Appendix 4E and Annual Report

For the year ended 30 June 2021

pioneer credit

Contents

Pioneer Credit Limited ABN 44 103 003 505
Appendix 4E
Preliminary Final Report
for the year ended 30 June 2021
(previous corresponding period 30 June 2020)

Appendix 4E - Results for announcement to the market

Key information	30 June 2021 $'000	30 June 2020 $'000	Change $'000	%
Revenue from ordinary activities	53,366	55,889	(2,523)	(4.51)
(Loss) / Profit from ordinary activities after tax attributable to members	(19,655)	(40,084)	20,429	50.97
Net (loss) / profit for the period attributable to members	(19,655)	(40,084)	20,429	50.97

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

Dividends per ordinary share / distributions

There is no provision for a final dividend in respect of the year ended 30 June 2021.

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 2021 (cents)	30 June 2020 (cents)
Net tangible assets per fully paid ordinary share	72.26	87.85
Basic (loss) earnings per fully paid ordinary share	(30.43)	(63.36)

The Right of Use Asset under AASB 16 *Leases* ($4.9m) 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 imposing constraints on the Company's ability to operationalise its business and portfolio. These events, together with the impacts of the COVID-19 ("COVID") pandemic, has seen revenue from ordinary activities flat year on year. This was driven in part by a 46% decrease in new purchased debt portfolios ("PDPs") compared to prior year as major debt vendors suspended their debt sale programmes. This lower investment in PDPs contributed materially to receipts from liquidations decreasing 6% to $94.7m.

The results for the period were also adversely impacted by significant one-off costs related to the terminated scheme of arrangement and subsequent refinancing process.

Impacts of COVID

At the onset of the COVID 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 COVID on liquidations. However as noted above, this was not the case for the purchasing of new PDP's which were significantly impacted as major debt vendors suspended their debt sale programmes. Most of these debt sale programs have now resumed, and the Company recommenced purchasing in July 2020 albeit at reduced volumes.

There remains a level of uncertainty as to the future economic outlook and potential impacts to the Company's future performance. Over the period, the Company claimed Jobkeeper on eligible employees for Pioneer Credit Solutions ("PCS") up to 28 September 2020 in the sum of $2,766,000 and on eligible employees for Sphere Legal, ending on the 31 March 2021 in the sum of $104,400.

Following discussions with the Company's landlord, Pioneer was granted a deferral of certain rental amounts. The amounts deferred represented net rent, with all other costs and payments including outgoings paid. By agreement there is a waiver of all deferred amounts if the Company extends its lease prior to 31 March 2022.

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 more than the onset of COVID 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 several 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 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, 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 several 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.

The Company remains focussed on delivering a capital management plan that aligns to our strategy with the refinancing of the Company's debt facility of significant importance. The Company has mitigated the risk by engaging corporate advisors and are advanced in completing a refinancing at a materially lower cost of funds to the current facility.

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.

Corporate Directory

Directors	Mr Michael Smith (Chairperson) Mr Keith John (Managing Director) Ms Andrea Hall Mr Peter Hall (appointed 11 January 2021) Mr Stephen Targett (appointed 7 June 2021) Ms Michelle d'Almeida (appointed 16 June 2021) Ms Ann Robinson (resigned on 7 June 2021)
Company Secretary	Ms Susan Symmons
Principal Registered Office	Level 6 108 St Georges Terrace Perth WA 6000 +61 1300 720 823
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 ("Pioneer" or "the Company") is 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 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 ('Pioneer') and the entities it controlled at or during the year ended 30 June 2021.

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 (Managing Director)
Ms Andrea Hall
Mr Peter Hall (appointed 11 January 2021)
Mr Stephen Targett (appointed 7 June 2021)
Ms Michelle d'Almeida (appointed 16 June 2021)
Ms Ann Robinson (resigned 7 June 2021)

Principal activities

Pioneer is a financial services provider that specialises in acquiring and servicing Purchased Debt Portfolios ('PDP's').

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 positive customer outcomes 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

The start of FY21 saw the Board's and management's focus on the refinancing of the Company following the terminated Scheme of Arrangement from the intended acquirer. Through this process the Board was steadfast in its desire to preserve as much shareholder value as was possible, noting the unique circumstances that existed at that time in terms of the global operating environment.

A new Syndicated Facility Agreement (SFA) was executed on 16 September 2020. The SFA was entered into with a syndicate of lenders and provided for a $169m term facility further described in note 19 in the financial report.

Through the period until financial close of the SFA, the Company was operating under difficult conditions, and in a restricted manner as part of its continuing conditions at that time. The lifting of those restrictions at the end of September 2020 allowed the Company to commence the process of returning to a normal operating model and rhythm.

To the close of the financial year, the Company improved its operating performance while also continuing to work to strengthen its balance sheet, through appropriate asset realisation, expense review and rationalisation.

The investment in InDebted Australia was sold during the year for $2.3m.

At a statutory level, and prior to adjusting the effect of one-off items, for the year ended 30 June 2021, Pioneer incurred a loss after tax of $19.7m. Receipts from Liquidations of PDP's were $94.7m, down 6% 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

In April 2021, the Board appointed corporate advisors to run a process to refinance the Company and reduce the cost of debt.

The Company has reached an advanced stage in the refinancing process, receiving indicative non-binding offers from a shortlist of financiers with favourable terms. The Board is confident of having a new finance agreement in place with these improved by the end of September 2021.

On 13 August 2021 a legal matter between a software services provider and the Company was settled via mediation for the amount of $225,000. The matter is an adjusting subsequent event and has been recognised in the financial report.

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 National Chair of the Australian Institute of Company Directors, 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 Chairman of Remuneration Committee Member of Audit and Risk Management Committee
Interests in shares and options	Ordinary Shares 845,940

Mr Keith John	**Managing Director**
Experience and expertise	• Founder of Pioneer Credit with over 25 years' experience in the financial services industry • Widely regarded expert in the impaired credit sector in Australia • Director of Midbridge Investments Pty Ltd and Bondi Born.
Listed Company Directorships including those held at any time in the previous 3 years	Nil
Special responsibilities	Managing Director
Interests in shares and options	Ordinary Shares 6,067,461 Indeterminate rights 875,000 Medium Term Notes 500 Options 8,000,000

Ms Andrea Hall	Independent Non-Executive Director	
Experience and expertise	• Appointed a Director of Pioneer in November 2016 • A director of Perenti Global Limited, Evolution Mining Limited, Insurance Commission of WA and Fremantle Football Club • Bachelor of Commerce from UWA, a Masters of Applied Finance and 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	Automotive Holdings Group Ltd Perenti Global Limited Evolution Mining Limited	3 May 2018 to 30 Sept 2019 from 15 Dec 2019 from 1 Oct 2017
Special responsibilities	Member of Nomination Committee Member of Remuneration Committee Chair of Audit and Risk Management Committee	
Interests in shares and options	Ordinary Shares	97,887

Mr Peter Hall	Independent Non-Executive Director	
Experience and expertise	• Appointed a Director of Pioneer in January 2021 • Significant career experience across financial services, with specific expertise in credit risk in Australia, including five years with Genworth Financial Australia and New Zealand, initially as its Managing Director and later as Country Executive. • Previously seven years at GE Mortgage Insurance Australia and New Zealand, the final five years as Managing Director and Chief Executive Officer	
Listed Company Directorships including those held at any time in the previous 3 years	BNK Banking Corporation Limited	from 15 Nov 2015
Special responsibilities	Member of Audit and Risk Management Committee Member of Nomination Committee Member of Remuneration Committee	
Interests in shares and options	Nil	

Mr Stephen Targett	**Independent Non-Executive Director**
Experience and expertise	• Appointed a Director in June 2021 • Extensive financial services experience as a board member and an executive in Australia and overseas • Current Chairman of P&N Bank and former Chair of BCU, both divisions of Polices & Nurses Limited • Previously CEO of RACQ Bank and in successive executive positions, successfully led National Australia Bank's European services, Lloyds Banking Group's wholesale and international division and ANZ's institutional bank.
Listed Company Directorships including those held at any time in the previous 3 years	Nil
Special responsibilities	Member of Audit and Risk Management Committee Member of Nomination Committee Member of Remuneration Committee
Interests in shares and options	Nil

Ms Michelle d'Almeida	**Independent Non-Executive Director**
Experience and expertise	• Appointed a Director in June 2021 • Former Managing Director of News Corporation's Sunday Times and Perth Now • Non-Executive Director of Perth Airport and ACTIV Foundation • Previously Non-Executive Director of Community Newspaper Group WA and Variety the Children's Charity
Listed Company Directorships including those held at any time in the previous 3 years	Nil
Special responsibilities	Member of Audit and Risk Management Committee Member of Nomination Committee Member of Remuneration Committee
Interests in shares and options	Nil

Ms Ann Robinson	**Independent Non-Executive Director (to 7 June 2021)**
Experience and expertise	• Appointed a Director of Pioneer in February 2018 and resigned on 7 June 2021. • 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

Meeting of Directors

The number of meetings held, and attended, by the Directors during the year ended 30 June 2021 was:

Name	Board Meetings		Committee Meetings					
			Audit and Risk		Remuneration		Nomination	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Michael Smith	23	24	6	6	3	3	1	1
Mr Keith John	23	24	6	6	n/a	n/a	1	1
Ms Andrea Hall	24	24	6	6	3	3	1	1
Ms Ann Robinson[1]	22	22	5	5	2	2	1	1
Mr Peter Hall[2]	8	8	3	3	2	2	n/a	n/a
Mr Stephen Targett[3]	2	2	1	1	1	1	n/a	n/a
Ms Michelle d'Almeida[4]	1	1	1	1	1	1	n/a	n/a

[1] Ms Ann Robinson resigned effective 7 June 2021
[2] Mr Peter Hall appointed effective 11 January 2021
[3] Mr Stephen Targett appointed effective 7 June 2021
[4] Ms Michelle d'Almeida appointed effective 16 June 2021

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 2021.

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	
Mr Peter Hall	Independent Non-Executive Director	Appointed effective 11 January 2021
Mr Stephen Targett	Independent Non-Executive Director	Appointed effective 7 June 2021
Ms Michelle d'Almeida	Independent Non-Executive Director	Appointed effective 16 June 2021
Ms Ann Robinson	Independent Non-Executive Director	Resigned effective 7 June 2021
Senior Executives		
Ms Susan Symmons	Company Secretary	
Ms Andrea Hoskins	Chief Operating Officer	
Mr Barry Hartnett	Chief Financial Officer	Appointed CFO effective 4 June 2021, previously Chief Development Officer.
Mr Jason Musca	Chief Financial Officer	Resigned effective 4 June 2021

Remuneration policy and link to performance

In setting the Company's remuneration strategy, the Board is committed to a framework which:

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

Structuring executive remuneration to align with the life of the assets Pioneer acquires is consistent with Pioneer's differentiated customer servicing approach, and reflects the Board's commitment to maintaining an executive team that is focused on making decisions for the long-term health and growth of the Company.

To achieve this, in part, the Board has determined that the Company will not award Short Term Incentives ("STIs") to any member of its executive or leadership teams.

Incentives are provided to the Operations team in line with APRA's view of front line performance-based remuneration. While Pioneer is not regulated by APRA, their views are considered best practice in the financial services industry.

The Operational incentives program included the requirement to achievement a monthly compliance and customer service gate-opener. No incentive is payable if this is not met, irrespective of the performance of an individual against other key performances indicators.

Executives are incentivised based on Long Term Incentives ("LTIs") through the issue of securities (in the form of Performance and Indeterminate Rights ("Rights") or Ordinary Shares) under the Pioneer Credit Limited Equity Incentive Plan ("Plan").

The terms of the Rights, generally are:

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 Ordinary Shares at the 5 days Volume Weighted Average Price ("VWAP") prior to each vesting date
e) Conditions may include the executive being employed at the vesting date and a minimum VWAP to be achieved before vesting occurs.

The terms of any Ordinary Shares issued under the Plan are as follows:

a) A holding lock is applied to the Ordinary Shares for a period of 3-5 years; and
b) Ordinary Shares are issued for Nil consideration

Performance

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

	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
(Loss) Profit for the year attributable to owners of the Group	(19,655)	(40,084)	4,281	17,600	10,753
Basic earnings (loss) per share (cents)	(30.43)	(63.36)	6.88	28.88	20.77
Dividend payments paid in financial year	-	-	7,476	7,273	5,169
Paid and relating to prior years 2H performance	-	-	4,752	3,219	3,071
Paid and relating to current year 1H performance	-	-	2,724	4,054	2,098
Dividend payout ratio	N/A	N/A	N/A	50%	49%
Closing share price	$0.50	$0.29	$2.70	$3.17	$2.38
(Decrease) / Increase in share price	75.4%	(89.4)%	(14.8)%	33.2%	38.1%

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

The 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 risk register that records Pioneer's identified risks, the likelihood and consequences of a risk occurring and action taken or to be taken to reduce those risks;
- a comprehensive 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 other 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 executives.

The Company has previously engaged consultants to assist in the review of remuneration of its executives. In FY21 the Committee decided to move away from this method, having considered the value delivered for shareholders previously, and used a number of advisors and remuneration reports as required to consider Board and executive remuneration for FY21.

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.

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.

Executives 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.

As an acquirer of assets that typically liquidate over a period of up to 10 years, the Board recognises the importance of appropriately incentivising executives such that they are accountable for the most significant part of tenure of acquired assets. In that regard, executives are primarily incentivised with equity.

Structuring employee remuneration to align with the life of the assets Pioneer acquires is consistent with Pioneer's differentiated servicing 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 may be provided LTIs through the issue of Rights in the Company, vesting over a period of 3-5 years after the grant of the award and/or through the issue of Ordinary Shares in the Company, with a holding lock applied for a period of 3 years. This structure ensures executives are retained and incentivised to continue delivering sustainable long-term earnings of the business.

In limited cases, the Board may recognise individuals who are key to a process by making an ex-gratia payment in recognition of past performance on the completion of that process. In FY21 ex-gratia payments were made to three executives, who were key to the recent refinancing process.

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 expectations.

The Chair of the Remuneration Committee meets regularly with the Managing Director to discuss several 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.

Short term incentive

No executive was paid a short term incentive during FY21.

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)). The Plan was further refreshed 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 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 Ordinary Shares on the achievement of service conditions, Indeterminate Rights which 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 or Ordinary Shares which have a trading lock applied for a period of years.

Long term incentive awards in place during the year

LTI awards were made under the Plan on 30 September 2020 as follows:

Instrument	Performance Rights for Ordinary Shares		
Quantum	3,250,000 Performance Rights		
Grant Date	23 September 2020		
Key performance measures	Employment at vesting date The Company's Shares trade at a VWAP of +>$1.00 for a period of at least 30 days prior to the vesting date.		
Performance period	23 September 2020 to 23 September 2024		
Dividends	No dividends are paid on Performance Rights yet to vest		
Fair value, vesting date and fully vested period schedule	$239,850	23 September 2024	100%

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.

Non-Executive Directors fees for FY21 were:

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

Non-Executive Director fees have remained at the same level since 27 September 2017.

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 tables 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	Other	Termination benefits	Cash bonus	Post-employment benefits	Options	Indeterminate Rights	Total
Mr Michael Smith											
2021	160,000	-	-	15,200	-	-	-	-	-	-	175,200
2020	160,000	-	-	15,200	-	-	-	-	-	-	175,200
Ms Andrea Hall											
2021	120,000	-	-	11,400	-	-	-	-	-	-	131,400
2020	119,615	-	-	11,363	-	-	-	-	-	-	130,978
Ms Ann Robinson[1]											
2021	93,462	-	-	8,879	-	-	-	-	-	-	102,341
2020	100,000	-	-	9,500	-	-	-	-	-	-	109,500
Mr Peter Hall [2]											
2021	47,308	-	-	4,494	-	-	-	-	-	-	51,802
2020	n/a	-	-	n/a	-	-	-	-	-	-	n/a
Mr Stephen Targett[3]											
2021	6,923	-	-	658	-	-	-	-	-	-	7,581
2020	n/a	-	-	n/a	-	-	-	-	-	-	n/a
Ms Michelle d'Almeida[4]											
2021	4,231	-	-	402	-	-	-	-	-	-	4,633
2020	n/a	-	-	n/a	-	-	-	-	-	-	n/a
Total											
2021	431,924	-	-	41,033	-	-	-	-	-	-	472,957
2020	379,615	-	-	36,063	-	-	-	-	-	-	415,678

[1] Ms Ann Robinson resigned effective 7 June 2021
[2] Mr Peter Hall appointed effective 11 January 2021
[3] Mr Stephen Targett appointed effective 7 June 2021
[4] Ms Michelle d'Almeida appointed effective 16 June 2021

Executive Key Management Personnel

	Fixed remuneration					Variable remuneration					
Year	Cash salary	Non-monetary benefits	Annual and long service leave	Post-employment benefits	Other[4]	Termination benefits	Cash bonus	Post-employment benefits	Options	Performance Rights	Total
Mr Keith John											
2021	752,885	14,268	8,387	25,000	200,000	-	-	-	2,573,733	594,195	4,168,468
2020	692,604	14,268	35,573	25,000	-	-	-	-	-	712,223	1,479,668
Ms Susan Symmons											
2021	271,038	14,268	42,147	25,000	150,000	-	-	-	-	30,934	533,387
2020	246,885	11,844	36,025	23,438	-	-	-	-	-	69,580	387,772
Ms Andrea Hoskins											
2021	321,231	14,268	21,389	25,000	-	-	-	-	-	6,919	388,807
2020[1]	20,923	926	1,665	1,988	-	-	-	-	-	-	25,502
Mr Jason Musca [2]											
2021	308,923	-	22,477	25,000	-	12,308	-	-	-	-	368,708
2020	19,569	-	1,759	1,859	-	-	-	-	-	-	23,187
Mr Barry Hartnett [3]											
2021	301,154	14,268	46,839	25,753	100,000	-	-	-	-	148,142	636,156
2020	14,601	926	1,123	1,387	-	-	-	-	-	9,301	27,338
Total											
2021	1,955,231	57,072	141,239	125,753	450,000	12,308	-	-	2,573,733	780,190	6,095,526
2020	994,582	27,964	76,145	53,672	-	-	-	-	-	791,104	1,943,467

[1] Andrea Hoskins commenced effective 8 June 2020
[2] Jason Musca commenced effective 25 May 2020 and resigned effective 4 June 2021
[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] Represents ex-gratia payments

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	2021	24%	-	76%
Executive Key Management Personnel				
Ms Susan Symmons	2021	94%	-	6%
Ms Andrea Hoskins	2021	98%	-	2%
Mr Jason Musca[1]	2021	100%	-	-
Mr Barry Hartnett	2021	76%	-	24%

[1] Jason Musca resigned effective 4 June 2021

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:

Employee	Position	Salary	Term of agreement and notice period
Mr Keith John	Managing Director	$778,500 per annum plus superannuation	Continuing agreement with 12 months' notice by either party
Ms Susan Symmons	Company Secretary	$350,000 per annum plus superannuation	Continuing agreement with 3 months' notice by either party
Ms Andrea Hoskins	Chief Operating Officer	$450,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party
Mr Barry Hartnett	Chief Financial Officer	$450,000 per annum plus superannuation	Continuing agreement with 6 months' notice by either party

6. Equity instruments held by KMP

The tables below show the number of Performance Rights or Indeterminate Rights, Options and Ordinary 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	1,000,000	-	(125,000)	-	875,000	875,000
Performance Rights						
Executive Key Management Personnel						
Ms Susan Symmons	112,500	300,000	(67,500)	-	345,000	345,000
Mr Barry Hartnett	289,500	1,250,000	(29,500)	-	1,510,000	1,510,000
Ms Andrea Hoskins	-	500,000	-	-	500,000	500,000
Mr Jason Musca[1]	-	500,000	-	(500,000)	-	-
Total	1,402,000	2,550,000	(222,000)	(500,000)	3,230,000	3,230,000

[1] Mr Jason Musca resigned effective 4 June 2021.

Performance Rights and Indeterminate Rights by their nature do not have an exercise price.

Executive Share Plan

250,000 Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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
Mr Leslie Crockett[1]	250,000	-	(250,000)	-
Total	500,000	-	(250,000)	250,000

[1] Mr Leslie Crockett resigned effective 3 April 2020

Options

Name	Issued balance at the start of the year	Granted	Vested	Forfeit	Balance at the end of the year	Unvested
Executive Director						
Mr Keith John	-	8,000,000	(5,000,000)	-	3,000,000	3,000,000

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	150,000	845,940
Ms Ann Robinson[1]	15,000	(15,000)	-
Ms Andrea Hall	-	97,887	97,887
Mr Peter Hall[2]	-	-	-
Mr Stephen Targett[3]	-	-	-
Ms Michelle d'Almeida[4]	-	-	-
Total – Non-Executive Directors	710,940	232,887	943,827
Executive Director			
Mr Keith John	5,259,124	808,337	6,067,461
Executive Key Management Personnel			
Ms Susan Symmons	342,957	75,834	418,791
Mr Barry Hartnett	138,491	29,500	167,991
Ms Andrea Hoskins	-	-	-
Mr Jason Musca[5]	-	-	-
Total – Executive Key Management Personnel	5,740,572	913,671	6,654,243
Total held by the Board and KMP	6,451,512	1,146,558	7,598,070

[1] Ms Ann Robinson resigned effective 7 June 2021
[2] Mr Peter Hall appointed effective 11 January 2021
[3] Mr Stephen Targett appointed effective 7 June 2021
[4] Ms Michelle d'Almeida appointed effective 16 June 2021
[5] Mr Jason Musca resigned effective 4 June 2021

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 Investment 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 2021 the net amount of $51,922 was paid to JFPIT in respect of the lease. No amount was owing to the related party at 30 June 2021.

Loans from related parties

Medium Term Notes

Mr Keith John is a Director and Secretary of Midbridge Nominees Pty Ltd, the trustee of the KR & AN John Family Superannuation Fund (“JFSF”).

JFSF holds 500 medium term notes, with a face value of $500,000. The notes were issued on an arm’s length basis. $33,999 in interest and $2,500 in consent fee were paid on these notes during the financial year.

Participation in the Senior Facility Agreement

Mr Keith John is the Sole Director and Secretary of Midbridge Investments Pty Ltd (“Midbridge”). On 16 September 2020 Midbridge became a lender to the Company in the sum of $1 million under the SFA.

Midbridge received 83,337 unlisted Warrants with a value of $63,753 and was paid $131,591 in interest and upfront fee of $10,000 during the year.

In consideration of other syndicate members entering into the SFA, Midbridge provided the other syndicate members a real estate backed guarantee and mortgage security to the value of $2.5m. Midbridge was paid a fee of $125,000 for that guarantee, and its Facility Fees of $50,660 including reimbursement of legal costs of $660 for entering into that arrangement on a full indemnity basis.

Ms Sue Symmons is the Sole Director and Secretary of Shucked Investments Pty Ltd (“Shucked”).
On 16 September 2020 Shucked became a lender to the Company in the sum of $100,000 under the SFA.

Shucked Investments received 8,334 unlisted Warrants with a value of $6,376 and was paid $13,159 in interest and upfront fee of $1,000 during the 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.

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.

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

	2021 $	2020 $
Deloitte Touche Tohmatsu		
Total remuneration for non-audit services	165,000	118,272
PricewaterhouseCoopers Australia		
International Network firms of PricewaterhouseCoopers Australia		
Payroll and registration services	-	28,527

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
31 August 2021

Deloitte.

Deloitte Touche Tohmatsu
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31 August 2021

The Board of Directors
Pioneer Credit Limited
Level 6, 108 St Georges Tce
Perth WA 6000

Dear Directors

Auditor's Independence Declaration to 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 report of Pioneer Credit Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

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.

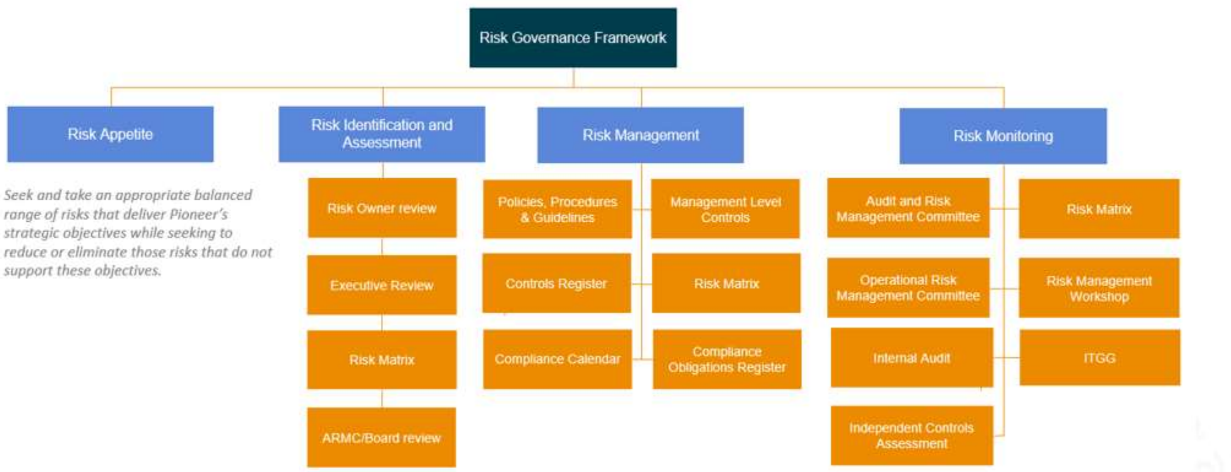
The 2021 Corporate Governance Statement is dated 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year and was approved by the Board on 27 August 2021. The Group's Corporate Governance Statement can be viewed at: https://pioneercredit.com.au/documents/corporate/governance/210827%20Corporate%20Governance%20Statement%20-%20Final.pdf

Risk Management Framework

The overall risk appetite of Pioneer is to seek and take an appropriate and balanced range of risks that deliver Pioneer's strategic objectives while seeking to reduce or eliminate those risks that do not support these objectives, where it is cost effective to do so.

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
- Management Level Controls
- Controls Register
- Compliance Obligations Register
- Compliance Calendar
- Risk Monitoring
- Internal Audit



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 Group
- 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 Operational 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 financial position

	Note	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	13	10,373	11,019
Trade and other receivables	14	855	1,844
Other current assets	18	818	1,182
Current tax asset		53	634
Purchased debt portfolio	15	73,397	87,255
Total current assets		85,496	101,934
Non-current assets			
Property, plant and equipment	16	351	1,070
Intangible assets	16	1,558	932
Right of use assets	17	4,930	7,440
Other non-current assets	18	2,286	-
Deferred tax assets	12	-	2,761
Purchased debt portfolio	15	175,697	172,792
Total non-current assets		184,822	184,995
Total assets		270,318	286,929
LIABILITIES			
Current liabilities			
Trade and other payables and liabilities[1]	20	4,558	5,571
Borrowings	19	425	206,292
Provisions[1]	21	2,427	1,898
Lease liabilities	17	3,060	2,568
Total current liabilities		10,470	216,329
Non-current liabilities			
Borrowings	19	200,656	-
Lease liabilities	17	3,327	5,722
Provisions	21	1,196	919
Total non-current liabilities		205,179	6,641
Total liabilities		215,649	222,970
Net assets		54,669	63,959
EQUITY			
Contributed equity	24	81,755	80,049
Reserves	24	11,874	3,870
Accumulated losses		(38,960)	(19,960)
Capital and reserves attributable to owners of Pioneer Credit Limited		54,669	63,959
Total equity		54,669	63,959

[1]*For improved transparency, amounts disclosed in prior year as "Accruals and other liabilities" have been re-categorised to either "Provisions" or "Trade and other payables and liabilities" for the current year. Refer to notes [20] and [21] for further details.*

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of profit or loss and other comprehensive income

	Note	2021 $'000	2020 $'000
Continuing operations			
Interest income at amortised cost		57,020	60,122
Net impairment (loss) gain on PDPs		(4,286)	(6,320)
Other income	8	662	2,133
		53,396	55,935
Employee expenses	11	(30,634)	(34,816)
Finance expenses	9	(26,699)	(38,472)
Direct liquidation expenses		(1,997)	(4,057)
Information technology and communications		(4,013)	(4,251)
Depreciation and amortisation		(3,783)	(4,345)
Consultancy and professional fees		(2,385)	(6,322)
Other expenses[1]	10	(3,212)	(4,560)
Fair value adjustments on financial assets		2,288	(682)
Gain on lease modification		145	-
Loss on sale consumer loans		-	(2,263)
(Loss) / Profit before income tax		(16,894)	(43,833)
Income tax (expense)/benefit	12	(2,761)	3,749
(Loss) / Profit for the period from continuing operations		(19,655)	(40,084)
Total comprehensive (loss) / income for the year is attributable to:			
Owners of Pioneer Credit Limited		(19,655)	(40,084)
(Loss) / Earnings per share			
Basic (cents per share)	33	(30.43)	(63.36)
Diluted (cents per share)	33	(30.43)	(63.36)

[1] *Immaterial amounts disclosed in prior year as "Travel and entertainment expenses", "Occupancy costs" and "Impairment of tangible and intangible assets" have been consolidated to "Other expenses" for the current year. Refer to note [10] for further details.*

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

Consolidated statement of changes in equity

	Note	Contributed Equity $'000	Share Based Payment Reserve $'000	Warrant 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	24	80,049	3,870	-	(19,960)	63,959
Balance at 1 July 2020		80,049	3,870	-	(19,960)	63,959
Deferred tax through equity		-	-	-		
Total comprehensive (loss)/income for the year		-	-	-	(19,655)	(19,655)
		80,049	3,870	-	(39,615)	44,304
Transactions with owners in their capacity as owners:						
Treasury share acquired		(745)	-	-	-	(745)
Treasury shares and share based payments		-	2,970	-	655	3,625
Equity plans		-	-	-	-	
Issue of treasury shares to employees		426	(426)	-	-	-
Warrants issued		-	-	7,485	-	7,485
Warrants converted		2,025	-	(2,025)	-	-
		1,706	2,544	5,460	655	10,365
Balance at 30 June 2021	24	81,755	6,414	5,460	(38,960)	54,669

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

Consolidated statement of cash flows

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from liquidations[1] of PDPs and services (inclusive of goods and services tax)		95,350	102,985
Payments to suppliers and employees (inclusive of goods and services tax)		(41,122)	(50,704)
		54,228	52,281
Interest received [2]		31	46
Interest paid		(42,040)	(5,134)
Net income taxation refund (paid)		580	4,601
Net cash inflow from operating activities before consumer loans		12,799	51,794
Cash flows from consumer loans:			
Proceeds on sale of personal loan book		-	5,344
Net consumer loans recovered / (advanced)		-	846
		-	6,190
Net cash flow from operating activities	13	12,799	57,984
Cash flows from investing activities			
Payments for property, plant and equipment		(102)	(179)
Payments for intangible assets		(1,326)	(483)
Proceeds on sale of other assets		2,288	-
Acquisitions of purchased debt portfolios - financial assets		(29,818)	(60,225)
Net cash flow from investing activities		(28,958)	(60,887)
Cash flows from financing activities			
Proceeds from borrowings		169,000	141,725
Repayment of borrowings		(142,033)	(132,604)
Financing transaction costs		(8,471)	(4,380)
Lease payments		(2,238)	(2,424)
(Payments)/proceeds from Treasury shares and KMP loan		(745)	421
Net cash flow from financing activities		15,513	2,738
Net increase / (decrease) in cash and cash equivalents		(646)	(165)
Cash and cash equivalents at the beginning of the financial year		11,019	11,184
Cash and cash equivalents at the end of the financial year		10,373	11,019

[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.

Notes to the consolidated financial statements

1. Reporting entity

The Consolidated Financial Statements for the financial year ended 30 June 2021 comprise Pioneer Credit Limited (the "Company"), which is a "for-profit-entity" and a Company domiciled in Australia and its subsidiaries (collectively, referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group's principal activities over the financial year were acquiring and servicing Purchased Debt Portfolio's ("PDP's"). The Company's principal place of business is Level 6, 108 St Georges Terrace, Perth, Western Australia.

2. Basis of preparation

a) Statement of compliance

The Financial Report complies with Australian Accounting Standards and International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Report is a general-purpose financial report, for a "for-profit" entity which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other pronouncements of the *Australian Accounting Standards Board*.

The Financial Statements comprise the Consolidated Financial Statements of the Pioneer Group of companies.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 31 August 2021.

b) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis and where applicable at fair value for certain financial assets and financial liabilities.

c) Functional and presentation currency

These Consolidated Financial Statements are presented in Australian Dollars ("AUD").

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 31 March 2016 and in accordance all financial information presented in Australian dollars has been rounded to the nearest thousand dollars ($000's) unless otherwise stated.

d) Use of estimates and judgements

The preparation of financial statements in conformity with AASB requirements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, assumes a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have the most significant effect to the amounts recognised in the Financial Statements or which may result in a material adjustment within the next financial year are included in the following note:

- Note 15 (p.59) – Purchased debt portfolios ("PDP's")

Taxation

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating the Company's ability to recover deferred tax assets, management considers 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 judgement and may ultimately vary from management's best estimate.

- **Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Adoption of new and revised Accounting Standards

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108];
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3];
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7];
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054];
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework;
- AASB 2020-4 Amendment to Australian Accounting Standards – COVID-19 Related Rent Concessions.

During the year, the Company also revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. Previously the Company capitalised certain implementation and customisation costs directly relating to internally development software where the Company obtains control over IP. Management has assessed the change in policy and has determined there has been no material financial impact.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. 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 2021, the Group generated a net loss before tax of $16.9m (2020: loss $43.8m) and has a positive working capital of $75.0m (2020: $114.4m deficiency).

As detailed in Note 4, the Group entered into its current Syndicated Facility Agreement ("current SFA") in September 2020. At 30 June 2021 the borrowing under the SFA and Medium Term Notes ("MTN") was $206.0m.

In April 2021 Jarden Australia Pty Ltd was appointed as Corporate Advisor to the Company for the purposes of arranging the refinancing of the current SFA ('the refinancing"). A select number of suitable financiers have been approached to provide indicative terms for a new senior finance facility to the Group.

At the date of signing this report, the refinancing has reached an advanced stage and the Directors and management are currently considering indicative terms offered from a short list of potential financiers which include significantly reduced interest rates and costs. Based on the level of interest from potential financiers and the indicative terms being offered, the Directors are confident of executing a new senior finance facility by the end of September 2021.

The current SFA is due to mature on 30 September 2022. Under the terms of the current SFA the Group can rollover the facility if it extends, modifies refinances or replaces the Medium Term Notes ("MTNs") within certain conditions. The key terms of the SFA and MTNs are outlined in note 19.
The Group's ability to meet its ongoing operational and financial obligations is primarily dependent on executing a new senior finance facility to replace the current SFA and the ongoing compliance with the undertakings and financial debt covenants that are in process of negotiation in relation to the new senior finance facility.

The Directors believe that is appropriate to continue to adopt the going concern basis of preparation as the Group is well advanced in refinancing the current SFA and the Directors are confident of executing a new senior finance facility by the end of September 2021 with a significantly lower interest rate, an extended maturity date and with appropriate covenants.

Management have prepared a detailed cash flow forecast ("the detailed cash flow forecast") using the best estimate assumptions and assuming the refinancing does not occur as planned in September 2021 and the SFA is rolled over in September 2022. The Directors have assessed the detailed cash flow forecast based on their expectation of PDP drivers including liquidations, acquisitions, and sales. In making their assessment the Directors have considered the impact of COVID-19 on the Group's performance on Purchased Debt Portfolios ("PDP") acquisitions and the flow-on impact to liquidations. The Directors have also considered the impact of the Group's operational focus on continuing to transition more customers onto payment arrangements.

The current SFA and MTNs contain covenants which are closely linked to the carrying value of the PDPs and are sensitive to the level and timing of PDP acquisitions, liquidations and sales. Under the terms of the current SFA and MTNs, the covenants tighten between the date of this report and the maturity date of the current SFA. The first such tightening occurs in March 2022. Whilst the detailed cash flow forecast prepared by Management using their best estimate assumptions does not indicate any covenant breaches in the fifteen-month period to 30 September 2022, this is highly dependent on the ability of the business to operate in line with the detailed cash flow forecasts and future market conditions which are out of the control of the Group and, as a result, may be subject to change.

If, subsequent to the signing of this report, a breach of a finance covenant or undertaking appeared likely to occur or did occur, the Group has numerous options available to prevent or remedy any such breach under the terms of the SFA, beyond increasing liquidations of PDPs. These include, but are not limited to:

- Obtaining a waiver of any likely breach from the financiers;
- Raising funds through an equity issue; or
- selling non-core assets; or
- selling part of its PDP portfolio.

In the event that a breach of a covenant is not waived by the financiers or remedied through one or a combination of the above options in conjunction with the necessary approval of the majority of financiers, as applicable, an event of default would occur, and the financiers could declare that all or a part of the debt payable under the SFA to be due and payable on demand. In addition, any default under the SFA would cause a cross default under the MTNs.

In the event that the refinancing does not occur as planned in September 2021 and has not been completed by 31 March 2022, the Group's ability to meet its ongoing operational and financial obligations would be primarily dependent on:

i. Achieving the detailed cash flow forecast for the period through to September 2022 which is dependent on achieving the key assumptions in relation to EBITDA, including those in respect of PDP acquisitions, liquidations and sales as well as a significant equity raise in March 2022;
ii. The ongoing compliance with the financial debt covenants and other undertakings under the SFA and MTNs;
iii. The continued support of the current SFA financiers and MTN holders including, if necessary, these financiers waiving any future breach of financial debt covenants and other undertakings; and
iv. Successful refinancing or extension of the SFA on or prior to its initial maturity on 30 September 2022.

The Directors believe it is appropriate to continue to adopt the going concern basis of preparation for the following reasons:

i. Primarily, the Directors expect to complete the refinance of the current SFA by the end of September 2021;
ii. Should the refinance not occur as planned;
   a. the Directors consider that the expected liquidity from forecasted PDP liquidations, PDP sales, and a significant equity raising prior to March 2022 will be adequate to enable the Group to meet its existing covenants, debts and obligations as and when they fall due for the fifteen-month period to 30 September 2022; and
   b. The Directors believe they would be able to secure an extension to the current SFA. To secure the extension the Group would need to extend, modify, refinance or replace the MTNs, which the Directors believe is highly probable for the following reasons:
      - The Group has met all its coupon payments since inception of the MTNs;
      - The Group has historically been able to achieve modifications to the terms and conditions pursuant to the MTNs, most recently in June 2020 which resulted in a maturity extension and an increase in the indebtedness limit of the MTNs; and
      - The Group could offer the MTN financiers a higher coupon rate.

The key assumptions underpinning the Group's cash flow forecasts 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 could impact on the Group's 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.

4. Significant events occurring in the current reporting period

Senior Syndicated Facility Agreement

The Company entered into a syndicated facility agreement ("**SFA**") of $189m in September 2020. As part of the refinancing, the Company repaid $163.4m, comprised of $141.7m principal plus amounts for interest and make whole. Further information about the SFA has been provided in Note 19.

Medium Term Notes

On 10 July 2020, holders of the MTN approved a series of modifications to the terms, subject to completion being achieved under the SFA. This occurred on 16 September 2020. Further information about the MTN has been provided in Note 19.

5. Significant accounting policies

a) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pioneer Credit Limited as at 30 June 2021. 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 do 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.

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 based on 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 based on 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. Trade and other receivables 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 12 month period before 30 June 2021 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) Purchased Debt Portfolios

Refer to Note 15 for detailed accounting policy.

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.

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% - 68%
Furniture, fittings and equipment	15% - 50%
Leasehold improvements	20% - 50%

g) Intangible assets

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits, adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

h) Leases

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.

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.

i) Trade and other payables

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

j) Borrowings

All borrowings are initially recognised at fair value which is usually their principal amount, net of directly attributable transaction costs incurred. After 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.

k) Derivative liabilities

Derivative liabilities are accounted for at fair value through profit or loss. They are presented as current to the extent they are expected to be settled within 12 months after the end of the reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host where some of the cash flows of the combined instrument vary in a way similar to a standalone derivative, causing some or all of the cash flows under the contract to be modified according to a specific financial variable i.e. share price movement. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

l) 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.

m) 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.

Long service leave

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.

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.

n) Contributed equity

Ordinary shares issued are classified as equity.

Where Pioneer Credit 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 as treasury shares. Shares held in Pioneer Credit Limited Equity Incentive Plan Trust are disclosed as treasury shares and deducted from contributed equity.

o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

a) the profit attributable to owners of the Company, excluding any costs of servicing equity other than Ordinary shares; by
b) 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 consider:

- 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.

p) 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.

q) Impairment of assets

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

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

r) 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, receipts of approximately $2.918m have been accounted for as government grants and are presented as a reduction of the related employee costs and not revenue.

s) Foreign Currency translation

Functional and presentation currency

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

6. 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	2021 $'000	2020 $'000
Financial assets			
Cash and cash equivalents	Variable	10,373	11,019
Trade receivables	Variable	855	1,844
Purchased Debt Portfolios	Fixed	249,094	260,047
Financial liabilities			
Trade and other payables (excluding interest payable)	Variable	4,358	5,571
Borrowings – before transaction costs			
Senior financier	Variable	161,092	166,560
Medium term notes	Variable	39,639	39,499
Other loans	Variable	-	233

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 PDP's and receivables 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 expected performance of portfolios with similar characteristics, however ultimately cash flows may differ to these expected.

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.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset, including the risk of compliance with covenants. A breach in covenant could potentially result in financiers calling the debt, if not remedied within the agreed timeframe.

PDP risk is the risk that the Group will be impacted by its ability to acquire new PDP's at sustainable pricing, potentially impacting the future cash flow projections of the Group.

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 based on expected cash flow. Cash flow is forecast on a day-to-day basis to ensure that sufficient funds are available to meet requirements.

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.

	Within 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Carrying amount $'000
At 30 June 2021				
Trade and other payables	4,358	-	-	4,358
Borrowings (incl. interest and make-whole)	425	200,656	-	201,081
	4,783	201,081	-	205,439
At 30 June 2020				
Trade and other payables	5,571	-	-	5,571
Borrowings (incl. interest and make-whole)	207,537	-	-	206,292
	213,108	-	-	211,863

Credit risk management

Credit risk is 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 2021 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.
Given the nature of credit-impaired financial assets, the ultimate cash received may differ to the amount recorded.

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. As a result the ultimate cash received may differ to the amount recorded.

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.

Trade and other receivables	2021 $'000	2020 $'000
Opening loss allowance as at 1 July	97	65
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(29)	32
Loss allowance utilised during the year	-	-
Closing loss allowance at 30 June	68	97

7. 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 PDP's. All significant operating decisions are based upon analysis of the Company as one segment which is reviewed weekly by the KMP (Managing Director, Company Secretary, Chief Operating Officer, and Chief Financial Officer) who is the Chief Operating Decision Maker. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

8. Other income

	2021 $'000	2020 $'000
Fees for services	631	1,042
Interest income	31	46
Other	-	1,045
	662	2,133

9. Finance expenses

	2021 $'000	2020 $'000
Bank fees and borrowing expenses	1,172	7,615
Interest and finance charges for liabilities not at fair value through profit or loss	25,047	25,225
Interest expense on lease liability	480	579
Senior financier make whole	-	5,053
	26,699	38,472

10. Other expenses

	2021 $'000	2020 $'000
Occupancy costs[1]	975	1,348
Administration expenses	1,939	2,173
Travel and entertainment[1]	156	526
Impairment of tangible and intangible assets[1]	142	513
	3,212	4,560

[1] Occupancy costs, Travel and entertainment and Impairment of tangible and intangible assets were disclosed as individual line items in prior year's Statement of profit or loss. These items have been consolidated to Other expenses in the current year.

11. Employee expenses

	2021 $'000	2020 $'000
Wages and salaries	23,027	27,497
Superannuation	1,925	2,303
Change in liabilities for employee benefits	300	62
Share-based payment transactions	3,721	2,408
Other associated personnel expenses	1,661	2,546
	30,634	34,816

12. Income tax

Income tax recognised in profit or loss

	2021 $'000	2020 $'000
Current tax on profits for the year	-	-
Adjustments for current tax and deferred tax of prior periods	-	169
Deferred tax (benefit) expense	2,761	(3,918)
Income tax expense (benefit) expense	2,761	(3,749)
Income tax is attributable to:		
(Loss)/Profit from operations	(16,894)	(43,833)
Deferred income tax expense / (income) included in income tax expense comprises:		
(Decrease)/increase direct to equity	-	(1,369)
Decrease/(increase) in deferred tax assets of prior years	-	(127)
Decrease/(increase) in deferred tax assets	2,761	(2,422)
	2,761	(3,918)

Numerical reconciliation of income tax expense to prima facie tax payable.

	2021 $'000	2020 $'000
(Loss) / profit from operations before income tax expense	(16,894)	(43,833)
Tax at the Australian tax rate of 30.0% (FY19: 30.0%)	(5,067)	(13,150)
Non-deductible entertainment costs	38	59
Non-deductible share based payments	1,116	722
Under / (over) provision for prior year current and deferred taxation	64	42
Employee share scheme	(224)	(69)
Fair value write down of investment	(193)	203
Other non-deductible expenses and assessable income	16	20
Tax losses not recognised as a deferred tax asset	7,011	8,424
Income tax (benefit) / expense	2,761	(3,749)

Deferred tax assets and liabilities

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Employee benefits (annual leave)	364	343
Retirement benefit obligations (superannuation payable)	68	77
	432	420
Other accrued expenses (audit, accounting, payroll tax)	81	2,179
Share issue expenses	-	54
Other temporary differences (formation costs, legal and other professional costs, fixed and intangible timings)	2,100	1,520
Prepayments	(20)	(13)
Provision for impairment (PDPs) through profit or loss	(445)	(1,708)
Provision for impairment (PDPs) through equity	1,369	-
Provision for leases	535	309
Deferred tax assets not recognised	(3,620)	309
	-	2,341
Net deferred tax assets	-	2,761

13. Cash and cash equivalents

a) Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank	10,373	11,019

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

	2021 $'000	2020 $'000
(Loss) Profit for the period	(19,655)	(40,084)
Foreign currency translation	-	63
Other non-cash expenses	(18)	158
Fair value adjustment	(2,262)	1,087
Lease Liability Interest accrual	335	579
Non-cash employee benefits expense	4,255	2,411
Loss on sale of Consumer loan book	-	2,263
Other non-cash items	175	-
Non-cash financing amortisation	-	6,536
Income tax benefit	2,761	-
Depreciation and amortisation	3,783	4,345
Interest	2,312	25,144
Consumer loan interest accrual	-	(258)
Non-cash PDP movement	41,984	47,380
Change in operating assets and liabilities:		
(Increase) / decrease in trade receivables	989	(26)
(Increase) / decrease in deferred tax assets through profit or loss	2,761	(3,918)
Decrease in income tax receivable	-	4,770
Decrease in interest payable	(25,196)	-
Increase in trade payables	149	1,067
Decrease in income tax payable	(581)	-
Increase in accruals and other liabilities	1,007	277
Net cash flow inflow from operating activities before changes in operating assets	12,799	51,794

Non-cash investing and financing activities

	2021 $'000	2020 $'000
Fair value adjustments on financial assets	2,288	(667)
Capitalised syndicate arrangement fee	-	(2,370)
Non-cash financing amortisation	-	(2,363)

14. Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	800	748
Accrued income	55	1,096
	855	1,844

15. Purchased debt portfolios

	2021 $'000	2020 $'000
Current	73,397	87,255
Non-current	175,697	172,792
	249,094	260,047

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 2021 approximates the carrying value measured under amortised cost as the discount rate applied to determine fair value would be similar to the effective interest rate ("EIR").

PDPs are reported in accordance with the rules for purchased or originated credit–impaired assets, that is, at amortised cost applying the EIR with the lifetime expected credit losses incorporated into the calculation of the EIR at inception. This EIR 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 after the assets' initial recognition are recognised as an impairment change (gain or loss).

Cash flow projections are made at the portfolio level, which have an assumed life of 10 to 15 years depending on the level of demonstrated consistency in consumer payment behaviour.

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

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

	2021 $'000	2020 $'000
At beginning of period	260,047	249,776
Debt portfolios acquired	31,030	57,651
Liquidations of PDPs	(94,717)	(100,924)
Interest income accrued	57,020	59,864
Net impairment (loss)/gain	(4,286)	(6,320)
	249,094	260,047

Critical judgement in applying the accounting policy

Classifying PDPs at amortised cost and the use of the EIR method requires the Group to estimate future cash flows from PDPs at purchase date and at each balance sheet date.

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 4% of the carrying value) that have been part of the portfolio for at least 3.5 years, the maximum expected life (and therefore future expected cash flows) is extended based on demonstrated consistency in customer payment behaviour. This extension in the cash flow projection period to a maximum of up to 11.5 years increases the carrying value of the asset by $9.6m.

Estimating the timing and amount of cash flows for both the calculation of EIRs 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, serviced by which financial institution, the quality and depth of information on the customer, if a customer has a scheduled payment arrangement, how much time has elapsed since a payment was made against the accounts, outstanding 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 sale vendors at acquisition and observation of PDP attributes to determine expected cash flow forecasts for the calculation of EIRs. In addition, the Group applies judgement and considers long term expectations of performance informed by historic analysis to ensure the setting of EIRs 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 EIR is determined, it is set for the life of the PDP 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 statistical models incorporating several factors which are formed by customer and account level data, payment arrangement data, and the Group'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 characteristics of each portfolio.

If total forecasted cash flow projections utilised in determining the value of the portfolio were to change by ±5%, the carrying value of PDPs at 30 June 2021 of $249.1m would change by $12.5m in a downside scenario and $12.5m in an upside scenario. If resolution of any uncertainty results in an increase or decrease in carrying value of PDPs, this is recognised in the statement of profit or loss at that point in time as an impairment gain or loss.

The valuation model continues to be enhanced with several changes incorporated since the previous reporting period:

- Further updating and developing the emergence patterns ("EPs") used to forecast cash flows at tranche level to reflect recent performance in recoveries;

- Further redevelopment of the classification model, whereby EPs are assigned based on recoveries, the shape of the recoveries to date and certain tranche characteristics;
- Tranches < 36 Months On Book (“MOB”) underperforming to underwriting, with positive recovery attributes are reverted to underwriting cashflows. Based on the underlying evidence, management believe that the underwriting cashflows are reasonable and aligned to expectations; and
- Improvement in the model governance and internal control framework through increased reporting and transparency, inclusion on the internal audit programme and automated transfer of model output data to a central data warehouse.

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

Recovery methods include implementation and management of payment plans and 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 sold or written off.

Impacts of an Uncertain Macroeconomic Environment

The uncertain macroeconomic environment and its potential impact on the operational performance of the Company has the potential to affect forecast future cash flows and thereby impairment of the carrying value of the PDP portfolio.

Through the past 18 months, the most significant factor affecting the current and future macroeconomic environment has been the COVID global pandemic. The full effects of COVID on the Australian economy were not yet known or quantifiable for much of 2020 and the impacts on specific industries and businesses were expected to vary widely. At 30 June 2021, a level of uncertainty still exists but it is evident that the consensus forecasts for economic indicators have improved significantly for Australia.

The Company’s focus on customer support, the underlying quality of its debt portfolio and the acceleration of a payment arrangement growth strategy are all expected to combine to minimise the adverse impacts on forecast future cash flows in the short term, with the medium to longer-term view being positive with a stronger environment for consumers to pay down debt expected.

The model responds dynamically to changes in the Company’s ability to generate cash flows in line with forecast. Lower performance against the forecast cash flows, which has been observed in the past 6-12 months, flows through to dampen expected cash flows in the forecast. The raw models do not assume a recovery from underperformance in the forecast.

The scenarios modelled at 30 June 2021 considered the potential impacts of a deferral in cashflows over a period of between 6 to 18 months, with varying periods of recovery of those deferred cash flows. Reflecting the increased optimism in the economic outlook, a period of modest economic outperformance is considered over the longer term.

In determining suitable timeframes for modelling these potential impacts, forward-looking economic assumptions were considered. These include forecasts of unemployment rates, CPI, annual wage growth and the RBA cash rate.

The overlay has been determined by considering the key metrics outlined in the following table:

	2021	2022	2023
	%	%	%
Unemployment rate	4.9	4.7	4.5
Headline CPI	1.7	1.8	2.0
Domestic demand growth	6.5	3.7	2.6
RBA cash rate	0.10	0.10	0.10

The company has applied a probability-weighted view capturing various different scenarios which is the generally accepted method of producing a macroeconomic overlay, outlined in the table below. This has resulted in the inclusion of a negative macroeconomic overlay of $1.7m.

	Weighting	Deferred Cashflows	Period of Impact	Recovery Rate	Recovery Period	Future outperformance	Weighted Impact $'000
Low impact scenario	35%	(5%)	6 months	100%	14 months	+6%	8,448
Medium impact scenario	60%	(11%)	10 months	79%	120 months	-	(3,393)
Severe downside scenario	5%	(17%)	18 months	38%	18 months	-	(13,078)

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; 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 downward calibration of the expected future cash flows, resulting in a negative model risk overlay of $2.6m.

Operational Risk:

Operational risk arises where current or expected operational strategies or challenges may affect future cashflows and lead to impairment gains or losses to the PDP carrying value.

The operational overlay is applied to recognise operational issues, challenges, initiatives or strategies that are not considered in the modelling process and are expected to affect future cash flows.

The Group mitigates operational risk through strategies such as:

- Continued focus on creating long term value through creation of payment arrangements and reduced settlements;
- Operational incentive schemes and workflow sequences that are applied consistently over long-term periods; and
- Account manager coaching, training and development that promotes long-term knowledge retention and consistency of approach.

This has resulted in the inclusion of a negative operational overlay of $3.5m.

16. Property, plant and equipment and intangibles

a) 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
At 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
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
2021				
At 1 July 2020				
Opening net book amount	300	207	563	1070
Additions	51	43	8	102
Depreciation charge	(290)	(153)	(376)	(820)
Closing net book amount	59	97	195	351
At 30 June 2021				
Cost	2,965	708	3,485	7,158
Accumulated depreciation	(2,906)	(611)	(3,290)	(6,807)
Net book amount	59	97	195	351

[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.

b) Intangible assets

	Software and licenses $'000	Total $'000
2020		
At 1 July 2019		
Cost	4,900	4,900
Accumulated amortisation	(3,398)	(3,398)
Net book amount	1,502	1,502
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

2021	Software and licenses	Total
At 1 July 2020		
Opening net book amount	932	932
Additions	1,326	1,326
Disposals	(105)	(105)
Impairment charge	(142)	(142)
Amortisation charge	(453)	(453)
Closing net book amount	1,558	1,558
At 30 June 2021		
Cost	6,375	6,375
Accumulated amortisation and impairment	(4,817)	(4,817)
Net book amount	1,558	1,558

Amortisation methods and useful lives

In line with AASB138(118)(a),(b), the Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Patents, trademarks and licences 3-5 years
- IT development and software 3-5 years

The capitalised salaries were recognised as part of the IT development and software intangible assets. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

17. Leases

a) Right of use assets

	$'000
Balance at 1 July 2019 on adoption of AASB 16 Leases	10,135
Leasehold improvements and lease incentive	(179)
Depreciation	(2,516)
Balance at 30 June 2020	7,440
Balance at 1 July 2020	7,440
Leasehold improvements and lease incentive	-
Amortisation	(2,510)
Balance at 30 June 2021	4,930

b) Lease liabilities

	2021 $'000	2020 $'000
Current lease liability	3,060	2,568
Non-current lease liability	3,327	5,722
Total lease liabilities	6,387	8,290

Maturity analysis - undiscounted

	$'000
Lease commitments (principal and interest) at 30 June 2021	
Within one year	3,060
Later than one year but no later than five years	3,327
	6,387

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.

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

18. Other assets

	2021 $'000	2020 $'000
Current		-
Prepayments	818	1,182
Non-current		
Cash backed rental guarantee	2,286	-

19. Borrowings

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Secured						
Senior debt facilities	-	153,571	153,571	140,986	-	140,986
Medium term notes	-	39,575	39,575	39,452	-	39,452
Interest and make-whole payable	425	7,510	7,935	25,621	-	25,621
Other loans	-	-	-	233	-	233
	425	200,656	201,081	206,292	-	206,292

Secured liabilities and assets pledged as security

Security has been pledged over all of 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 $270,318,000 (FY20: $286,929,000).

Senior debt facilities

The SFA comprises:

On 16 September 2020, the Company entered a new SFA providing for the refinancing of its existing SFA. The SFA at initial recognition comprises of;

- $169,000,000 term facility or which $169,000,000 is fully drawn;
- $20,000,000 acquisition facility which remains undrawn, for up to 50% of the value of PDPs ("**Acquisition Facility**"); and
- 15,750,626 zero cost detachable warrants to be issued to the syndicate ("**Warrants**")

The SFA contains the following key 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 internal rate of return ("**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; conditions include;
    - Coupon to be no more than 120% of the coupon of Financial Close; and
    - Term to be at least 6 months after the Initial Maturity Date; and
- Financial covenants to be tested on a quarterly basis from 31 December 2020.
- The financial covenants included are:
    - Senior Leverage Ratio ("SLR") (Debt to Adjusted EBITDA) (net senior secured debt to EBITDA)
    - Interest Cover Ratio ("ICR") (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 SFA requires compliance with various covenants. The minimum SLR is 3.5x (3.0 from September 2022), ICR 2.0x(2.5 from September 2022), Senior LBV of 65% (60% from March 2022) and Total LBV of 80% (75% from March 2022).

Due to the inclusion of the top-up fee to achieve an IRR of 14.5%, a potential liability may exist in the future. As at the reporting date, no liability exists.

The IRR top up is feature is an embedded derivative and has been accounted for separately from the host debt facility and is accounted for at fair value through profit or loss.

As such, the IRR fee has not been recognised as this will be re-assessed at each reporting period to determine if a financial liability is to be recognised.

The Warrants have a nil exercise price, are detachable and expire 4 years from 23 September 2020. The Warrants were issued in two tranches to the syndicate as follows:

- 9,509,737 Warrants issued immediately; and

- 6,240,889 Warrants issued following Shareholder approval at the Group's AGM on 19 November 2020.

The Warrants are separately recognised as a derivative and classified as equity and presented in a separate reserve because they can be converted into a fixed number of Ordinary shares. A summary of the movement on Warrants in the period and the closing balance of the Warrant reserve are outlined below:

	Number	$'000
Opening balance 1 July 2020	-	-
Issued	15,750,626	7,485
Exercised and converted	(4,604,585)	(2,025)
Closing balance 30 June 2021	11,146,041	5,460

Medium Term Notes

On 10 July 2020, noteholders approved a series of modifications to the MTN, subject to completion being achieved under the SFA. This occurred on 16 September 2020.

- 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 received a consent fee of 0.5% of the outstanding principal amount of each MTN held if they voted in favour of the changes.

The MTN includes financial undertakings in relation to Total LBV (82.5%) that are less restrictive than the SFA undertakings and tighten in line with tightening in Total LBV under the SFA in March 2022 (77.5%).

The modifications on the notes were not substantial modifications and did not resulting in derecognition of the original facility liability. The original amortisation schedule was compared to the updated schedule post modification with the variance value of <1% considered immaterial.

Fair value

For all 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 2020 $'000	Cash flow $'000	Other non-cash flow[1] $'000	Closing Balance at 30 June 2021 $'000
Borrowings	206,292	(23,544)	18,333	201,081
Lease liabilities	8,290	(2,238)	335	6,387
	214,582	(25,782)	18,668	207,468

	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

1 Other Non-cash flow items include the effective interest charge determined in accordance with AASB 9.

20. Trade and other payables and liabilities

	2021 $'000	2020 $'000
Trade and other payables	4,034	2,849
Other liabilities[1]	524	2,722
	4,558	5,571

1 In prior year categorised as "Accruals and other liabilities".

21. Provisions

	2021 $'000	2020 $'000
Current		
Lease make good	-	35
Salaries and wages accrued[1]	909	232
Provision for long service leave	241	450
Provision for annual leave[1]	1,214	1,145
Share based payments	63	36
	2,427	1,898
Non-current		
Lease make good	411	483
Provision for long service leave	559	313
Share based payments	226	123
	1,196	919

[1] In prior year categorised as "Accruals and other liabilities"

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.

An agreement with former employees where unvested performance rights will be cash settled in line with future vesting dates under the original long term incentive plan. These liabilities will be Fair Valued at each reporting date and prior to each repayment date.

22. Events occurring after the reporting period

On 13 August 2021 a legal matter between a software services provider and the Company was settled via mediation for the amount of $225,000. The matter is an adjusting subsequent event and has been recognised in the financial report.

23. Financial Instruments

The Group has the following financial instruments

As at 30 June 2021

	Measurement	Current $'000	Non-current $'000	Total $'000
Financial assets				
Cash and cash equivalents	Amortised cost	10,373	-	10,373
Trade receivables	Amortised cost	855	-	855
Purchased Debt Portfolios	Amortised cost	73,397	175,697	249,094
Other assets	Amortised cost	-	2,286	2,286
		84,625	175,697	262,608
Financial liabilities				
Trade and other payables	Amortised cost	4,358	-	4,358
Borrowings	Amortised cost	-	201,081	201,081
		4,358	201,081	205,439

As at 30 June 2020

	Measurement	Current $'000	Non-current $'000	Total $'000
Financial assets				
Cash and cash equivalents	Amortised cost	11,019	-	11,019
Trade receivables	Amortised cost	1,844	-	1,844
Purchased Debt Portfolios	Amortised cost	87,255	172,792	260,047
		100,118	172,792	272,910
Financial liabilities				
Trade and other payables	Amortised cost	5,571	-	5,571
Borrowings	Amortised cost	206,292	-	206,292
		211,863	-	211,863

Classification as trade and other receivables

Trade receivables are amounts due for services performed in the ordinary course of business. 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. All trade receivables are expected to be recovered in one year or less hence have been classified as current.

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 most of the non-current receivables and payables, the fair values are also not significantly different to their carrying amounts.

24. Equity

Contributed equity

Share capital

	2021 Shares	2021 $'000	2020 Shares	2020 $'000
Ordinary shares – fully paid excluding treasury shares	66,277,190	81,755	62,878,293	80,049

Movement

	Number of shares	$'000
2020		
Opening balance 1 July 2019	62,370,655	78,131
Employee share scheme	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

2021		
Opening balance 1 July 2020	62,878,293	80,049
Treasury shares acquired	(1,507,688)	(745)
Treasury shares issued to employees	302,000	426
Exercise of warrants	4,604,585	2,025
Closing balance 30 June 2021	62,277,190	81,755

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
2021		
Opening balance 1 July 2020	519,956	1,934
Treasury shares issued to employees	(302,000)	(426)
Treasury shares acquired during the period	1,507,688	745
Closing balance 30 June 2021	1,725,644	2,253

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

During the period 8,000,000 options were issued and at 30 June 2021 these remain outstanding. No options were exercised or had expired during the period.

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 reporting period.

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.

	2021 $'000	2020 $'000
At 1 July		
Opening balance	3,870	4,032
Share based payments and Executive share plan [1]	3,332	1,106
Treasury shares loan repayments	(362)	-
Performance rights issued	(426)	(1,268)
At 30 June	6,414	3,870

[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.*

Warrant reserve

The following table shows a breakdown of the Statement of Changes in Equity line item Warrant Reserve and the movements in this reserve during the reporting period.

	2021 $'000	2020 $'000
At 1 July		
Opening balance	-	-
Warrants issued	7,485	-
Warrants converted	(2,025)	-
At 30 June	5,460	-

25. Capital management

The Group's objectives when setting a capital management plan are to:

- ensure that the Group will be able to continue as a going concern whilst maximising the return to shareholders through an optimal mix of debt and equity
- Focus on reducing the current cost of capital and returning to profitability
- identify the gearing levels based on the Company's risk appetite; and maximise the return on invested capital ensuring that all capital invested or reinvested to achieve internal return hurdles

Although the Group is not subject to any externally imposed regulatory requirement with respect to its capital position, it maintains a focus on reducing current gearing levels 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 Company's focus is currently on refinancing its current SFA with an aim of reducing the currently cost of funds. The Company are advanced in discussions with potential lenders and the Board are confident of executing a transaction. The transaction will allow the Company to reassess its capital management plan focussing on increasing performance, PDP growth, appreciating the asset base and determining the optimal gearing position and mix of debt and equity.

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, PDPs are funded from free 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 2021 are set out in Note 19.

Dividends

No dividends were declared or paid during the financial year. No dividends have been declared after the financial year end.

Franking Account

The balance of the franking account at year end is, on a tax rate of 30.0%, $5.8m (FY20: $6.5m).

26. Group structure

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity		Country of incorporation	Class of shares	Equity holding % 2021	Equity holding % 2020
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 2021.*
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 2021.*
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 2021.*

27. Parent entity financial information

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

	2021 $'000	2020 $'000
Balance Sheet		
Current assets	1,799	1,844
Total assets	246,499	251,270
Current liabilities	7,079	212,677
Total liabilities	211,502	219,318
Shareholder equity		
Issued capital	82,075	80,370
Share based payment reserve	10,181	2,177
Accumulated (losses) / profits	(57,259)	(50,595)
	34,997	31,952
Profit for the year		
Total comprehensive (loss) / income	(54,231)	(55,629)

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 2021 and are outlined in note 29.

28. 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 26.

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 2021:

c) 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
d) Pioneer Credit Acquisition Services (UK) Limited has assets of $6 and no liabilities. The UK entity generates no revenue.

29. Contingencies

The Group had no contingent liabilities at 30 June 2021.

30. Commitments

Service Contract

The Group has services contracts for the operation of its Philippines facility that ends in February 2024, a telecommunications contract that ends in October 2021 and a payroll services agreement that ends in May 2024. The minimum contractual commitments resulting from these agreements are outlined below.

	2021 $'000	2020 $'000
Commitments for minimum service payments in relation to non-cancellable contracts are payable as follows:		
Within one year	3,438	732
Later than one year but not later than five years	5,293	155
	8,731	887

31. Related party transactions

Key Management Personnel

	2021 $	2020 $
Short-term employee benefits[1]	2,444,227	2,328,379
Post-employment benefits[2]	166,786	733,349
Other long-term benefits[3]	141,239	76,145
Other [4]	450,000	-
Termination benefits	12,308	-
Options	2,573,733	-
Share-based payments	780,190	1,115,805
	6,568,483	4,253,678

[1]Short-term benefits includes salary and fees, non-monetary benefits and other short-term benefits as per *Corporation Regulation 2M.3.03(1) Item 6*
[2]Includes superannuation guarantee
[3]Includes annual and long service leave
[4] Represents ex-gratia payments in recognition of past performance

Transactions with other related parties

	2021 $	2020 $
Net rental expenses and other services:		
Entities owned or controlled by KMP	51,922	75,504
Superannuation contributions:		
Contributions to superannuation funds on behalf of Directors	64,487	68,466
Other transactions:		
Remuneration paid to Directors of the ultimate Australian parent entity	1,635,179	1,867,695

Loans from related parties

The loans comprise participation in the MTN issue and SFA by entities of which Mr K John is a director and shareholder of, all of which has occurred on an arm's length basis.

Medium term notes

	2021 $	2020 $
Loans from key management personnel		
Beginning of the year	500,000	500,000
Interest charged	33,999	30,522
Interest paid	(33,999)	(30,522)
Consent fee charged	2,500	-
Consent fee paid	(2,500)	(30,522)
End of year	500,000	500,000

Syndicate facility agreement (SFA)

	2021 $	2020 $
Loans from key management personnel:		
Beginning of the year	-	-
SFA - Tranche B drawdown	1,100,000	-
SFA - upfront, guarantee and facility fees charged	186,660	
SFA - upfront, guarantee and facility fees paid	(186,660)	
Warrants issued	70,128	
Warrant exercised	(70,128)	-
Interest charged	144,750	
Interest paid	(144,750)	
End of year	1,100,000	-

32. Share-based payments

Employee share scheme

No shares were issued under an Employee share scheme during the reporting period.

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 23 September 2020, 3,250,000 performance rights were granted to executives and senior leadership 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 Right and assumptions used to determine fair value

	2021
Grant date	23-Sep-20
Fair value at grant date	$0.0738
Share price at grant date	$0.285
Expiration period - years	4.00
Dividend yield	Nil
Vesting date	23 Sept 24
Barrier Price	$1.00
Exercise price	Nil

Summary of Rights Granted

	2021 Number of rights	2020 Number of rights
Equity settled rights issued during the year	3,250,000	570,000
Unvested Rights at the end of the period	4,118,000	2,020,000

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 acquired 1,257,688 shares during the financial year and paid $745,000. As at 30 June 2021 the Trust held 1,325,644 shares (2020: 119,956).

33. Earnings / (Loss) per share

Basic earnings / (loss) per share

	2021 Cents	2020 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(30.43)	(63.36)
Total basic earnings / (loss) per share attributable to the ordinary equity holders of the Company	(30.43)	(63.36)

Diluted earnings / (loss) per share

	2021 Cents	2020 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(30.43)	(63.36)
Total diluted earnings / (loss) per share attributable to the ordinary equity holders of the Company	(30.43)	(63.36)

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

	2021 $'000	2020 $'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	(19,655)	(40,084)
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	(19,655)	(40,084)

Weighted average number of shares used as the denominator

	2021 Number	2020 Number
Weighted average number of Ordinary shares used as the denominator in calculating basic earnings / (loss) per share	64,596,792	63,268,250
Weighted average number of ordinary and potential shares used as the denominator in calculating diluted earnings per share	64,596,792	63,268,250

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.

34. 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:

	2021 $	2020 $
Deloitte		
Audit and review of financial reports	460,405	610,732
Statutory assurance services required by legislation to be provided by the auditor	23,100	
Other services	165,000	118,272
Total remuneration of Deloitte Australia	648,505	729,004
PricewaterhouseCoopers Australia		
Audit and review of financial reports	-	121,267
Total remuneration of PricewaterhouseCoopers Australia	-	121,267
Network firms of PricewaterhouseCoopers Australia		
Other compliance and accounting advice	-	28,527
Total remuneration of Network firms of PricewaterhouseCoopers Australia		28,527
	648,505	878,798

Amounts are inclusive of GST and expense reimbursement.

Directors Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 35 to 80 are in accordance with the *Corporations Act 2001*, including:

   a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 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 26 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 28.

Note 2 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
31 August 2021

Deloitte.

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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 2021, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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.

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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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Liquidity As at 30 June 2021, the Group has a positive working capital of $75.0m. As disclosed in note 3, the Senior Facility Agreement ("SFA") matures on 30 September 2022 and can be automatically rolled over at this date if the Medium Term Notes ("MTNs") are refinanced on specified terms. The refinancing of the SFA has reached an advanced stage and the Group expects to execute a new senior finance facility by the end of September 2021. Notwithstanding, the Group continues to closely monitor its current financing arrangements and ongoing liquidity to ensure they can meet their undertakings and commitments as and when they fall due. These matters are disclosed in Notes 3, 6 and 19 to the financial statements The achievement of the refinancing and the cash flow forecasts are inherently uncertain, and our audit procedures have focused on these areas.	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 2022; ● Assessing management's ability to conclude the refinancing of the SFA, in particular: - Holding discussions with the Group's Corporate Advisor, in conjunction with our debt advisory specialists to: ▪ develop an understanding of the status of the refinance process, shortlisted financiers and expected timelines; and ▪ evaluate the indicative terms being offered by short listed financiers. - Inspecting relevant communications from the Corporate Advisors concerning the refinance, including the most recent indicative terms, up to the date of signing our opinion. ● 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; - Comparing forecasted liquidations to historic levels for consistency; - Assessing actual liquidations after year end against forecast liquidations; - Comparing the forecasted portfolio acquisitions to historic levels as well as actual acquisitions subsequent to year end; - Comparing forecasted employee benefits and other operating costs to historic levels for consistency; and - Inspecting available evidence including recent market activity, industry reports and direct discussions with a secondary debt broker, to challenge management's ability to conclude PDP sales; and - Inspecting available evidence including discussions with the Company's equity placement advisors, to challenge management's ability to perform an equity raise prior to March 2022. ● Reading and understanding the key terms of the SFA and the MTN and: - Evaluating the financing costs included in the cashflow model against the terms and conditions included in the SFA and MTN;

Deloitte.

	- Evaluating the covenant calculations for consistency with the definitions in the SFA and MTN; - Assessing the forecasted covenant calculations over the period to September 2022, including applying sensitives to PDP, liquidations, acquisitions and sales to identify reasonably possible potential breaches; - Inspecting available evidence, including through direct discussions with a key syndicate financier in conjunction with our debt advisory specialist, to challenge the likelihood of a refinance of the SFA before their maturity in September 2022, should the SFA not be refinanced as planned in September 2021; and - Inspecting available evidence, including through direct discussions with a key syndicate financier in conjunction with our debt advisory specialist, to challenge the refinance of the Medium Term Notes to effect an automatic roll over of the SFA in September 2022, should the SFA not be refinanced as planned in September 2021. We also assessed the appropriateness of the disclosures in the Going Concern Note 3 to the financial statements.
Measurement of purchased debt portfolios (PDPs) As set out in Note 15 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.	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; ● Testing the operating effectiveness of selected controls in relation to the PDP input data and models; and ● 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-calculated the mathematical accuracy of calculations in the within 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;

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- estimating the impact of the macro-economic outlook on forecast cash flows requires considerable 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.

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- 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 applied on historic PDPs in accordance with AASB 9, and
  - performing sensitivity analysis and challenging management on cash flow forecast assumptions having a significant impact on model outputs such as liquidations.

Model outputs

- Testing the reasonableness of PDP interest income and impairment gains/losses calculated by management's models;
- 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 and operational risk overlays.

We also assessed the appropriateness of the disclosures in the financial statements.

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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 2021, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

Deloitte.

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 27 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Pioneer Credit Limited, for the year ended 30 June 2021, 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, 31 August 2021

Shareholder information

The shareholder information set out below was applicable as at 23 August 2021.

Distribution of securities

Analysis of numbers of equity security holders by size of holding

Holding	Holders	Ordinary shares
1 – 1,000	575	248,263
1,001 – 5,000	672	1,922,880
5,001 – 10,000	326	2,541,930
10,001 – 100,000	672	18,786,123
100,001 and over	575	47,901,733
	2,248	71,400,929

There were 524 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	% of issued shares
Mr Keith R John	6,492,461	9.09
Citicorp Nominees Pty Ltd	3,427,123	4.80
HSBC Custody Nominees (Australia) Limited	2,608,028	3.65
Mrs Lilian Jeanette Warmbrand	1,739,217	2.44
Pacific Custodians Pty Ltd <PNC Employee Sub-Register>	1,655,377	2.32
Ms Elif Ceren Gunes	1,400,000	1.96
Jamplat Pty Ltd	1,040,000	1.46
ZLT Investment Co Pty Ltd	1,000,000	1.40
NSR Investments Pty Ltd	1,000,000	1.40
Quinta Investment Management Pty Ltd	833,367	1.17
BNP Paribas Nominees Pty Ltd	810,916	1.14
BFA Super Pty Ltd	801,313	1.12
Melbykram Pty Ltd	735,000	1.03
Pacific Custodians Pty Ltd <PNC EIP Trust>	695,144	0.97
Mr Sunny Yang & Mrs Connie Yang	691,942	0.97
Project Nottingham LP	683,360	0.96
Mr Shang-Xian Wu & Mrs Xiu-Rong Pan	670,000	0.94
Mr Allan Hart	610,650	0.86
Debuscey Pty Ltd	600,000	0.84
Jetan Pty Ltd	500,000	0.70

Unquoted equity securities

	Indeterminate rights	
Name	Number held	Number of holders
Mr Keith R John	875,000	1

	Performance rights	
Name	Number held	Number of holders
Employee Incentive Plan	3,243,000	8

	Options	
Name	Number held	Number of holders
Mr Keith R John	8,000,000	1

Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage of issued shares
Mr Keith R John	6,492,461	9.1%

Securities subject to voluntary escrow

Escrow ends	Class	Number of shares
30 November 2021	Ordinary Shares	24,962
14 August 2022	Ordinary Shares	46,592
1 July 2024	Ordinary Shares	250,000

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.