

**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD  
CONSOLIDATED FINANCIAL STATEMENTS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2011**

## Independent Auditor's Report

To the Members of  
Pioneer Credit Management Services Pty Ltd

Bentleys Audit & Corporate  
(WA) Pty Ltd

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We have audited the accompanying financial report, being a special purpose financial report of Pioneer Credit Management Services Pty Ltd ("the Company") and Controlled Entities ("the Group"), which comprises the balance sheet as at 30 June 2011, the profit and loss statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report, and have determined that the accounting policies described in Note 1 of the financial report are appropriate to meet the requirements of the Company's constitution and the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Except to the extent disclosed in the following qualification paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

# Independent Auditor's Report

To the Members of Pioneer Credit Management Services Pty Ltd *(Continued)*



## Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

## Basis for Qualified Auditor's Opinion

### Opening Balances

We were appointed as auditors of the Group on 25 January 2012. The Group has not been audited in previous periods. We have been unable to obtain documentation supporting the opening balances and were unable to satisfy ourselves by alternative means concerning opening balances at 1 July 2010. Accordingly, we were unable to determine whether adjustments might have been necessary in respect to opening balances.

### Carrying Value of Goodwill and Asset Revaluation Reserve

We draw attention to the balance sheet which forms parts of the financial statements. The Group has amounts of \$3,230,718 recorded as an Intangible Asset – Goodwill and an Asset Revaluation Reserve. There is uncertainty in regard to the reasonableness of the carrying value of intangibles as this amount has been internally generated. The amount was recorded for tax purposes and we have not been provided with relevant documentation to support its value under accounting standards. As a result, we were unable to determine whether any adjustments might have been found necessary in respect to intangible assets, and elements making up the income statement.

## Qualified Opinion

In our opinion, except for the matters included in the preceding paragraphs, the financial report presents fairly, in all material respects the financial position of Pioneer Credit Management Services Pty Ltd and Controlled Entities as at 30 June 2011 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 of the financial report.

## Emphasis of Matter

Without modifying our opinion expressed above, we draw attention to Note 1 of the financial statements; the accounts have been prepared on the going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss of \$556,098 for the year ended 30 June 2011 (2010: \$120,074).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon successfully raising sufficient working capital and the continued support of its shareholders and financial institution.

## Independent Auditor's Report

To the Members of Pioneer Credit Management Services Pty Ltd (Continued)



The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Directors have an appropriate strategy to generate funds the Group's operations; and
- The Directors have an appropriate alternative strategy if additional funding is unavailable.

Should the Group not be successful in its above initiatives, it may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

As a result of these matters, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business, as described above. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the Company's constitution. As a result, the financial report may not be suitable for another purpose.

**BENTLEYS**  
Chartered Accountants

**CHRIS WATTS CA**  
Director

DATED at PERTH this 7<sup>th</sup> day of March 2012

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

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To The Board of Directors

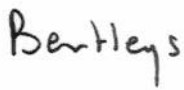
**Auditor's Independence Declaration  
under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our audit of the financial report of Pioneer Credit Management Services Pty Ltd for the year ended 30 June 2011 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**CHRIS WATTS CA**  
Director

DATED at PERTH this 7<sup>th</sup> day of March 2012

**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>SALES</b>			
Consulting Fees		157,091	247,761
Debt Income		4,094,290	520,522
Legal Fees - Court		137,113	140,448
Legal Fees - Professional		97,933	196,341
Interest Income - Collections		125,338	110,411
Commissions Received		931,723	1,629,361
		5,543,488	2,844,844
<b>LESS: DIRECT COSTS</b>			
Bailiff Fees		15,055	12,557
Process Serving Fees		33,682	31,924
Search Fees		184,946	85,104
Court Filing Costs		140,084	156,881
Professional Legal Costs		83,413	25,829
Service Fees - Sphere Legal Pty Ltd		-	43,500
Other Direct Costs		817	18,974
Bank & Merchant Fees		4,836	38,676
		462,833	413,445
<b>GROSS PROFIT FROM TRADING</b>		5,080,655	2,431,399
<b>OTHER INCOME</b>			
Interest Received		86,987	12,893
Rebates		43,917	-
Other Income		-	149
		130,904	13,042
		5,211,559	2,444,441

The accompanying notes form part of these financial statements.  
These statements should be read in conjunction with the attached compilation  
report of Parkinson Chartered Accountants.

**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>EXPENSES</b>			
Accountancy Fees		11,000	3,680
Advertising		4,416	14,926
Amortisation	2	1,805,968	81,042
Bad Debts Written Off		-	5,258
Bank Charges		40,251	4,320
Borrowing Costs		210	210
Cleaning		15,164	7,150
Courier Fees		3,171	1,723
Computer Expenses		54,024	58,241
Debt Collection		731	928
Depreciation		73,629	47,899
Directors' Fees		35,000	5,833
Donations		112	-
Electricity		22,466	15,352
Entertainment Expenses		58,435	43,731
Fees & Permits		3,728	1,844
Filing Fees		1,654	1,569
Fines & Penalties		3,080	790
General Expenses		45	1,134
Hire of Plant & Equipment		5,391	5,271
Insurance		57,392	26,858
Interest Paid		311,405	66,883
Internet Expenses		17,382	13,692
Legal Costs		50,764	42,374
Motor Vehicle Expenses		3,783	2,887
Parking Fees		1,445	996
Payroll Tax		84,511	43,917
Postage		46,497	56,543
Printing & Stationery		37,243	33,904
Professional Fees		108,458	1,597
Rates & Taxes		12,329	11,530
Rent		254,711	178,866
Repairs & Maintenance		40,913	7,459
Security Costs		3,418	1,714
Staff Training & Welfare		37,024	32,244
Subscriptions		10,720	6,329
Superannuation Contributions		182,899	124,748

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**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
Telephone		97,366	94,850
Travelling Expenses		98,761	81,002
Uniforms		3,536	-
Wages		2,168,625	1,484,106
Extraordinary Items	3	-	(48,885)
		<u>5,767,657</u>	<u>2,564,515</u>
<b>Loss before income tax</b>		<u>(556,098)</u>	<u>(120,074)</u>

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**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Loss</b>		(556,098)	(120,074)
Accumulated losses at the beginning of the financial year		(128,150)	(8,076)
<b>Total available for appropriation</b>		(684,248)	(128,150)
<b>Accumulated losses at the end of the financial year</b>		(684,248)	(128,150)

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**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**AS AT 30 JUNE 2011**

Note	2011 \$	2010 \$
<b>SHARE CAPITAL AND RESERVES</b>		
2,999,900 Fully Paid Ordinary Shares	13,790	13,790
3,000,100 Fully Paid Ordinary Shares	3,000,100	3,000,100
	3,013,890	3,013,890
Asset Revaluation Reserve	3,230,718	3,230,718
Accumulated losses	(684,248)	(128,150)
<b>TOTAL SHARE CAPITAL AND RESERVES</b>	<b>5,560,360</b>	<b>6,116,458</b>

Represented by:

**CURRENT ASSETS**

Cash on Hand	100	100
Deposits	660	-
Petty Cash Imprest	300	-
Cash at Bank - Westpac 29-0781	-	109,718
Cash at Bank - Bankwest 25-9756	657,927	2,512,337
Cash at Bank - Westpac 31-4602	442,053	176,549
Cash at Bank - Westpac 21-7204	3,401	3,928
Cash at Bank - Westpac 29-0773 (Trust Account)	531,052	359,173
Sundry Debtors	26,520	63,779
Trade Debtors	372,987	406,122
Prepayments	50,151	32,667
Prepaid Borrowing Expenses	630	840
<b>TOTAL CURRENT ASSETS</b>	<b>2,085,781</b>	<b>3,665,213</b>

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**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>NON CURRENT ASSETS</b>			
<b>Trade and Other Receivables</b>			
Loans to Directors		-	85,164
		-	85,164
<b>Financial Assets</b>			
Purchased Debt Ledgers	4	8,400,963	2,556,982
		8,400,963	2,556,982
<b>Fixed Assets</b>			
Plant & Equipment		228,710	116,572
Less: Accumulated Depreciation		(94,223)	(43,395)
		134,487	73,177
Motor Vehicles		40,572	40,572
Less: Accumulated Depreciation		(17,766)	(10,164)
		22,806	30,408
Furniture & Fittings		35,434	2,120
Less: Accumulated Depreciation		(3,490)	(56)
		31,944	2,064
Low Value Pool - Australian Taxation		13,996	2,182
<b>Total Fixed Assets</b>		203,233	107,831
<b>Intangible Assets</b>			
Formation Expenses		2,622	3,932
Goodwill	5	3,230,718	3,230,718
Blackhole Expenditure		119,061	108,168
Less: Accumulated Amortisation		(45,446)	(21,634)
		3,306,955	3,321,184
<b>TOTAL NON CURRENT ASSETS</b>		11,911,151	6,071,161
<b>TOTAL ASSETS</b>		13,996,932	9,736,374

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**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>CURRENT LIABILITIES</b>			
Trust Account Liability		531,052	359,173
Chattel Mortgage Liability		25,601	33,702
Less: Unexpired Interest Charges		(1,691)	(3,875)
Customer Deposits		6,546	-
Accrued Payroll Liability		92,788	60,703
Payroll Tax Liability		8,397	2,591
Sundry Creditors		1,629	675
Trade Creditors		1,395,350	59,629
PAYG Withholding Payable		39,607	84,795
Superannuation Payable		62,414	38,385
Accrued Director's Fees		8,750	5,833
Accrued Interest Payable		330,780	34,959
Credit Cards		320	4,150
Insurance Premium Funding		27,521	22,510
Loan - Prefumo Family Trust		669	29
Bank Overdraft		53,439	-
GST Payable	6	11,477	58,756
Provision for Annual Leave		89,640	57,374
Provision for Income Tax	7	19,619	50,527
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,703,908</u>	<u>869,916</u>
<b>NON CURRENT LIABILITIES</b>			
Loans from Directors		194,813	-
2,750,000 Convertible Redeemable Preference Shares		2,750,000	2,750,000
2,787,851 Convertible Redeemable Preference "B" Shares		2,787,851	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>5,732,664</u>	<u>2,750,000</u>
<b>TOTAL LIABILITIES</b>		<u>8,436,572</u>	<u>3,619,916</u>
<b>NET ASSETS</b>		<u>5,560,360</u>	<u>6,116,458</u>

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report of Parkinson Chartered Accountants.

**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$	2010 \$
<b>1 Statement of Significant Accounting Policies</b>		
<p>This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity.</p> <p>The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.</p> <p>Amortisation of Purchased Debt Ledgers (PDLs) has been calculated on an emerging profits basis in accordance with ATO ID 2008/39.</p>		
<b>2 Amortisation</b>		
Purchased Debt Ledgers	1,013,123	81,042
Allocable Cost Amount	767,722	-
Formation Costs	1,311	-
Blackhole Expenditure	23,812	-
	<u>1,805,968</u>	<u>81,042</u>
<b>3 Extraordinary Items</b>		
Current Year Non-Membership Earnings of Subsidiaries	-	(48,885)
	<u>-</u>	<u>(48,885)</u>
<b>4 Purchased Debt Ledgers</b>		
Purchased Debt Ledgers at Cost	9,246,078	1,866,043
Less: Accumulated Amortisation (PDL)	(1,793,393)	(1,025,061)
Allocable Cost Amount Adjustment	1,716,000	1,716,000
Less: Accumulated Amortisation (ACA)	(767,722)	-
	<u>8,400,963</u>	<u>2,556,982</u>
<b>5 Goodwill</b>		
Goodwill (at directors valuation 18/03/2010)	4,946,718	4,946,718
Allocable Cost Amount Adjustment	(1,716,000)	(1,716,000)
	<u>3,230,718</u>	<u>3,230,718</u>
<b>6 GST Payable</b>		
GST Payable	432	58,655
Permanent Adjustments	10,826	(7,144)
Prior Year Adjustments	219	7,245
	<u>11,477</u>	<u>58,756</u>

**PIONEER CREDIT MANAGEMENT SERVICES PTY LTD**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$	2010 \$
<b>7 Provision for Income Tax</b>		
Provision for Income Tax - 2009 (PCAS)	24,826	50,527
Provision for Income Tax - 2010 (PCMS)	(5,274)	-
Provision for Income Tax - Sphere (2010)	67	-
	<u>19,619</u>	<u>50,527</u>

**COMPILATION REPORT  
TO PIONEER CREDIT MANAGEMENT SERVICES PTY LTD  
CONSOLIDATED FINANCIAL STATEMENTS**

**Scope**

On the basis of information provided by the directors of PIONEER CREDIT MANAGEMENT SERVICES PTY LTD, we have compiled in accordance with APS 9: Statement on Compilation of Financial Reports the special purpose financial report of PIONEER CREDIT MANAGEMENT SERVICES PTY LTD for the year ended 30 June 2011 as set out on pages 1 to 9.

The specific purpose for which the special purpose financial report has been prepared is set out in Note 1. The extent to which Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Note 1.

The directors are solely responsible for the information contained in the special purpose financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of PIONEER CREDIT MANAGEMENT SERVICES PTY LTD's constitution and are appropriate to meet the needs of the directors and members of the company.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the directors provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared for the benefit of the directors and members of PIONEER CREDIT MANAGEMENT SERVICES PTY LTD and the purpose identified above. We do not accept responsibility to any other person for the contents of the special purpose financial report.

**Parkinson & Co Pty Ltd**

Chartered Accountants  
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