquire any shares during the financial year. The Company did not provide the Trust with any funds during the financial year.

As at 30 June 2020 the Trust held 119,956 shares (2019: 544,056).

29. 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:

Deloitte Touche Tohmatsu were appointed as the external auditors on 25 November 2019.

	2020 $	2019 $
Deloitte		
Audit and review of financial reports	610,732	-
Other services [1]	118,272	-
Total remuneration of Deloitte Australia	729,004	-
PricewaterhouseCoopers Australia		
Audit and other assurance services	-	-
Audit and review of financial reports	121,267	518,393
Total remuneration of PricewaterhouseCoopers Australia	121,267	518,393
Network firms of PricewaterhouseCoopers Australia		
Other services		
Other compliance and accounting advice	28,527	11,345
Total remuneration of Network firms of PricewaterhouseCoopers Australia	28,527	11,345
	878,798	529,738

Amounts are inclusive of GST and expense reimbursement.

[1] Deloitte Touche Tohmatsu were appointed as the external auditors on 25 November 2019, these services were provided prior to their appointment as auditors.

30. Earnings / (Loss) per share

Basic earnings / (loss) per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(63.36)	6.88
Total basic earnings / (loss) per share attributable to the ordinary equity holders of the Company	(63.36)	6.88

Diluted earnings / (loss) per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(63.36)	6.54
Total diluted earnings / (loss) per share attributable to the ordinary equity holders of the Company	(63.36)	6.54

Reconciliation of earnings / (loss) used in calculating earnings per share

	2020 $'000	2019 $'000
Basic earnings / (loss) per share		
(Loss) / profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(40,084)	4,281
Diluted earnings / (loss) per share		
(Loss) / profit from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating diluted earnings per share	(40,084)	4,281

Weighted average number of shares used as the denominator

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share	63,268,250	62,210,718
Weighted average number of ordinary and potential shares used as the denominator in calculating diluted earnings per share	63,268,250	65,438,218

Performance rights

Performance rights granted under the Pioneer Credit Limited Equity Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

31. 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 24.

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 2020:

- Pioneer Credit Solutions (NZ) Limited has assets of $2.36m (2019: $2.44m), liabilities of $1.19m (2019: $1.342m) of which the majority relates to amounts due to Group entities and contributed $0.16m (2019: $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.

32. Parent entity financial information

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

	2020 $'000	2019 $'000
Balance Sheet		
Current assets	1,844	6,292
Total assets	251,270	263,567
Current liabilities	212,677	176,775
Total liabilities	219,318	179,335
Shareholder equity		
Issued capital	80,370	79,821
Share based payment reserve	2,177	2,339
Accumulated (losses) / profits	(50,595)	2,072
	31,952	84,232
Profit for the year		
Total comprehensive (loss) / income	(55,629)	5,859

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.

Contingent liabilities of the Parent entity

The Parent entity had contingent liabilities at 30 June 2020 and are outlined in note 25.

Contractual commitments for the acquisition of property, plant or equipment at 30 June 2020

The Parent entity has no contractual commitments for the acquisition of property, plant or equipment at 30 June 2020.

33. Summary of significant accounting policies

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 2020. 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.

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 be classified as measured at amortised cost.

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.

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 2020 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

l) Contributed equity

Ordinary shares issued 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.

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; 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

If basic earnings per share is a loss per share, then diluted earnings per share will reflect the same loss per share as basic earnings per share, regardless of all dilutive potential ordinary shares.

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.

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.

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.

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.

q) Government grants

Grants that compensate the Group for expenses incurred are recognised through profit or loss on a systematic basis in the periods in which the expenses are recognised.

To the extent that any of the Group entities are eligible to participate in the Government stimulus packages in the wake of COVID-19, receipts of approximately $2.4m have been accounted for as government grants and are presented as a reduction of the related employee costs and not revenue.

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 32 to 92 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 2020 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 24 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 31.

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
23 September 2020

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Independent Auditor's Report
to the Members of Pioneer Credit Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pioneer Credit Limited **(**the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

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. These 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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>

Liquidity

As at 30 June 2020, the Group has a net working capital deficiency of $114.4m.

As disclosed in note 3, on 16 September 2020 the Group executed the new Senior Facility Agreement (SFA) for the purpose of refinancing the Senior Debt Facility and to finance future Purchased Debt Portfolio acquisitions.

The Group continues to closely monitor its financing arrangements and ongoing liquidity as disclosed in Notes 2, 8 and 22 to the financial statements. This requires the achievement of budgets and cash flow forecasts, which are inherently uncertain, to enable the Group to continue to meet its covenant obligations and maintain its liquidity.

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Our audit procedures included, but were not limited to:

- Assessing the process undertaken by management to develop the cash flow forecast for the 15-month period ending 30 September 2021;
- Evaluating the quantum and timing of forecast cash flows in the cash flow forecast, in particular:
  - Assessing forecasted PDP liquidations in the cashflow forecast against the underlying cashflow forecasts used for the determination of the amortised cost of the PDP;
  - Assessing actual liquidations after year end against forecast liquidations;
  - Comparing the forecasted portfolio acquisitions to historic levels as well as actual acquisitions to date for FY21;
  - Comparing forecasted employee benefits and other operating costs to historic levels for consistency;
  - Assessing the COVID-19 overlay applied by management;
- Reading and understanding the key terms of the SFA and;
  - Evaluating the financing costs included in the cashflow model against the terms and conditions included in the SFA;
  - Evaluating the covenant calculations for consistency with the definitions in the SFA; and
  - Assessing the forecasted covenant calculations over the period to September 2021, including applying sensitives to PDP, liquidations, acquisitions and sales to identify reasonably possible potential breaches.

We also assessed the appropriateness of the disclosures in the Going Concern Note 2 to the financial statements.

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</table>

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Measurement of purchased debt portfolios (PDPs) As set out in Note 7 of the financial report, the PDPs are held at amortised cost. The measurement of the PDPs is estimated by the Group using internally developed cash flow models (the models). Complexity arises in respect of the accounting for PDPs due to the following: • 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; and • 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 cash flow models. • estimating the impact of the macro-economic outlook on forecast cash flows requires significant judgement. • the models used by management remain sensitive to the inherent uncertainty of predicting future cash flows, both at acquisition date and at period end. As a result, the assessment of the carrying value PDPs is a key audit matter.	Our audit procedures, performed in conjunction with our Treasury Specialists, included but were not limited to: • Assessing the process undertaken by management to measure and account for PDPs; • Evaluating the appropriateness of the accounting policy adopted by management *Model methodology* • developing an understanding and critically assessing methodology and assumptions used by the Group to determine the construction of the cash flow models • assessing if the model methodology appropriately included the expected amounts and timing of cash flows from customers; • assessing the reasonableness of model parameters such as the period of cash flow forecasts; and • re-performing a selection of mathematical calculations in the models *Model inputs* • Testing a sample of current year additions, disposals and liquidations to underlying source documentation to assess the existence, accuracy and completeness of the model data; • assessing the reasonableness of the assumptions and predictive factors used in the model with reference to historical experience by; - testing a sample of customer account characteristics to source documentation or system information to assess the existence, accuracy and completeness of the model data - assessing the historical CAEIRs used in the model for consistency to what had previously been determined and locked in on historic PDPs, and - performing sensitivity analysis and challenging management on cash flow forecast assumptions having a significant impact on model outputs such as liquidations

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	Model outputs • challenging the reasonableness of PDP interest income and impairment gains/losses calculated by management's models and whether these were consistent with our expectations • testing the reasonability of the mathematical outputs of the model forecasted cash flows for all customer account tranches, • evaluating the reasonableness of the tax treatment of the PDPs, and • agreeing the model outputs to accounting entries recorded in the Group's financial report. *Model overlays* • challenging the assumptions, judgments and quantifications made in determining the macro-economic outlook and model risk overlays. We also assessed the appropriateness of the disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 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 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, 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 26 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pioneer Credit Limited, for the year ended 30 June 2020, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 23 September 2020

Shareholder information

The shareholder information set out below was applicable as at 7 September 2020.

Distribution of securities

Analysis of numbers of equity security holders by size of holding

Holding	Holders	Ordinary shares
1 – 1,000	667	287,844
1,001 – 5,000	882	2,548,251
5,001 – 10,000	422	3,299,883
10,001 – 100,000	662	20,036,541
100,001 and over	123	37,225,730
	2,756	63,398,249

There were 859 holders of less than a marketable parcel of ordinary shares.

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%
Wroxby Pty Ltd	1,889,298	2.98%
Mrs Lilian J Warmbrand	1,494,217	2.36%
Citicorp Nominees Pty Ltd	1,204,593	1.90%
PNC Employee Sub-Register	1,062,318	1.68%
National Nominees Limited	844,519	1.33%
NSR Investments Pty Ltd	750,000	1.18%
CS Fourth Nominees Pty Ltd	715,521	1.13%
Mr Shang-Xian Wu & Mrs Xui-Rong Pan	670,000	1.06%
Ms Elif C Gunes	600,000	0.95%
Debuscey Pty Ltd	600,000	0.95%
CE Consultants Pty Ltd	575,000	0.91%
Merrill Lynch (Australia) Nominees Pty Ltd	512,704	0.81%
Mr Irwin D Klotz	502,500	0.79%
Amber Cloud Pty Ltd	500,000	0.79%
BNP Paribas Nominees Pty Ltd	454,387	0.72%
Ms Carole Vines	450,574	0.71%
Mr Leslie K Crockett	411,917	0.65%
James A Singh & Kristy N Milward	405,544	0.64%
The Stephens Group Super Fund Pty Ltd	400,000	0.63%
Mr Frederick B Warmbrand	400,000	0.63%

Unquoted equity securities

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

Name	Performance rights Number held	 Number of holders
Employee Incentive Plan	1,020,000	8

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%

Securities subject to voluntary escrow

Escrow ends	Class	Number of shares
30 November 2021	Ordinary shares	36,837
14 August 2022	Ordinary shares	63,518

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.